**MEETING
CHANGING EXPECTATIONS**

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Corporate
Social
Responsibility

The World Business Council for Sustainable Development has sought to be at the forefront of the business response to the sustainable development challenge since 1992.

The WBCSD is a coalition of 120 international companies united by a shared commitment to the environment and to the principles of economic growth and sustainable development. Its members are drawn from 30 countries and more than 20 major industrial sectors. The organization also benefits from a thriving global network of national and regional business councils and partner organizations located mainly in developing countries and countries in transition.
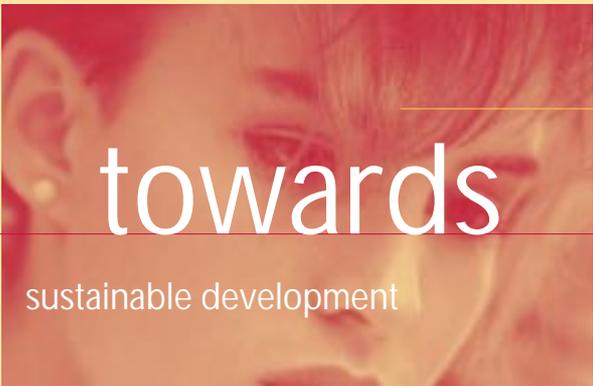
The WBCSD aims to be a catalyst for change towards sustainable development and to foster closer co-operation between business, government and other organizations concerned with the environment and sustainable development. It also serves as a forum where leading business people can exchange ideas and best practice in the field of sustainable development.

The organization's work program reflects the determination of many in business to engage in an action-oriented approach to key sustainable development issues. In particular, the WBCSD carries out a program covering the following focus areas: eco-efficiency, corporate social responsibility, sustainability in the market, climate and energy, natural resources, and trade and environment.

The WBCSD is uniquely positioned to look at areas of sustainable development where industry's voice can make a difference. It seeks to collaborate with others in order to create framework conditions that will allow business to remain competitive while contributing effectively to sustainable development.

Catalyst
for change

towards
sustainable development

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Why this Report

This report is a milestone in the WBCSD contribution to the debate on Corporate Social Responsibility (CSR). The process began in 1997 with the founding of the CSR working group and is set to continue through to the year 2000, with the publication of a final report. Work beyond that will depend on these first three years of learning.

Responsible behavior is not something new in business life. Although the rationale for the very existence of business at law and in other respects is to generate acceptable returns for its shareholders and investors, business and business leaders have, over the centuries, made significant contributions to the societies of which they form part. But the subject has recently gained a new topicality and the following pages reflect the progress we have made in trying to understand CSR issues in a new context. There are no easy answers to the increasing calls for business to assume wider responsibilities in the social arena. Business is but one constituent part of society. There is room for genuine debate about what the responsibilities of business should be and how they should be discharged, without in any sense departing from the central proposition that business must accept greater accountability.

We hope this interim report will be a useful tool for our members to help them keep up to date with the debate. The essential differences between this report and many others on the subject are in its perspective and scope. It outlines the relevant issues and offers a business view which has been further developed with the insight of senior non-business contributors. We hope that by so doing we emphasize the value we place on continuous dialogue in moving the debate forward.

Although we argue strongly in favor of a socially responsible attitude on the part of business – a prime reason for the existence of the WBCSD – this report is not the WBCSD's definitive and final position on CSR. We intend to continue our work in this area and generate further guidance for our members while contributing to the broader debate.

Executive Summary

Corporate Social Responsibility (CSR) is firmly on the global policy agenda. Through our work so far we have found that the CSR priority issues today are human rights, employee rights, environmental protection, supplier relations and community involvement. Two related issues, which cut across the others, are the rights of stakeholders (interested parties) and the monitoring and assessing of CSR performance.

A formal and universally acceptable definition of CSR has yet to emerge as the topic is debated in local and international forums. The WBCSD is already contributing to deliberations and intends to be at the heart of discussions in the future, helping to set the agenda.

Concern is sometimes expressed that CSR has no clear business benefits and could destroy shareholder value by diverting resources from core commercial activities. Many in business are worried that businesses will be persuaded to take on social responsibilities that should be handled by government and individuals.

However, the WBCSD supports the view that a coherent CSR strategy based on sound ethics and core values offers clear business benefits. These accrue from the adoption of a broader world view, which enables business to monitor shifts in social expectations and helps control risks and identify market opportunities. Such a strategy also helps to align corporate and societal values, thus improving reputation and maintaining public support.

The WBCSD held its first international forum in 1998 to discuss CSR issues with 60 invited participants, half from non-business organizations. Although there were no formal conclusions a significant body of opinion suggested that business should:

- Make a leadership commitment to core values

- Endorse the UN Convention on Human Rights and the International Labour Organization's Rights at Work

- Recognize local and cultural differences when implementing global policies.

Many organizations, governmental, inter-governmental and non-governmental, including the OECD and Keidanren, have issued codes that suggest the type of conduct to which companies are expected to conform. Some such codes are very general in nature while others are specific, relating to particular commercial sectors.

The WBCSD itself will not issue any 'one-size-fits-all' code, although it intends to provide whatever help it can in understanding existing codes. However, it does encourage companies to articulate their core values and produce their own codes of conduct or endorse and implement codes produced by others.

Dialogue with all sectors of society (including those sectors outside the developed countries) will continue to be initiated by the WBCSD. It will also continue to disseminate examples of good practice among its members, and to work with others to develop management tools for measuring, monitoring and reporting progress in CSR.

Corporate Social Reponsibility (CSR) in Brief

CSR, in broad summary, is the ethical behavior of a company towards society. In particular, this means management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business – not just the shareholders.

No universally acceptable definition of CSR exists. Some suggest that CSR is about what business puts back – and can show it puts back – in return for the benefits it receives from society. This implies that the rights society bestows on business organizations come as an inclusive package that contains certain obligations to behave in a way society finds acceptable.

A similar but more general definition says CSR is about the interaction of the corporation with the legal and social obligations of the societies in which it operates, and how it accounts for those obligations.

The following, more formal definition emerged from an international meeting the WBCSD organized with 60 opinion formers from within and outside business (see Section IV):

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

(WBCSD Stakeholder Dialogue on CSR, The Netherlands, Sept 6-8, 1998)

However, the lack of an all-embracing definition should not deter business from grappling with the issue. A formal definition of the concept may well eventually emerge, with or without the cooperation of business. The WBCSD advocates full participation of business in the debate, while recognizing the wide variety of good practice which different cultures and commercial sectors apply.

CSR and sustainable development
CSR is an integral part of sustainable development. Exactly where it fits in is vigorously debated, mainly because the concept of sustainable development also has many different interpretations. This diagram, which illuminates CSR's relationship with sustainable development, emerged from the WBCSD's dialogue session. We find it useful in placing CSR in the context of sustainable development.

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          Corporate Responsibility
          (sustainable development)
          /           |            \
 Corporate       Corporate        Corporate
 financial      environmental       social
 responsibility responsibility    responsibility
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New topicality – increased expectations

CSR is firmly on the global public policy agenda and is climbing ever higher. The momentum of the debate has often been driven by those outside the business community. The effects of the heightened interest in the issues encompassed by CSR are already making a direct impact on commercial performance.

Impacts can manifest themselves as accusations of social and environmental injustice. Such claims, whether well-informed or not, can severely damage corporate reputation and have already led to a number of unwanted outcomes, such as:

- consumer boycotts

- attacks on fixed assets, such as farmland and buildings

- failure to attract good employees and loss of employee support

- extra spending to remedy past mistakes

- diversion of management attention away from core activities

- restrictions on operations, such as new legislation and regulation

- obstacles in raising finance and insurance

- difficulties with life cycle (customers downstream and suppliers upstream in the supply chain).

Such pressures – driven largely by the perception that business is indifferent to and out of touch with the values of society – reflect a shift in what society expects of both business and government. This is taking place in the context of a fast-changing world, characterized by global communications and diminishing respect for established authority, professions and social frameworks – creating a vacuum in which uncertainty, fear and doubt prosper.

Faced with such uncertainty, people have tended to withdraw their trust in traditional institutions unless it can be demonstrated that such faith is warranted – what has been called a move from the 'trust me' to a 'show me' world. Yet at the same time better education and rising expectations throughout society create a demand for higher standards all round.

Clearly, the forces of globalization, rapid improvements in technology and dramatic changes in world order have caused considerable confusion over exactly what is – and is not – expected of business. Where do the boundaries of responsibility lie, particularly in relation to government?

There are no clear answers – much depends on the political, cultural and historical context of the questions. These are explored in greater depth in Section 2.

