



**International aspects of corporate social responsibility
(CSR) – Practical advice for companies**

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“German companies are world leaders in their commitment to the environment, society and the world of work in their actual businesses. This shows that they are aware of their social responsibility and assign a special place to this responsibility. And they do so voluntarily. The commitment of companies is nowadays summarised by the modern concept of ‘corporate social responsibility’. But there is nothing new about the activities that this encompasses: Jacob Fugger, for instance, built a complex of almshouses for the poor as long ago as the 16th century, and more than a century ago Friedrich Alfred Krupp put in place exemplary healthcare in his company, even establishing a hospital for his workers. When CSR is debated today we should not forget that commitment to society is a self-evident component of the business culture that has evolved in Germany down the ages.”

Dr Dieter Hundt, BDA President

Introduction

With globalisation, corporate social responsibility (CSR) has become an important theme around the world. Companies are confronted with this theme from various angles: corporate responsibility is taking up more and more space in the press. Consumer organisations increasingly demand information about production conditions and routes to market. Non-governmental organisations (NGOs) and trade unions approach companies with requests and demands regarding their commitment to society. Lastly, politicians have also discovered CSR as an area for policy-making and international organisations such as the European Commission are considering standardisation and regulation.

In some sectors CSR has already become a factor for companies' competitiveness. Depending on sector and size, demonstrating social responsibility can benefit a business and form part of its strategic orientation in areas such as safeguarding innovative capacity, improving risk management and strengthening its market position. Small and medium-sized enterprises are also increasingly networked at international level and have to pay closer attention to social and environmental standards in their supply chain. In cases where they are also suppliers to large corporations, they will have to comply with these customers' social and environmental standards. CSR is based on individual initiative and individual responsibility, and is not on the agenda for collective bargaining.

In BDA's work CSR plays an important role in two respects:

First, it lobbies national policy-makers and international organisations (European Commission, OECD, International Labour Organisation, United Nations Commission on Human Rights) to ensure that CSR maintains its voluntary nature and that companies continue to have discretion to shape their commitment to society individually. This is because the type and shape of this commitment depends on the size of the company as well as on the sector and markets in which it operates. The central principles for CSR are diversity and its voluntary nature. Second, BDA provides companies with support and practical advice for shaping and communicating their commitment, but without proposing a model code, say, or standard agreements. There can be no harmonised standards for CSR, bearing in mind its diversity and complexity. Accordingly, BDA also takes a critical stance on the development of an ISO standard which could lead to pressure for certification.

As a result, the guidelines set out here do not constitute a "CSR checklist" and give no guidance for corporate social responsibility in the international context. Rather they serve as an introduction to the theme for all companies that want to learn more about CSR. With practical information on CSR themes, developments and trends, companies will draw support when coming to grips with the challenges they face in the area of CSR, and will be better equipped to react to the requirements of corporate customers as well as requests from interest groups such as consumer associations, ecological organisations or even international trade union confederations.

This brochure contains internet links for further information on the individual themes. Some of the websites are only available in German. You will find extensive information and a wide range of good practice examples on the CSR Internet portal put in place by BDA and BDI, "CSR Germany" (www.csrgermany.de). In addition, BDA also provides individual assistance with special issues linked to CSR.

A. Background: what does “CSR” mean in the international context?

Corporate social responsibility (CSR) describes companies’ responsibilities vis-à-vis society in the areas of environment, social issues and economy. CSR initiatives are the contributions that companies make in areas where they interact with wider society in the framework of their business activities. For instance, they might set up an in-house kindergarten or organise health campaigns for their employees, squeeze energy consumption with eco-efficiency analyses and energy-saving systems or promote art, culture and sport. An essential feature of CSR is that it is voluntary and goes beyond compliance with statutory requirements.

CSR often becomes a difficult issue when companies build and maintain production facilities in emerging and developing countries. Companies are often confronted with pressing problems in these countries, for instance crushing poverty, inadequate health care, HIV, corruption, child labour, restrictions on trade union activity, poor education systems as well as the absence of rules on working conditions and environmental protection.

