

STUDY ON ECONOMIC ACTORS’  
SOCIETAL RESPONSIBILITY

Research Report on the Situation in  
Economic agent’s social responsibility in the  
Europe

*The role of companies and their stakeholders*

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## Methodological preliminary

The term Societal Responsibility of Economic Actors (SREA) is used, in this context, to refer to the positions occupied by the various economic players. (NGOs, Trade unions, consumer organizations, shareholders, local communities, authorities) concerning Corporate social responsibility (CSR)."

## 1. CSR's historic and definition

### 2. CSR genesis

Economic processes observers are unanimous to notify that the production and commercialisation of products and services has an increasingly large impact, directly or indirectly, in issues such as: the natural environment, the public health, social conditions, child labour, etc. And this established fact follows the reality that these impacts have consequences not only in the South countries, but also in our "developed" countries and in a social, ecological context by affecting our present and future generations. The countries of the EU thus knew recently the dramatic consequences of the race to the profits in the framework of the globalization in progress: the black tides, the crisis of the mad cow, the delocalizations, the stock market dismissals, financial scandals ... These numerous events precipitated the reflection on how to give an acceptable framework to this race to the profits. The general context of withdrawal of the public power also did to emerge a request that the businesses would be entrusted a part of the management of social well-being.

Certain enterprises positioned themselves in a social preoccupation: the co-operatives, the social economy businesses, initiatives at a human size and voluntarily working in a local dynamics. But the big majority of the economical production system delayed worrying about the issues described above.

As consequences, several societies' agents have "challenged" in various manners the Corporates. Their different answers have been gathered in a new field of the business world: the Corporate Social Responsibility<sup>1</sup>.

Due to the actions of all the players involved, this new dynamic emerged as an extension, going beyond the two basic fundamental areas targeted in regard to economic matters: legal provisions and agreements between social partners.

### 3. An « a priori » definition and specific European context

In 2001, European Commission organized, a large consultation for collecting various agent's perceptions and expectations concerned from CSR. As a result (still in 2001) the Commission

<sup>1</sup> Although all size companies are concerned by CSR, there are mainly the big ones that we have evoked in this text. The complexity of the social responsibility will be proportional to the stakeholders to whom our activity has an impact.

presented a Green Paper "Promoting a European framework for the Corporate Social Responsibility". The Green Paper defined CSR "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on voluntary bases". However, we will see when studying the perception of the CSR by each actor, that certain stakeholders (among ONG and trade union organizations) mark their dissension on the "volunteer" aspect.

The term stakeholders is used here to describe all of the other players possessing an interest, whether direct or indirect, in the way in which a company operates with regard to the consequences, both negative and positive, that its activities entail. Included in this group are trade unions, NGOs, consumer associations, suppliers, shareholders, authorities, etc.

With the definition given above, we are confronted immediately with a linguistic issue: the social responsibility is supposed to include at the same time social and environmental concerns. This paradox is due to the broader significance of the English term "social" compared to its equivalent in French language. This difficulty, gradually, gave place to the emergence of a new French term: "*sociétal*" which covers everything related to the society in a broad sense and thus both ethical dimensions at the same time. Thus the CSR abbreviation should be understood in French in this way.

#### 4. Creation of a context by activating agents who don't belong to the companies' world

On the basis of this first definition, we could consider that CSR, as conceptualized and practised currently in Europe, results from the convergence of two principal currents: on the one hand the historic "paternalist" current of certain large companies in the 19th century, and on the other hand the influence of companies interpellation current in the Anglo-Saxon world having started in the Eighties with the anti-apartheid campaigns<sup>2</sup>.

Obviously, there are the **Trade unions** that have been historically the first to have fought for social progress. Their struggle however was in keeping with a more restricted scope than that of the CSR: mainly the protection and evolution of the working conditions<sup>3</sup> of their associates (the syndicated workers). At the beginning, the trade union's struggles did not concern, the social conditions of non-members of these organizations (for example "Third World" workers) nor environmental issues. Although the trade unions represent very variable proportions of workers according to the countries (around 80% for Sweden, Denmark, Finland to 15 % in Spain and Poland and 10% for France; average EU-15: 27%, average EU-10: 20%<sup>4</sup>), their quantitative importance in many European countries and the obstinacy of their fight gradually carried out the European continent to a well rooted tradition of social dialogue on voluntary basis. This tradition leads the social partners (representatives of employers and the trade unions) in the European countries to discuss and negotiate an important part of the social stakes where the workers are concerned. However, although defined by Convention 98 of ILO, there are huge differences between country, even in EU-15,

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2-Apart the boycott of South African products, they used to demand to companies to leave South Africa and to the banes not to invest them.

3Here is including the issue of wage as well

4-In "Industrial relations in Europe 2004" (official document of the EC, DG Employment and Social Affairs)

on the conditions and the influence of this collective bargaining<sup>5</sup>. A European Commission Report<sup>6</sup> described as well as the average cover ratio<sup>7</sup> for the EU-15 is to 78% to some 35% on average for the EU-10<sup>8</sup>:

We will see in a later chapter how the trade unions gradually built their implication with respect to the RSE:

Thereafter, there are the **NGOs** (environmental protection organizations, organizations working on the North/South issues) who, more and more, mobilized themselves on this issue related to companies behaviour. These organizations representing the interests of civil society realized that the States were losing gradually their capacity to control Corporates activities, and this for two main reasons: the development of policies known as "ultra-liberal", promoting rather deregulations and "globalization", i.e. Corporates who were expanding and becoming trans-national by enlarging as well their activities (production, commercialising). NGO's thus decided to get involved in this issue and to work an institutional level, towards the governments and companies federations:

While choosing to sensibilibize other different economic agents rather than companies or governments, certain NGO's are also specialized I having as a target the consumers. This brought the responsible **consumption**, and the emergence of organizations having this single objective: to support consumption which includes social or environmental criteria.

The last important agent having worked in this field in Europe is **the public authorities**, (in a National or Community level).

The following chapter, devoted to laws and regulations, shows how and by which tools public authorities have influenced this issue.

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5 Ibidem

6 Ibidem

7 Defined as the number of employees covered by a collective agreement compared to the total number of employees of the sector.

8 With notable exceptions, like a ratio of 100% for Slovenia

## 2 Standards and Labels

As in all economic activities, CSR included, standards and labels are tools which not only provide guidance to those that receive them, but which also increase the credibility of the recipient.

Europe is, in this regard, closely connected to international instruments (mainly Anglo-Saxon). These instruments vary widely. They differ according to their origin (NGOs, businesses, institutions, or partnerships between stakeholders); according to the sector they target; according to their focus, whether that be on one sole area of corporate activity or more; and according to whether they take a more conservative, or more progressive approach; etc.

Borrowing from the European Commission's method of classification, we will divide these instruments into four categories citing the most well known:

1. Statement of intention (charter of intention or code of practice): this provides a guide as to areas for consideration and lines of action, without setting out auditing or reporting practices. Amongst these are: Global Compact, Amnesty International Human Rights Guide, the Ethical Trading Initiative (ETI), Global Sullivan Principles, OECD policies on multinational enterprises and the ICCR Benchmark.
2. Guides for management systems and certification schemes: dealing with the certification of companies and the accreditation of products. These are: SA8000, ISO and EMAS, European Eco Label, and Forest Stewardship Council (FSC).
3. Indicators for classification in matters of socially responsible investments, which allow investment funds to pinpoint ethically acceptable companies. The most well known are: Dow Jones Sustainability, the FTSE4Good Selection and ASPI of Vigeo.
4. "Accountability" schemes and reports which are guides as to the level of the process, and of the approach, which includes reporting and fair accounting systems. This standard can be considered as the most evolved as it is not limited to the attaining of a specific level of performance, but which gives indications as to the way in which to manage relations with stakeholders as well as to handle their legitimate expectations. Amongst these are AA1000 and Global Reporting Initiative (GRI). We must also mention the Societal Report of the CJDES (Centers young leaders and actors of the social economy) and the GEBS (European Grouping of the Societal Report), tools that address themselves so to the world of the Social economy or to the co-operative ones that to the businesses "classical".

Many labels exist also with the purpose to guide the consumer in his/her choices. The certification is not connected anymore to the global company behavior but rather to the conditions of production of a specific product from the social or environmental point of view. In Europe, market surveys show indeed that these aspects become increasingly important for consumers when they are in a purchase position. One of the great difficulties for the consumer is that there is no standardization in these labels: they relate to different stakes, sometimes different sectors, use different methodologies, are emitted by different organizations...

Most known of the European public are the labels of fair trade, which guarantee to the producer fair and more stable prices, and a long term engagement. There is also, depending on the countries, many labels on the environmental questions as well as the European Eco-label. In terms of social label, there exists in the EU only very little case. Most interesting from our

point of view is the Belgian public label, which is the subject of an in-depth study in our case studies.



### 3 Institutional context

#### a) Publications

##### i) **Two international publications**

Certainly the most known document that treats, in a global context, CSR issue is: **Agenda 21**, first referential document regarding the sustainable development. This text devotes a whole chapter to the necessity of modifying the production and consumption modes, seen as the first cause of environment deterioration. This documents remains however very general.