The forces of globalization

CSR – Delving Deeper

Business through the ages has demonstrated varying degrees of responsibility to society. CSR, as an identifiable corporate issue, stretches back to the development of corporations in the 19th century. Their owners and leaders often saw a broader role for themselves in society and participated in development – or nation building – by helping to finance the construction of houses, schools, libraries, museums and universities. Many of the public buildings and institutions in some of the world's great cities – Chicago, San Francisco, Stuttgart, Manchester – are endowments from business leaders of the previous century.

Well-known and successful industrialists, such as Andrew Carnegie, Bernard van Leer and Joseph Rowntree, and many wealthy but less famous names, endowed foundations to carry out philanthropic work. They saw this as part of their civic obligations and social responsibility, of putting something back, albeit on a very paternalistic basis. Wealthy individuals, such as Ted Turner and Bill Gates, and many corporations, including Tata of India, continue this tradition today.

The motivation behind such philanthropy is twofold: ethical, and enlightened self-interest. Many religions, and certainly the traditional Judeo-Christian ethos which characterized many of the early industrialists, support the notion of the rich helping the poor. Society expected – and still does – that the wealthy would give philanthropically to help the disadvantaged.

A longer-term motivation, and one that is particularly relevant today in the developing world, is in the form of what is called social investment. This is where a business seeks to extract certain identifiable returns for its social spend.

Investment in, say, schools and hospitals, produces well educated and healthier employees and markets, bringing long-term benefits to the corporation. This motivation is largely, but not exclusively, behind efforts by some companies who have set up medical and educational projects in Africa to fight the spread of HIV/AIDS. Social investment today is increasingly seen as a necessary part of doing business, especially in developing economies that lack basic infrastructures and the capacity to build social capital. The commercial justification of such investments lies in their contribution to a healthy and stable business climate.

What CSR is about

Company Core values

Issues which have emerged strongly from the work group

- Human Rights
- Employee Rights
- Environmental Protection
- Community Involvement
- Supplier Relations
- Monitoring
- Stakeholder Rights

Find descriptions of these issues in the boxes throughout this section.

Human Rights

Human Rights are the universal rights that every person is entitled to enjoy and to have protected. The underlying idea of such rights – fundamental principles that should be respected in the treatment of all men, women and children – exists in some form in all cultures and societies.

Such rights are enshrined in the Universal Declaration of Human Rights, adopted by the United Nations in 1948. The declaration covers two broad sets of rights: Civil and Political Rights; and Social and Cultural Rights.

WBCSD dialogue
Identified these sub-issues:
Female/women's rights; inter-generational equity; indigenous people survival rights; freedom from oppressive regimes; gay rights; disabled persons rights; freedom of speech.

Suggested to business that:

- Companies should publicly and explicitly express their support for human rights and provide awareness training for staff

- It is legitimate for a company to operate in all countries provided it supports human rights, creates an 'island of integrity' around its operations (employees' families and local community), and that it speaks out on these issues

- Companies should keep human rights on the corporate 'radar'; be aware of what's happening in other parts of the world and in different business sectors, and learn from others' good practices.

- International conventions can provide valuable guidance on duties and responsibilities.

More information:
United Nations website: www.un.org
Amnesty International website: www.amnesty.org
Human Rights Watch website: www.hrw.org

The philanthropy of early industrialists did little to stem the rising dissatisfaction with the most obvious inequalities of the early industrial societies. Such disillusionment with the excesses of capitalism contributed to the new ideologies of communism and socialism, and to the idea of the social state taking greater responsibility for the provision of welfare and infrastructure.

During this period the idea of CSR fell off the international policy agenda and discussions on corporate responsibilities largely concentrated on employee rights and internal governance issues. This continued until well after the Second World War, when in Western Europe and Japan, business paid its taxes and the state largely took care of cultural and social welfare affairs.

The late 1950s saw the beginning of the rise of consumer power as a force to influence corporate behavior, joined in the early 1970s by environmental concerns and the growth of single-issue pressure groups. Since the 1980s, dramatic political and economic changes around the world have brought social responsibility issues to the fore again, associated with the rise of libertarian values in Western politics and the collapse of communism and other collectivist ideologies.

The political mood in the 1980s, especially in the US and the UK, led to a radical re-think of the respective roles of the state and business in Western society. The dominant idea in political thought at the time was to shrink the role of the state – especially to reduce the cost of state-funded welfare and cultural obligations – and to place greater responsibility on the individual and on business.

Reducing the role of government was achieved by privatizing state-owned companies, reducing tax burdens, de-regulating a range of business activities (e.g. telecommunications), cutting government spending and reducing subsidies.

Stakeholder Rights

There is no argument that shareholders who own the company have the first call on the performance of management. But some argue that companies also have to satisfy a broader group of interested parties, commonly called stakeholders. These include not only shareholders, but also employees, customers/consumers, suppliers, communities and legislators. Such stakeholders are seen to have both influence and rights, which although different in kind and degree from those of shareholders, still demand respect.

In return for these freedoms business was asked to donate more to charity – in effect, to return to its 19th century philanthropic obligations. Politicians in the US and UK made specific calls for business to increase its charitable giving, with tax incentives for those who did.

The collapse of communism in Eastern Europe, followed by a sharp decline in the number of socialist states in the developing world, opened new markets and opportunities for business. At the same time trade barriers began to be dismantled (a continuing process) and free trade areas were created – the European Union and NAFTA are prime examples.

During this period, telecommunications and other forms of electronic communications were improving fast, increasing the speed at which news and information traveled and effectively shrinking the globe. Such developments helped business, especially multinationals, take advantage of the opportunities in new markets and to manage their growth away from their home base. But it also led to what has become known as the 'CNN world', where global television reporting networks and the Internet have made the dissemination of information both easy and instantaneous.

The ability to communicate globally with such efficiency has occurred at a time when the respect for all established authority, professions and social frameworks is diminishing. Critics of business have, if anything, become better informed – aided by global communications, especially the Internet. Customers and consumers too are better educated and more aware of their rights and their potential power to influence corporate behavior.

Worker safety

Employee Rights

Employee rights are embodied in the International Labour Organization's Declaration on the Fundamental Principles and Rights at Work. These include: freedom of association and the right to collective bargaining; elimination of all forms of forced and compulsory labour; abolition of all child labour; and the elimination of discrimination in respect of employment and occupation.

WBCSD dialogue session noted:
- The key issue is freedom of association and the right to collective bargaining
- It should be recognized that down-sizing, mergers and layoffs will continue to happen but the process through which these corporate strategies take place is key

- It is assumed that companies will exert a higher level of social stewardship when dealing with employee rights

- A universal approach to worker rights will not work; companies must respect local customs and adjust practices accordingly. Diversity (cultural and gender) in the workplace is essential to attain better understanding and to devise best plans of action.

More information:
International Labour Organization website: www.ilo.ch

Business executives themselves have discovered through much publicized polls that they are given a low rating of public trust. At the same time, companies are experiencing demands for change from within, largely driven by a generational shift, with younger managers more acutely aware of a need to align their personal and corporate value systems with those of the consensus in the broader society.

Product stewardship

Companies are consequently under pressure from both outside and within to be more open, more accountable for a wide range of actions, and to report publicly on their performance in social and environmental arenas.

Pressure for greater transparency has persisted with the continued transfer of power from the state to the business sector, in areas ranging from communications to pensions. Such disquiet, whether rational or not, should be seen in the context of the business sector's perceived power. Many multinational corporations are seen to be answerable only to themselves. There is a patchwork of largely national laws which, even when driven by international treaties, fall a long way short of a rational international order.

The world's new economic order, recent turmoil in global capital markets, decline of the 'tiger' economies and the threat of deflation, has fanned the worldwide debate about the social responsibilities of corporations. This has contributed to mounting pressures on business to demonstrate its social accountability, especially those multinationals which operate in politically and environmentally sensitive regions of the world, or which have supply chains that extend into those regions.

Environment

Protecting the environment from the impact of operations is a core responsibility. Besides their legal obligations, which differ according to region and country, corporations are seen to have a broad responsibility to protect the physical environment throughout their supply chains. They should commit to continuous improvements in eco-efficiency (doing more with less) and managing the full lifecycle of their product or service.

WBCSD dialogue session noted:

- Companies should be proactive on the environment and seek solutions that can lead to competitive advantage
- Responsible and leading companies pave the way for others but laggards ride free on such progress
- The severity or acuteness of a particular issue can create action. The non-governmental community is largely responsible for driving an issue up the 'acuteness scale'
- Environmental issues are inter-linked with many aspects of CSR.

More information: www.wbcsd.ch/corp1.htm#dialogues

Community involvement

Community issues cover a broad range of activities, including community assistance programs; supporting educational needs; fostering a shared vision of a corporation's role in the community; ensuring community health and safety; sponsorship; enabling employees to do voluntary work in the community; philanthropic giving.

WBCSD dialogue session noted

- Community relations should include a focus on core business impacts and interactions as well as on more traditional philanthropy
- Companies must deal with the tension between the priorities of different communities, such as those of employees and local residents
- Top management must make a sincere effort to understand community concerns and let the community know that their concerns are taken seriously by the company
- Building trust with the community demands consistency and long term commitment from the company.

