



## **REFERENCE FRAMEWORK**

# **CORPORATE SOCIAL RESPONSIBILITY IN BELGIUM**

**ICSD – 29 MARCH 2006**

***Note to the reader:***

This document is an English translation from the original Dutch version of the Reference Framework on CSR in Belgium. The Council of Ministers of the federal Belgian government adopted this framework text on the 28<sup>th</sup> of April 2006.

The text has been drafted by the 'Interdepartmental Commission for Sustainable Development' (ICSD). Although this abbreviation is not the official one for this organisation, it will be used in the translation. The official name of the body is:

*In Dutch: Interdepartementale Commissie voor Duurzame Ontwikkeling (ICDO)*

*In French: La Commission interdépartementale du développement durable (CIDD)*

The original titles of this reference framework on CSR are:

*In Dutch: Referentiekader Maatschappelijk Verantwoord Ondernemen in België.*

*In French: Carte de Référence de la Responsabilité Sociétale des Entreprises en Belgique.*

The framework texts can also be downloaded from the ICDO/CIDD websites.

For Dutch see: <http://www.icdo.be>

For French see: <http://www.cidd.be>

Please note that references used in the footnotes remain in the original language.

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## INTRODUCTION

The Corporate Social Responsibility reference framework (hereinafter referred to as CSR) is an initiative of the federal government and is part of the implementation of the Federal Plan for Sustainable Development 2004-2008<sup>1</sup>. More specifically, this reference framework is the first step in the realization of action 31 of this Plan. The object of this initiative is to provide a common ground for governments, companies and stakeholders and to contribute to a more univocal vision, use of language and definition of CSR.

With this initiative, the Belgian federal government wishes to tune in to the international CSR dynamics. That is why this framework builds on the most important European initiatives with regard to CSR. The green paper of the European Commission of 18 July 2001, the results of the subsequent consultation, the communication from the European Commission of 2 July 2002 and the results of the multi-stakeholder forum (report of 29 June 2004) serve as a basis for this Belgian reference framework, but receive a Belgian interpretation.

In order to allow the reference framework to develop into a '*general reference framework for the government*', it was decided to develop it within the Interdepartmental Commission for Sustainable Development (ICSD)<sup>2</sup>, for various reasons. Firstly, all federal administrations and policy offices (bureaus) are represented in the ICSD. In addition, however, the regional governments are represented in the ICSD as well. In this way, the reference framework can develop into a common concept, which all governments of this country can adhere to. Moreover, the ICSD is the perfect platform for the federal government to ensure that Corporate Social Responsibility fulfils its ultimate objective: a contribution of the business world to sustainable development, as is mentioned in the title of the Communication of the European Commission of 2 July 2002.

This reference framework, however, wants to go even further and create a point of reference for a wide public debate on the social responsibility of businesses, in the broadest sense of the word, therefore also referring to companies in the social economy and their stakeholders (or interested parties). In the first half of 2006, the reference framework served as a starting point for a wide public debate on CSR. In this way, we want CSR to take root in the business world and encourage governments and other stakeholders to join in.

In implementation of the second part of action 31 of the FPSD, this reference framework will be the benchmark against which initiatives of the government for support, facilitation and quality improvement of CSR will be reviewed. In the course of 2006 a CSR action plan will be put in place. The results of the wide public debate will be included in the (final) action plan, as well as in any amendment to the reference framework.

These initiatives of the government do not stand alone. Many organisations in our country have already taken steps to support and promote corporate social responsibility. By developing a reference framework, the government wants to contribute to the debate and to allow corporate social responsibility to grow and trigger off a large-scale social dynamics. Before presenting the reference framework to the federal and regional governments, this text

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<sup>1</sup> The title in French is PFDD and in Dutch FPDO

<sup>2</sup> In French: CIDD, in Dutch: ICDO

was also presented to the key stakeholders through a written consultation process. Of the 46 stakeholders who were contacted, 41 stakeholders replied (either as an individual organisation or linked up with the opinion of another organisation or advisory body). The replies were often elaborate and well motivated. A thorough analysis was made of these remarks and suggestions in order to complete and improve this reference framework.

Finally, the reference framework merely wishes to *sketch the outline* of corporate social responsibility. It is a general concept that provides companies and their stakeholders with the possibility of a business-specific approach within these outlines and leave room for creativity. The appendices (enclosures) 1 and 2 to this text are an integral part of this reference framework.

## 1. CHOICE OF TERMINOLOGY

There is a multitude of terms which encompass the same phenomenon, called ‘corporate social responsibility’ in English. This causes confusion, particularly as the terminology is interpreted in different ways. In the Dutch language, terminology such as sustainable business<sup>3</sup> and ‘MVO’<sup>4</sup> is used. A translation of the English term to French is even more complex. An evolution can also be seen internationally towards applying the term, which in essence only refers to companies, to all kinds of organisations.