Many companies are actively committed to a sustainable improvement in the macroeconomic situation and introduce measures that go beyond statutory requirements in their establishments and subsidiaries as well as vis-à-vis contractual partners, suppliers and licence-holders in developing countries. With a wide range of programmes and projects, they often make a contribution to solving serious problems and give an important impetus for development generally.

Practical examples of the social commitment of companies in many sectors and of many sizes can be found on the CSR Internet portal put in place by BDA and BDI, “CSR Germany” (www.csrgermany.de).

However, the role that companies can play in solving these problems is limited. With their commitment, companies can only complement the efforts made by states. They cannot take on their responsibilities. In the very first instance, it is political authorities which must legislate for and enforce human rights and fundamental social and environmental standards. As a result, there must be a clear dividing line between the responsibilities of companies and those of policy-makers, in order not to raise expectations unduly.

Typical problem areas with which companies are confronted in the international context include the following:

- Companies have to comply with the statutory provisions of the host country. However, when these do not reflect, or even run counter to, the general standards laid down by the United Nations and the International Labour Organisation, for instance in the area of freedom of association in China, companies face a dilemma: either they break the law or they infringe generally accepted fundamental social values.
- Another area of conflict may also be the culture and traditions of the country in question. For example, equality of opportunity for women is very difficult to put into practice in some Muslim countries.
- Lastly, the behaviour and social commitment of companies must also take account of the economic situation in the countries in question. Hence, rigorous implementation of high environmental and social standards in developing countries could be perceived as an attempt by industrialised countries to increase labour costs in those countries, thereby depriving them of their most important competitive advantage. The problem of child labour also clearly demonstrates that adherence to standards geared to industrialised countries would result in a deterioration rather than an improvement in the situation of many of those affected in developing countries. Instead of a general boycott or

redundancies, the aim must therefore be to prevent the worst forms of child labour and provide these young workers with some form of education.

With establishments abroad and/or a long supply chain, the number of interest groups and their wide-ranging demands on companies increase drastically. These demands do not cover the same areas, and often contradict each other. Interest groups in developing countries some times have different objectives and wishes from interest groups in Germany. Companies must decide themselves which interest groups are relevant for them and which wishes they want to and are able to fulfil.

In emerging and developing countries, companies have to do business in difficult circumstances. There are no general solutions for the complex problems that confront them. Companies must develop their own strategies in response to their individual situation and the associated wishes of their interest groups. Public-private partnership projects can offer interesting possibilities for companies that want to make a commitment to the social situation in developing countries, building as they do on the expertise of development organisations.

Public-private partnerships (PPP) are cooperative arrangements between companies and public-sector development organisations. PPP projects combine the dynamism, competence and financial resources of companies with the regional know-how of development organisations and development policy. The synergies can help both sides to achieve their objectives better, quicker, and at lower cost.

Further information:

- <http://www.age-berlin.de/ppp.htm>
- http://www.deginvest.de/german/home/unser_Leistungsangebot/PPP/
- <http://www.gtz.de/de/unternehmen/2362.htm>

B. Internationally agreed principles: reference texts and instruments addressed to companies

There are a range of reference texts and instruments which target companies and stake out a framework for socially responsible action. These reference texts are voluntary, but provide companies with important pointers for their interaction with society in developing and emerging countries. Companies which do not explicitly structure their activities around these reference texts, especially small and medium-sized enterprises, often do so implicitly by realising the fundamental values and principles set out in this reference framework through their social commitment.

I. OECD Guidelines for Multinational Enterprises

In the OECD Guidelines for Multinational Enterprises, the governments of OECD countries set out general recommendations for corporate social responsibility. They relate exclusively to foreign investments and not - as often claimed by trade unions and NGOs - to trade relations. The OECD guidelines are directed to all companies active abroad, and their subsidiaries. The guidelines explicitly do not set out to take the place of national law. Rather, they encourage companies to contribute - on a voluntary basis - to the economic, social and ecological development of the host countries where they are active.

