CHAIRE de responsabilité sociale et de développement durable
ESG UQÀM

Corporate Social Responsibility Tools
Synopsis for the attention of the CSR Workshop

Abridged version

Corporate Social Responsibility Workshop

Les cahiers de la Chaire – collection recherche

No 17-2003

Carried out by Emmanuelle Champion and Corinne Gendron

In collaboration with

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And Alliance pour un monde responsable, pluriel et solidaire

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ESG UQÀM
École des sciences de la gestion
Université du Québec à Montréal

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Carried out by Emmanuelle Champion* and Corinne Gendron**

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Corporate social responsibility tools[1]

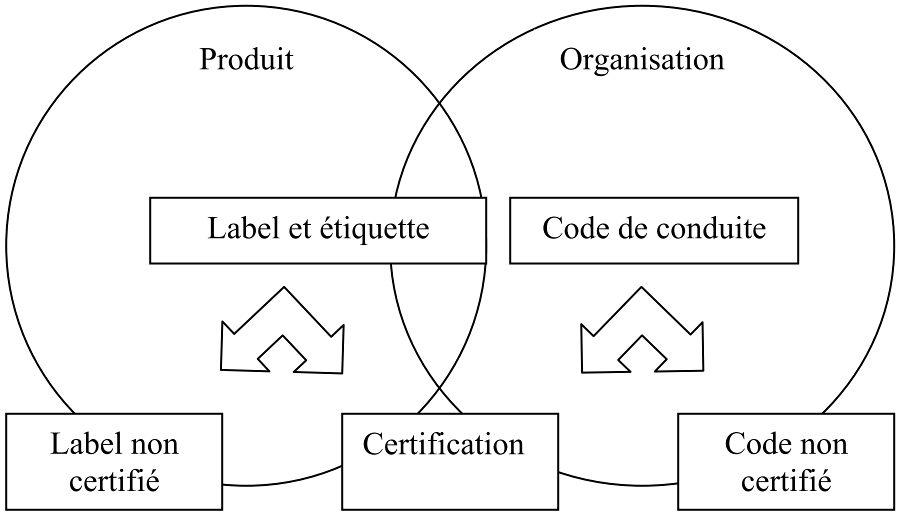
Over the past few years, we have been witness to a proliferation of codes of conduct and initiatives of social responsibility. It is important that we list these initiatives and dwell on the most important in order to determine what remains to be done in matters of social responsibility and how. Firstly, we will identity the different corporate social responsibility tools i.e. labels, codes or certifications; in order to subsequently be able to classify them into two main sections, that is, in terms of substantive and procedural standards. Lastly, we will introduce eleven corporate social responsibility initiatives : the Declaration of the ILO, the Guiding Principles of the OECD, the ISO and the Copolco reports, the EMAS system, the Global Reporting Initiative (GRI), Global Compact, SA 8000 standard, AA1000 standard, ECS 2000 standard, the Belgian label and the SD 21000 Guide of the French Industrial Standards Authority.

Tools of social responsibility : labels, codes and certifications

Three types of initiative can be identified under this new proposal qualified as ethical or socially responsible : labels, certifications and codes of conduct. These initiatives often interconnect in a system where they refer to each other, complement each other or where they compete with each other even though they may be of a different nature.

[1] This section is based mainly on. Gendron et al. 2003. «La consommation comme mobilisation sociale : l'impact des nouveaux mouvements sociaux économique sur la structure normative des industries», Cahiers de recherche de la Chaire de responsabilité sociale et de développement durable, École des sciences de la gestion, UQÀM, no 15-2003, 17 p.

Figure 1 : Labels, codes and certifications



(Gendron et al., 2003)

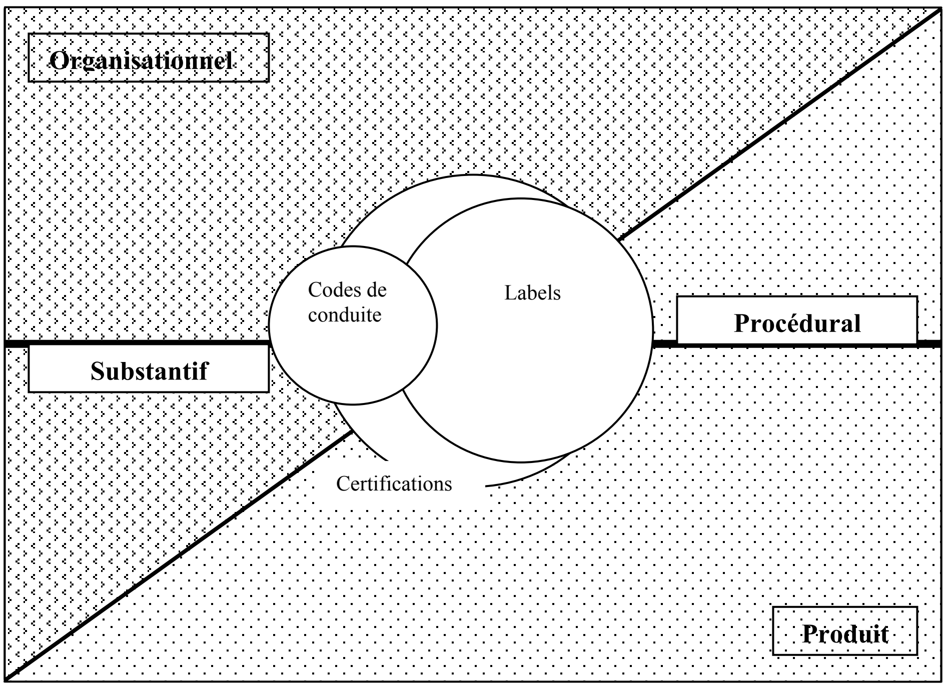
Codes of conduct are commitments made by organisations or imposed by them on their economic partners. ***Labels*** are signs that aim to identify a product or a service according to certain criteria, whether it is ecological, biological or social. They are based on the product's intrinsic qualities or the manufacturing process and can in this way be associated with codes of conduct. ***Certification*** is conferred on a product or a body when it complies with a certain standard, and when this compliance has been verified. Many codes of conduct and labels are the object of certification, but many of these are simple declarations that are not subject to a verification process. Moreover, the verification process can vary from one certification to another and while some permit self-declaration (ISO 14 001), others require verification in partnership with NGOs.

