

Research Report

Special Conference 2

Establishing globally accepted guidelines to encourage corporate social responsibility (CSR)s

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Forum	Special Conference 2
Issue:	Establishing globally accepted guidelines to encourage corporate social responsibility (CSR)s
Student Officer:	Matthijs Kosicki
Position:	President

Introduction

Corporate Social Responsibility (CSR) is gaining more and more importance in today's business world. The reputation of a company is directly related to the social responsibility companies take. Many consumers buy, or don't buy products because of the way corporations treat their employees, whether they use the environmental resources sustainably and if they produce their products socially and ecologically responsibly.

This is a very good thing. Companies should not be able to exploit their employees without the reaction of their consumers. They should not be able to pollute the environment just to save some money. This development ensures that companies start to act responsibly in their corporate activities, not only on the market, but also for the environment and on the workplace.

With globally accepted guidelines, Corporate Social Responsibility could be encouraged even more.

In this research report, I will elaborate more on what CSR really is and why global accepted guidelines are needed.

Definition of Key Terms

Corporate Social Responsibility:

The term Corporate Social Responsibility (CSR) describes companies, organisations or other institutions who voluntarily take more social responsibility than legally required. The next obvious question could be: When is a company taking more social responsibility?

The German Federal Ministry of Labour and Social Affairs has compiled a list of important corporate social responsible "actions":

"Companies perceive social responsibility, in particular by:



- *The fair treatment of employees (promotion and participation)*
- *The efficient and careful use of recourses*
- *The socially and ecologically responsible production*
- *Working conditions should be in accordance with the Human Rights and the ILO Labour standards, they should be enforced internationally*
- *Making a positive contribution to society*
- *Investing more in education*
- *Promoting cultural diversity and tolerance within the company*
- *Ensuring fair competition*
- *Promoting measures to prevent corruption*
- *Transparency regarding the management of the corporation*
- *Respecting consumer rights and consumer interests”¹*

Stakeholder:

The stakeholders are individuals or institutions who are affected by, or have a legitimate interest in the actions of a company. The corporations relate internal and external stakeholders in their CSR activities.

Intern stakeholders can be employees, managers, owners etc. and extern stakeholders can be governmental institutions, customers, society, environmental organisations, suppliers etc.

General Overview

History:²

The idea of “corporate social responsibility” already existed ages ago. Since the 12th Century, in Europe the “model of the respectable merchant” is taught to merchants in merchant manuals. Its origins are found in medieval Italy and in the northern German cities of the Hanseatic League.

The first respectable merchants of the middle ages appeared first in Italy. Their respectability depended on their practical skills (e.g. literacy, numeracy, languages, profit ...) which explained their success, and on their character traits and behaviour (e.g. trust, courtesy, tolerance, wisdom, promotion of culture...) which were intended

¹ http://www.csr-in-deutschland.de/portal/generator/8276/property=data/2009_04_28_zweites_csr_forum_anlage.pdf

² Based on „Corporate Social Responsibility. Möglichkeiten zur Unterstützung durch die deutsche EZ“, Chapter 1.1, by Lucia de Carlo, [http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/\(ynDK_contentByKey\)/ENTR-7C3JDA/\\$FILE/Corporate%20Social%20Responsibility.pdf](http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/(ynDK_contentByKey)/ENTR-7C3JDA/$FILE/Corporate%20Social%20Responsibility.pdf)



to promote the long-term business success while keeping the social peace of their city maintained. This trend went on in the early modern period and the modern period.

In the 1930s the US Jurisprudence discussed the question, whether managers should only be committed to the owners of their company or whether their role also forced them to be socially responsible. Throughout the years the discussion became larger. But because of different developments in the last third of the twentieth century, the discussion on corporate social responsibility grew even bigger:

- In the eighties the amount of hostile takeovers of companies rose rapidly, partly due to the rapid growth of investment funds. This led in many cases to the breakdown of production structures, which was the reason for the growing public concern because of the anti-social corporate behaviour.
- As part of the deepening international division of labour in industrial production and the globalization of goods and financial flows, the effects of advanced business activities in developing countries were increasingly seen by public eye.
- The United Nations Conference on Environment and Development in 1992 shifted its focus in a particular way on aspects of the long-term ecological effects of the activities of businesses and individuals.

All together, we can see that the public concern grew because of various reasons: the unfair competition, the bad working conditions, the effects on the environment ... Because of the growing critics on the globalisation, former UN-Secretary General Kofi Annan, demanded during the World Economic Forum in Davos (1999) that companies should also voluntarily perceive their duties as part of society in order to provide on their own initiative a positive contribution.

Corporate Social Responsibility in the 21st Century:³

In the recent years, the term Corporate Social Responsibility is increasingly discussed in public. The main problem in this discussion is that CSR is not defined clearly. The term is understood in many different ways, ranging from training of employees on safety and health, women's empowerment and child care at work, adequate wages and the manufacture of environmentally friendly products, to the compliance with the human rights, the fair dealing with suppliers, competitors and consumers and the sponsoring/ support of sport, culture and education.