The governments of 36 industrialised countries have put in place “national contact points” which answer questions about the guidelines and help to solve problems. They also look into complaints about failure to comply with the guidelines and bring together the relevant partners to try and find an amicable solution. In Germany the “national contact point” is part of the Federal German Ministry for Economy and Technology, in the Foreign Investment Department. The themes of the OECD guidelines for multinationals comprise:

The themes of the OECD guidelines for multinational enterprises comprise:

General principles, including:

- respect of human rights
- enhancement of human capital through creation of employment and promotion of employee education and training
- no discriminatory or disciplinary measures against employees who in good faith report to management or the relevant authorities practices which infringe the law, the guidelines or company policy
- no demands for exemptions from ecological or social standards
- no improper involvement in local political activities

Disclosure of information, including:

- regular information about activities, structure, financial situation, business results
- high standards of quality in reporting, accounting and auditing
- publication of basic information on the parent company and its main affiliates, its percentage ownership, direct and indirect in these affiliates, including shareholdings between them

Employment/social partners, including:

- worker rights for trade union representation
- abolition of child and forced labour
- ban on discrimination
- promotion of effective collective agreements
- duty of information vis-à-vis workers and their representatives
- employment of local personnel / training measures to improve the level of qualification

Environment, including:

- establishment of an environmental management system
- information to the public and employees about the possible impact of the company's activities on environment, health and safety
- drafting of crisis plans, in order to prevent serious damage to environment and/or health
- training of workers.

Combating corruption, including:

- no payments to officials or employees of business partners
- introduction of management control systems which discourage bribery and corruption
- no illegal donations to candidates for public office or political parties

Consumer interests, including:

- ensuring product safety
- precise and clear product information
- effective handling of complaints

Knowledge and technology, including:

- promotion of know-how transfer

Competition, including:

- no anti-competitive agreements

Taxation, including:

- punctual payment of tax debts

Further information:

- http://www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html

II. ILO Tripartite Declaration

The ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, dating from 1977/2000, is another reference framework for companies with international activities. It is an instrument negotiated and adopted by governments, worker and employer organisations, and is therefore based on broad consensus. By contrast with the OECD Guidelines for Multinationals, the ILO's Tripartite Declaration of Principles targets companies and governments in all countries and is therefore also supported by governments and social partners in developing countries. Unlike the OECD Guidelines, it only deals with social policy themes.

The Declaration sets out principles in the following areas:

Employment, including:

- increasing employment possibilities and standards
- promoting equality of opportunity and equal treatment in employment
- avoiding arbitrary dismissal procedures

Training, including:

- appropriate training for employees in the host country / opportunities for local workers to extend their experience in suitable areas, e.g. labour relations, within the group as a whole

Working and living conditions, including:

- no pay, benefits or working conditions which are less favourable than those enjoyed by comparable workers in the host country
- adequate wages for workers and their families to meet their basic needs
- effective abolition of child labour
- the highest health and safety standards
- information about health and safety standards observed in other countries
- instruction about particular dangers and the corresponding safety measures when new products and/or processes are introduced

Labour relations, including:

- freedom for workers to organise and associate
- support for representative worker organisations
- right for workers to make complaints without suffering disadvantages.

The political significance of the Tripartite Declaration lies in the fact that, unlike other CSR instruments, it does not lay down any minimum requirements or require specific actions. Rather, it gives companies the necessary freedom to act along the lines of the Declaration, taking an individual lead based on its own needs. In addition, it clarifies the division of tasks and the specific responsibilities of the players involved: state - social partners - company.

Further information:

- <http://www.ilo.org/public/english/employment/multi/>

III. UN Global Compact

The UN Global Compact was put in place in 2000 by UN Secretary General Kofi Annan with the objective of strengthening cooperation between the United Nations, business and other groupings in society and thus making a worldwide contribution to more sustainable growth. The companies involved in the UN Global Compact set out to give closer consideration to core values in the fields of human rights, labour rights and environmental standards by implementing its ten fundamental principles in their worldwide activities. The UN Global Compact is based on the Universal Declaration of Human Rights, ILO core labour values and Agenda 21 (whose forty chapters address all essential policy areas for environment-friendly and sustainable development, is the work programme adopted in June 1992 in Rio de Janeiro by more than 170 states for the 21st century).

The ten principles of the UN Global Compact:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence, and
2. make sure that they are not complicit in human rights abuses.