Always in an international level, but in more targeted way, OECD elaborated in 1976 and then revised in 2000, its "**Guiding principles for multinational corporations**"<sup>9</sup>. These guidelines are government's recommendations towards their multinational corporations. These recommendations concern the human's rights, children's work, employee's rights, technology transfers. "Contact points" were established in every country to promote these guiding principles. These guiding principles thus constitute a State's initiative «to weigh" on companies' behaviours.

##### ii) **A European publication** : European Commission's Green Paper

In 1993, the EU President, Jacques Delors, appealed the European companies to fight against social exclusion. In March 2000, the European Council of Lisbon launched a call (in the Corporate Social Responsibility context) concerning the good practices related to the organization of work, equal opportunities, social integration and sustainable development. The European Commission published in 2001 its Green Paper "Promoting a European framework for the Corporate Social Responsibility". The aim of this document was "firstly to launch a debate about the way that European Union could promote the concept of Corporate Social Responsibility (in an European and international level) and secondly to consider the means of exploiting most efficiently the existing experiences, and at the same time encouraging the development of innovative practices, improving the transparency and reinforcing the reliability of the evaluation and validation of different initiatives carried out in Europe."

#### General note on these publications and their background

For certain NGOs, these texts and institutional suggestions remain nevertheless based on an imperative of growth, which nevertheless directly is linked to the accumulation of tensions on the environment and the human being. For these NGOs, the reflection on the modification of the production and consumption schemes brings also to the necessity to reduce the productions and the consumptions (and not only to modify the production processes, the good practices of the businesses and the request of the consumers in this direction). It will be a matter therefore to modify the life patterns, notably western (ecological footprint), to organize differently the human activities and the distribution of wealths. With also the necessity to drastically reduce the incentives to consumption and to think about the evaluation of social usefulness of the products and activities.

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<sup>9</sup> Guidelines for multinational enterprises

## b) Platforms

### 1) **An international platform** : Global Compact

The Global Compact was launched in 1999 by UNO and joins together in a dialogue two several instances: the organizations specialized within the UNO in human's right, labour rights, environmental protection, important trans-national corporations, NGOs and Trade unions. Its purpose is to promote companies' good practices in the issues of human's rights, labour rights, and environmental protection. A charter was written which contains nine general principles to which the companies are invited to adhere.

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### 2) **A European platform** : The CSR Forum of the European Commission

The European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS-Forum), chaired by the Commission, brings together European representative organisations of employers, business networks trade unions and NGOs, to promote innovation, convergence, and transparency in existing CSR practices and tools. The Forum's mandate was approved at the launch on 16 October 2002.

The CSR EMS Forum shall reach its objectives through:

- Improving knowledge about the relationship between CSR and sustainable development (including its impact on competitiveness, social cohesion and environmental protection) by facilitating the exchange of experience and good practices and bringing together existing CSR instruments and initiatives, with a special emphasis on SME specific aspects;
- exploring the appropriateness of establishing common guiding principles for CSR practices and instruments, taking into account existing EU initiatives and legislation and internationally agreed instruments such as OECD Guidelines for multinational enterprises, Council of Europe Social Charter, ILO core labour conventions and the International Bill of Human Rights.

After its operational period, the results are mitigated. They will be clarified in the chapter 6 where the importance of the dialogue is treated.

### a. Regulations tools

Certain States have created tools on the purpose to encourage more companies "to produce responsible". These tools are either inciting, or constraining.

Let's quote here, without detailing them, some of the most exemplifies tools:-

#### 1. Example of *constraining* tools:-

- **France's NRE law**: France in 2003 applied a new regulation; the law "New Economic Regulations", obliging companies quoted in Stock Exchange to publish not only an annual report, but a social and environmental report as well.
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- **The English legislation on the socially responsible Investments**: England has recently set up the legal obligation for the Investment funds to declare their position regarding ethical issues and their actions within this framework.

- In **Netherlands**, the government decided in 2001 to oblige the companies that profit from governmental assistances, to adhere (in writing) to the guiding principles OECD.

These two initiatives show the current evolution in "ethical obligation" matters. The State does not oblige the companies to do something but obliges them to say what they do.

## 2. Examples of *inciting* tools:

### 2.1.1.1. Successful projects

2.1.1.1.1. **The Belgian social label:** in 2002, Belgium enacted a law which aims at supporting the socially responsible production. A label was introduced, decreed by the State and intended to certify to consumers that the good or the service the he is buying was produced in coherence with basic Conventions of WIO. This label is studied more in-depth infra in the case studies.

2.1.1.1.2. In Denmark, a "public social label" rewards the socially responsible Danish companies. However, the criteria definition appears to many observers like prone to criticism.

### 2.1.1.2. Preliminary drafts

- In Italy, in 1999, two bills were written concerning a social label for companies as well as the obligation for big companies to write a socio-environmental paper. This project was not made reality because of the changes in the Italian political scene (changes in the majority).
- In Netherlands, the ministry for Economic affairs is working in code of social and environmental responsibility for companies and encourages them to publish an environmental report.

#### 4 **Different perceptions of the CSR by European companies**

Despite of many publications relayed often by companies' federations and installing all these jurisdictions, enterprises still understand CSR very differently

- a. The first comprehension level is the one where (for a good number of companies), being socially responsible means simply bringing work to its employees and, better, creating jobs. For these companies, being ethical is to respect the laws of its country.
- b. On a just a bit more elaborated level, being CSR consists in creating a foundation which will carry out donations.
- c. In this level we find the perception based on the fact that to be socially responsible consists for a company "not to harm": not (too much) to pollute the environment, not (too much) to consume non-renewable natural resources, not to produce harmful products (weapons, tobacco, alcohol...), etc.
- d. The following level means to certain companies that they can positively get involved with social or environmental issues within their internal dynamics. There are examples of companies who install an integrated environmental management system or companies which will recruit as part of their personnel a certain number of underprivileged people (long-term unemployed people, less valid people) or better, who will create in annexes to the company an "insertion enterprise" specialized to employ this type of people.
- e. The "ultimate" level is the one where companies understand that they have an impact or a responsibility beyond the space limits of their activity placement. For example, companies who organize social audits in their "Third World" production chain.

Note: we find here above, on the level 3 and those following, the current typologies which are used to evaluate regarding ethical investment: the ethical funds were historically based on level 3. Thereafter, new funds were created based always on qualitatively higher levels.

## 5 The effective involvement of European actors

### 1. In the EU-15

#### 1. Companies

Companies understand quite differentially how they can get more involved in CSR. Apart from different levels of comprehension, they differ as well in the level that they want to get involved. So a CSR process can be quite different from one company to another. Let's quote these levels of implication, by ordering them qualitatively:

- a) The very first level of CSR implication, and the one that has never been exceeded by many companies, is the drafting of an ethical charter or codes of conduct, that declares a certain number of company's intentions concerning these social and environmental dimensions.
- b) A second implication level is that of companies who want to enter in a concrete process and thus put in place "a scheme of work", generally with corrective or constructive actions which aim at "ethical" objectives. We can mention here for example, the installation of an "environmental management system" or the discussion with a supplier based in the Third World concerning the working conditions of his personnel. We consider this step as a "second level" because the company is moving towards changing things, but it does it in an independent way without consulting the other agents. The enterprise decides about its objectives, takes its own actions, carries out its own controls and decides possible corrective measures. These actions can be tangential to its activity (donations, support of an insertion company) or can be connected to its core business.
- c) On a third level of implication, we find companies who use an evaluation system of their ethical program. This diagnosis tool can be completely applicable to the company or can fall under a practice more largely widespread in reference to a recognized standard (for instance EMAS standard or ISO 14001 related to environmental matters or the SA8000 standard on social matters). When the diagnosis tool is specific to the company, it can be interne auto-evaluation or a specialized external cabinet carries out the evaluation. When there is a clear reference to a standard, it should be necessarily an external organism that effectuates the controls. This external evaluation can give place to a certification of the company or a labelling of its products.
- d) A fourth level of implication is CSR's integration in a genuine "management system". This approach is much more frequent on the environmental issues than the social issues. When an environmental management system is put into place, it implies that environmental matters are taken into account regardless of the decision which is to be taken. At this level, the CSR is not just one process added beside the production process, but it is part of this process.
- e) The fifth level of implication is that where the company, not happy about being subjected to an external standard and to an independent control, will start a dialogue with (the) stakeholders so as to refine its perception of CSR issues. This dialogue can

be about the objectives to be reached, the stages to go through, the standards to be met, the quality of control, the possibility of communication towards the consumer. Certain stakeholders (NGO's, Trade unions) can be invited to carry out their own controls in margin of the official audit.

No matter what is the level of implication, the enterprise can also choose to "to communicate" about its achievements. They can do this based in the management reports (social report, environmental report, sustainable report that joins both aspects) annexed or integrated to its traditional annual report or they can also do information campaigns for the consumers.

## 2. The Trade-unions organisations

At the beginning of the CSR's phenomenon in Europe, the trade-union speech is rather radical. It consists in affirming that a true CSR is to improve the social dialogue where it exists and to set up the dialogue where it does not exist. Put it differently, to give to Trade Unions the means of taking their action (In North and in South) and it will not be need for CSR.

An additional difficulty to be very interested in CSR is the historic habit of the unions to concentrate on the aspect « social minima ». In a framework where CSR is considered as «taken into account what goes beyond these minima », one understands that the issue be in some rupture with this habit.