The translation of the English term ‘corporate social responsibility’ to the frequently used French term ‘responsabilité sociale des entreprises’ creates a number of problems. The French word ‘sociale’ only covers the meaning of the Dutch word ‘sociaal’ and as a result does not include the other two pillars, namely the economic one and the environmental one. This explains the ICSD’s choice to speak of ‘la responsabilité sociétale des entreprises’ in French.

One of the points of departure of this reference framework is to establish an unambiguous set of terms. Therefore, the Interdepartmental Commission for Sustainable Development has opted to use only one term for both languages.

The term *Corporate Social Responsibility* refers to the *responsibility* which *businesses* can take in the pursuit of a sustainable *society*.

The word ‘societal’<sup>5</sup> puts the emphasis on all aspects of sustainable development, namely the economic, the social and the environmental aspects. The word ‘*corporate*’ refers to the activity of each legal, non-public entity, which puts goods and services onto the market. The term therefore does not refer directly to NGOs, non-profit organisations, syndicates and public companies, even if the reference framework can be of service to them in a broader perspective for their own management. The term *responsibility* in this reference framework is not meant in a legal sense, but should be understood as taking responsibility with regard to society and the parties involved. In this sense, it is continually given new interpretations, taking into account the specific aspects of the companies and the expectations of the parties

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<sup>3</sup> ‘duurzaam ondernemen’

<sup>4</sup> ‘Maatschappelijk Verantwoord Ondernemen’

<sup>5</sup> in Dutch: maatschappelijk. in French: sociétal

involved. This responsibility will therefore by definition add to and complete the legal and contractual obligations of the company.

The ICSD therefore opts for the following choice of words:

In Dutch:	Maatschappelijk Verantwoord Ondernemen - MVO
In French:	la responsabilité sociétale des entreprises - RSE
In English:	Corporate Social Responsibility - CSR

In the scope of this federal initiative of the ICSD to set up a reference framework for CSR, it is important to indicate how CSR relates to company ethics and the social economy in particular and to Sustainable Development in general.

Whereas CSR is rather a recent concept, or at least the term is, company ethics have existed for longer. Company ethics have their academic roots at the end of the sixties, beginning of the seventies and arose from looking for an answer to the impacts of business operations at a social, ecological and economic level. The term company ethics mainly refers to the study of and attention to the ethical aspects of management and organisation. Depending on the context, the emphasis is on the reflection of values and standards, the appeal to personal responsibility or the ability to give account of choices which were made.<sup>6</sup>

The roots of the social economy go further back in history and are more than a century old. The social economy is based on the free association of citizens and lies at the foundations of collective private initiatives, which often provided a refreshing answer to great challenges of their time and which have durably influenced the Belgian social-economic system. The traditional forms of social economy (cash funds for mutual assistance, consumers' and production cooperatives, etc.) were very much anchored in the social system and formed the basis for our social security and the welfare state. From the eighties onwards, there was a new élan, new initiatives arose and sought solutions for new problems, such as: rising unemployment, social exclusion, environmental pollution, the dualisation of society, the growing divide between North and South and the superficiality of society as a result of consumerism and financial speculation. Therefore, social economy today stands for businesses and organisations which develop an economic activity (putting goods and services onto the market) with the priority objective of realising additional societal value. The social economy is characterised moreover by taking a number of basic principles into consideration, such as the priority of labour and persons over capital, autonomy, the objective of providing services to the members and to society (rather than profit), democratic decision-making and sustainable production and management processes with respect for the environment.

Whereas company ethics are more focussed on the critical reflection of values and standards and the personal responsibility and account for choices made, the social economy is more focussed on looking for an answer to social challenges and problems and focuses on the question of what the objective of business must be and the manner in which this can be achieved. Both company ethics and social economy not only have strong mutual connections, they also have connections with CSR and can partially be seen as its predecessor. However,

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<sup>6</sup> Free from: <http://www.bedrijfsethiek.nl>

they are not equivalent to one another. Each lays its own accents which make the debate richer and stimulate a critical approach to CSR.

Sustainable Development is much wider and does not concern just companies. According to the basic definition of Brundtland, Sustainable Development stands for “*a development which meets the needs of today without compromising the needs of future generations*”<sup>7</sup>. Sustainable Development has a generally transversal character, which means that all actors in society are involved. Moreover, from the perspective of Sustainable Development an integrated approach is essential. The Rio Declaration on Environment and Development<sup>8</sup>, in which 27 principles for Sustainable Development are summed up, is the point of departure here. One of these principles is the principle of integration for the components of Sustainable Development. In the First Federal Plan for Sustainable Development 2000-2004 this principle is described as follows: “*A real project for Sustainable Development must systematically link social, economic and ecological concerns to one another in order to include them in cohesive strategies.*”<sup>9</sup>. Other key principles in the First (and the second) Federal Plan for Sustainable Development are: shared but differentiated responsibility (all countries must take their responsibility, but particularly the richer countries must take the lead), double fairness (within the current generation and between the current and future generations), the precautionary principle and citizen participation.