Labour relations

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, and encourage
4. elimination of all forms of forced and compulsory labour,
5. effective elimination of child labour, and
6. elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges,
8. undertake initiatives to promote greater environmental responsibility, and
9. encourage development and diffusion of environmentally friendly technologies.

Combating corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.

Since the initiative was established, more than 2,000 companies worldwide have joined it. Any company - regardless of size - can take part in the Global Compact. There is no monitoring to ensure that the principles are being met, but participating companies are expected to send the Global Compact Secretariat an annual report detailing their progress towards implementing the principles. On this last point, small and medium-sized enterprises can ask the Global Compact Secretariat for an exemption.

Further information:

- <http://www.unglobalcompact.org>
- http://www.icc-deutschland.de/icc/frame/gc_index.htm
- <http://www.gtz.de/de/leistungsangebote/2677.htm>

C. Supply chain issue

The focus of non-governmental organisations, consumer associations, press and politicians has increasingly shifted to the supply chain of companies in developing countries. In particular, the textile and toy industries with supplier companies in South-East Asia have attracted attention. In this regard, the real possibilities for companies to influence the supply chain are very varied and depend most especially on the number of suppliers, structure and complexity of the supply chain as well as on the market situation of the company. In some sectors, suppliers have a monopoly position and its customers are not in a position to dictate supply conditions unilaterally, or even only to influence them. In textiles, for instance, German firms are often small and medium-sized enterprises, while their suppliers are large groups in Pakistan or India which deliver their goods to textile companies worldwide.

Companies have developed different approaches to promoting their core values and principles beyond their own business. One possibility for implementing minimum social and ecological standards in the supply chain and subsidiaries is what are known as codes of conduct (see chapter D). However, for small and medium-sized enterprises in particular it is often not feasible either economically or logistically to verify that all suppliers and subcontractors comply with their own in-house guidelines.

A number of trading companies have come together in a pilot project to implement social standards in their supply chain. The project is based on using external inspectors to monitor standards. External verification is only one way of promoting compliance with environmental and social standards in the supply chain. For instance, many companies have their own specialists who work with the supplier businesses and support them on environmental and health and safety issues.

AVE sectoral model

AVE (Aussenhandelsvereinigung des Deutschen Einzelhandels) represents the foreign trade interests of the German retail sector. In the framework of the AVE sectoral model for corporate social responsibility, a number of trading companies have developed harmonised criteria for evaluating their supplier companies. The aim is to create safe and healthy working conditions, ensure appropriate pay and freedom of association, prevent excessively long working hours as well as forced and child labour, and protect against discrimination. Environmental aspects also play a role.

The initiative sets out to be a model. Compliance with the criteria is regularly checked by selected, independent audit companies. The objective is not to boycott companies which do not yet fully meet the conditions, but rather to support supplier companies in their efforts to introduce better working conditions. If the inspectors ascertain during the first audit that companies do not yet meet all the prescribed standards, plans to rectify the situation are worked out in joint consultation. These plans specify what changes need to be made and how they can be achieved.

Following this, qualification measures are implemented. Depending on what needs to be improved in a supplier company, the necessary support is identified. This can range from individual guidance and workshops to extensive training measures. This audit procedure is repeated until the supplier company meets the requirements of the AVE code of conduct. If a supplier persistently fails to improve, business relations can be broken off as a last resort. The entire audit procedure is repeated after three years.

Further Information:

➤ http://www.ave-koeln.de/csr/ave_sektorenmodell.htm

D. What are corporate and sectoral codes?

I. Corporate codes

Corporate codes or codes of conduct are rules which companies set for themselves in order to embed their ecological and social principles and values systematically in the company. Many codes of conduct also relate to the company's supply chain. By contrast with international framework agreements (see chapter E), codes of conduct are usually formulated by individual companies on their own.