Later in a second stage, noticing that CSR was rising independently to them, and noticing as well that the first CSR's concretizations seemed to them to be rather Public Relations actions, trade-union started to work with the drafting of what they could regard as a genuine standard in this matter. In 1997, the ICFTU (International Confederation of the Free Trade unions) defined a code of model-conduct for companies wishing to launch themselves in CSR. A certain number of NGOs, and then later well-known campaigns in Europe took again this code.

Nowadays, the trade-unions are working preferentially on two levels:-

- Seeing that their code was having problems to be imposed and to be accepted as a standard by companies, the trade unions promote the Guiding principles of OECD, chronologically second<sup>th</sup> international code adopted by governments.
- The trade unions conclude the "outline agreements" by sectors between certain companies and International trade-union Federations (in December 2003 there were 25). This type of agreement constitutes a starting point of a social dialogue in an international level.

Trade-unions seem reticent about current possibilities of monitoring of CSR dynamics. As a matter of fact the audit companies which achieve these monitoring missions are themselves large international companies working on very diverse audits and are considered by Trade unions as not being very expert in this new and difficult matter that is the CSR. In the outline agreements mentioned above, the confidence that was established through the social dialogue is such that the external control does not seem necessary any more.

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<sup>th</sup> the first similar Code was made by IWO in 1977 including 'declarations for the multinationals'

### 3. Specialized NGOs

These NGOs try to alert the public opinion not only in the environmental aspects but in the social aspects as well, and propose various actions (public awareness campaigns, boycotts, etc). They alert the public opinion, challenge the governments and companies by denouncing practices. Some of them gradually have positioned themselves in a third and more constructive stage which is concretized either by their presence in dialogue spaces, or by initiatives with respect to certain companies to build together positive initiatives regarding CSR issues (see case studies).

This last attitude is not without raising questionnements (or worries) from other NGOs that can suspect there a loss in objectivity and in credibility from the "cooperating" organizations.

### 4. Consumer Organizations

A certain number of small organizations gradually have been installing in various countries having as main objective the promotion of responsible consumption, considered as the major leverage for companies to start modifying their practices. We can mention here the Network of Responsible Consumers in Belgium, The Verbraucher Initiative in Germany, ACU ONLUS in Italy, and Active Consumers in Denmark. In a European level, we have seen the creation of the "European Network for Responsible Consumption", and that of the "European Consumers Association, social and environmental".

Besides these specialized organizations, the large consumer's organizations gradually were interested in CSR issue, taken under the angle of ethical consumption. Thus the periodicals of these organizations start to publish comparative product tests including some social or ecological criteria.

### 5. The public authorities

We saw above in the point that treats the legislative tools, that certain European States are quite pro-active on the CSR matter. They enact constraining laws or inciting labels. But the least that we can notice is that they do it without any coordination. What is remarkable indeed on a European level, is the multiplicity of the approaches. Certain countries (like Italy) promotes American standard SA8000, others (like Belgium) take as reference other standards (OIT basic conventions); and other countries again (like France) are still looking for a reference frame. At the present time it seems, that the European Commission does not wish to settle the debate once and for all by drawing a "European standard" but rather tries to harmonize the various national ones.

A work axis that is complementary to the legislative tools already mentioned is the social and environmental clauses in the public markets. These clauses give, in theory, to the States, administrations, municipalities, cities, the possibility of giving priority to suppliers of goods or services which are subjected to social or ecological criteria specific to the market. This debate is currently in hand in a European level.

## 2. In EU-10

The development of the SREA is still too recent in this new part of the EU that to be able to draw up such a detailed chart of the setting in motion of the actors... Nevertheless, on the basis of report<sup>10</sup> published by the IBLF<sup>11</sup>, and of our own investigations on the spot, we can develop the following data.

In fact mainly the large foreign transnational companies introduced this type of behavior into the EU-10. At the beginning, they posed gestures of philanthropic nature. In the second time, they put in motion varied actions turned towards the community. A third type of contribution, still more significant than the two first, was their contribution in terms of transfer of management competence and technological processes.

We mentioned above<sup>12</sup> the quantitative information on the trade unions of this new part of the EU. The world of NGOs as that of the consumer organizations appears weak and little developed. We do not have an indication that these three types of actors would be implied in a dynamics of SREA. It even seems that the stakes of CSR (to take care of environmental or social issues) are regarded as a luxury for the strongly developed countries.

### **3. Outside EU: the example of Russia: collaboration companies-NGOs**

This part will be developed later when I get the infos

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10-From transition to accession: the experience of CSR in Central and Eastern Europe

11-International Business Leaders Forum

12-Chapter 1.C.



## 6 Divergences between the agents and importance of the dialogue to put in place

In its first phase of involvement towards CSR and in order to write a Green Paper that is based as much as possible on the vision of many actors, the European Commission has been very open to various suggestions. The EC received more than 250 suggestions from different stakeholders. These suggestions allowed noticing that the CSR concept presented certain obvious divergences:

So according to the Commission, enterprises stressed the voluntary nature, its integration in the sustainable development context and that its content should be developed at global level. Enterprises emphasised there would not be "one-size-fits-all" solutions. In the view of business, attempts to regulate CSR at EU level would be counterproductive, because this would stifle creativity and innovation among enterprises which drive the successful development of CSR, and could lead to conflicting priorities for enterprises operating in different geographical areas:

Trade unions and civil society organizations emphasized that voluntary initiatives are not sufficient to protect workers and citizens rights. They advocated for a regulatory framework establishing minimum standards and ensuring a level playing field. They also insisted that in order to be credible, CSR practices could not be developed, implemented and evaluated unilaterally by businesses, but rather with the involvement of relevant stakeholders. They also asked for effective mechanisms to ensure a company's accountability for its social and environmental impact.

In its second phase, the European Commission has taken the initiative to set up at the end of 2002 the European Multistakeholder Forum on CSR so as to allow the stakeholders to go further as far as convergences and divergences are concerned. The long European tradition of social dialogue (employers-trade unions) obviously facilitated the organization of a round-table adding around this table other stakeholders. The participants (apparently) agreed to publish a common text, report of their work, stating the Forum position on the issues treated. This text took again the initial CSR definition proposed by the European Commission, namely that which implied a voluntary step of the companies. However, in the days which followed this apparent consensus, a group of NGOs published an open letter expressing a divergent position according to which, in the absence of a common system of CSR accountancy, voluntary agreements between stakeholders are not sufficient to create a European CSR framework. These ONG did not question the entirety of the Forum but expressed that, according to them, the report is a limited result of a limited process.

### Attempting an explanation of this failure of the up to now most structured dialogue initiative between stakeholders in the EU

The principal factors which bring the actors to positions often very divergent are, from our point of view, often little conscientized. While simplifying, schematizing with excess and by pushing the positions to the extreme, here are some examples of the polarities involved:

1. The representatives of the trade unions and often of NGOs, basically, want "to change the system". And more especially as this one is tightened towards a liberalism which seems to them "ultra". What is obviously not the case of the representatives of the companies, which want to preserve the system and to still accentuate if possible their freedom of action...

~~2. Connected to the preceding concept, for a lot of trade unions and NGOs, "the company is evil". What does not facilitate comprehension and confidence... And for the companies, the trade-union representatives and more and more of NGOs are, at best idealists dreamers who should come back to reality, at worst enemies who preach anarchy and who threaten their existence of company..~~

*~~This SREA (in a European level) that we described we will clarify it better by presenting some examples. We will study in detail 10 examples of good practices in this field. These examples will introduce different stakeholders (enterprises, company's federations, Trade-union organizations, consumer's organizations, NGOs, network NGOs, the authorities, urban communities).~~*

## 7 Ten Case Studies

**Case 1. Companies:** Carrefour International (F) — Leading retailer carries out social audits on its supply chains

### Promoter Profile

Carrefour is the leading European distributor, and second in the world. It has 9,200 stores in 30 countries worldwide.

### Social Responsibility Approach

Carrefour is in the process of investing significantly in a procedure that is gaining ground in the large transnational companies: social audits which, as their name suggests, are designed to assess the social conditions in which the products sold to the consumer are manufactured. In this way consumers can be guaranteed that the products they are buying have not, for example, been made by children.

In 1997, Carrefour International introduced its Charter of Commitment against the Exploitation of Children and Forced Labour, the aim of which is “to make it possible, in the relations it has with suppliers, to get the latter to recognise and respect the international standards on working conditions stipulated in particular in the various International Labour Organization (ILO) conventions concerning the following: the prohibition on child labour and forced labour, trade union freedom and the right to collective bargaining, wages and working hours, the health and safety of workers and the principle of non-discrimination”.

The social audits currently in use form part of the implementation phase of the Charter. Also as part of this phase, Carrefour International employs specialist bodies to audit all of its production sites in order to ensure that its suppliers are respecting their commitments.

### Motivating Factors

For consumers, Carrefour does not have an image associated with one of the ethical issues, unlike other chains with organic food or with an environmental involvement. When it comes to the distribution of responsible products, at European level Carrefour is currently placed among the average for major retailers: a few organic products and this or that brand of fair-trade coffee are displayed on its shelves. And its efforts to behave as a “sustainable company” are not really known to the general public. Carrefour publishes a sustainable development report each year providing information on its sustainable development-oriented practices, however this document is not aimed at the general public. Through this new initiative, and should the company decide to publish information for the public, Carrefour gives itself the possibility of acquiring an original ethical profile in the future.

