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# **Corporate Social Responsibility (CSR)**

Definition and tools

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# What is CSR?

- *No single definition of CSR*
- *CSR has become a buzzword in the 1990s although the trend exists since the 1970s*
- *A business must not be concerned solely with its profitability and growth but also with its social and environmental impact: must pay more attention to concerns of stakeholders (employees, shareholders, customers, suppliers, communities, civil society)*
- *EU definition: « a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis »*

# Why do companies engage in CSR?

*New concerns and expectations from citizens, consumers and investors*

*.Though a short-term cost for companies, CSR policies can be of economic value:*

- Increase productivity (training, working conditions...)*
- Reduce reputation risk: avoid consumers campaigns*
- Reduce legal risks*
- Minimising risks for investors*
- Promote investment by SRI*
- Sustainable development may reduce production costs (better use of natural resources)*

*.CSR is mainly promoted by a number of large or multinational enterprises*

*.For certain companies, CSR is a strategic investment. companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability. In certain cases, CSR can be a comparative advantage.*

# The Dimensions of CSR

**CSR extends beyond business charity, it involves internal management and external stakeholders.**

- **The internal dimension**

- Human resources management
- Health and safety at work
- Management of environmental impacts and natural resources used in the production

- **The external dimension**

- Local Communities
- Business partners, suppliers and consumers
- Human Rights
- Global Environmental concerns

# CSR Tools: Codes of Conduct

- *Address a wide range of issues: human rights, the environment...*
- *Individual Company Codes of Conduct*
- *Model codes or sector specific codes of conduct:*
  - *sectoral codes: a group of companies + social partners : ex: Voluntary principles on security and human rights for the extractive sector or for the retail distribution*
  - *multi-stakeholder codes: Ethical Trading initiative*
  - *Model codes: AI human rights principles for companies, ICFTU basic code of labour practice, Fair Labour Association,*
- *Aspirational principles: Global Sullivan Principles, Global Compact...*

# CSR Tools

- **Intergovernmental standards: OECD Guidelines for multinational enterprises, ILO tripartite Declaration of Principles concerning multinational enterprises and social policy, UN Norms...**
- **Other CSR tools:**
  - ***Reporting framework: the Global Reporting Initiative (GRI)***
  - ***Rating indices: own rating indices used by SRI agencies, Dow Jones Sustainability Index, FTSE4Good index***
  - ***Certification schemes: SA 8000***

# Benefits and limitations of CSR

- *Advantages:*

- *a first step towards responsible behaviour*
- *useful tools to monitor companies' behaviour and to advocate for a more responsible behaviour*
- *dialogue with stakeholders has developed*

- *Limitations:*

- *voluntary initiatives only*
  - *multiple standards: lack of harmonisation*
  - *lack of external monitoring*
- *Most committed companies are not necessarily those recognised as such by public and consumers*

# Why should CSOs and TUs get involved?

- *Transnational corporations (TNCs) are often more powerful than States*
- *TNCs do have an impact on human rights and on the environment*
- *TNCs benefit from virtual large-scale impunity*
- *CSR is voluntary, no common rule, no external monitoring*
- *Subjective interpretation of their obligations by companies rather than respect of universal principles*
- *CSR is often mere Public Relations : what we need is Corporate accountability!*



# For further reading

- *Promoting a European framework for corporate social responsibility, Green Paper, Employment, Social Affairs and Equal Opportunities, European Commission, 2001.*
- *Mapping instruments for Corporate Social Responsibility, European Commission, April 2003*
- *Report of the United Nations High Commissioner on Human Rights on the responsibilities of transnational corporations and related business enterprises with regard to human rights, Commission on Human Rights, 61<sup>st</sup> session. <http://www.ohchr.org>*
- Goal, Ran, *Guide to instruments of Corporate Responsibility, October 2005.*