Although they differ widely, codes of conduct often follow common principles:

- orientation on ILO's core labour standards (effective prevention of exploitative child labour; elimination of forced labour; freedom of association and the right to negotiate collective agreements; non-discrimination in employment and occupation based on nationality, skin colour, religion, ethnic background, political persuasion or sex)
- link with the principles of the UN Global Compact
- affirmation of the Universal Declaration of Human Rights
- environmental commitments
- appropriate working hours and a living wage
- health and safety standards
- socially responsible business

Codes of conduct can be very helpful to companies for systematically incorporating compliance with ecological and social standards in their business policy. But they must be geared to the individual situation of a company. Accordingly, there can be no standard code as a blueprint for codes of conduct. The Internet portal CSR Germany (www.csrgermany.de) comprises examples of codes of conduct that companies of varying sizes in different sectors have put in place. When a code of conduct is being devised, a number of aspects need to be taken into account (see chapter F). For instance, codes of conduct do not have the same significance as they do in Germany in countries with different legal systems and traditions.

The Roundtable "Verhaltenskodizes" ("Codes of Conduct"), a multi-stakeholder initiative set up by the Federal German Ministry for Economic Cooperation and Development (BMZ), has produced a vademecum for codes of conduct. This is designed primarily for small and medium-sized enterprises in Germany which work with suppliers in developing and emerging countries or have their own subsidiaries there. The intention of the vademecum is to provide basic information on steps for implementation, monitoring and verification of codes.

Further information:

- <http://www.coc-runder-tisch.de>
- http://www.coc-runder-tisch.de/coc%2Drunder%2Dtisch/inhalte/publikationen_rt/Guide_social_standards_2004_engl.pdf

II. Sectoral codes

A sectoral code for social issues and environment is a framework of principles that representatives of a business sector and sometimes also a sectoral trade union have agreed. This framework usually targets compliance with minimum social standards and fundamental environmental protection measures. When these standards and measures are being decided, sector-specific criteria and requirements are taken into account.

With a sectoral code, the companies represented voluntarily take on the obligation to comply with the decided principles for socially and environmentally acceptable business.

Discussions on creation of a common code are being held in various sectors. In September 2004, the coffee sector successfully concluded the first phase of the Common Code for the Coffee Community (4C) with presentation of a draft. The implementation and test phase of 4C will take place over the next two years.

The following sectoral codes have already been agreed:

- *“Responsible Care”* of the International Council of Chemical Associations (ICCA) on health, safety and environmental protection in the international chemicals industry, since 1985
- *“Code of Business Practices”* of the International Council of Toy Industries (ICTI) on working conditions and environmental protection in the international toy industry, 1995 (revised in 2001),
- *“Code of Conduct”* of the European Apparel and Textile Organisation (Euratex) and the European Trade Union Federation of Textiles, Clothing and Leather (ETUF:TCL) on core labour standards in the European textile and clothing industry, 1997, and
- *“Code of Conduct”* of the Comité Européen des fabricants de Sucre (CEFS) and the European Federation of Trade Unions in the Food, Agriculture and Tourism sectors and allied branches (EFFAT) on minimum social standards in the European sugar industry, 2003

E. What are international framework agreements (IFAs)?

Companies which are active internationally are increasingly confronted by requests from trade unions to agree an international framework agreement (IFA) that is valid worldwide. IFAs are concluded between a multinational enterprise and an international sectoral trade union. Examples include: ICEM (International Federation of Chemical, Energy, Mine and General Workers' Union), IFBWW (International Federation of Building and Wood Workers), IMF (International Metal Workers Union), IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations) and UNI (Union Network International).

The purpose of an IFA is to conclude a formal agreement between an international sectoral trade union and an internationally active business. At the same time, this is also the potential problem: on the one side is a trade union organisation that is active worldwide with a broadly based membership in many countries, and on the other side an individual business and not, say, a counterpart sectoral employer organisation. As a rule, the basis for IFAs is formed by ILO's core labour values. In addition, IFAs address themes such as payment of appropriate wages, creation of working conditions that respect human dignity, and health and safety at work. Agreements are usually only applicable in the company itself, while they also encompass supplier businesses in individual cases.

For trade unions, IFAs are a way of promoting recognition of their organisation and worker rights at global level, especially in regions and countries where national legislation is inadequate or not enforced. Through IFAs, they gain new possibilities to exert influence at company level. For companies, a possible benefit of IFAs is improvement of dialogue with trade unions, which can be an advantage especially in countries where there are no local trade union discussion partners. Furthermore, an IFA can help to strengthen corporate identity and the cohesion of a geographically disparate company, and a plus for listing on stockmarkets which pay particular attention to social and ecological interests. With IFAs, companies accept new binding rules, and proposed draft agreements often comprise serious dangers and traps which can only be discovered and avoided via a thorough examination of the legal consequences (see chapter F).