More information: www.wbcsd.ch/corp1.htm#dialogues

CSR – delivering business benefits

It is a misconception to portray business as something divorced from the wider community. Business is an inseparable part of society, contributing to and benefiting from it. To survive and prosper companies have to accommodate changes in what the public expects of business. Current shifts in societal expectations are strongly towards business demonstrating that it can behave ethically and responsibly in return for the freedoms and opportunities that society bestows on it. Maintaining such a reputation is essential for survival. In short, business needs the approval of society to prosper.

To optimize the long-term value of the company to its shareholders business needs to ensure that its values are aligned with the consensus in society. In this way it can avoid conflict and reap tangible benefits. To do this it has to balance the needs of a range of stakeholders.

Developing a strategy to satisfy these needs requires a fuller understanding of the thinking behind what is perceived to constitute responsible corporate behavior. The emphasis here is on perception, for many companies would argue that they try to act responsibly, and yet accept that for various reasons this might not be recognized by the public.

The business writer, Charles Handy, sums up this feeling of the power of perception. "Profit is essential for survival, and survival is the first condition for fulfillment, for business as well as individuals. But to make survival your priority still begs the question, survival for what? If a business cannot answer that question, it will seem, to outsiders, to be interested only in itself."

Many in business are beginning to argue for a more inclusive approach to commercial life, where business values are neither different nor fenced off from those of society. This implies a better understanding – and therefore institutionalized management of any social and environmental consequences arising from commercial decisions, both negative and positive.

In these circumstances it makes absolute business sense to have a continuous dialogue with a broad group of interested parties in society. This boosts understanding, helps in better decision making and reduces tensions between the corporation and society. It is, after all, in the long-term interest of business for societies to develop and prosper in a stable way. This is because business, and hence society, prospers in stable markets with effective legal systems, well-defined property rights and where consumers have spending power and freedom of choice.

Creating shareholder value

Social responsibility is, consequently, essential for the creation of long-term value for shareholders. Managers must consider and satisfy the needs of a much broader range of people (the stakeholders – see Section 4) in their specific quest to deliver value to the shareholders.

This requires a mindset that acknowledges the complexity and diversity of a fast-changing world, and looks for new and better ways to manage it. The idea of consulting stakeholders can be seen as a tool to understand complexity and prioritize actions. It also reminds the corporation of the social and environmental obligations which come with the freedoms society bestows on companies.

Such an inclusive approach to commercial life often also reveals more business opportunities by exposing companies to information and influences that they would otherwise miss. A narrow perspective restricts opportunity and therefore the ability to create value for shareholders and the broader society.

Supplier relations

Supply chains are mostly complex interrelationships between a wide range of companies. Corporations can be – and are – affected by the actions of their direct and indirect suppliers. They can inherit the consequences of bad practices of those higher up the chain, such as the use of child labor and polluting production methods.

WBCSD dialogue session noted

- Traditional boundaries of responsibility along a supply chain are changing with an increase in pressure on companies to apply a full life cycle approach to their products
- Supply chain issues are highly variable depending on the industrial sector and percentage of market share
- There is a possibility that companies at the high-end of the supply chain can use their competitive positioning to influence others in the chain, especially through sectoral alliances such as the chemical industry's Responsible Care ® program
- Supplier relations should be a 'two-way street' with responsibility extending in both directions.

More information: www.wbcsd.ch/corp1.htm#dialogues

Rio Tinto: Training a community to live without a mine

Helping farmers grow a wider variety of food and market cash crops is one of the programs initiated by the Rio Tinto Foundation in Indonesia to help promote sustainable livelihood in the area as the Rio Tinto Kelian mine in East Kalimantan approaches closure. Different crops will help improve diet and nutrition and boost cash crop income. The foundation is involved in agriculture, health, education, environment and culture.

The Farmer Training Center (FTC) was established in 1997 near the Rio Tinto Kelian mine. The FTC provides practical courses in pest control, land use and nursery skills. Over forty villages are involved, and by 2002 more than 2,000 people will have been involved in FTC projects.

In addition the FTC provides a follow up support service, plus a group credit scheme to help farmers buy seeds and fertilizers at cost price. Courses are proposed for commercial farm management and marketing. A two-year study was carried out by an agronomist and an anthropologist with long experience of East Kalimantan. They lived with and consulted local communities at every stage and the regional university and government agricultural advisory officers were closely involved.

This program addresses needs in an area where agriculture is the mainstay occupation. Efficient farming methods and appropriate seed selection can enhance and sustain livelihoods and economic growth independent of the local mining operation.

Separately, the FTC set up an emergency aid program to provide free supplies of rice and staples following the 1998 drought, forest fires and floods in the region. A recovery replanting program has now begun.

LESSONS: Building trust and respect between communities and companies takes time, continuous dialogue, and human and financial resource. The 'local community' is a more complex selection of groups than would first appear, with distinct cultures and competing interests. Those with strongest needs are often the least represented. There is a fine line between making a meaningful and lasting contribution to local communities, without simultaneously superceding the role of government, or raising unrealistic expectations.

BENEFITS: When mining in the area ceases in 2003, there should be a mechanism in place for continued social development. Aside from local benefits, the company demonstrates its commitment to build trust and respect with the local communities, local NGOs and local administrations. This boosts reputation and promotes the securing of mining operations elsewhere.

Monitoring and assessing

Effective management of CSR demands monitoring, measuring and reporting of performance against generally accepted indicators. The systems to achieve this are still in their infancy, but much can be learned from those developed over the past decade for the management, monitoring and reporting of environmental impacts and performance. This includes systems that can be independently verified.

WBCSD dialogue session noted:

• It is not the WBCSD's role to devise new codes or guidelines, but to help in the understanding and use of existing codes.

More information:
See Annex I
Business for Social Responsibility: www.bsr.org
Accountability: www.accountability.org.uk
CERES: www.ceres.org

Financial versus social performance

Social obligations should not be seen as just another cost. On the contrary, a clear CSR strategy could improve profitability because it will reduce costs by helping to enhance positive social effects and avoid the negative. Furthermore, such a strategy will help align corporate and social values, and because of this may well identify new commercial opportunities.

Integrating CSR into the corporate strategy requires, as a minimum, the inclusion of stakeholder input. In the absence of dialogue a company is left to deal with social pressures by making concessions at critical points, often outside the company control. Such trade-offs might relieve pressures temporarily but they do not necessarily bring alignment, nor a reduction in tension between the company and society. Neither does such an attitude help to identify and enhance business decisions that have a positive effect on society. Shell's experience in Peru (see case study) demonstrates the clear benefits of formulating a proactive CSR strategy and ensuring that it is carried out.

Developing strategy – emerging principles

In the course of examining the case studies set out here, some clear, interrelated, principles emerge. The following would be integral to any CSR strategy.

Building capacity
Helping societies develop the capacity to help themselves – known as capacity building – is preferential to corporate hand-outs, and an essential component of partnership (see paragraph below). Such capacity building is a necessary part of the formation of social capital in communities and its achievement would be a qualifying criterion of any social investment.

Taking the long-term view
Social relationships are built on a long-term commitment, with the clear understanding that while immediate solutions are not necessarily apparent, they stand a better chance of emerging if there is a long-term undertaking to engage in a positive manner with stakeholders. Sustainable development depends on the long view.

Building partnership
Building partnerships between business and other groups in society provides a better platform for success, as opposed to the paternalism which so often characterised corporate/community relationships of the past. Partnership implies a relationship of equal standing and respect (that helps deliver long-term benefits for both parties).

Cooperating on technology
The benefits of innovative technologies are best spread through cooperation between those who own the technology and those who need it. Simply transferring technology without cooperation has been shown to fail. Such cooperation is an integral part of capacity building and partnership.

Showing transparency
Commercial life has long emphasized confidentiality, even in areas where there is no commercial reason to withhold information. Such reticence has encouraged suspicion and undermined genuine attempts to communicate with a broader public. The principles of openness and transparency in corporate affairs would seem to be essential in a well-informed world that demands evidence of responsible behavior.

Integrating the approach
It is quite clear that the exercise of responsibility by the business to relevant third parties must be a management objective like others, and ingrained in the corporate culture and reporting systems if it is not merely to take the form of rather random public relations and patronage. It needs to be integral to the company.

Shell – Pioneers stakeholder involvement in Peru

Until recently, Shell Prospecting and Development Peru (SPDP) was assessing natural gas reserves in Camisea in the upper Amazon. The area borders the protected Manu national park, famed for its biodiversity, which is also home to indigenous peoples. The success of the exploration project has been due to continuous consultation and cooperation with local and foreign interested parties, offering appropriate health care to both workers and locals, as well as working with local communities on wealth-creation and other social capital projects.