Classifying initiatives : procedural standards and substantive standards

Our first classification is made according to two main sections : 1) product or organisation ; 2) substantive-procedural. The first identifies the social responsibility initiatives specific to products and those specific to organisations. As such, codes of conduct relate to organisations while labels are generally associated with products. Certifications, for their part, deal with both organisations and products. The second deals with the nature of the criteria for social and environmental performance on which the tools are based.

As we shall see in the following pages, codes of conduct, labels and certifications can be based on either substantive or procedural criteria, or on both criteria at the same time.

Figure 2: The nature and purpose of codes, labels and certifications



(Gendron et al., 2003)

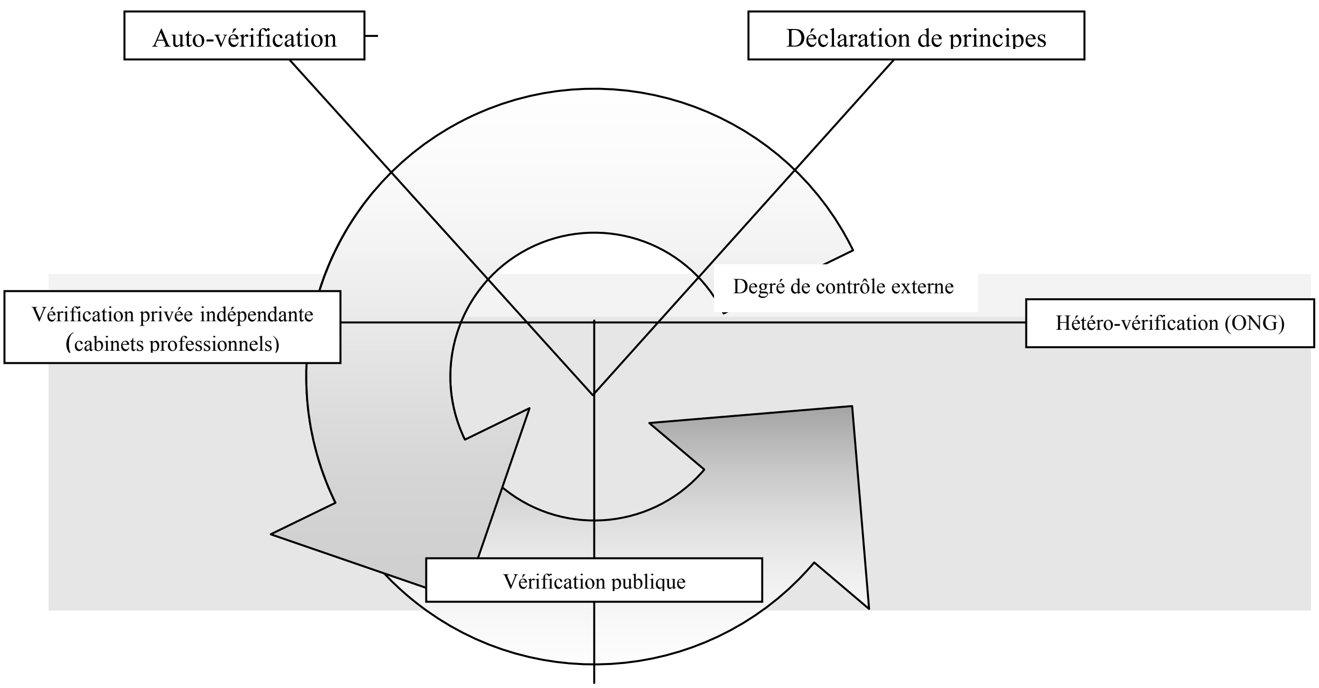
Classifying tools of social responsibility according to methods of verification

The second classification is based on the type of verification associated with the social responsibility initiative, and differentiates between the 'self-proclaimed' initiatives and those benefiting from professional, institutional or social recognition. The social responsibility initiative with the least number of constraints for its economic actors is, of course, that founded on the ***declaration of principles***, through which the management body publicly commits itself to respect a series of principles. In the same category, ***self-verification*** certifies that the company itself has carried out the checks necessary to determine whether or not it is fulfilling its commitments. Both forms of verification can be qualified as self-verification as they involve no external audit verifying that the company conforms to the requirements specified.

The second category of initiatives involves an ***external audit***, carried out by independent professionals, civil servants or NGOs. Independent and private verifications describe audits carried out by consultancy bodies, mostly made up of accountants, but also representative of broader professional backgrounds such as environmental experts. Public verifications refer to audits carried out by public authorities or bodies under their control. Regulation is obviously the purest form of this type of verification, but there are also hybrid forms of public and private verification.

Lastly, what we suggest should be called ***hetero-verification,*** as it involves the intervention of an 'other' with all the controversy that this implies, deals with public initiatives of verification by base-level groups, NGOs and campaign groups.

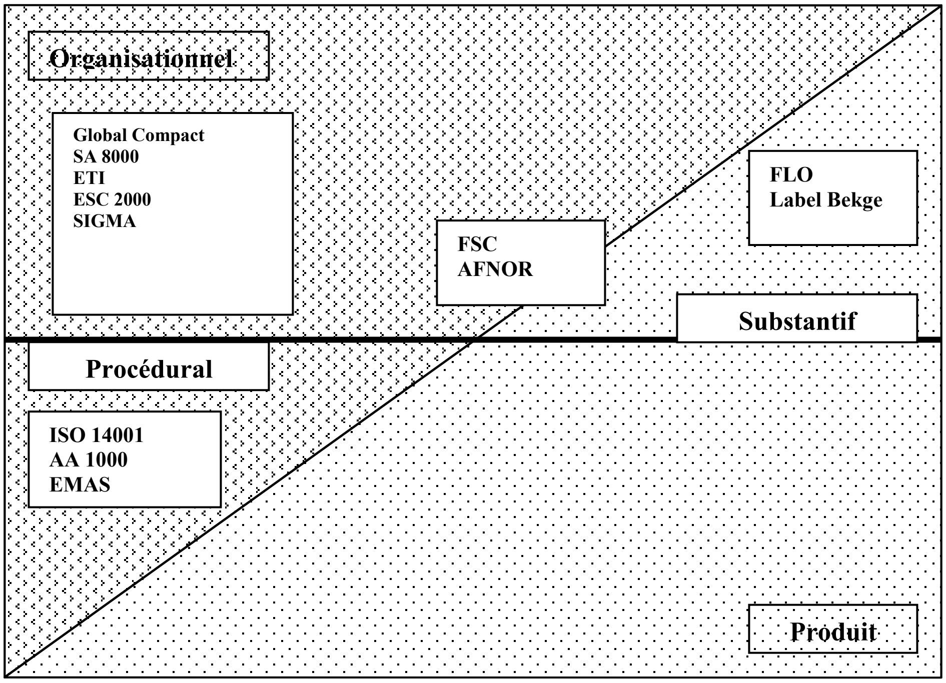
Figure 3: Types of verification: codes, labels and certifications