³ Based on „Corporate Social Responsibility. Möglichkeiten zur Unterstützung durch die deutsche EZ“, Chapter 1.1, by Lucia de Carlo, [http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/\(ynDK_contentByKey\)/ENTR-7C3JDA/\\$FILE/Corporate%20Social%20Responsibility.pdf](http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/(ynDK_contentByKey)/ENTR-7C3JDA/$FILE/Corporate%20Social%20Responsibility.pdf)



Above on that, there are other terms, like Corporate Sustainability and Corporate Citizenship, which are used to describe comparable actions and which make it hard to draw a line in order to make it more understandable.

As you can see, all these different understandings of the term CSR make it hard to clearly define the term. Having a clear definition and globally accepted guidelines on CSR would result into less confusion and would make it much easier to implement CSR in a company.

What did the world accomplish until now?

Because of the social pressure on the large companies, Corporate Social Responsibility is becoming very important in the business world. Companies want to keep their good reputation, that is why many firms have adapted their value chains already or are in the process of adjusting them. Products need to be produced ethically, for example grown ecologically, without pesticides or the use of child labor and without endangering the rain forest etc.

There are several indices (a kind of stock index) which list sustainable businesses like the Dow Jones Sustainability Index and the FTSE4Good Index. Furthermore, there are websites like wegreen.de which rate companies on their sustainability. Added to that, the British newspaper the Guardian has given away the Guardian Sustainable Business Awards.

All these different developments encourage companies to improve their sustainability, but there are also already various voluntary initiatives on CSR that many companies have joined.

One of them is the United Nations Global Compact. "The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere."⁴

Kofi Annan announced the Global Compact during his speech at the World Economic Forum in Davos (1999) to all interested company executives. Firstly, the International Chamber of Commerce was the only organisation taking the initiative with Kofi Annan. Later on, more multinationals joined, and today, the UN Global compact is with more than 5300 participating businesses from over 135 countries the world's largest voluntary corporate sustainability initiative.

Other initiatives are the UNEP Finance Initiative and Principles for Responsible Investment.

⁴ <http://www.unglobalcompact.org/AboutTheGC/index.html>



Major Parties Involved

The United Nations Environment Programme Finance Initiative (UNEP FI):

The United Nations Environment Programme Finance Initiative (UNEP FI) is a unique global partnership between the United Nations Environment Programme (UNEP) and the global financial sector. It was launched in 1991 by a small group of commercial banks, who together with UNEP wanted to increase the awareness of the environment in the financial sector.

Today the UNEP FI works closely together with more than 200 financial institutions who signed the UNEP FI Statements, but also with many other partner organisations in order to develop and support links between sustainability and financial performance.

It's the UNEP FI's mission to promote and realise that financial institutions adapt the best environmental and sustainable practice at all levels inside their companies.

Global Reporting Initiative:

The global Reporting Initiative has developed guidelines for the writing of sustainability reports from large corporations, small and medium enterprises (SMEs) governments and NGOs.

Principles for Responsible Investment:

The United Nations-backed Principles for Responsible Investment Initiative (PRI) are 6 principles which were established in 2005, after UN Secretary-General invited a large group of investors in order to develop these principles. The principles are focused on environmental, social and corporate governance (ESG) issues, which are today put into practice all over the world by a large network of international investors.

The UN Global Compact:

The United Nations Global Compact is a worldwide initiative of the UN and the International Chamber of Commerce in order to ensure, promote and support a more social and ecological globalization. Businesses who join the Compact (voluntarily) declare that they will seek to comply certain social and ecological minimum standards, which are listed down in 10 principles. These principles are divided into several areas: Human Rights, Labour, The Environment and Anti-corruption. Global Compact is the largest social responsibility initiative in the world.



Timeline of Key Events

Date	Description of the Event
1991	Launch of UNEP Finance Initiative
1997	Founding of Global Reporting Initiative
31 st of January 1999	World Economic Forum in Davos
26 of July 2000	Founding of UN Global Compact
2001	Launch FTSE4Good Index
January 2006	Launch of the Principles for Responsible Investment

Possible Solutions

As I wrote in other parts of my report, there are many voluntary initiatives which companies can join or sign in order to show that they are acting socially responsible. However, these initiatives are not legally binding. Having clear globally accepted guidelines would in my eyes be a great step to have more corporate social responsibility in small and large companies all around the globe.

In order to reach that, it is important to give the term Corporate Social Responsibility a clear definition. Afterwards, the decision has to be made whether a new NGO needs to be established or one of the existing NGOs can be in charge of the establishment of the globally accepted guidelines. That NGO could also monitor the companies, whether they report their progress, whether they break the guidelines etc.

Appendices

<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

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