LESSONS: Using best practice and being open and responsive to those who could be affected by the operations has made the project a model for future ventures.
BENEFITS: SPDP has pioneered a way for large companies to work in remote and sensitive regions, which is particularly pertinent to the Royal Dutch/Shell Group's commitment to sustainable development. Close cooperation with local communities, government and interested parties, including NGOs and research organizations, has won wide admiration. It has also shown that such good business practice boosts reputation and maintains the license to operate.

More information: www.camisea.com

Remaining difficulties

While the debate on CSR continues to mature, there are still many difficulties to overcome. One is in defining the boundary between the respective social responsibilities of government and business. Fixing such a line depends largely on the cultural context and the rate of development of the societies in which the company operates. It would seem reasonable that boundaries will inevitably shift according to the context and that the limits of a corporation's social responsibilities should be decided in partnership with the respective societies, including government.

Again, the emphasis is on openness and dialogue.

Another difficulty is in the monitoring, management, measurement and reporting of CSR. Some progress is being made – see Section 3.

N U E V A – Cash crops used to protect Costa Rican forest

In 1990, a subsidiary of NUEVA holding company established a vast macadamia nut plantation on degraded farmland on the slopes of a Costa Rican volcano. The volcano is crowned by a species-rich cloud forest. Poor farmers were gradually slashing and burning their way up the slopes into the forest to plant corn and beans, along with extensive and inefficient cattle operations. The plantation forms a buffer between farmers and forest. The company also brought in a group of professionals who offer technical assistance to local farmers and help to manage the forest. Such assistance complemented by schemes where the company offers macadamia trees have enabled the farmers to have an extra year-round cash crop and therefore they do not resent the presence of the plantation. Once the plantation manager found out how run-down the local one-room schools were, he brought in construction materials from another Schmidheiny subsidiary company, and the parents themselves built new school buildings.

LESSONS: It is usually difficult to set up a commercial operation in a remote area surrounded by very poor people and remain on good terms with one's neighbors. But in this case a little holistic thinking led to a project which performs well financially, protects biodiversity and improves the development prospects of the local people. This could not have been done unless the manager spent huge amounts of time in neighborhoods around the plantation.

BENEFITS: Plantations need workers who care for the health of every one of the thousands of trees. Company policy has produced great loyalty among the workers, who are also the neighbors, whose children go to the improved schools. Such loyalty and hard work could not have been brought about by simply giving higher salaries.

Unilever – Galgamuwa Skills Development Project, Sri Lanka

In 1991 Unilever Ceylon (then celebrating 50 years of operation in Sri Lanka) decided to support a national priority, that of training the rural youth of Sri Lanka. Unilever was pleased to be invited as a partner to operate a Skills Development Center in association with local authorities. The company selected the village of Galgamuwa in the North Central Province with the help of the National Apprenticeship and Industrial Training Authority (NAITA). This is the main Sri Lankan body which offers vocational training.

Since 1991, Unilever has invested more than Rs 3.5m to develop and operate the center with modern buildings and equipment and special allowances for administrative personnel and visiting lecturers. NAITA gives the trainees a monthly allowance, the provincial council provides the land and buildings, the Bank of Ceylon provides loans to trainees to set up their own small businesses. Unilever has provided a volleyball court and canteen. The trainees learn a variety of skills, including mechanics, carpentry and electronics. From 1998 the course has been upgraded from 12 to 18 months duration offering a Craft Level Three Certificate.

LESSONS: Although Unilever bore the major part of the initial cost of setting up this project, the company's input to operating and maintenance costs is low, with the major part being borne by the NAITA. This shows that by being selective Unilever can initiate key projects where the national and local authorities will eventually take on a major part of the costs. The original plan was to set up the center and fund it within a strict time frame after which Unilever funding would eventually cease. The center has not yet become fully self-sufficient, and continued assistance is sought. However, the plan is to phase out Unilever funding entirely from 2001. NAITA is expected to develop an appropriate plan shortly.

BENEFITS: Making a contribution towards the vocational training of rural Sri Lankan youth, whilst building the reputation of Unilever Ceylon as part of a multinational company.

General Motors – Working with suppliers on environmental initiatives

In 1995, General Motors (GM) signed up as a Charter Partner to the Climate Wise Program, an official US government initiative to work with volunteer companies to turn energy efficiency and environmental performance into a corporate asset. A large part of GM's strategy concentrates on efforts to green the supply chain. In 1996 GM launched their Resource Conservation and Pollution Prevention training program (RCP2) in Worldwide Purchasing to emphasize energy efficiency and pollution prevention. This addresses its 250 supplier development engineers who work with GM's many suppliers to harness environmental improvements.

Since 1989 GM has had a supplier development process called Lean Implementation Workshops through which teams of engineers source the best quality, service, technology, and price. RCP2 added energy efficiency, waste minimization and pollution prevention to the program.

In 1997 GM completed a project to benchmark the efforts of 20 larger companies to green their supply chain, taking account of the expectations of stakeholders. The study revealed useful criteria to assess supplier practices. A year later GM established a Supplier Environmental Advisory Team that is focusing on three areas: environmental management systems (establishing GM's environmental management system expectations of suppliers), design for environment (sourcing environmentally and energy efficient materials, particularly in advanced planning and purchasing), and metrics (the problems of measuring environmental footprint, improvement over time, and comparison of suppliers).

LESSONS: Talking to suppliers has raised environmental awareness and enthusiasm in those companies too. Environmental expectations are increasing – both GM's and those of their stakeholders. It's important to keep the commitment strong over time.

BENEFITS: Reduced costs. GM's relationships with its suppliers have become closer, with suppliers contributing innovative and cost-cutting solutions. The key area of focus is the advanced purchasing process where GM now works in much more of a partnership role with many of its suppliers.

DuPont – Flint Renewal program, USA

After 77 years of operations in Flint, Michigan, DuPont closed their paint manufacturing plant in 1995. The original plan was to remove the valuable equipment and sell the partly contaminated site. But the team assigned to the task realized there could be greater value for DuPont as well as the local community if the site was transformed into an industrial park.

This was a completely new and risky strategy for DuPont, and their total investment was some $6 million. The team worked closely with local, state, and federal government to understand what clean up was necessary for the proposed future use. The local community needed to be engaged in the plans for the site, and future tenants found so that the appropriate infrastructure could be planned. Today the Riverview Industrial Park has a number of tenants employing over 100 people. It is very much part of the local community.

The team has sold off assets worth $20 million, and the Park currently generates an income of over $1 million a year. In 1997 the Park won the DuPont Safety, Health and Environmental Excellence Award.

LESSONS: The original plan was to cease operations, sell the equipment and the site. But senior management realized the alternative suggestions of the local team were in tune with community feelings, and decided to risk a greater investment than they had originally planned. A strong team leader who believed in renewal drove the project. The program has helped sustain economic activity and employment in the locality following a number of plant closures.

BENEFITS: The program has attracted wide press coverage, and led to cooperation with other local companies who were considering site closures, as well as good relationships with various stakeholders. In the long term DuPont has a facility with a high market value which will be sold once the final clean up is complete.

Shell – Helping managers understand human rights

The Royal Dutch/Shell Group has published an introductory guide for managers on human rights. The booklet, written with the help of independent experts, helps in the understanding of human rights, its history, vocabulary and the dilemmas that a belief in such rights can pose.

It is designed to help Group companies discuss their roles and responsibilities in understanding and supporting human rights.

The booklet forms part of an awareness program designed to help managers deal with the issue in their work.

A special Human Rights website was launched on Shell's Intranet (internal computer network) on 10 December, 1998, the 50th anniversary of the UN Declaration of Human Rights.
The guide can be downloaded from the website and there are links to other relevant websites on the internet.

More information: www.shell.com

Unocal – Helping Los Angeles youth

Since 1992, Unocal, the energy resource and project development company, has been the principal sponsor of a public-private partnership designed for youths aged seven to 13 living in public housing and other low income communities in some of Los Angeles' toughest neighborhoods. It is known as the 4-H After School Activity Program (ASAP).

The program has helped over 4000 young people by offering after-school education clubs as a highly structured alternative to the influence of gangs, drugs, violence and racial conflict. Participants are provided with a variety of skill enhancing tasks, a safe place to do homework, and positive adult role models for three hours each afternoon, 50 weeks a year. Unocal has invested $1.2 million and the project has expanded from four sites in 1994 to 20 in 1998. Half of the program's funding comes from the private sector.

LESSONS: Unocal has helped show the benefits of applying a structured business approach to what began as a fledgling community program. The 4-H 'Vision Team' drew together community agencies, educational institutions and companies to pool their expertise, and the project is now administered by the University of California Cooperative Extension.