(Gendron et al., 2003)

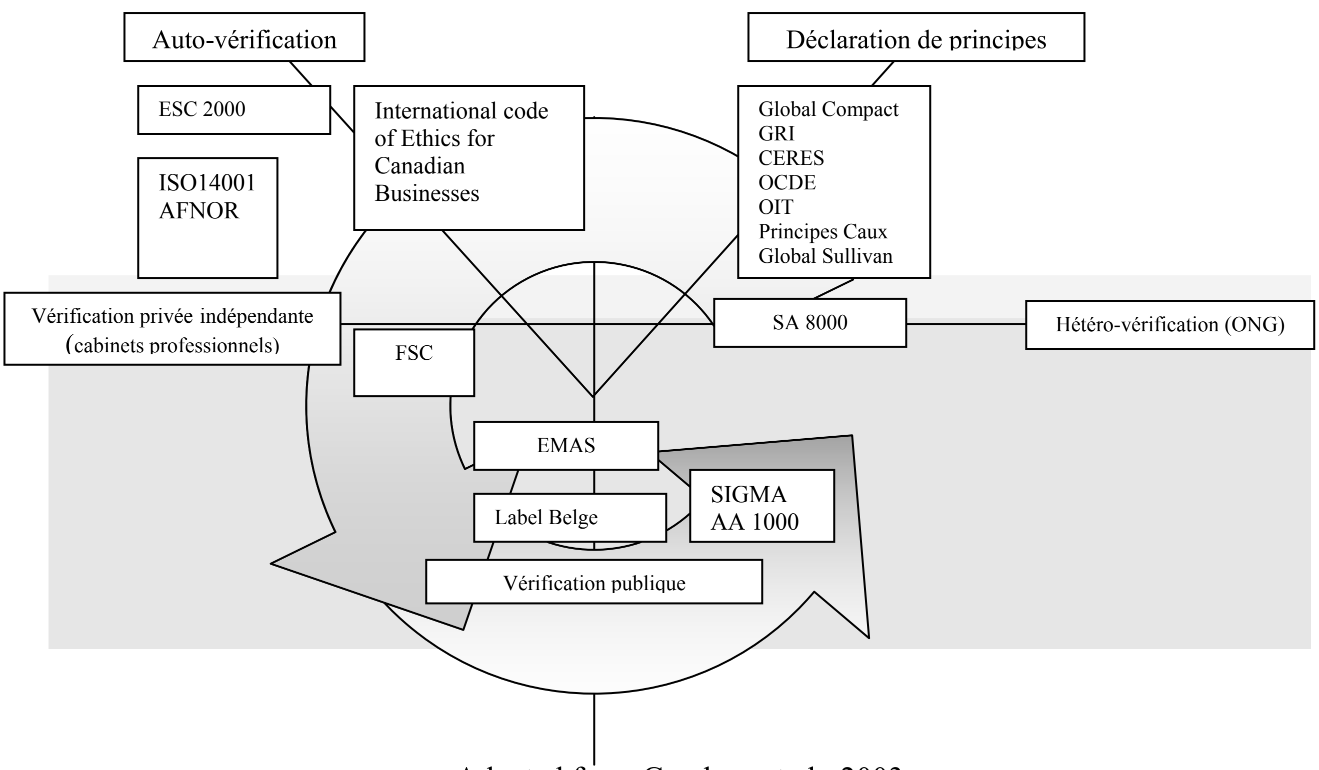
These two means of analysis allow the existing tools to be classified and notably to evaluate their importance in terms of corporate social responsibility. We will now apply this 'double analysis' to a few existing initiatives in the area of corporate social responsibility.

Figure 4: Positioning CSR initiatives according to their purpose



Adapted from Gendron et al., 2003

Figure 5: Positioning initiatives according to verification



Adapted from Gendron et al., 2003

ILO Declaration of Principles concerning Multinational Enterprises and Social Policy

The International Labour Organisation aims to promote social justice and in particular to ensure that human rights are respected in the world of work. The ILO, which was set up in 1919 according to the Treaty of Versailles, outlived the League of Nations and became, in 1946, the first specialist institution in the United Nations. The ILO draws up agreements and international labour recommendations which set out the minimal standards to be respected in the areas of its competencies: the freedom of trades unions, the right of organisation and collective bargaining, abolition of forced labour, equal opportunities and treatment, etc.

The advent of increased multinational enterprises (MNEs) on the economic scene during the sixties provoked intense discussions that resulted in efforts to draw up an international regulatory framework to regulate their conduct and define the terms of their relationship with host countries. Since the problems engendered by multinational activity directly affected both labour-related and social issues, the ILO was keen to develop an international framework of reference for the areas of its competence. In 1967, the ILO held a conference on industrial relations of transnational enterprises. In 1971, a meeting was convened which dealt more specifically with the relationship between MNEs and social policy. In June 1972, the ILO adopted a resolution concerning the social problems raised by activity of transnational enterprises. In October/November 1972, a tripartite meeting on the relationship between multinational corporations and social policy was held to explore and submit recommendations to the governments on the desirability and possible scope of ILO action in this area.