## **Standards and Labels**

The social audits conducted by Carrefour are not authenticated by an internationally recognised certification board. However, Carrefour is not going it alone: the retailer has teamed up with other French brands to form a dynamic whose aim is to identify a set of common reference points for leading retailers in France.

## **Quantitative Data**

By the end of 2003, it had had 398 social audits carried out in countries such as Bangladesh, Vietnam, India, China and Pakistan. The sectors involved were varied: textiles, electronics and toys. The audits concerned production units employing 292.036 people.

Audit results ranged from an A score to a D (exclusion). Almost 43 % of the companies audited scored a A or B, for “satisfactory”, and 53 % scored a C, indicating that corrective action was needed. Of while 56 % had to do with working hours and wages.

## **Stakeholder Participation**

A “Surveillance Committee”, a non-profit organisation, guarantees the procedure, sets the priorities, recommends and supervises the implementation of corrective action and carries out local surveys / or has them carried out. This committee, known as INFANS, is run by four representatives of the International Federation of Human Rights Leagues (FIDH) and two representatives of Carrefour.

## **Quality of dialogue with stakeholders**

Overall, the FIDH welcomes C.I.’s initiative. INFANS has been considered as an adequate platform for discussion and sharing between stakeholders. Experience on the ground, however, has made it aware of certain limits to this process, as well as several instances of dysfunctioning in the method used by the auditors.

## **Requirements for Smooth Functioning**

Carrefour has identified the following needs:

- Promotion of the Charter and Carrefour’s commitments to its suppliers;
- Reinforcing the local monitoring system by improving cooperation between Carrefour and its member associations;
- Placing emphasis on the training of auditors;
- Sharing out more equally the auditing costs by strengthening its Re-Audit campaigns.

## **Global Assessment of the Approach (Strengths/Weaknesses)**

### Main Strengths

- Carrefour's adoption of IFHR-approved auditing criteria, and the adoption of these criteria by the French Distributive Trades Federation (FCD):
- Acceptance by Carrefour of an independent monitoring mechanism which brings together local partners, and whose sanction would be publicity:
- Acceptance by Carrefour of unannounced independent spot checks:
- Incorporation by Carrefour of an approach affecting all of its 'sourcing' policy, and notably the selection of its suppliers:
- Decision by Carrefour to break all commercial ties with Burma. The IFHR has called for a freezing of foreign investments to this country:

#### Main Weaknesses

- Difficulty in assessing, effectively and in relation to time, the fulfilment of the obligations contained in the Charter and the advised follow-up to the corrective action:
- Difficulty in adopting a systematic approach to all the group's suppliers:
- Difficulty in ensuring consistency between the commercial practices of a group and the introduction of corrective, often costly, action on the suppliers:
- Understandable limitations to such cooperation due, on the one hand, to the local political regime and, on the other, to the failure of suppliers to respect and implement their international commitments:

## Case 2. Companies: BP Poland—a transnational company introduces CSR into Eastern Europe

### Promoter Profile

BP has been operating in Poland since 1991. Its business is focused on the retail market, Liquefied Petroleum Gas (LPG), lubricants, bitumen and chemicals.

BP is one of the largest retail site owners in Poland with a network of service stations nationwide.

### Social Responsibility Approach<sup>13</sup>

BP Poland initiated interesting steps as well in the environmental plan as social

#### Czysty Biznes

Small and medium-sized companies (SME) are in strong growth in Poland these last years and now use half of the national workforce.

One example of the BP social investments and support for local communities is the Clean Business (*Czysty Biznes*) programme. It is a partnership between BP, the Polish Environmental Partnership Foundation and Groundwork, a UK-based environmental organisation. BP has committed \$2.3 million in support of the programme. The aim of Clean Business is to raise the environmental performance of small and medium-sized enterprises (SMEs) and demonstrate how this can be coupled with greater efficiency and increased profitability, including for local communities.

Specific goals of the programme include:

- supporting SMEs in launching environment friendly initiatives within the company which will help reduce production costs (e.g. owing to waste management or energy saving), thus boosting competitiveness;
- motivating SMEs to promote environment friendly initiatives outside the company, particularly in its neighbourhood, in the area where its employees live, and in its key markets;
- creating opportunities for SMEs to engage in long-term projects for protecting the environment and local communities in a partnership with central and local government agencies, NGOs and other social or economic organisations.

The programme groups these companies in "clean business clubs," which offer members access to business advice, seminars, and an information helpline in exchange for a commitment to run a cleaner business.

#### The Pajacyk Campaign

The Pajacyk (a jumping-jack) is a school feeding programme carried out as part of the BP partnerclub programme in liaison with Polish Humanitarian Action, an NGO, and many other companies. It deserves special mention as a marketing programme incorporating charity—perceived as an indispensable element of the company's functioning. A special mechanism is made available to participants in the BP partnerclub programme that enables them to

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13 From the presentation BP gives on the site of BPCC (British Polish Chamber of Commerce)

contribute credits that they have collected to this charitable cause. During the first two years of the functioning of the programme, BP partnerclub and its customers sponsored almost 400,000 meals for underprivileged children in Poland.

### ***Autokreacja***

Autokreacja (Self-creation) is another project, which BP has long been supporting. This project, organised by the Prince of Wales Business Leaders Forum in liaison with the Labour Office, aims at providing assistance to unemployed persons. Its results are remarkable: the majority of persons participating in Autokreacja have found a job or are continuing in education.

### **Motivating Factors**

*A BP representative speaks: "We want to share our profits with local communities and our partners. They can and should benefit from BP's presence in their neighbourhood. We are held accountable for our financial, environmental and social performance. This is why BP's investments in Poland are not only in business areas, but also in social ones. In keeping with our policy of social involvement, which is a part of our strategy, we support the development of local communities."*

### **Standards and Labels**

No information yet.<sup>14</sup>

### **Quantitative Data**

As of February 2005 around 266 companies participate in the programme through a network of 14 Czysty Biznes clubs—based in towns and cities throughout south-east Poland. Started with \$2.3m initial commitment from BP— and jump-started with advice from Britain's Know-How Fund—the programme has drawn so much interest from companies that organisers have extended its life from five to seven years. BP is also trying to draw other multinationals in as sponsors;

### **Stakeholder Participation**

Many NGOs or Foundations are stakeholders in the BP Poland initiatives:

For Clean Business, it is the Polish Environmental Partnership Foundation and Groundwork, a UK-based environmental organisation.

The Pajacyk Campaign has been launched with the Polish Humanitarian Action.

And for Autokreacja, we find the Prince of Wales Business Leaders Forum

### **Quality of dialogue with stakeholders**

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<sup>14</sup> A visit on site is foreseen in June 05

No information yet

### **Requirements for Smooth Functioning**

No information yet

### **Global Assessment of the Approach (Strengths/Weaknesses)**

#### Main Strengths

The Clean Business programme is acknowledged for its quality: in 1999, in recognition of its achievements in the field of environmental protection, BP was named the Benefactor of the Year (*Dobroczyńca Roku*) by the Academy of Philanthropy. In 2004, the European Commission recognized the important contribution the programme makes when it not only awarded Czysty Biznes Poland's first grant under the LIFE-Environment programme, but also selected it as the test bed for development of an environmental management internet tool that will ultimately be made available to SMEs throughout the EU.

#### Main Weaknesses

No information yet



## **Case 3. Companies: Triodos Bank—A model in ethical banking (NI)**

### **Situation**

A widespread movement is currently taking place among European banks. It involves the incorporation of ethical investments into the range of services available to the customer. In addition to this measure, adopted by many major banking establishments, there is also a small number of banks which specialise in this field, 'ethical banks'. Of these banks, the largest and most representative is, without doubt, Triodos Bank which was first set up in The Netherlands before expanding to England and Belgium.

### **Promoter Profile**

Triodos Bank is an independent international bank, which specialises in the granting of credits to organisations in cultural, social and environmental spheres. Since its establishment, in 1980 in The Netherlands, Triodos Bank has been a pioneer and a model in sustainable banking. Triodos Bank has been operating in Belgium since 1993, and in the United Kingdom since 1995. It intends to open an office in Spain in 2004.

### **CSR Approach**

Triodos passes those projects and companies requiring credit through a double filter, that of financial viability and ethical added value.

For responsible consumers, banking with Triodos can be seen as the ethical alternative, in the sense that their money will be used positively as regards moral values.

The aspect of solidarity is also being developed at Triodos; Triodos offers savers the chance of donating a proportion, or indeed all, of their interest to organisations of their own choice, or they can leave this choice up to the Bank itself.

The profile of the Triodos Bank customer is certainly that of a 'committed' consumer. It ranges from those who will purchase organic products from specialist food shops, even if this entails travelling 15km and paying extra; to those citizens, economic players in their own right, who are guided by their common sense to make responsible choices where these are possible in their daily lives.

### **Motivating factors**

Triodos Bank was set up by private individuals, active in the world of business, who were looking for an alternative way to bank.

### **Standards and Labels**

Triodos has not adopted any outside standard or label—it sets its own standard.