BENEFITS: Immediate positive impact on thousands of youngsters, previously considered 'at risk' of failing school. ASAP has created an important coalition between federal, state and local agencies, as well as educational institutions, businesses and foundations. It is also helping to instill future workplace skills. Vitally, it has improved the quality of entry-level job applicants, 4-H ASAP is now recognized as one of the leading youth programs in the US and has won many awards.

WMC Limited – In the Philippines

The Tampakan Copper Project is a large, low-grade copper-gold orebody on the island of Mindanao. It may be five or six years before a mine is developed, if at all. Meanwhile WMC continues project analysis and widespread local community consultation and development work with the Bla-an indigenous people and other members of the local community.

Particular issues that need to be considered include land rights, potential impact on the environment from exploration and possible open-cut mine development, job skills training and employment opportunities for local people, health, education, and housing, as well as discussion on resettlement, royalty payments and other community issues.

The project is particularly sensitive because the area is mountainous, with reasonably high rainfall, above a heavily populated lowlands region downstream. These concerns are accentuated by the poor practices of some previous logging companies, creating skepticism and suspicion among the local people. The project is being closely monitored by international NGOs.

WMC acknowledges these challenges and as a matter of course integrates processes for addressing them into business planning. It is committed to minimizing adverse social impacts, and to mitigation or compensation where avoidance is not possible. It is working to build trust and confidence between stakeholders, and helping to develop programs with local people in sustainable agricultural, plant propagation and environmental monitoring.

LESSONS: WMC is committed to early and continuing consultation, to transparency at every stage, to a policy of 'no surprises' in conjunction with awareness training for community leaders about potential project development.
The company is mindful of the potential impact of its activities on local culture and tradition, and realizes that it must become as expert at managing social and environmental issues as it is at exploration, mining and mineral processing. WMC welcomes advice on how it can improve performance.

BENEFITS: Whether the mine goes ahead or not, the various programs are helping to raise living standards and provide greater opportunities for those many people who live in this largely rural society.

Novo Nordisk – Corporate policy works for employees

Since 1991 Novo Nordisk has formalised a corporate policy which states that employees who, due to impaired health (physical or psychological) are unable to maintain their present job, should if possible remain as employees of the company.

Between 1992-98 there were nearly 650 cases of workers with serious health problems, particularly musculo-skeletal diseases, followed by allergy and respiratory tract, and psychological/psychiatric conditions who were helped by this scheme. The aim is to keep such people working in their original departments if possible, or else move them to one that is more suitable such as internal or external educational programs, or grant retirement on a disability pension.

Following the merger of Novo and Nordisk Gentofte, Novo Nordisk now has a formal re-positioning policy, The Job Exchange, to help employees faced with redundancy. So far some 250 people have benefited.

LESSONS: Reducing, though not eliminating uncertainty and anxiety connected with possible job loss can be turned into a stepping stone for personal development. Being open about re-employment prospects makes it easier for everyone to be open to the prospect of change.

BENEFITS: The scheme sends public signals that Novo Nordisk is not a 'hire and fire' employer, even during major restructuring. The company has been able to retain many people who have long experience, so saving recruiting costs for some 200 new appointments, as well as redundancy payments.

Unilever – Rama Nutrition Education Project, South Africa

Vandenbergh (now merged with Lipton to form Unifoods (Pty) Ltd), established the Rama Nutrition Educational Project in Natal in the mid-1980s. The initiative is an integrated community nutrition project which teaches school children the basic requirements of a healthy diet as well as showing them how to plant tiny, highly-productive vegetable patches, using recycled household waste as compost.

The company has worked closely with school authorities, teachers, research institutes and universities to maximize both its educational and research benefits. It has reached hundreds of schools, and thousands of teachers, and hundreds of thousands of school children and their families. Vandenbergh Foods provided all the initial funding for the initiative, managerial and logistical support and teaching, and informational materials.

LESSONS: Unifoods is still financially involved in this project. If you take on a project like this, one must have committed resource from within the company in order to make it sustainable and give it credibility. It is essential to work with government (in this case health and education departments) to get it's approval and support as the project can only been done through them.

BENEFITS: The benefits are long rather than short term for both the community and the company. The project, described by Harvard's Center for Population Studies as one of the best in the world, is a model of partnership which has provided educational and nutritional benefits, and also supported wider community development at a time of great social upheaval in South Africa.

Novartis – Farmer support and crop protection in the Dominican Republic

The Constanza Valley, known as the Dominican Republic's 'vegetable garden', was attracting negative headlines back in 1991. Environmental degradation was a very real issue and concerns were being expressed about environmental pollution, high agricultural chemical residues in vegetables, and health risks for the population and wildlife as well as consumers. Farmers and the agri-chemical industry were under fire to such an extent that a presidential decree was released aiming at the ban of the entire vegetable production in the Constanza Valley.

To reverse the decline, in 1992, Ciba (Novartis today) established a five year Farmer Support Team (FST) programme. The first task was to bury all empty pesticide containers, and overnight this digging campaign became national news. Farmers began to learn improved application techniques and basic pesticide safety procedures for crop protection. Garlic, for instance – the main crop – is no longer sprayed according to the calendar but according to actual pest infestation levels. Better equipment helped to precisely target the application, reducing the overall spray volume and therefore saved money and reduced the environmental contamination. In 1994/5 some 40 per cent of the garlic acreage was treated according to economic thresholds which halved the applications. School children were taught elementary pesticide safety lessons, often with the help of their own demonstration gardens.

LESSONS: Local pesticide dealers, farmers and warehouse operators will modify their approaches when convinced that such action will benefit the whole agricultural community in the valley in the long term. Professional assistance of the FST team was required in the reorganization of their facilities and warehouses. An open policy of wide discussion both in the media and with concerned professionals and special efforts to communicate with the public brought broad support for the program.

BENEFITS: Following the FST's help to local dealers, their facilities are examples of good practice for the National Association of Pesticide Manufacturers and Importers. The resulting environmental improvement benefited the health of the farmers and reduced pesticide level in soil, groundwater and products. The program has won NGO awards, and is now being expanded to include local tomato production.

For more info:www.novartis.com

Managing, Measuring, Monitoring and Assessing

During the latter part of this decade new ways to quantify corporate performance have begun to emerge. Existing economic measurement has been improved and alternative measurement methods proposed. Progress has been made, too, in quantifying social and environmental performance. However, performance in the social area is inevitably more difficult to quantify than commercial or even environmental performance.

The WBCSD is working closely with the Institute of Social and Ethical Accountability, the Coalition for Environmentally Responsible Economies (CERES), the Global Reporting Initiative – including the UN Environment Program and the Association of Chartered Certified Accountants (ACCA) – to pool resources and thinking on the development of metrics and reporting standards for sustainable development.

The debate surrounding these developments has concentrated on three main areas:

- The perceived inadequacy of conventional financial measurement. The concern is that these measurement methods give little attention to social and environmental factors and therefore give an incomplete measure of performance. Also, their concentration on historic performance cannot adequately reflect changing expectations and are therefore of limited use when trying to determine long-term viability.

- Whether a method could and should be devised to combine the financial, social and environmental elements of a company's performance into a single performance picture, or whether to keep them separate.

- Whether, within the company, the need has been recognized for proper social responsibility management guidelines and reporting systems to be introduced and objectives set. Also, whether there should be external verification of reported performance and, if so, by whom?

Tried and tested tools to make these measurements are not yet available. A lot of work is being done to develop various approaches, including:

Good practice networks
These are formal and informal networks within the business community that share good practice on non-competitive issues.

Surveys
These range from internal and external opinion surveys to stakeholder reviews and peer group analysis.

Benchmarking

Comparing performance internally (against earlier performance or principles) or against external standards and indicators, such as the ICC Charter on Sustainable Development, the Caux Roundtable Principles or the London Benchmarking Group's template for community involvement. Areas include:

- past performance
- company goals and targets
- industry standards
- industry best practice
- best practice from other sectors

Accreditation processes

These include official third-party standards, such as ISO 14001, and NGO-led processes, such as the Forest Stewardship Council's labeling system for sustainable forestry and the SA8000 system of accreditation, which is directed mainly at the retail sector.

Social screening services and rating systems

Included here are ethical investment screens operated by fund managers and environmental rating systems run by both NGOs and commercial firms.

Site-specific assessments and project appraisals

Specific tools to monitor internal performance, including social and environmental impact assessments, poverty and gender analysis, and institutional capacity reviews. Starts with a baseline against which to measure future performance.

Analytical frameworks

Included here are analytical products and services, such as PriceWaterhouseCoopers' CARE framework and its Reputational Assurance Framework; KPMG's social, ethical and environmental risk management services; ADL's Managing the Accountable Business; the European Foundation for Quality Management's Model for Business Excellence; The Triple Bottom Line approach now under development by SustainAbility; and Robert Kaplan and David Norton's Balanced Scorecard approach (which includes the financial, customer, internal business process and innovation/learning perspectives of a company).