The tripartite declaration of principles concerning multinational enterprises and social policy

Due to its unique tripartite structure (government, employers/multinationals and workers), the ILO wanted to play a key role where supervision of the multinational enterprises was concerned. Considering the strong representational aspect of the ILO, bringing together representatives of enterprises, workers and governments, it planned to set out principles which would allow the actions of all participants to be monitored. Nevertheless, following the negotiations, the three parties made some concessions, particularly on the compulsory nature, first envisaged, of the initiative but which was outrightly rejected by the enterprises. The tripartite declaration was finally adopted in November 1977 in Geneva under the name of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Through this declaration, the ILO proposed a framework of social policies to governments which could then adopt as national law (ILO, 1977). This declaration deals with three main areas, namely employment, training, and working conditions, in total it comprises 58 articles. The 19-page documnent includes the following sections:

- General policy
- Employment : the promotion of job creation, equal opportunities and treatment, job security, training
- Conditions of work and life : income, benefits and working conditions, health and safety
- Industrial relations; freedom of trades unions and the right of organisation, collective negotiation, consultation, dealing with claims, settlement of industrial disputes
- List summing up all the international agreements and recommendations concerning employment which were cited in the tripartite declaration of principles concerning multinational enterprises and social policy : Agreements, Recommendations
- Addendum to the tripartite declaration of principles concerning multinational enterprises and social policy.

In this declaration the ILO heighlights the responsibilities which multinational corporations must assume : *'The tripartite declaration of principles aims to encourage multinational enterprises to contribute in a positive fashion to economic and social progress as well as to minimise and resolve the difficulties that their operations may create, taking into consideration the United Nations resolutions which advocate the installation of a new international economic order'* (article 5) (OIT, 1977).

The voluntary character of this declaration has meant that its impact has been very limited.

Corporate Governance Principles and OECD Guiding Principles for the benefit of Multinational Corporations

The Organisation for Economic Cooperation and Development (OECD) brings together 30 constituent countries and provides governments with a framework to examine, develop and refine economic and social policies. It presents them with an opportunity to compare their respective experiences and to try to come up with solutions to problems that they have in common and to devote themselves to the coordinating of domestic and foreign policies which, in the present climate of the globalisation of economies, must form an increasingly homogenous body. Their discussions can lead onto formal decisions consisting, for instance, of taking legally binding measures to combat corruption or of establishing codes to ensure free circulation of capital and services. The OECD is also known for its setting up of non-binding instruments like the OECD's Guiding Principles for the benefit of Multinational Corporations.

The OECD considers corporate social responsibility to be part of the broader concept of Corporate Governance whose foundations have been laid down in the Corporate Governance Principles. The OECD's Guiding Principles for the benefit of Multinational Corporations deals with similar concerns and borrows key elements from the concept of corporate social responsibility.

In May 1999, ministers from the constituent members of the OECD approved the Corporate Governance Principles. These principles represent the first attempt to define a Corporate Governance system at an intergovernmental level. Corporate Governance relates to the way in which the management of a company, its board of directors, its shareholders and other stakeholders in its activites, come together to define the goals of the enterprise and determine the means to be implemented to achieve these goals and to ensure a follow-up to discuss the results obtained. Corporate Governance answers the growing concern of multiplied financial crises and the OECD, through the application of the Guiding Principles, hopes to organise power in an enterprise in order to prevent any harmful effects on the stability of global finance and the performance of the economy of the countries.

The OECD's Corporate Governance Principles and OECD's Guiding Principles for the benefit of Multinational Corporations

The OECD's Corporate Governance Principles cover five main areas : shareholder rights and their protects, equal treatment of all categories of shareholders, the role of employees and other stakeholders, transparency and the appropriate timing of broadcasting information relating to the structures and activities of the company, and the responsibilities of the board of directors towards the company and the shareholders.

The Principles are not of a mandatory nature. They aim to help governments to evaluate and improve the legal and regulatory framework that governs the organisation of power within the companies in their own country. They contain guidance for the benefit of stock exchange authorities, national committees of property values, investors, companies and other actors in the private sector as they finalize the 'exemplary practices', entry conditions to being quoted on the stock exchange and professional code of ethics.

The *OECD's Corporate Governance Principles* enter into a vast international process which aims to improve transparency, integrity and respect of Human rights. Along a similar line, the OECD's Guiding Principles for the benefit of Multinational Corporations were adopted in 2000 and the notion of social responsibility is also very present in this respect.

Still on a voluntary basis, the governments are committed to introduce certain recommendations to multinational corporations. On a national level, the OECD is attempting to oversee the multinational activity by laying down a certain number of principles which governments will in turn put into practice. These measures aim to harmonise government policies, in the same way that the *Corporate Governance Principles*, the *OECD's Guiding Principles for the benefit of Multinational Corporations* set out the principles and standards of responsible corporate behaviour while respecting existing laws. Respecting the Guiding Principles is a voluntary step by companies and the principles have no coercive force.

In conclusion, the OECD does not set itself up as an institution claiming to take the lead in matters of corporate social responsibility. But by laying down principles applicable on a national level, the OECD seeks to make firms more aware of their responsibilities. It congratulates itself on the progress already made in the area of harmonising national policies on *Corporate Governance Principles*.

ISO and Copolco reports

Following a meeting held in London in 1946, the delegates of 25 countries made the decision to create a new international organisation whose purpose would be to facilitate the international coordination and standardisation of industrial standards. The new organisation, ISO, became operational on 23 February 1947. It now has over 140 member countries. Over the years different standards were developed. In fact, the first generation of standards related to technical standards (maps, watt, etc.) and the second to management standards (ISO 9000, ISO 14 000). At present, the work of the ISO has resulted in the publication of some 13 000 international standards.

There are more and more consumers who are concerned about the social integrity of enterprises operating on the global market. ISO international standards could play a useful role in the drawing up of guidelines or in the identifying of certain sectors in which defining a line of conduct would be of interest. Consequently, according to ISO, a wide range of stakeholders, whether that be enterprises, consumers, employees and workers, or local communities, would have a lot to gain from the creation of a standard concerning management systems applicable to corporate social responsibility, similar to standards ISO 9000 (management and quality) and ISO 14000 (environmental management) or other types of ISO instruments.

COPOLCO reports

In the eyes of the ISO, corporate social responsibility concerns the general relationship between enterprises and all of its stakeholders i.e. clients, employees, communities, landowners/investors, governments, suppliers and competitors. As such, CSR is exercised in areas such as investment, community approach, relations with employees, job creation and stability, responsible environmental management and financial productivity (ISO, 2002).