### **Quantitative Data**

Triodos bank has experienced considerable growth since its foundation: in the past decade, its total profits have risen by an average of 30% per year. Nevertheless, Triodos remains a small banking establishment: the means entrusted in it by its clients, from all three countries, amounted to some 1.5 billion euros at the end of 2003.

### **Stakeholder Participation**

In the same way that Triodos does not call upon external labels, neither does it request its stakeholders to define its ethics. It does however maintain an ongoing dialogue with its clients

during the annual meeting. In addition, in England and Belgium, the bank has entered into partnerships with known NGOs which, as delegated agents, distribute its products.

### **Level of Dialogue with Stakeholders**

A formal dialogue is held with stakeholders concerning the methodology involved in the sustainable selection of companies for Triodos Values Fund, an ethical investment fund. Frequent discussions are held with clients and intermediaries from associative structures.

### **Requirements for Smooth Functioning**

Triodos is experiencing continued growth from its activities, in the region of 15% to 20% per year. Given these positive figures, the factors for success appear to be present. It is however evident that, given its size, the bank is limited financially as regards promoting itself among investors.

### **Global Assessment of the Approach**

Triodos bank offers services at the market rate. There is therefore no loss in becoming a Triodos client. Moreover, it offers all its clients a demand deposit account identical to that offered by other banks: there is therefore equal security in becoming a Triodos client. Lastly, Triodos can promote itself as 100% ethical: it possesses, in this respect, a competitive edge when compared with other initiatives from standard banks. The bank also keeps its clients updated as to the use of their money thanks to Triodos' magazine and via their website. In this way, Triodos creates a social link between those who invest their money and those who use it. Triodos presents an almost perfect profile for the ethical investor. Two internal factors however darken the picture:

The bank does not offer a large range of products and is different, in Belgium, in the sense that it has no demand deposit accounts for the private individual: the investor is therefore obliged to have two banks.

There is only one branch per country (Zeist, Brussels, Bristol), which forces the Triodos client to conduct his/her transactions by post, fax or telephone. As direct contact with the client is absent, the convivial side of banking will never be established. In 2004, the bank will offer an internet banking service which will increase the ease of access.

A third factor, which is not dependent on the bank, also introduces a negative element: the insufficient number of projects combining societal added value and financial viability. Triodos has difficulty therefore in transforming the funds invested in it by responsible savers into credits. We observe however that, over a period of five years, the savings conversion rate in sustainable credits has risen from 20% to 48% in 2003.

## **Case 4. Companies: Mondragon, at the forefront of European cooperatives (Sp)**

### **Promoter Profile**

Mondragon is a small town of some 40,000 inhabitants situated in the Basque region of Spain. It has experienced outstanding development in the last fifty years and is recognised worldwide as a success in local development. This dynamic took off in 1943, when a Basque priest, Father José Maria Arizmendiarieta, founded a school providing vocational education which was open to all of the region's young people. In 1956, five former students set up the first of the current corporation's production units in Mondragon. 1959 saw the creation of the co-operative credit bank Caja Laboral, a genuine bank of co-operation and a key factor in the future of those co-operatives which formed part of the "Mondragon experience". The foundation for the success of the Mondragon Group was laid down. Subsequently, the number of co-operatives rose non-stop. Today, almost half a century since it was first established, Mondragon Corporación Cooperativa (MCC) is, in terms of sales as well as employees, the largest enterprise corporation in the Basque region and the seventh in Spain.

### **CSR Approach**

The companies which make up the Mondragon network are mostly designed according to the co-operative model. In the Basque region, this model emphasizes the following values: open membership, democratic organisation, domination of work, subordination of capital, participative management (one member, one vote), solidarity-based wage (scale of salaries 30% narrower than that of the market), interco-operation (mutual support with other co-operatives), social transformation, universal dimension, (societal solidarity) and ongoing training.

### **Motivating Factors**

To take up the challenge presented by the socio-economic difficulties which were experienced in that part of Spain in the fifties.

### **Standards and Labels**

The "co-operative" concept as originating and practised in Mondragon has, little by little, become the norm, from which the entirety of European co-operatives looks to for inspiration.

### **Quantitative Data**

MCC is a success in terms of employment. The group employs a total of 66,500 people (it is in permanent expansion). Its 168 firms (half of which are co-operatives) are also experiencing continued growth in their turnover (2,067 million euros in 1997 to 4,049 million in 2002). Currently, growth is mainly due to international development.

### **Stakeholder Participation**

The employees themselves are the stakeholders in the co-operative process. As such, the wage-earners elect the "social council" (one person in every ten) to represent them and take decisions on a number of issues, from working conditions to corporate strategy. Another council is in charge of putting the social council's decisions into action.

The employees can join trade unions, but this representation does not appear to be necessary in this environment as the majority of its functions are covered, in equal measure, by the social council.

## **Requirements for Smooth Functioning**

A look at the growth in the figures shows that the necessary conditions for development are in place.

## **Global Assessment of the Approach (Strengths/Weaknesses)**

### Strengths

MCC sums up the reasons for its success as follows:-

- The vital role played by Arizmendiarrieta, the driving force behind the Experience, with his grand vision of the future and his influence over both students and disciples when putting his ideas into practice.
- The personal nature of the co-operatives, in which people are given priority over capital, an attitude which results in a high level of worker involvement in the company, through direct participation in both the capital and the management. All this contributes to creating a positive atmosphere of consensus and collaboration.
- A decidedly business-like approach to the co-operative phenomenon, in which company profitability and planned, rigorous and demanding management efficiency are seen as basic principles.
- Re-investment of practically all resources generated.
- Ongoing adaptation to the changes taking place in the environment.
- Creation of efficient inter-cooperation instruments: both in the financial field and as regards social welfare, innovation and R&D, co-ordinated job management and situations of crisis.
- Finally, another key element in the success of the Mondragón Experience, both initially and today, is the importance attached to training, both as regards formal education, such as that provided by their University Faculties and Professional Schools, and as regards Lifelong Training linked to professional refresher courses and advanced courses.

Weaknesses: at present, globalisation and general job insecurity mean that MCC companies need an even greater degree of flexibility. This is how a growing proportion of employees remain on the fringe of the co-operative, not benefiting from the status of 'socios' or members. These account for some 15% of the MCC workforce.

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## Case 5. Companies: Guild for solidarity-based sustainable development in the Pays de Liege (B)—a local network of small businesses

### Situation

This initiative hopes to facilitate the emergence of a new commercial concept: several SMEs from different sectors (fair trade, organic supply chains, local social economics, etc.) coming together to form a Guild of traders which share the same values.

Three innovative aspects are present:

- The dynamic was set up by consumers
- Small businesses are involved in the CSR approach
- Networking

### Promoter Profile

The idea of setting up a network came from a consumer association, “*Ainsi fonds font fond*” (AFFF), which specialises in the promotion of responsible consumption at a local level (Pays de Liege, Belgium).

### SREA Approach

Each partner undertakes to make considerable progress in one of three areas (social economics, fair trade, and environmentally-friendly supply chains). In addition, all the participants in the network design their social responsibility on the basis of the same principles:

- Solidarity and nearness, resulting in trade on a human scale
- Transparency and trust between producers, sellers and consumers
- Prevention of problems and long-term awareness
- Giving work and money back their roles as tools for development rather than as an end in themselves
- Putting economics back at the service of human beings.

Lastly, each of the Guild’s traders encourages its customers to shop within the network of the Guild.

### Motivating Factors

- Think and act: to reflect on the economic systems supported by consumer purchases and, subsequently, to adapt one’s habits in order to gain control of these systems.
- The growth in market shares of local products and businesses which are ethical.

### Standards and Labels

For each supply chain, the Guild refers to the existing standards and labels of that supply chain’s particular sector.

## Quantitative Data

In 2004, after two years in operation, the Guild brings together approximately twenty partners representing some thirty outlets.

## Stakeholder Participation

This dynamic not only brings together businesses, but also a consumer association (AFFF). The cultural sector (art houses) is getting involved in promoting the initiative. Lastly, both local and national authorities support the initiative, whether financially or in kind.

## Level of Dialogue with Stakeholders

In applying of the Charter, members are supposed to give priority to practical cooperation, exchange and partnerships. Conflicts of interest and competitive behaviour, if they occur, should as far as possible be dealt with through consultation.

Furthermore, the Guild publishes a periodical entitled “Sens”, which provides consumers with a direct means to express their views.

## Requirements for Smooth Functioning

- A paid worker for the medium term
- Continued involvement of the Guild’s partners
- Interest from local authorities in such a way as to contribute to raising awareness for the Guild.

## Global Assessment of the Approach (Strengths/Weaknesses)

### Strengths

According to AFFF, the preconditions for the success of such an initiative are already in place: Liège has an abundance of third-world shops, organic food shops and social economy initiatives. The energy is there, has been there in some cases for many years. So the potential necessary for setting up a diversified network that will remain on a human scale is there. Geographical proximity favours the development of short distribution chains and neighbourhood trading — people will know the faces behind their purchases. Practical synergies and concrete results are easier to arrange.

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Weaknesses: according to the project’s founder, if the Guild does not manage to find the funds necessary to pay for time-worked, the initial drive will be at risk of losing its vigour. The partners must understand that there are financial interests in this approach. In addition, the local base which is a cohesive and coherent force for the project while keeping its flexibility,

also represents a weakness as it is forced to remain marginal => it will be necessary for other Guilds to develop in other areas creating a spill-over effect.