WBCSD's CSR working group has a team producing tools to help companies assess their relative positions along a CSR performance continuum. The team is generating useful guidance on reporting CSR performance and preparing a selection of potential headline indicators. The result of the team's work will be carried in the next CSR report.

Feeling the CSR Pulse – Snapshot of Recent Progress

Considerable work is being done on CSR issues by academics, non-governmental organizations, institutes and business groups, especially in North America and Europe. Activities range from advocacy – trying to get business to pay more attention to the issues – to the development of ways to monitor and measure CSR performance in companies.

Part of this process is continuous dialogue between the various parties, in which the WBCSD is involved. We have also initiated our own program of dialogue. This section outlines the WBCSD's plans to engage with others and reports, in four parts, on this first formal meeting with stakeholders, held in 1998[1]:

- Dialogue description and summary
- Key observations
- Headline findings
- Detailed feedback from the workshops

Starting a dialogue with stakeholders
Approximately 60 diverse and high-level participants attended a 2½-day meeting in The Netherlands in September 1998. They represented business, labor, academia, intergovernmental organizations, church groups, indigenous peoples, human rights organizations, the environmental community and those involved in socially responsible investment. The meeting was facilitated by the UK-based Environment Council and the US-based Meridian Institute. The Reverend Leon H. Sullivan, the originator of the Sullivan Principles (see Appendix I) gave a keynote address.

"Business cannot look at social issues as if they were separate from core business activities and practices. The community is the basis of all economic activity: with no community there is no company." *

Barbara Hayes, Ecumenical Council for Corporate Social Responsibility

The WBCSD's CSR Working Group had already conducted a series of meetings and prepared a variety of background materials to raise awareness and increase the WBCSD's understanding of the topic. This work, as well as the insight gained throughout the process, helped shape the dialogue session and determined how the specific topics were addressed, who was invited to attend, and the setting of realistic achievement targets.

Session objective
The key objective was to produce broad-based guidance to companies on how to address their corporate social responsibilities. This was to be done in the context of achieving a better and shared understanding of what CSR is generally accepted to mean (a working definition) and what represents good practice to stakeholders. New ideas, fresh thinking and challenging debate were sought. This was followed by exercises in small groups, a discussion on how to handle dilemmas arising from case studies, group polling and full group discussions.

"Business must explicitly support the UN Declaration of Human Rights. It is business's responsibility to be an 'island of integrity' in those areas where human rights are violated. Business needs to develop a set of codes or principles which condition their personnel and security policies and practices. As with the medical profession, business requires its own Hippocratic Oath." *

Sir Geoffrey Chandler, Amnesty International UK

[1] Dialogue Sessions such as this are subject to numerous interpretations and the conclusions drawn are highly individual. Any misinterpretation or misunderstanding is the responsibility of the authors and we welcome further comment and critique on the attached material.

*Quotes in this section were not solicited during the meeting.

Key observations

The meeting confirmed that the public policy debate surrounding the issues and notions of CSR had begun in earnest and that additional initiatives and progress were necessary.

Most participants were of the opinion that business tends to see the needs of shareholders as their main (or only) responsibility. It was felt that in the future business could move towards recognizing a responsibility to each stakeholder group, who would themselves become more involved in shaping the content of corporate responsibility.

"I am optimistic about the future of CSR and about encouraging companies to adopt verifiable international standards and asking suppliers to do the same to ensure decent labor conditions. We should support social reporting schemes such as Social Accountability 8000, which is derived from ILO conventions." [*]

Alice Tepper-Marlin, Council on Economic Priorities

As stakeholder influence increases, companies will move – or be steered towards – a deeper and more robust corporate responsibility.

Detailed discussions emphasized the:
- role of leadership in promoting a set of core values in business

- need to ensure that corporate responsibility is an integral part of the overall business strategy

- value of the WBCSD endorsing CSR as a philosophy

- importance of 'getting the process right', i.e. via transparency and consultation

Main themes

Five themes captured the majority of the participants' attention and concerns. These were:

- human rights
- employee rights
- environment
- community involvement
- supply chain relations

Stakeholder concerns and monitoring/accountability were thought to be 'cross-cutting' issues, affecting all of the five core issues (see Section 1 for more detail on each theme). Some thought bribery and corruption should be included as a topic within the themes.

Clarity

The difficulty in identifying sharp, clear, and discrete boundaries is a feature of CSR. The session demonstrated that the challenges companies face in tackling CSR issues will remain dynamic as society's expectations change over time.

"It is good that some companies want to have an international dialogue with NGOs, but when it comes to worker rights and their own employees they should be willing to talk with the representatives of workers. The appropriate social partners for such a dialogue are the international trade secretariats, which group unions by sector." [*]

James Baker, International Confederation of Free Trade Unions

[*]Quotes in this section were not solicited during the meeting.

The group struggled to define both CSR and the concept of the stakeholder. A suggested definition of CSR emerged (see Section I). There were many permutations of what constituted stakeholders. Two possible definitions were offered.

Stakeholders – to include government – are:
- those that can legitimately claim their rights/interests are affected by, or affect the company or,
- those that contribute to, or are affected by, the company.

Concerns

The vast majority of the participants found the meeting worthwhile and valuable. But participants did voice their concerns, which included:

- The term Corporate Social Responsibility. Some participants thought the term limited the scope of responsibility to purely social issues, excluding other significant topics, especially the environment. The preferred term was simply 'corporate responsibility', with such responsibility permeating all three pillars of sustainable development, as in this diagram.

- Lack of frankness. There was a feeling among some participants that contentious issues were not addressed adequately in the session. Some participants thought others were holding back their opinions and not being frank enough.

- Developed country focus. The discussion was considered by some to lack the developing – and emerging – country perspectives, even though there were representatives from some non-OECD regions present. It was felt that more emphasis needed to be placed on soliciting participation from 'missing voices'. More engagement from government was also proposed.

Volkswagen AG – Securing Employment

Volkswagen AG: Agreement concerning the securing of employment and of the manufacturing locations.

In 1993 the weak economy in the motor industry was pointing to a forthcoming major labor surplus. Volkswagen AG calculated that it would face a total labor surplus of around 30,000 people at its six domestic production sites over the next two years.

However, by working closely with the trade union and the general works council, the company drew up a comprehensive package of measures to promote work sharing, so avoiding the necessity of lay-offs and also keeping highly qualified members of staff on site.

The Volkswagen Model of reduced working hours with reduced payment, generally called the four-day week, was based on a 28.8 hour working week and was introduced successfully in 1994. Employees agreed to work 20% less, allowing staff costs to be cut, but salary levels were maintained by redistributing special annual payments such as holiday allowance, Christmas bonus and other perks

throughout the year. The following year new wage negotiations saw the Volkswagen Model extended further, and today flexible day, week and annual working hours mean that the company can respond well to market demands.

The Volkswagen Week which includes flexibility in hours per day, shifts per day, days per week and week end work in order to meet customer demands provides the basis for plant level decisions on fixing working time.

LESSONS: Constructive dialogue with the unions and works council and the introduction of devices such as flexible working hours, time accounts (when overtime occurs the hours are put into the time account and can then be taken out at a later date) and early retirement schemes have all helped put the company in a strong position to react to the market.

BENEFITS: The Volkswagen Model has made it possible not only to provide security of employment, but also to create 1,000 more jobs– and places for 1,200 trainees every year.

Headline findings

Although not necessarily unanimous, here are some of the observations that participants felt were worth emphasizing.

Integrated approach
A company acting responsibly will have an integrated approach to CSR across a variety of functional areas, including the financial, environmental and social dimensions. The social responsibility issue must not be marginalized, but should be part of an overall management and business strategy recognized and promoted at board level. The early days of corporate environmental management provide some valuable lessons.

Low priority of CSR
Companies spend heavily on scientific and technical research but relatively little on understanding social issues and the expectations of external stakeholders. A better balance is needed.

"Companies need to start investing in social capital. The public's expectations of companies is altering dramatically. People want to spend their money responsibly and want companies to help them do that. The first companies to stop 'green-washing' and start really delivering will emerge as the winners." *

Tony Juniper, Friends of the Earth

Leading from the top
Leadership and commitment to core values were two attitudes widely commended by the majority of participants. There was strong support for action rather than lip service from companies. Lower-level employees should be empowered to act in accordance with the company's core principles and values.

Positive action needed
CSR should emphasize positive action ('doing more good'), rather than minimal defensive action ('doing less bad'). A meaningful CSR strategy provides opportunities for companies to create value and long-term stability. Companies, in general, are not perceived as out to 'do good'.

Partnership
NGOs said they were willing to investigate potential partnerships in which resources from all parties would be pooled to find solutions.

But they cautioned companies to enter into such partnerships – and dialogue in general – only if they were fully committed to the process. False or dubious motives would harm relationships and the reputations of companies. Participants needed to see that the time and effort expended led to real progress.