COPOLCO's (committee on consumer policy) 'protection group for consumers in the global market' has been given the task, by the ISO, of producing a report on the desirability of drawing up a corporate social responsibility standard. The conclusions of this report entitled, 'The Desirability and Feasibility of ISO Corporate Social Responsibility Standards', takes into account the different opinions voiced at the discussion forum set up by the ISO, with a view to collect comments of those interested in CSR..

Here are the main conclusions of COPOLCO's report :

- Several standards concerning corporate social responsibility already exist or are about to be put into place. However, the quality and the requirements of these standards vary enormously;
- In COPOLCO's view, the creation of standards relating to corporate social responsibility by ISO is feasible and desirable. These standards would be set up in much the same way as the ISO 9000 and ISO 14000 standards;
- The standards must be flexible and practical. They must be of use to small as well as large enterprises and in developped countries as well as developing countries. Obviously, they must be applicable regardless of the type of product or the service offered by the enterprise;
- The report considers it too early to state what the content of the standard would be in relation to social responsibility. It does mention all the same six points which could be included in the standard. Firstly, the compliance with relevant laws and international standards; secondly, the consideration of stakeholder's opinions during the introducing of the standard in a firm; thirdly, the development of ethics policies by the enterprise, including anti-corruption policy; fourthly, the verification of the amount of staff training on offer; fifthly, the quality of relations with surrounding communities; and lastly, the frequency of communication with stakeholders and the general public.
- These standards only represent a partial solution to the corporate social responsibility problem;
- A strategic committee, similar to the 'ISO Strategic Advisory Group on the Environment', should be created in order to encourage a deeper understanding of the importance of drawing up such a standard;
- The ISO should work alongside other international bodies with an interest in this problem (UN, OECD and others) ;
- The enterprises can not assume the role of government in the protection of public interest, however they can help to create a fair and safe community.

- By adopting a standard on social responsibility, the ISO is distancing itself from its initial mandate based on technical standards, in order to move towards areas relating to responsibility, which are more diverse and less clearcut.

This report is only a recommendation. It was submitted for deliberation to the ISO council in September 2002 and there is every reason to believe that it will be adopted.

The EU Eco-Management and Audit Scheme (EMAS)

Set up in 1993, the Eco-Management and Audit Scheme represents a European point of reference. EMAS established a programme of voluntary eco-management, based on lines and principles harmonised in the whole European Union and open to all enterprises or organisations operating in the EU regardless of their size or there sector of activity. Contrary to ISO 9000 or ISO 14 001, EMAS is based on European regulations and although these prevail over national law, the implementation of the eco-management scheme remains voluntary . EMAS is today applied in Germany, Austria, Denmark, Spain, France, the Netherlands, Portugal, Sweden, and the United Kingdom.

In 1993, the European Commission established a regulation for the implementation of Eco-Management and audit schemes for the industrial sector (Regulation (EWG) 1836/93). Not one international environmental standard existed and through this regulation, the European Union defined all the stages of a scheme of environmental management, from its application to its verification. Following its enormous success, EMAS was revised to finally be applicable from 2001 to all economic sectors including public and private services (Regulation (EC) No 761/2001) and other forms of organisations. Moreover, the EMAS currently recognises the ISO 14001 standards.

Source : EMAS, 2002a, http://europa.eu.int/comm/environment/emas/documents/articles_en.htm
The general purpose of EMAS is to encourage the continued improvement of the performance in environmental matters of all enterprises by committing them to evaluate and improve their

performance in relation to the environment and to provide relevant information to the public (residents, associations, representatives) and corporate partners (shareholders, insurers, bankers, etc.). EMAS does not replace the existing legislation or technical standards in environmental matters, be they national or European. In fact, signing up to the EMAS programme requires that the enterprise or organisation adopt a policy in relation to the environment containing commitments concerning, both the respect of all applicable environmental legislation and the carrying out of continued improvements in environmental performance.

EMAS Reports

EMAS comprises several different stages and is the object of rigourous verification. Environmental audits covering all the activities of the site concerned according to take place no more than every three years. The enterprise must update its environmental declaration each year and get it validated (follow-up audit). The management system has also planned internal intermediate audits. In this way EMAS put the emphasis on the official validation of reported information . The selection criteria for the environmental experts responsible for accreditation are very important: 4 years experience in an environmental domain, strict selection tests, comprising in particular tests on audit systems, technical and legal aspects of eco-management systems. According to the organisation, this verification process gives credibility to the enterprise's statement declaring its commitment to the protection of the environment.

Finally, EMAS requirements are very similar to ISO 14 001. Nevertheless, EMAS benefits from third party verification carried out by accredited experts approved by the state. State approval enables a guarantee of valid information on the enterprise's commitments regarding the protection of the environment. Moreover, state involvement prevents the exclusion of small enterprises from the process of environmental certification. Indeed, the costs linked to the implementation of this eco-management system easily dissuade certain enterprises. Nevertheless, the state will cover a large part of these costs and enterprises will benefit in this way from public funding.

Global Report Initiatives (GRI)

Set up in 1997 by the Coalition for Environmentally Responsible Economies (CERES), in partnership with the United Nations Environmental Programme (PNUE), GRI brings together corporations, NGOs, commercial organisations and associations, and other stakeholder representatives. GRI define themselves as a long term, international and multipartite initiative, whose purpose is to develop and disseminate guidelines for the voluntary drawing up of reports on sustainable development by enterprises who wish to report the social and environmental impact of their activites, products and services. GRI hopes to raise corporate sustainability reporting to the level of financial reporting, to reflect and continually improve on the guidelines concerning three areas of sustainability : environmental, economic and social.
Since 1997, GRI has been working to set up a common framework of reference for the drawing up of reports on the three aspects of sustainable development :

- **Economic aspect** : income, social benefits, workforce productivity, job creation, sub-contracting expenses, research and development expenses, investment in training and other forms of human capital;
- **Environmental aspect** : impact of procedures, products and services on the quality of the air, water and earth, biodiversity and human health;
- **Social aspect** : health and safety in the workplace, job security, employment laws, human rights, income and the working conditions of sub-contractors.