The first example of an IFA was the agreement between the French food manufacturer Danone with IUF in 1989. The point that can be observed after relatively short experience with IFAs is that trade unions regard IFAs as the new instrument for industrial relations at international level which is completely binding on companies. For that reason, public relations considerations should under no circumstances be the main reason for concluding an IFA, since they involve long-term commitments with sometimes also legal obligations.

F. What points need to be considered with regard to CSR codes and international framework agreements?

- The decision to adopt a code of conduct or framework agreement must be taken by a company's top management. If the decision is positive, all relevant departments of a company must be involved from start to finish, because often sensitive issues linked to labour law, human resources and pay policy are touched upon.
- Before an agreement is concluded, the balance of costs and benefits needs to be weighed carefully. It should be borne in mind that IFAs take up additional resources, e.g. as a result of monitoring requirements, reporting obligations and meetings at international level with trade union representatives. In addition, IFAs can lead to cross-border trade union actions such as solidarity strikes. Lastly, facilitated by an IFA, comparisons of different pay levels between countries can lead to demands for pay harmonisation - and hence higher wage bills.
- It is very important that companies coordinate with their foreign establishments before they conclude IFAs, so that the situation and the legal consequences of an IFA can be taken into consideration locally.
- It must be unambiguously clear that the obligations resulting from the agreement / code of conduct can be implemented on the ground and that the expectations raised by such a text can actually be met.
- In the case of codes of conduct, it should be clear what sort of code it is intended to be: a declaration of the company's core values and principles or a code of conduct with specific provisions for workers, which the latter might also have to initial.
- In the case of framework agreements, the possible implications for relations with local trade unions need to be analysed. What happens if local trade unions are not members of the international trade union confederation concluding the agreement? What happens if the workforce wants to join a national trade union confederation which is not associated with the international sectoral trade union?
- What is the legal status of the framework agreement / code of conduct under the various sets of national legislation? What status does the agreement / code of conduct have in the event of a legal conflict?
- In the case of self-imposed obligation to pay "fair wages" and operate "appropriate working hours", it should be made clear what exactly is understood by "fair" and "appropriate". What do local agreements on these issues look like? Are there statutory requirements? If not, by whom and how should they be determined?
- What are the consultation and information obligations at international level? The consequences of these obligations should be clarified.
- What happens if local agreements are not compatible with the international agreement? What procedure comes into play in such cases? Can local agreements be amended without too much difficulty?
- Can the obligation to allow collective bargaining be implemented under the differing local circumstances? What are the statutory framework conditions and corporate practice in the different countries?
- What happens when an agreement expires? Can the company take it upon itself not to renew it?
- What obligations arise for supplier companies as a result of an agreement? How can these be implemented?

- The ILO Conventions are addressed to states. What does it mean for a company if it is obliged to comply with them? What happens if national laws run counter to individual ILO Conventions? Can the company be held liable for this situation?

A first avenue for finding out in which states there are problems relating to implementation of ILO Conventions is offered by the reports of the ILO Committee on Freedom of Association and the ILO Committee on the Application of Standards. In this regard, it should be pointed out in particular that inclusion in the report of the ILO Committee on Application of Standards does not automatically imply a contravention. The reports for 2005 can be downloaded from the following Internet links:

- <http://www.ilo.org/public/english/standards/relm/gb/docs/gb293/pdf/gb-7.pdf>
- <http://www.ilo.org/public/english/standards/relm/ilc/ilc93/pdf/pr-22-2.pdf>

In addition, credit insurers which are active internationally (e.g. Atradius and Euler-Hermes) give their customers detailed information and advice on political risks. Accordingly, it can be helpful for companies to ask their credit insurers about the situation in any given destination country.