Employees as partners
Unions and organized labor can often provide relevant and vital collaborators for problem-solving. They too represent the 'community' and can provide insight that cannot be found elsewhere.

Openness and accountability
CSR issues should be tackled in a structured process. Mechanisms for ensuring transparency and inclusive stakeholder consultation are vital to advance or resolve CSR dilemmas. Companies should be frank, open and honest about the problems they face. This gives the company a diverse input of possible solutions and increases the probability of the public accepting and understanding the company's subsequent actions. Accountability and verifiability are vital to a credible and enduring reputation.

Preemptive and pro-active strategies are best
Get to know stakeholders and understand their perspectives and expectations before problems arise. Doing this only in a crisis and not before will lead to failure.

Endorse key codes
Companies should recognize the United Nations Conventions on Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Much corporate responsibility is already embodied in international conventions.

Respect differences
Cultural and developmental differences must be respected; companies (as well as NGOs) should be sensitive to imposing their values, ideas and beliefs on others.

No new codes from WBCSD
The WBCSD has no intention of formulating yet another set of codes. It will, though, identify good practice and provide guidance to companies.

* Quotes in this section were not solicited during the meeting

Feedback from the workshops

Session attendees were divided into three groups to discuss, respectively: critical issues; degrees of responsibility; and the systems needed to deal with CSR dilemmas.

The first group's feedback on critical issues is summarized in the Critical Issue boxes in Section 1. Here is a brief summary of the other groups' responses.

Responsibility, action and systems
Participants discussed why a company should identify a responsibility to act on CSR issues and what were the legitimate constraints on its ability to act. This was the response:

Why act?
- Physical proximity to an issue (although rapid communications can reduce perceived distance)
- Degree of risk (and reward) to the company
- Societal expectations
- Public opinion.

What constraints?
- Government action or the demands of military regimes
- Lack or presence of institutional frameworks
- Cultural differences
- External events, e.g. mergers, economic variables such as profitability
- Lack of local management understanding of good practice, poorly-trained managers
- Competitive pressures
- Market leadership
- Lack of resources.

The systems needed:
Various scenarios were played out and participants then developed the types of management system and process that would help in resolving the dilemmas faced.

Team 'Problem Owners'

Headquarters external

Local site internal

Substantive   Communication
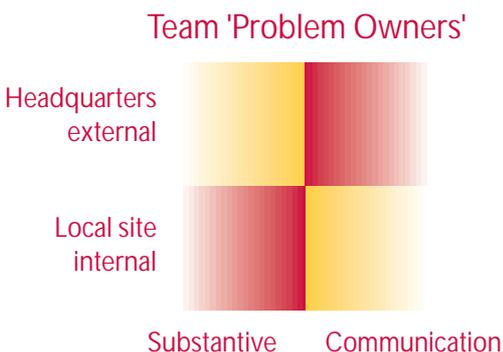
When dealing with a specific issue:
- How much time is there? Is there an emergency or crisis pending?
- Prepare and plan for emergencies
- Establish a team of problem owners (see illustration)
- Seek internal alignment between all those in the company who 'own' the problems, and then build coalitions
- Check informal and formal legal frameworks; explore all options
- Consider your own, personal feelings and conscience and ask yourself if you can live with the results of your decision
- Communicate your decision to stakeholders before making general public announcements.

Review & change respnsibilities, capacities, training

Management Culture

Vision, strategy Policy

Vision, strategy Policy

Monitoring Reporting

This diagram summarizes the key steps in the process of managing CSR. It is similar to generic management systems, differing mainly in its emphasis on consultation at every step.

Competence to deal with CSR:
A management culture that includes CSR is essential. Companies should:
- Form explicit and dynamic principles that drive corporate responsibilities
- Start internally with the assessment and mapping of principles, strategy, policy and values
- Continuously collect and disseminate examples of good practice
- Develop training and rewards systems for employees dealing with CSR – these should be site-specific
- Establish a workable stakeholder consultation process and make sure it is used to understand local culture in all stages of the CSR management system (see the diagram above)
- Create a sense of ownership between the personnel that set-up a project and those that will run it.

More information:
Find a more detailed report on the dialogue session at:
www.wbcsd.ch/corp1.htm#dialogues.

Severn Trent – Developing a Code of Ethics

For some years Severn Trent has had a community affairs policy which provides support in specific sectors, currently health and welfare; the environment; arts and heritage; education.

The company's core values of customer service, quality, and environmental leadership are widely published and objectives are set to reflect this. In 1996 the company became aware that although it operates a policy of maximum transparency and disclosure, and corporate social responsibility has always been a key aspect of its operations, growing an international business needs a published code of ethics.

Work has now started to compare codes of practice of some 20 companies against the framework of the Institute of Business Ethics guidelines to establish current practice. In addition Severn Trent is consulting with its stakeholders, shareholders, customers and employees, believing that producing a code without their input would be counter-productive. It expects to publish its code in 1999.

LESSONS: It is essential to involve all stakeholders especially employees. Commitment from top management is crucial.

BENEFITS: A published code is important for growing the business overseas so that future partners and contractors understand the company's corporate values and its way of working.

Deloitte & Touche – Women's Initiative

Deloitte & Touche launched its Women's Initiative in 1993, following an investigation into why the number of women admitted to the partnership was less than expected, and why women were leaving the firm at a higher rate than men. An external Council on the Advancement of Women was formed to monitor the firm's progress.

The objectives of the program are: to retain and advance talented women; enhance working relationships between men and women; enhance women's career opportunities through mentoring, networking and career planning; to communicate these ideas throughout the workplace; and to support the balance of multiple commitments.

The program is led from the top by Chairman and CEO J. Michael Cook plus three partners. Most practice offices have a Women's Initiative leader with responsibility for identifying issues, concerns and trends, and implementing solutions with the office's managing partner. The program's 'Men & Women as Colleagues' workshops which consider gender dynamics within the firm are required for all managers and partners. The workshops have now been attended by more than 6,000 professionals. Offices routinely offer comprehensive career planning to female managers and seniors. Top firm leaders are aware of women partners' readiness and desire for new roles. Mentoring continues to be important, with counseling, performance feedback, career planning.

LESSONS: Improving retention of women professionals has helped reduce costs related to turnover, improve continuity, and respond to changing demographics of clients and staff, thereby creating a competitive advantage. Over half the paid parental leaves are taken by men. Such flexible working arrangements have proved attractive in hiring new and experienced staff. The firm has recognized the importance of its commitment to women's progress at work, and has been involved in many national and local studies, surveys, and events.

BENEFITS: Deloitte & Touche has become a visible, vocal leader among the Big Five professional services firms and in corporate America because of its innovative approach to solving pertinent workplace issues regarding women, and its success in implementing workplace culture change. The number of key leadership roles held by women in 1998 increased 97% since 1997. The number of women partners has more than tripled since 1992. Largely due to the success of the Women's Initiative, the USA practice of Deloitte & Touche was ranked 8th in Fortune magazine's list of '100 Best Companies to Work for in America' in January 1999, outranking all other Big Five professional services firms in the USA.

The Way Forward

Progress towards the understanding and management of CSR is being made by individual companies, non-governmental groups, institutes and academics. The WBCSD has established itself as part of this process and will continue contributing in seven main areas.

Continuing dialogue
The WBCSD are committed to continuing dialogue with interested parties because we are convinced that this is a fundamental part of understanding and managing CSR. We are aware that our discussions so far have been mainly with representatives from the developed world. This will continue, but to ensure balance we have dialogue sessions planned with those from non-OECD countries, to take place during 1999. We will make every effort to ensure that the opinions of differing cultures are included in our analysis of the issues.

Communicating core values
We encourage companies to articulate their core values and to produce their own codes of conduct and/or endorse other well-established codes of conduct, suitable for their particular business.

Sharing good practice
Case studies of existing good practice are immensely valuable tools. Our work plan includes researching a number of case studies in 1999 and making these available to members and other interested parties.

Raising awareness
WBCSD have already produced for members a slide show that summarizes CSR issues and our progress. This can be used to help members describe CSR both internally and externally and to stimulate debate among peer and other contact groups. We will continue to provide support for members through our website.

Improving measuring and managing
Ways to manage, measure and report on CSR are essential if the issues are to be integrated into the general management of corporations. We will continue to work with others who are making progress in this area to identify indicators and verification systems. We feel it is essential that any systems that emerge must be both practical and cost-effective. This can only be achieved if business is involved in the development.

Looking for synergy
The WBCSD is active in many areas related to CSR, including Sustainability in the Market, Climate and Energy, and Innovation and Technology. We are committed to seeking out the synergies that can be gained from these mutually beneficial activities.

Publishing our conclusions
WBCSD will seek to generate responses to this interim report and improve the contents to be used in the publication of a further report. We will continue to work with others and generate further guidance for our members.