GRI's goal is to develop indicators which are applicable to all enterprises in all sectors of the economic social and environmental sphere. These indicators constitute the *core indicators*, that is indicators which are relevant to every case. There are also indicators specific to *industries*, and a certain flexibility is authorised for *corporate indicators* that firms apply according to individual cases. GRI is not a code of conduct as such, however it does seek to reinforce such codes, like for instance Global Sullivan Principles, CERES Principles, OECD guidelines for multinational corporations, or the UN's Global compact. GRI envisages a place where enterprises can indicate which code they adhere to and why.

In the new directive of 2002, the first section outlines the directive's modes of application, then the general principles of reporting are reviewed. In the third section, all the information and indicators which must be included in the sustainable development report are numbered and prioritised. The economic and social indicators of the previous version were improved and GRI also developed transversal indicators (both economic and environmental, for instance). This new version received a great degree of consensus amongst the different partners, notably for the relevance of the environmental criteria (easily calculable). Regarding social and economic criteria, they are still poor not to mention the transversal criteria which are still embryonic in most reports. GRI envisages becoming an independent body responsible for ensuring the evolution of the guidelines from 2002 onwards (Utopies, 2002). In this continued process of evaluation, after having targeted only large enterprises, GRI currently plans to develop guidelines for Small and Medium-sized Enterprises (SME). Moreover, GRI seeks to establish links with other initiatives such as ISO 14 001 or l'AA 1000 (Gendron, 2003).

In conclusion, the guidelines drawn up by GRI aim to provide a framework for sustainable development reports. In fact, GRI is not concerned so much with verification, instead it puts the emphasis on evaluating performance and report guidelines. However, users are concerned by the degree of credibility of the information they receive. GRI does not therefore meet the growing demand for a verification of the sustainability reports. Furthermore, the voluntary nature of GRI is strongly criticised by international community-based organisations. Some would like the GRI report to be more detailed and researched. NGOs call for GRI to be strengthened by government mandates and strict verification rules. While transnational enterprises, for their part, are more in favour of a volontary approach.

Global Compact

The International Chamber of Commerce is one of the organisations which formally supports the *Global Compact* initiative. Following an appeal by Kofi Annan in January 1999, *Global Compact* was launched in July 2000 during a meeting which brought together the directors of 50 large enterprises and trade union leaders, environmental experts, as well as experts in development and human rights. Global Compact sees itself as a platform with a view to promote institutional learning and to disseminate good corporate practices based on universal values. It carries on from the principles set out in the Universal Declaration on Human Rights, the fundamental principles on employment laws of the International Labour Organisation, and the principles set out in the Rio Declaration. Regarding the environmental aspect, Global Compact puts forward three principles. Principle 7 relates to the precautionary principle taken from article 15 of the Rio convention, and urges enterprises to opt from prevention rather than cure. Principle 8 aims to promote a raised awareness of environmental responsibility in accordance with Agenda 21. Lastly, principle 9 seeks to promote the use of environmentally friendly technologies, whether that be with a cleaner production process, preventative technologies, or even surveillance.

Global Compact's Nine Principles

Human Rights	Support and respect the protection of human rights in their sphere of influence
	Make sure that they are not complicit in human rights abuses
Employment Lws	Uphold the freedom of association and the recognition of the right to collective bargaining.
	The elimination of all forms of forced or compulsory labour
	The abolition of child labour
	Eliminate discrimination in respect of employment and occupation
	Promote a precautionary approach to environmental challenges
Environment	Undertake initiatives to promote greater environmental responsibility
	Encourage the development and diffusion of environmentally friendly technologies

At this present time, several hundred enterprises have undertaken to uphold these principles having directly addressed the Secretary-General of the United Nations Kofi Annan.

SA 8000

The international workplace standard SA 8000 was developed in 1997 by Social Accountability International, known until recently as the Council on Economic Priorities Accreditation Agency. It works to improve conditions in both the workplace and in communities by promoting voluntary standards backed up by an independent system of verification and public reporting. The structure of SA 000 is based on the management system ISO 9000. The principles are drawn from several ILO conventions, the Universal Declaration of Human rights and the United Nation's convention on the rights of the child.

The founder of the SAI, the Council on Economic Priorites or CEP, is a research institute for corporate social responsibility, which has been the first to carry out research on corporate social responsibility from 1969 to 2001, and which has allowed directors, investors and consumers to make decisions concerning the promotion of social and environmental responsibility. The SAI is a human rights (non-profit) organisation, founded in 1996 by CEP, which seeks to improve workplaces all over the world by developing and applying standards of social responsibility.

The nine areas of standard certification

Child labour
Forced labour (slavery)
Freedom of association
Health and safety
Discrimination
Disciplinary measures
Working hours
Remuneration
Management system

In order to fulfil its mission, the SAI brings socially responsible people from all major sectors together, including workers and trades unions, enterprises, governments, NGOs, investors and consumers, in order to implement consensus-based voluntary standards, to accredit qualified organisations to verify compliance: to promote and implement such standards worldwide.

The verification process is assured by independent third parties. Currently, seven certification organisations have accredited companies in more than nineteen countries. On 31 August last year, 76 workplaces across the world were certified SA 8000. The enterprise must carry out its own checks in relation to its commitment to the code. The verification of compliance is realised by independent experts. SAI accredits the audit bodies by making sure that they dispose of the necessary procedures, resources and expertise to conduct the audits thoroughly, independently, comprehensibly and consistently. The involvement of all the stakeholders (workers, trades unions, enterprises, socially responsible investors, NGOs) in the SA 8000 constitute the advisory committee which writes up and revises the standards and the audit system as well as holding conferences, organising training and handling complaints. Its independent method of verification draws many important elements from the certification widely admitted of the management system of quality management of ISO programmes. A report must be made for all stakeholders, including shareholders and the CEPAA.

AA 1000

Launched in 1999, the AA1000 framework is an accountability standard designed to improve accountability and performance of organisations by learning through stakeholder engagement. It was developed to address the need for organisations to integrate their stakeholder engagement processes into daily activities. The AA100 framework helps users to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in overall organisational performance. The GRI and the AA 1000 provide a set of tools that help organisations to manage, measure and report their overall performance. Each individual initiative backs up the implementation of other initiatives. AA 1000 provides a rigorous stakeholder engagement process to back sustainable development, while GRI provides general directives applicable in the reporting of sustainable development which highlights stakeholder engagement in its development and its contents.