G. Cooperation with non-governmental organisations (NGOs)

Alongside worker organisations, non-governmental organisations also increasingly play a role for companies' commitment to society. Whereas many NGOs define themselves in the first instance through an opposition to globalisation and act in a confrontational manner via protest actions, and "naming and shaming", some thematically specialised NGOs see themselves as dialogue partners for business and are willing to bring their specialist knowledge into cooperative projects. Companies use their specialist knowledge to solve particular problems they face in connection with development policy, transfer to them implementation of assistance programmes or involve them in the process of sustainability reporting.

For cooperation with non-governmental organisations, the advisable rules of procedure include the following:

- careful choice of an NGO: relevance of the NGO for the company; the NGO's expertise in the task in question; transparency about decision-making and financial structures; involvement of the NGO in local, national and international networks; past experience of cooperative projects with companies
- contacts and negotiations with the highest level of the NGO
- prior to negotiations, establish clarity about what is to be achieved with a cooperative project and what exactly the NGO expects
- clear rules agreed with the NGO for organisation of the cooperative project, in particular with regard to the reliability of data and facts
- within the company, also out in place a clear framework for cooperation with NGOs

H. Contact with and requests from interest groups

With the growing debate on CSR, the interest of the various interest groups in the corporate responsibility of companies has also increased. The number of questionnaires on this issue that small and medium-sized enterprises also have to deal with has expanded continually. Not everyone who approaches the company has the same relevance. It is right and proper that a company should decide for itself who it responds to in this manner. References on the company's own website to the company's corporate responsibility can in some circumstances be a relatively simple form of managing the flood of requests.

Possible references for standardised replies also include:

- “Our company takes its social responsibility very seriously. We feel attached to the principles of the UN Global Compact and we organise our business activities in line with the OECD guidelines for multinational enterprises and the ILO tripartite declaration. To that end, we have developed a code of conduct, a copy of which is enclosed.”
- “As an innovative business in the ... sector, we endeavour to make our contribution to sustainable development. With that in view, CSR is firmly integrated in our business strategy. Our social and environmental commitment is documented on our website.”
- “As the owner of a small/medium-sized enterprise, I feel a personal responsibility for my employees and for the environment in which we operate. I hereby undertake, among other things, to My business also takes part in initiatives such as the Girls' Day/...”
- “Our business is active exclusively on the German/European market. We obviously comply with the strict environmental protection rules in force, and with health and safety legislation. In addition, we have adopted a self-commitment in the area of and are certified in accordance with ISO/DIN.....”
- “We trust you will understand that we are unable to respond to the growing number of questionnaires we receive, due to limited resources, and we will therefore not be taking part in your study. We assure you that we take our social responsibility very seriously and that we feel a duty to our employees and the neighbourhood. We achieve our social and environmental objectives through our management system.“

I. Reporting – what needs to be taken into account?

Companies are increasingly requested to report transparently and openly on their social and ecological behaviour. Pressure on companies from politicians, consumer organisations and NGOs to report on CSR is growing. Companies are prompted to produce sustainability reports for a variety of reasons. In addition to customer care and image enhancement, sustainability reporting can help companies to identify problems and therefore improve risk management. Furthermore, investors are also demanding sustainability reports more and more. Production of a sustainability report is a fundamental decision, and one which companies should not be pushed into taking before they have considered all the implications. Under some circumstances other forms of sustainability communication could be more appropriate for a company. Aspects that deserve attention include:

- Sustainability reporting cannot be deferred or halted without a range of problems. Once it has started, a company will find it difficult to discontinue this activity without

loss of image. Preparation of a sustainability report is not a one-off event, but the beginning of an ongoing obligation.

- Those who produce sustainability reports must also have something to report. What happens if the company's social commitment is declining? What happens if the ecological impacts get worse? Are there perhaps problem areas on which the company does not really want to report to the public?
- With sustainability reports, companies lay themselves open to attack. This is true not only in relation to the circumstance of deteriorating data or facts, but also in terms of the quality of the report. More and more often companies are attacked because their sustainability reports are not deemed to be sufficiently meaningful. Lastly, by way of example, a sports shoe manufacturer in the USA has been successfully taken to court for incorrect information about working conditions in the supply chain, costing the company USD 1.5 million.

There are a whole range of instruments which can help companies with their sustainability reporting. The best known are GRI and AA1000. Whether and what standards or guidelines a company applies depends in large measure on the individual case and cannot be prescribed in an inflexible manner.