Appendices

Appendix I

Codes of Practice

Many organizations – including religious groups, business associations and intergovernmental groups – have developed codes laying out responsible business practice. The WBCSD's dialogue session (see Section 4) identified these 14 (in no particular order).

Name	Website address	Type of Organisation	Codes
Caux Roundtable	www.cauxroundtable.org	Business	Caux Principles for Business
New Economics Foundation	www.neweconomics.com	NGO	Open Trading: options for effective monitoring of corporate codes of conduct
Chemical Manufacturers Association	www.cmahq.com	Business	Responsible Care® Codes of Management Practices
International Chamber of Commerce	www.iccwbo.org	Business	• Rules of Conduct on Extortion and Bribery in International Business Transactions • Codes of Advertising Practice • Charter for Sustainable Development
European Union Parliament	www.europa.eu.int	Inter-governmental	European Corporate Code of Conduct
International Labour Organization	www.ilo.org	UN Agency, Tripartite	• ILO work on labor standards following the 1997 WTO Ministerial • Tripartite Declaration of Principles • Conventions
OECD (Organization for Economic Co-operation and Development)	www.oecd.org	Inter-governmental	OECD Guidelines for Multinational Enterprises
UN Conference on Environment & Development (1992)	www.un.org www.igc. apc.org / habitat/agenda21/rio-dec.html	Inter-governmental	The Rio Declaration on Environment & Development
UN General Assembly	www.unchr.ch	Inter-governmental	Universal Declaration on Human Rights
UK Department for International Development	www.DFID.gov.uk	National Government	Ethical Trading Initiative
US Department of Labor	www. DOL.gov	National Government	US Foreign Corrupt Practices Act
US White House Apparel Industry Partnership	www.DOL.gov/dol/esa/public/ nosweat/nosweat.htm	National Government	US White House Apparel Industry Code of Conduct
Amnesty International UK	www.amnesty.org	NGO	Human Rights Guidelines for Companies
Reverend Leon H. Sullivan			The Sullivan Principles for US firms operating in South Africa

Contact the organizations for further details

Appendix II

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Progress Report, June 1998
Team B (Practice) Work Group Progress Report,
July 1998
Team C (Measuring, Assessing, Reporting and
Indicators) Work Group Progress Report,
August 1998

Appendix III

Participants in the WBCSD dialogue sessions, Netherlands, 1998.

Attendees at Corporate Social Resonsibility Stakeholder Dialogue, 6-8 September, 1998
Leeuwenhorst Congress Centre, Langelaan 3
Noordwijkerhout, The Netherlands

First Name	Last Name	Company/Organization
Fernando	Almeida	S.A. White Martins
Donna	Awatere Huata	Member of Parliament, Wellington New Zealand
James	Baker	ICFTU, Multinational Division
Frank	Bosshardt	Anova Holding AG
Arie	Brand	SHV Holdings N.V.
Michael	Brandt	Shell International BV
Julian	Burger	UNHRC
Paul	Chaffey	Statoil
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Bradley	Googins	Boston College: The Centre for Corporate Community Relations
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Brewster	Grace	Quakers United Nations Office
Catherine	Hagen	International Labour Organization
James	Hartzfeld	Interface Inc.
Barbara	Hayes	Ecumenical Council for Corporate Responsibility
John	Henderson	SGS International Certification Services Ltd
Peter	Hindle	Procter & Gamble Company
Richard	Holme	Rio Tinto Plc

First Name (cont)	Last Name (cont)	Company/Organization (cont)
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Goran	Hultin	International Labour Organization
George R.	James	International Organization of Employers
Tony	Juniper	Friends of the Earth UK
Jim	Lamb	Severn Trent Plc
Ann	Leikerfeldt	Novo Nordisk A/S
George	Littlewood	Rio Tinto Plc
Steven	Lydenberg	Kinder, Lydenberg, Domini & Co., Inc.
Joseph	Meran	Hoechst AG
Judith	Mullins	General Motors Corporation
Jane	Nelson	Prince of Wales Business Leaders Forum
Dan	O'Brien	CARE
Deborah	Patterson	Monsanto Company
Barbara	Pyle	Time Warner Inc.
Dawn	Rittenhouse	DuPont
Odd Henrik	Robberstad	Norsk Hydro ASA
Lutz-Günther	Scheidt	Sony International Europe
Jens	Schierbeck	Danish Centre for Human Rights
Jill	Shankleman	Environmental Resources Management Group
Preben	Soerensen	Deloitte Touche Tohmatsu
Shaun	Stewart	Rio Tinto Plc
Björn	Stigson	WBCSD
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Martin	Tanner	Novartis International AG
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Alice	Tepper-Marlin	Council on Economic Priorities
Virginia	Terry	SustAinability
Sofie	Tunbrant	Vattenfall AB
Henk	van Luijk	European Institute for Business Ethics
Wynold Th.	Verwey	Heineken N.V.
Mark	Wade	Shell International Ltd
Mike	Waller	BHP
Phil	Watts	Shell International Ltd
Anne	Weir	Unilever N.V.
Mike	Wright	Imperial Chemical Industries plc
C.T.	Wright	International Foundation for Education and Self Help
Simon	Zadek	New Economics Foundation

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Appendix IV

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Phil Watts — Shell International Ltd

Liason Delegate Leaders:
Michael Brandt — Shell International Ltd
Shaun Stewart — Rio Tinto plc

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Judith Mullins — General Motors Corporation
Arie Brand — SHV Holdings N.V.
Jim Lamb — Severn Trent plc

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Shell International Ltd	Mark	Wade
Shell International Ltd	Phil	Watts
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Statoil	Anne Kristin	Sydnes
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The British Petroleum Company plc	Charles	Nicholson
The Broken Hill Proprietary Co. Ltd	Ian	Wood
The Dow Chemical Company	Claude	Fussler
The Dow Chemical Company	Dennis	Heydanek
The Procter & Gamble Company	Deborah	Anderson
The Procter & Gamble Company	Peter	Hindle
UBS	Heinrich	Hugenschmidt
Unilever N.V.	Anne	Weir
Unocal Corporation	George	Walker
Vattenfall AB	Sofie	Tunbrant
Volkswagen AG	Christiane	von Finckenstein
Weyerhaeuser Company	Bob	Prolman
WMC Limited	Kristina	Ringwood
Zürich Insurance Group	James	Rea

Acknowledgments

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WBCSD Publications

Working Group papers:
(can be found on the web: www.wbcsd.ch
Summary of the Stakeholder Dialogue,
September 6-8, 1998, The Netherlands
Discussion Paper: A Dialogue on Dilemmas, Challenges, Risks, and
Opportunities
•Results from:
Team A: Scoping and Mapping the CSR Boundaries
Team B: Practice
Team C: Measuring, Assessing, Reporting
Principles and codes
Random thoughts on social accounting and reporting
Environmental and Social Ledgers

Members can also find a CSR slide presentation on the
Member's Corner

Reports (ordering information found below)
How Companies Measure and Report their Eco-Efficiency
Cleaner Production and Eco-efficiency * Complementary Approaches to
Sustainable Development
Industry, Fresh Water and Sustainable Development
The Sustainable Business Challenge Brief
Business and Climate Change – Case studies in Greenhouse
Gas Reduction
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Signals of Change – Business Progress Towards
Sustainable Development
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Towards a Sustainable Paper Cycle
A Changing Future for Paper
Sustainable Production and Consumption –
A Business Perspective
Trade and Environment – A Business Perspective
Eco-efficient Leadership for Improved Economic and Environmental
Performance
By-product Synergy: A Strategy for Sustainable Development
Trade, Environment and Sustainable Development,
A Briefing Manual
Trade and Environment, A Business Perspective–
A Summary Document

Ordering information
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Dorset BH88 YY
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Fax: +44 1202 244 034
E-mail: marketing@ed-youth.com

The Sustainable Business Challenge should be ordered from:
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United Kingdom
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Fax: +44 114 267 9403
E-mail: greenleaf@worldscope.co.uk

Books
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Eco-Efficiency: The Business Link to Sustainable Development
Financing Change: The Financial Community, Eco-efficiency and
Sustainable Development
Changing Course: A Global Business Perspective on Development and
the Environment

Ordering information (USA)
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Fax orders: +1 617 253 1709
E-mail: mitpress-orders@mit.edu
Internet: http://mitpress.mit.edu/books.tcl

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leadership

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"Meeting Changing Expectations"
WBCSD's first report on corporate social responsibility

Feedback and Assessment

It is extremely important to our work that we have your input. Please tell us what you think of the CSR report so that we can best meet your expectations in the second and final one.

Please fax to WBCSD Secretariat, (Geneva, Switzerland) at : (41.22).839.3131

Name (optional)

How valuable was this report for you and your organization? Rate between 1-5.

Who will you share this report with -external or internal use? What type of people and how many people will be reading it?

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What I could have done without was...

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What did you think of the case studies? Rate between 1-5 and give comments please.

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