## **Case 6. Institutional Players: Eurocities Campaign: “Responsible consumption: Cities make the difference”: involvement of cities and towns (UE)**

### **Situation**

Agenda 21, which since has been considered as the basic charter sustainable development, devotes an entire chapter to the necessity of altering production and consumption patterns, seen to be the primary cause of the deterioration of the global environment, and explicitly underlines the importance of public procurement, describing it as one of the major levers in achieving change in the “unsustainable patterns”. Indeed, In one year, more than 1,000 billion euros, i.e. 14% of the European Union GDP, are devoted to public procurement.

Large towns are big consumers of goods and services.

Just like individual consumers, local authorities have numerous possibilities of perceptive purchasing of those products which most respect man and the environment.

By adopting coordinated and coherent purchasing strategies, based on sustainability and equity, each town can influence a considerable number of external suppliers who, if they wish to remain the preferred partners, will in their turn adopt more responsible practices.

### **Promoter Profile**

Eurocities is a network which links 118 large towns and cities and represents some 100 million inhabitants.

### **SREA Approach**

Eurocities launched a campaign in 2003 which aims to attain two objectives

- Building responsible consumer towns;
- Raising citizens’ awareness of responsible consumption.

A responsible consumer, from the viewpoint of the town or city, is someone who gives priority, when making purchases, to goods and services which are manufactured according to positive values respecting both mankind and the environment. On the whole, this involves one of the following categories:

- Fair trade products;
- Products labelled socially responsible (ethical trade);
- Products from solidarity-based social economics;
- Organic products;
- Products labelled environmentally responsible (Eco-Label);
- Ethical investments.

### **Motivating Factors**

To promote sustainable development by engaging fully in adapting the consumption habits of the member towns and cities. To bring about change in production methods by encouraging consumers to buy ethical goods.





## **Standards and Labels**

For each participating country, Eurocities will choose those standards which are the most apt for and the best known of that country for each product supply chain. Eurocities also intends to conduct a comparative study of the standards and labels in the various countries.

## **Quantitative Data**

No data is available at the moment. The campaign is in its early stages.

## **Stakeholder Participation**

The project involves the participation of many individuals: purchasing managers, political decision-makers (mayors or their representatives), NGOs specialised in responsible consumption (called on as experts), companies which make up the production supply chain of responsible goods, etc.

## **Level of dialogue with Stakeholders**

A working group has been set up to make up the monitoring committee for the campaign. It is currently composed of 28 member towns and cities, representing 25 million inhabitants, which already account for many individual acts of responsible consumption. This working group, which meets three to four times a year, is the setting for dialogue between stakeholders.

## **Requirements for Smooth Functioning**

The campaign requires the towns and cities to make a long term commitment in terms of participation in the process, which means providing information on their good practices, trying out the good practices of other towns and cities, participating in the working group meetings, etc.

## **Global assessment of the Approach (Strengths/Weaknesses)**

### **The main strengths of the campaign are:**

- That it is initiated by an already established network which has been in operation for many years;
- That a certain number of these towns and cities are already engaged in the 'Agenda 21' approach which is oriented towards sustainable development;
- That town and city involvement in this form of concrete action gives them a very favourable image among their citizens.

**The main weaknesses are:**

- That the campaign seeks to involve individuals (purchasing managers) whose personal views may perhaps be more likely to combine notions of productivity and cost-cutting than notions of solidarity and ecology;
  - That the opportunities which towns and cities have of socially responsible consumption are limited; there are more opportunities in environmentally responsible consumption and therefore towns and cities will have to create their own innovative niche;
  - That the European legal framework is still full of incertitude as of whether or not to allow ethical clauses in public contracts;
  - That, as with all networks, the campaign will need someone to be in charge of coordinating and motivating the dynamic in the long term, which necessitates structural financing.
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## **Case 7. Public authorities: Belgium's Social Label: involvement of a European state**

### **Situation**

In 2002, Belgium adopted a law which aims to foster socially responsible production. It set up a label, to be awarded by the state, which would provide consumers with a guarantee that the goods or services that they purchase have been produced in line with the ILO conventions. As such, Belgium is the first country in the world to certify ethically manufactured products from industrialized countries and developing countries. It is a structure bringing together all the stakeholders which awards the labels.

### **Promoter Profile**

Contrary to the norm, where promoters of ethical labels are NGO's or companies, it is the state which was at the origin of this approach.

### **SREA Approach**

Belgium wishes to promote socially responsible production by labelling products, goods and services which respect the ILO's conventions, considered as the fundamental social rights. The products awarded this label are manufactured by supply chains which do not use child labour or forced labour, which permit trade unions and whose health and safety conditions are acceptable, etc.

The companies wishing to receive this label for one, or more, of their products must apply to a social auditing firm (accredited by the state). This firm carries out an audit on the whole production chain (including suppliers and sub-contractors) and draws up an audit report. A structure bringing together the different stakeholders, the advisory committee, decides whether or not to grant the label on the basis of the audit report. The label is then awarded by the Belgian Minister of Economic affairs.

### **Motivating Factors**

Belgium wishes to foster the socially responsible production of goods sold on its territory. It also wants to promote similar action at European level, where an environmental label (Eco-Label) has already been set up.

### **Standards and Labels**

Two standards are used:

- The E45004 standard which serves as an accreditation framework for the monitoring bodies;
- The core standards of the ILO which are used as the criteria for granting the label.

In addition, the label provides for a similar treatment to that of the SA80000.

### **Quantitative Data**

The label is in its early days: at present, two labels have been granted, both to "services": a form of insurance and a type of temporary work contract.

### **Stakeholder Participation**

The committee in charge of awarding the label includes consumer associations, NGO's, trade unions, companies and authorities.

### **Level of Dialogue with Stakeholders**

This dynamic can be considered as an exemplary model. Before the law was voted on, different stakeholders were consulted and their opinions were integrated into the bill. Then the various documents, which would serve as a reference for the inspections, were drawn up by the advisory committee. Lastly, this committee gives a verdict on the labelling.

### **Requirements for Smooth Functioning**

For the Belgian social label to be developed it will need:

- The involvement of companies wishing to acquire the label;
- Vast publicity from the state and corporate federations in order to encourage companies to adopt this approach;
- After a certain number of products are labelled, an information campaign will need to be conducted by the state together with companies and specialist NGOs (known for the confidence the public places in them).

### **Global Assessment of the Approach (Strengths/Weaknesses)**

#### Strengths:

- The label is based on a minimalist foundation (a minimum of social rights). It will be easier therefore for companies to meet the standards required
- The label joins together all the ingredients necessary for building consumer confidence: a committed and well-known promoter (the Belgian state), participation of all stakeholders (advisory committee), inspections carried out by a state-accredited firm.

#### Weaknesses:

- One label per product, as opposed to an overall certification of the company (as in the SA80000 standard), is a costly process for the company (for example a chain of distribution which sells thousands of different products).
  - Associative structures do not appreciate the fact that the only companies currently certified to carry out social audits are large standard auditing firms which have developed a social audit department. NGOs would prefer to have the possibility of choosing an auditing body from the associative structures.
  - A lack of political willingness could remove the financial means necessary for the development of the label (running the committee, publicity campaigns, etc.)
  - Certain progressive forces do not necessarily view the public label as an added value. For example, trades unions organisations tend to consider that other players should not be substitutes to trades unions in the fight for workers' rights and that it would be better to ensure development in certain countries rather than to act in this way. Also certain NGO's specialising in fair trade could perceive the public label as a rival to their own label, or as a deterioration in the quality of this type of label in general. Their cooperation in the promotion of the public label can therefore not be counted on.
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## **Case 8. NGO: Clean Clothes Campaign: CCC (NL-EU): A Model in coordinated and targeted action**

### **Promoter Profile**

The Clean Clothes Campaign (CCC) is the most well known of all the campaigns in Europe whose aim is to raise awareness among consumers of the implications of CSR, to encourage them to adapt the choices they make as consumers as well as to appeal to authorities and certain large corporations by sending them letters. The campaign is active in a great number of European countries where it brings together NGOs, trade unions and consumer associations. It has worked on many projects, notably in the field of sportswear as well as in the banana and toy industry.

### **Motivating Factors**

The purpose of the Clean Clothes Campaign is to support workers in their struggle to have their rights respected, in the conviction that consumers can bring about change in these corporations' supply practices.

### **SREA Approach**

To attain its objective, the campaign sets out to:

- Show that numerous consumers are concerned about human rights in the workplace;
- Enter into discussions with companies with a view to prompting them to adopt the campaign's code of conduct;
- Encourage authorities to take measures to enforce human rights in the workplace;
- Support the cause of those working in the clothing industry.

Consumer information on working conditions in the garment industry is distributed via newsletter, the internet and in the form of research publications. Another form of action is organising consumers to send postcards to companies with questions about their working conditions. In each card sent, consumers demand improvements in working conditions; they do not call for boycotts.

### **Standards and Labels**

The campaign has defined its own standards, which are compiled to make up a code of conduct that companies are encouraged to adopt.

### **Quantitative Data**

The campaign is being run in Europe in Switzerland, Belgium, Germany, Italy, Spain, Sweden, England, The Netherlands, Portugal, Austria and Bulgaria.