AA1000 was developed in order to increase the overall accountability and performance of organisations by raising the social and ethical quality of responsibility, of the reports and the audits. AA 1000 principles aim to clarify what should be the good practices of responsible management.

The principle underpinning AA 1000 is inclusivity: planning, accounting, auditing and reporting. It does not prescribe what should be reported on but rather the ‘how’. In this way AA1000 is designed to complement the Global Reporting Initiative (GRI). This standard applies to all sectors of activity.

The AA1000 directives are built according to the principle of inclusion and are based on three propositions :
1. Stakeholder engagement remains at the core of the accountability process of accounting, assurance and reporting.
2. Accountability is about 'organisational responsiveness', or the extent to which an organisation takes action on the basis of stakeholder engagement.
3. This responsiveness requires the organisational capacities to learn and innovate effectively on the basis of stakeholder engagement.

Each module can be used alone, as it can be considered as one element of the general directives of AA1000. This will allow the user to implement the accountability procedure step by step in their overall approach :

AA1000 Assurance Standard (launched on 25 March 2003) provides generally accepted accounting priniciples in order to attain audit and verification objectives. AA1000 Assurance Standard is based on the evaluation of the reports against three principles of assurance:

Materiality : does the report supplied provide an account covering all areas of performance that the stakeholders need in order to be able to judge the performance supported by the organisation?
Completeness : is the information complete and precise enough to evaluate and include the performance of all of the sectors of the organisation?
Responsiveness : has the organisation responded clearly and uniformly to the concerns and the interests of the stakeholders ?

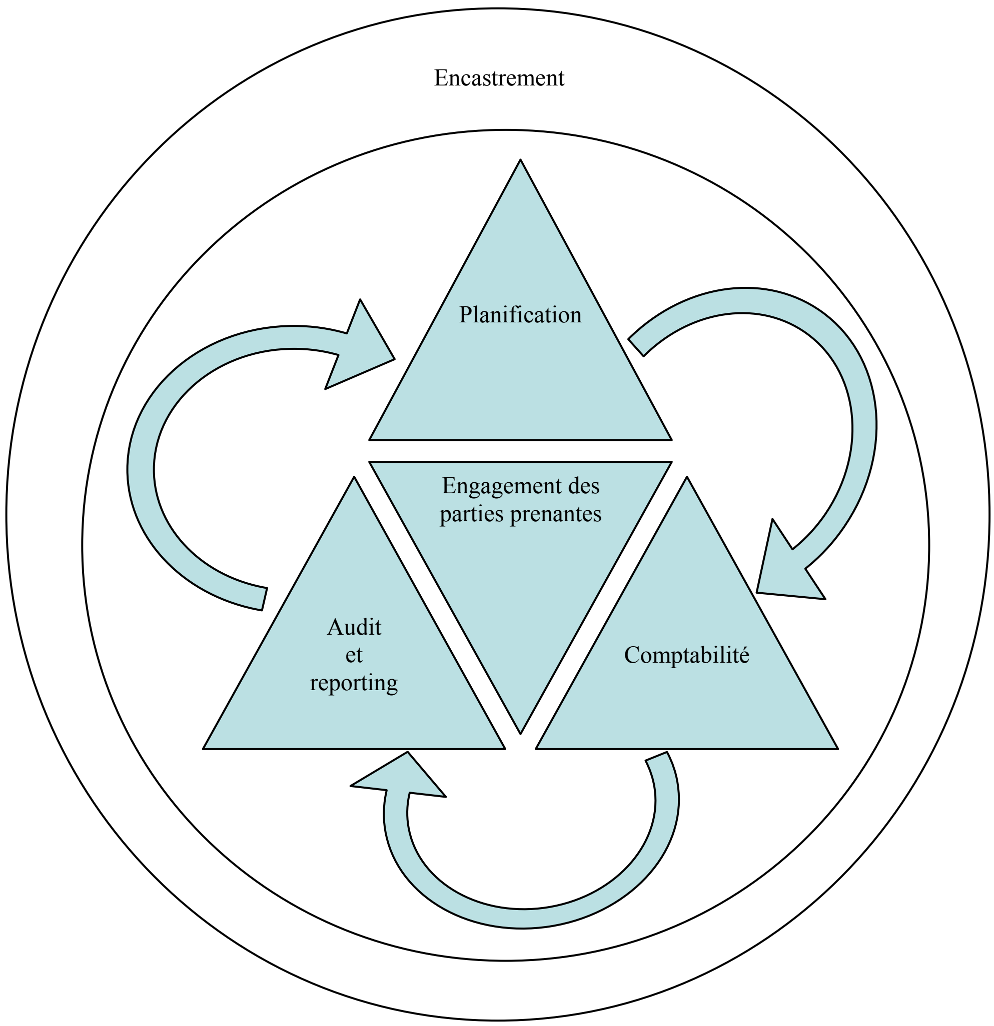
The application of this standard involves a discussion between the enterprise and the stakeholders in order to determine the social stakes which must be taken into consideration in order to define an enterprise's social performance and the AA1000 directives must be accompanied by :

- a body of notes from participants allowing them to share their experiences,
- Guiding councils,
- Publications and research reports,

- Professional classes and training.

The AA1000 directives can be integrated into an internal verification system in the enterprise in order to allow the organisation to identify, evaluate and manage the risks arising from the influence and the relations on its stakeholders.

Figure 6: Management process put forward by AA 1000



ECS 2000 : Japanese CSR standard

Following a series of scandals relating to illegal or non-ethical practices in Japanese enterprises, the economic federation Kansei (Kankeiren), representing several Japanese enterprises, in 1997 decided to analyse the cause of these incidents and to put forward a plan of action to resolve them. After this research was completed, the economics research department of the university Reitaku launched a research project on business ethics whose objective was to establish a standard for business ethics. It was in this way that the ECS 2000 standard was created in the hope of improving individuals working conditions while at the same time responding to the requirements of the international community. This management system established 'a list of requirements that organisations were to meet' in order to be considered 'ethically respectable' The structure of this standard was set up after some consultation with multiple stakeholders and the first version was diffused in May 1999. In 2000, several Japanese enterprises as well as a hundred or so financial institutes were using this standard.