I. GRI

The Global Reporting Initiative (GRI), originally started by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environment Programme), is an independent multi-stakeholder initiative which has developed guidelines for sustainability reporting. The GRI guidelines set out reporting principles as well as specific content for the sustainability report. They structure sustainability reporting in terms of economic, ecological and social performance (also known as the "triple bottom line").

GRI reporting is based on eleven principles:

- Transparency: full disclosure of the reporting processes, procedures and assumptions
- Inclusiveness: systematic involvement of interest groups
- Auditability
- Completeness: all information should appear in the report in a form that is consistent with the declared boundaries, scope, and time period.
- Relevance
- Sustainability context: the reporting organisation should endeavour to present its performance in the wider context of ecological, social or other limits or constraints, where such context adds significant meaning to the reported information.
- Accuracy
- Neutrality: balanced presentation of the company's performance
- Comparability: once limits and the scope have been selected, they should be maintained. The reporting organisation is required to disclose all changes and restate information published earlier
- Clarity
- Timeliness: regular publication of reports

Further information:

- http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf
- <http://www.globalreporting.org>

High 5!

GRI has issued the guide *High 5!* for small and medium-sized enterprises. The guide sets out to help companies with practical tips for implementing GRI guidelines flexibly, taking account of the individual situation of the company. It provides practical information on the reporting process, on themes and indicators, on possible communication channels, and includes practical examples.

II. AA1000

AccountAbility 1000 is a standard for social and ethical accounting, auditing and reporting. It aims to support companies by establishing indicators and objectives for their social impact, measuring progress and reporting. The involvement of the various interest groups is a central feature of AA1000. It can be used to complement other reporting instruments (e.g. GRI), but it can also be applied as a stand-alone system. AA1000 is process-oriented, in other words it gives no indications as to content (*what*) but focuses essentially on *how* to communicate.

On the basis of AA1000, five modules are currently being prepared, each of which can be used on its own. The first module, the AA1000 assurance standard on auditing and independent certification, was presented in March 2003.

Further information:

- <http://www.accountability.org.uk/aa1000/default.asp>

J. Certification – a growing business area

Certification of a company's social and ecological performance has become a business area in which a growing number of certifiers, business consultants and international initiatives jostle for space. The International Standardisation Organisation ISO has also taken up the theme of CSR and started to develop a "CSR guidance document". However, thanks to efforts by BDA and its international sister organisations, ISO has agreed to create a CSR instrument which will not lead to certification.

Existing standards, e.g. SA8000 developed by the US non-governmental organisation Social Accountability International (SAI), have a fundamentally different significance as compared with the much better known principles agreed at international level, for instance for the Global Compact (► see chapter B).

Small and medium-sized supplier enterprises increasingly face demands regarding CSR certification not only non-governmental organisations but also from their large corporate customers. It is for the individual company to decide – depending on the associated costs and benefits – how the supplier business reacts to these demands. It is not possible to make general recommendations here. Nevertheless, it has been seen that alternative to costly certification can often be found in consultation with buyers. For instance, a possible approach is for the SME supplier to sign a written declaration that it will comply with the ten principles of the Global Compact. Companies also report that their social commitment can persuade corporate customers not to insist on certification.

SA8000

Social Accountability 8000 (SA8000) is a workplace standard put in place in 1998 by the US non-governmental organisation SAI, and which can be certified by SAI-licensed auditors.

SA8000 comprises the following elements:

- **Child labour:** no workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working
- **Forced labour:** no forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers by employers or outside recruiters
- **Health and safety:** provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water
- **Freedom of association and right to collective bargaining:** respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining
- **Discrimination:** no discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment
- **Discipline:** no corporal punishment, mental or physical coercion or verbal abuse
- **Working hours:** comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement
- **Compensation:** wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions
- **Management systems:** facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

Further information:

- <http://www.sa-intl.org/SA8000/SA8000.htm>

Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)
European Union and International Social Policy Department
Breite Straße 29
10178 Berlin
Telephone +49 30 20 33-19 08
Fax +49 30 20 33-19 05
Abt_09@bda-online.de
www.bda-online.de