In some European countries, CCC activities have involved over 100,000 consumers.

### **Stakeholder Participation**

In each country, CCC brings together many stakeholders: trade unions, NGOs, consumer associations and organisations for women, youth, fair trade, human rights, etc.

At present, the campaign seeks to set up contacts with major retail firms in order to urge them to sign the code of conduct and make a commitment to adopt a dedicated CSR approach. To this end, pilot projects have taken place in Switzerland and Sweden.

### **Level of Dialogue with Stakeholders**

The campaign seeks to bring together the different constituent organisations in each country in such a way as to ensure that the policies are made collectively. International meetings are also held regularly to develop links which reach beyond national borders.

When CCC tries to address the business world to set up links, dialogue is not necessarily straightforward in the sense that companies perceive CCC as an activist organisation that does not hesitate to publicly condemn certain practices. The companies therefore find it difficult to consider CCC as a potential ally in the setting up of its CSR approach.

### **Requirements for Smooth Functioning**

In associative structures, the main constraint is most often financial: the campaign has no other resources than the financial contributions made by its constituent organisations and these (except for trade unions) are in the majority of cases equally limited in their financial resources. Those employed by CCC are therefore often from an organisation or trade union. The campaign therefore has very limited means to carry out its consumer awareness-related activities.

### **Global Assessment of the Approach (Strengths/Weaknesses)**

#### Strengths

- The number of stakeholders involved in the campaign;
- The international and therefore amplifying dimension of the campaign.
- The credibility of an initiative launched to the public by NGOs

#### Weaknesses

- The number of stakeholders involved as it is important (and difficult) to reach consensus between the many organisations involved;
  - The lack of financial means;
  - The image of a vindictive organisation held by the business world when trying to build contacts with companies.
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## Case 9. Consumers: European guides for responsible consumption: the greatest consumer need

### Situation

Many experts believe that it is the consumers who will, by adapting their purchasing habits to favour “fairer” products, prove the most influential in bringing about change in companies’ manufacturing and production processes. What the consumers need most, however, is readily accessible information set out in “good consumer guides”.

These come in two forms: those which explain the principles of responsible consumption, the stakes involved and which point to possible alternatives (fair trade, organic foods, ethical investments, etc.); and those which set out to tell the consumer which product s/he should or should not buy. These guides are the focus of this particular case study as they are the most appreciated by the consumer. They are also fewer in number: some do exist in Europe but their perspectives differ greatly from one to another and also therefore the recommendations they make.

We have studied the following guides:

1. *le Guide éthique du consommateur* (Fr)
2. *Guida al consumo critico* (It)
3. *Erlijk and groen boodschappen doen* (Nl)
4. *Comment consommer pour un monde meilleur* (B)

### Promoter Profile

All associations in Europe which are concerned about responsible consumers are aware of the importance of publishing relevant material. However, this approach requires considerable financial means. Few organisations have therefore been able to adopt it. Most of them belong to associative structures (in this case, *Centro Nuovo modello di sviluppo* (It), *Alternative Konsumenten Bond* (Nl), *CRIOC-OIVO* (B)), and one is from the business world (*Observatoire de l'éthique* (F))

Also noteworthy is the English organisation *Ethical Consumer*, which until now has not published a complete guide but which does publish a periodical newsletter which makes reference to responsible consumption.

### CSR Approach

Here, the guides are mostly observers of other economic players’ CSR approach. The initiators study the companies according to their particular criteria (social, environmental and human rights) and provide an assessment on the basis of each criterion. An explanation is included for the ranking given.

### Motivating Factors

The guides target consumer information and, subsequently, the changes in market shares (whether up or downwards) of products which they note as positive or negative. In the longer term, the aim is to adapt the production plans of poorly ranked companies.

### Standards and Labels

Each guide uses its own criteria and methods of analysis. There is no standard approach. The guide describes its methodology at the beginning of the book.



### **Quantitative Data**

The guides are very different in their sizes and scopes: the Belgian guide is a little booklet of 80 pages studying (in depth) only six types of products, while the French guide is a 300-page book which puts to the test 700 brands available in supermarkets in France and the Italian guide is 416 pages long providing studies of 640 companies.

The sales of the guides range from a few hundred (in Belgium) to 50,000 editions (in Italy).

### **Stakeholder Participation**

Depending on the methodology, a questionnaire is sometimes sent to the production companies.

### **Level of Dialogue with Stakeholders**

No data available.

### **Requirements for Smooth Functioning**

In order to ensure that the consumer receives an unbiased account, the organisations should use contradicting sources of information (both from companies and specialised NGOs).

International synergies should also come into play in order to avoid repeating studies of the same companies. In this way, it would be possible to provide the general public with reviews on more common products found in the majority of European countries. Media interest would also be greater if the dynamic were international and the promotion of the guide would, in this way, receive greater publicity.

### **Global Assessment of the Approach (Strengths/Weaknesses)**

#### Strengths

- Several of these guides are published by organisations held to be credible by consumers as they are not affiliated with any company.
- Many guides give a direct answer to the most-asked question of the responsible consumer: "What should I buy?"

#### Weaknesses

- The national dimension of these guides.
- The fact that they are compiled using one source, unrelated to other stakeholders, and therefore representative of only one point of view.

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### **Methodological note**

We have here studied the guides to be distributed on a national scale. It exists other guides for the responsible consumer: those that address the regional or local level. Quote as example the "Guilde liégeoise" (studied case n°5 supra) that publishes a document in this direction. Let us quote also a guide project by department in France. This type of guides is a necessity with respect to the social economy enterprises and local dynamics. The Guilde would not interest a consumer from the other extremity of the country. The focus therefore is put on the fact to link the different protagonists (producer, intermediary, and consumer) and so to reestablish a direct social link.—

## Case 10. Shareholders: Actares (CH): the 'proxy' phenomenon European style

### Promoter Profile

Actares is a non-profit organisation which was founded on 15 March 2000. It makes contact with Swiss companies that are listed on the stock exchange.

### SREA Approach

Actares strives to encourage Swiss companies quoted on the stock exchange to adopt the necessary measures to ensure that the activities they are involved in are in line with sustainable development criteria.

To this end, its members

- Exercise their responsibility notably during general assemblies through their own participation or by way of representatives;
- Urge companies to become more transparent, allowing shareholders, and in particular minority shareholders, to have at their disposal any information which could be of use to them in pursuing their objectives.

### Motivating Factors

Actares was set up to contribute to developing an economy which serves all of mankind, including the environment and, more specifically, to oversee that:

- The activities of the company respect political, economic, social and cultural rights and that they contribute to the furthering of sustainable development;
- The company maintains loyal and fair relations with all of its partners: shareholders, money lenders, employees, trade unions, suppliers, clients, rivals, public bodies, and all people or bodies affected by the company's activities.

In this sense, the association's objectives are to:

- Promote responsible shareholding and to foster its implementation;
- Contribute to the development of an economy that serves mankind and that respects the environment, as set out in the charter.

### Standards and Labels

Actares takes as its reference standards and labels which are in common use in Switzerland. These are:

- in social and environmental matters: ISO 14 000, SA 8000, Clean Clothes Campaign and all the Global Report Initiative (GRI) standards;
- in financial affairs: those standards used by the Swiss stock exchange and the guidelines of the Swiss investment foundation for sustainable development Ethos.

### Quantitative Data

The association has around 400 members as of March 2004, the majority of which are natural persons. Amongst the legal persons are:

- Associations: the Berne Declaration, Terre des Hommes Geneva, Association Ecologie Economie for sustainable development, Oikocredit, Caritas, and Eirene;
- Companies: Banque alternative BAS
- Public bodies: the City of Lausanne and the City of Geneva.

To attend the general assemblies, Actares has, in addition to its members' votes, its own shares in 40 listed companies.

The association is supported at the present time by two foundations (60%) and by its members (40%). It aims at quickly becoming financially independent, the operating costs should ideally be covered uniquely by member support. This implies increasing the number of members.

### **Level of Dialogue with Stakeholders**

Actares intends to make the shareholders' points of view heard, taking into consideration the interests of all stakeholders: security holders, employees, money lenders, competitors and suppliers, public bodies with which the company interacts as well as its own environment; to sum up, everything that makes a company viable in the medium and long term. Everyone, be it by his/her withdrawal from capitalisation (compulsory in Switzerland) or by savings in the form of investment funds in shares is, whether directly or indirectly, a shareholder. At the same time, s/he is also a company employee, product consumer, citizen paying taxes which allow for the development of infrastructure, respect of the rule of law, the training of future employees, etc., conditions which are essential to a company's existence.

The main activity of the association is based on making contact with the different tiers of hierarchy of the company.

### **Requirements for Smooth Functioning**

The requirements, which are twofold, are essentially quantitative: a greater number of members and an additional budget.

### **Global assessment of the approach (Strengths/Weaknesses)**

#### Strengths

Actares is the only association in Switzerland to devote its activities to this field of shareholding.

The tasks undertaken by Actares are either completed or on their way to being completed and are all due to the work carried out on a regular basis by all the different bodies together with the partners. The relevance of Actares work can be measured in terms of:-

- The information it disseminates to its members as well as to the public;
- Its ever-growing presence, year on year, in the general assemblies;
- The excellent integration of the information it disseminates in the media;
- The number and the quality of its members (public bodies, NGOs and individuals, etc.);
- Its objectives for both present and future.