Depending on the degree of constraint desired by the enterprise and on its previous performance, ECS 2000 proposed four different levels of application :

- **First level** : a guide for the creation and establishing of a system of ethical compliance;
- **Second level** : a list of criteria to test the validity of the system already in place;
- **Third level** : the means of self-accreditation for the existing system of ethical compliance;
- **Fourth level** : this standard also offers the possibility of evaluation by a third party.

The organisations are encouraged to disclose their level of application. Those who designed the standard hope that in this way the disclosure of the level of the utilisation of the standard will add competitive advantages to those enterprises having made efforts to meet ethical 'compliance'. (Taka et Davis, 2000).

We can see that the structure of the ECS 2000 is influenced by that of the ISO 14001 standard. The standard's focus is on the 'process' and it follows the subsequent steps of *Plan–Do-Check-Act*:

1/ **The planning stage** (PLAN) serves to establish a corporate policy in matters of ethics. It is at this point that the enterprise develops a plan of introduction which consists amongst other things of a ethical training programme and a audit plan.
2/ **The action stage** (DO) allows the organisation to establish its human resource and training needs in order to put the system into place.
3/ For **the verification stage** (CHECK), several audit procedures are planned such as a checklist for each division, an employee survey and a complete audit of the system.
4/ **The action stage** (ACT) involves a 're-engineering' of the system which is carried out according to the data collected during the audit, new laws and new external expectations. The modifications to the system will be shown in the new plan and will thus allow the continuation of the *Plan-Do-Check-Act* cycle.

The Belgian label

Recently, a new social label was introduced in Europe. Its originality lies in the fact that it is developed and promoted by the Belgian government. 'Promoting socially responsible production' is the objective the Belgian government set itself in adopting, on 27 February 2002, the law which created the social label. The bill was put forward by the Belgian MP, Dirk Van Der Maelen, under the authority of the Minister for Economic Affairs. Caught up between trades unions complaining about the working conditions of poor countries and NGOs opposed to any sanctions being imposed on these countries, Dirk Van Der Maelen set up legislation to allow the creation of a new social government label. By applying this seal to finished products, the Belgian government hopes to be able to reinforce international social measures by creating a demand for products which respect certain principles concerning the protection of workers and communities, particularly those of the ILO.

Even though the social standard forms part of a legal framework, adhesion to the Belgian label is entirely voluntary. In this way, all enterprises desiring to affix the seal which demonstrates compliance with ILO standards must make a request to the Belgian government. The voluntary nature of the label is an indispensable condition allowing legality to be retained internationally. In fact, a government cannot force an enterprise to affix a label in order to gain access to the market, that runs contrary to the WTO rules stipulating that discrimination on the grounds of manufacturing techniques is inadmissible. The law therefore maintains a 'voluntary' character so that the Belgian government can pursue its activities without infringing any international principles and in this way promote the purchase of products of a social nature. Enterprises have the choice to take advantage of the potential benefits of the label, without being penalised if they decide otherwise.

Companies wishing to show that they respect the rules of the Belgian social label can send their request to government. It has set up a *Committee for socially responsible production* which brings together representatives of the ministries concerned, trades unions, consumers and NGOs. This multipartite committee's task is to evaluate the dossiers which are sent in by the enterprises. It is the enterprise's responsibility to prove that it upholds the ILO's fundamental principles.
In order to affix the Belgian social label on a finished product, all of the participants in the production process must prove that they uphold the ILO's principles. In this way, the Belgian government must make sure that all the stages involved in production and distribution have been evaluated by the enterprise requesting the seal. At the same time, in order to give credibility to the social label, the government is responsible for verifying that everything is in order. The *Committee for socially responsible production* is also responsible for approving the independent social audit bodies, which will, according to the needs, verify on site and consult local authorities, trades unions, NGOs. These verifications will take place every three years; meanwhile, the enterprise is free to carry out its own checks.

Guide SD 21 000

The French Industrial Standards Authority (AFNOR) launched in May 2003 a guide for sustainable development and corporate social responsibility (SD 21 000). In 2001, AFNOR began a project on social ethics at the request of its consumer committee. Following this first study, the interest raised in ethics-related issues as well as the necessity to standardise the existing tools led AFNOR to develop guide SD 21000 in order to help enterprises take their first steps towards sustainable development.

French enterprises are increasingly called to consider the impact of their activities on the environment. The French government has just launched a strategy for sustainable development and since the introduction of the bill on new economic regulations large enterprises in France must publish annually a report on their actions in this matter. This law recommends that enterprises apply the indicators of sustainable development, drawn up by the Global Report Initiative (GRI). GRI has notably developed methods of calculating greenhouse gas emissions.

In this context, AFNOR seeks to support enterprises in their move towards sustainable development. As such, this guide does not constitute a sustainable development standard, its purpose is to accompany enterprises, of all sizes and sectors of activity, in their initial consideration of sustainable development principles. This guide has been drawn up by 90 people, managers, consultants, NGOs and trade unionists.

Guide SD 21 0000 puts forward recommendations to help management systems to adapt both technically and culturally, so that the objectives of sustainable development are gradually integrated into the heart of the organisation. Guide SD 21000 considers it essential that each enterprise, facing specific environmental constraints, adopts a specific procedure. Christian Brodagh, head of research at the *Ecole des Mines de Saint Étienne* and a member of the national council of sustainable development explains that 'two enterprises from the same region, one producing chocolate and the other caramel, will not have the same concerns : the first, which purchases cocoa beans, must take into consideration the manner in which it buys this produce from developing countries' (Les Échos, 2003).

In consideration of these specificities, the Guide firstly defines the origins of sustainable development. Secondly, it adapts these general principles to the specificity of each enterprise noting the direct consequences of adopting the objectives of sustainable development. This consideration must then become part of the strategy developed by the enterprise, in order to finally be operational inside the organisation.

Launched in May 2003, this guide is currently in a testing phase : a hundred or so small and medium-sized enterprises are experiencing the SD 21000 process.

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