## Weaknesses

The weaknesses of Actares are related to its youth.

Until now, Actares has had to face up to the establishment of its structure as well as its activities in Switzerland. To the probable detriment of its public relations. The Actares committee would like to reinforce its relations and partnerships at European level, as well as its presence on the internet.

The number of members is not yet great enough to cover the costs of operation and the numerous projects in the pipeline. Financing from an external source or partnership is therefore necessary.

Today the forces necessary for accomplishing all the tasks and projects which are planned are missing: two part-time secretariats are insufficient to cover all the association's activities. The association also intends to strengthen its responsiveness to current affairs.

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## 8 European needs in the SREA matter

### Summary of the data compiled as a result of the case studies

The case studies set out in this document focused on the involvement of various economic players in an approach which aims at encouraging companies to take societal responsibility. The players examined in these ten case studies have been:

- Companies themselves, whether large or small, traditional or cooperative;
- Institutional players (both towns and cities as well as states);
- Players from associative structures (specialist NGOs, trade unions and consumer associations);

It is clear that the cases studied have, on the whole, been exemplary, serving as a source of inspiration for economic players in other socio-economic and cultural areas. To a certain extent, it has been the success stories which have been brought to the fore:

The lessons drawn from these examples can be summarised as follows:

1. In Europe, SREA concerns focus mainly on the fifteen member states. It has been impossible for us to find a SREA dynamic of any considerable size outside the Europe of fifteen.
2. In each category of economic player, there are representatives which have thought long and hard about their own societal responsibility, as well as that of other players (mainly companies); they have found their own way to, firstly, develop actions to assume their societal responsibility and, secondly, to weigh up the responsibility taken by companies.
3. A great difference can be noted in viewpoints, motivating factors, actions taken, and consequences.
4. To adopt and develop this approach, the greatest need for small and medium-sized players is financial; for larger players, it is a question of raising the level of involvement (will the approach become a priority and, as such part, of the system of management?).

Typically, we are faced with the following scenario:

Either the initiative is taken by small specialist structures (NGOs, consumer associations, small companies, etc.) and these, in the majority of cases, have the following characteristics:

- High motivation
- Great expertise
- Actions taken will have deep and long-term implications
- Endurance
- Social responsibility is often the “core business”
- Public credibility
- Tendency to carry out their own form of action without stakeholder partnerships
- Weak financial resources (little to no structural financing, little or no support from authorities, fewer contributions from members, etc.)
- Instability of the organisation in relation to time

Or the initiative is taken by the major structures (large companies, trade union organisations, institutional players, etc.) where the following characteristics are noted:

- Average to low motivation
- Average to low expertise
- Actions chosen impact the crucial ethical issues or "window dressing" and have, on the whole, long term implications
- Sometimes a one-off action
- Social responsibility forms neither part of the priorities in terms of strategy, nor the system of management
- Public mistrust
- Tendency to carry out their own form of action which does not involve collaborating with other stakeholders
- Strong financial resources in theory, but the means invested in the actions are limited depending on the level of motivation
- Instability of CSR approach in relation to time
- Temptation of marketing or advertising recuperation of the expectations of the consumers not in proportion with the real business action.

6. The measures taken by one particular type of economic player often call into question other stakeholders.

7. All too often, the dialogue between stakeholders is not open and is not considered to be a priority in the current stage of CSR development in Europe. We observe, however, that dialogue of this sort has risen in importance amongst those measures held to be *avant-gardist*.

8. It is still rare for public authorities to participate in promoting this approach. However, they could intervene in a number of ways: by encouraging the public to make responsible purchases (introducing ethical clauses into public contracts); through subsidy policies for economic players involved in a SREA approach; and through policies which would act as incentives in tax matters for certain socially or ecologically responsible products, etc.

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## Issues in the European CSR

In light of these case studies, we would point out some factors which we consider as hindrances to the development of CSR in Europe:

a. The multiplicity of approaches and standards

There exist certain common references in the European level with regard to the environment (the EMAS standards, the European Eco-label), but there aren't common references in social matters. And there are even less with regard to both dimensions gathered together (what would constitute a "sustainable development" reference). We saw that various European nations' authorities do not coordinate by no means their efforts or the direction of their work. Each company thus engages its dynamics according to a standard or another, creating confusion in the consumer. Each NGO, Trade union or consumer's militant organization seek to promote his vision, by creating as a consequence indecision to their different public. One here can imagine the interest of a debate on the fundamental, on the analysis and on the objectives between the NGOs, unions, and consumer organizations. Indeed, the problematic

are complex and transverse. And it is often difficult for each of the actors to consider the global of the elements, to question an historic commitment and its own representations

b. The cost of this process

A proper CSR installation can be very expensive. Obviously more company's activity touches different stakeholders, or more of the production channels are spread around the world (the Third World), then as consequence more complex and expensive will be the social and environmental incidence controls. Then these monitoring processes (since they are at high costs) will be almost inaccessible for SME or large companies in difficulties because they can't afford them.

c. The lack of mutual confidence between different actors

Following this absence of consensus for reference frames, we have assisted, especially in the first years, communications on behalf of certain companies considered by NGOs as "green-washing" or "window dressing" which means to buy an image with few expenses. NGOs consider certain companies CSR actions as Public Relations operations. We have seen big companies trailed in mud by certain NGOs who were accusing them to buy an image thanks to donative foundations or marginal actions and which, however, take part in ethical corporate networks.

This type of proceeding can be conscious or unconscious. It can be a company who knows little about CSR's practices or a company aware of what is possible (and of what it is possible for them) but that wants to do minimalist choices for mainly financial reasons.

However it is certain that, for the CSR credibility, there is important to distinguish between the initiatives that has been taken in order to create a certain image( and in this case making minor modifications to management systems and practices), and those who consist of radical changes to their activity's incidence to the environment and society.

The situation is not "one white side and one black side". One often sees that some NGO's appear exclusively critical with regard to any initiative of the business world in ethical matters, whatever sincere these efforts sometimes are. These dissensions contribute considerably to slow down the emergence of more ethical ways of producing and disturb the consumer who would wish to enter in a more responsible consumption.

On this last point which, in our eyes, holds great importance, we would suggest some elements which could bring about positive change:

**To restore a balance, it is now important and urgent to encourage to the maximum consensual dynamics:**

To do so, the careful observers agree on the primordial importance of **communication between the stakeholders**, that means besides the companies, the trade unions, the NGO's, the consumers organizations, the representatives of the shareholding, etc Every approach which aims at being of a high quality must involve, as much as possible, the various stakeholders. It appears, however, that the simple fact of bringing all partners around the same table is not entirely sufficient to ensure that all are both heard and understood and that their positions are really taken into consideration.

It seems to us that the watchword in a high-quality CSR approach is 'inclusiveness'.

However, in our view, there is a need to implement spaces where the conditions are favourable for mutual understanding, ensuring that all parties' views are heard and taken into account. This should be done in such a way as to highlight:

- positions that satisfy the totality of the stakeholders and that each will be able to support during the continuation of the process;
- realistic and desirable objectives for business that wish to enter into a dynamics of solidarity or sustainable development
- a unified communication toward consumers
- examples of "best practices" to spread
- last but not least, a methodology of societal dialogue that will be reproducible

### **What is a good quality CSR process?**

In conclusion to this research and the case studies conducted, we would pinpoint the specificities necessary to ensure a high quality CSR approach.

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To be of good quality, a CSR process should include a maximum of the following elements:-

- Involvement of a maximum of stakeholders and the setting up of a high level of dialogue between them
  - an identification of all the impacts (positive and negative, current or potential) of company's activities to the society-
  - a prospect setting related to the sector and companies activity (Western world or developing country)-
  - An open exchange on the claims of the ones and the constraints of the others (including framing with recognized standards (ILO, SA8000, social label)
  - a consensual decision on desirable and realistic objectives and the stages to reach them-
  - an independent external control
  - a long term dynamic-
  - an implication of the whole company (management system)-

### **Favourable Factors to CSR Development**

As a reminder and awaiting further development, here are the different factors which we consider to have played a role in the development of a high quality CSR approach in the world of business:

The evolution of representations and values from awareness coming after big natural and human catastrophes;

Information and mobilization campaigns of NGOs

□ Spreading the knowledge about best practices

□ Consumer pressure (for responsible consumption) which had the following major components:

- o Interest of the European Commission (DG SANCO) in developing this aspect of consumption;



- o Involvement of large institutional players (states, local bodies, trade unions, etc.) in setting up measures to further responsible consumption.
- o In-depth work at a 'cultural' level which aims to modify the public's perception of the current image given to ethical purchasing (including well-known public figures, 'heralds' of responsible consumption);
- Commitment by large states to create legislation in this field;
- Commitment from corporate federations;
- Commitment among SMEs to develop the CSR approach in a way that is adapted to their size;
- Standardisation of norms at European level, with flexible standards (based on an evolving process);
- Developing a culture of dialogue among stakeholders;
- Creating a CSR monitoring centre (as was recommended by the European Parliament on 15/01/99 in its resolution on "EU standards for European Enterprises operating in developing countries").

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