In this respect, therefore, CSR, as well as company ethics and social economy, is the application of Sustainable Development to the activities and accompanying responsibilities of businesses. Via CSR, companies can give a concrete interpretation to the term Sustainable Development from their perspective.

## 2. DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

On the one hand, there are many terms which are related to CSR, on the other hand there are multitudes of different definitions for CSR. Many of these definitions have a number of common core elements. Based on an (international) literature search and the suggestions of stakeholders, the ICSD opts for the following definition of CSR:

**Corporate Social Responsibility is a process in which companies voluntarily strive for improvement on a business as well as societal level by systematically including economic, environmental and social considerations in an integrated and coherent manner in the entire business operations, in which consultation with stakeholders, or interested parties of the company forms part of this process.**

From the above definition the following characteristics can be distilled:

<sup>7</sup> WCED, *Our Common Future* (1987), Oxford: Oxford University Press

<sup>8</sup> Conference of the United Nations with regard to Environment and Development, The Rio Declaration on Environment and Development, June 1992.

<sup>9</sup> Federal Plan DO 2000-2004: §25, page 10

- a. CSR is a **process and not a state**. One can hardly speak of a socially responsible company, but rather of a company which integrates social responsibility in its business operations.
- b. CSR is a **voluntary engagement** of companies. It therefore does not simply refer to meeting legal requirements, but precisely to initiatives and actions of companies, groups of companies or sectors, which surpass the applicable regulations. Meeting applicable regulations is a first basic condition. CSR is an addition to this, customised for the company and the societal context, to restrict the (negative) effects of the company activities and/or to contribute to a sustainable society. However, taking this responsibility is not without consequences, either for the company or for the interested parties. It means that engaging in stakeholder dialogue and including corporate social responsibility leads to legitimate expectations and mutual engagements.
- c. **Systematic and coherent integration of economic, social and environmental considerations in an integrated manner in business operations.**
- With CSR, an **added value creation in three dimensions** is pursued: **the economic, social and environmental dimension**. This is also called the ‘triple bottom line’, in which the company results are taken into consideration at the level of ‘Profit, People and Planet’.
  - These three dimensions must be taken into consideration **in an integrated and coherent manner**. The three dimensions are not separate from one another, but influence each other, complement one another and sometimes clash with one another. Finding a balance between the three dimensions is therefore also one of the greatest challenges which socially responsible companies face.
  - Moreover, the three dimensions must be included in the business operations in a **systematic manner**. This means that in this process the three dimensions must always be reviewed and a balance between them must be strived for.
  - Integration **in the entire business operations**: CSR concerns the manner in which the core activities of the company are carried out. This does not mean that all expression forms of CSR by definition belong to the core activities of the company, but that the concern for the effects of the functioning of the company does.<sup>10</sup> CSR is therefore a lot more than societal involvement or charity (even though this can be part of the social responsibility), because it involves the management policy and the actions of the company in all its aspects.
- d. CSR takes place in **consultation and dialogue with the stakeholders**. Companies form part of society. They are not isolated institutions, but influence and are influenced by many groups and individuals in society. This means that a company not only bears responsibility with regard to its shareholders and directors, but also with regard to all those who are directly or indirectly involved with the functioning of the company. These last categories include employees, suppliers, purchasers, customers, consumers, the local community where business is being done, the government, environmental associations and other NGOs. A company performs less well economically, socially and environmentally if it is not aware of the needs and expectations of the society around it and its stakeholders. Consultation and dialogue with the stakeholders are therefore an essential part of CSR, which does not mean that a company can or must fulfil all expectations of interested

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<sup>10</sup> Free from: SER-opinion R/2354, De winst van waarden, 15 December 2000, page 10

parties. Responsibility in this respect also means taking a position and providing the interested parties with transparent arguments for it, even when this deviates from their expectations. A quality dialogue meets a number of principles, such as: the information is available and made available, is meaningful and accessible. The information answers questions and concerns of the stakeholders. Further, there is quality protection and the dialogue is embedded in the activities of the company. Striving for improvement is also applicable to the stakeholder dialogue.<sup>11 12</sup>

### **3. KEY POINTS FOR CORPORATE SOCIAL RESPONSIBILITY**

#### *3.1. CSR DOES NOT REPLACE LEGISLATION AND STANDARDS*

As the definition implies, CSR refers to a voluntary engagement of companies which surpasses legal obligations. Obviously, this does not mean that because local, regional, national or international governments support CSR, they have to give up their role as legislator.

As legislator, governments do indeed have the task of active regulation if social interests are suffering because of the actions of companies. Governments have various instruments for this, ranging from prohibiting certain practices or activities to imposing specific minimum standards (e.g. with regard to emissions, dumping and employment conditions) which provide directions for the behaviour of companies. Moreover, legislation can exclude ‘free-riders behaviour’ at certain times and even put the standard (again) for everyone. In that case CSR will be synonymous with pro-active and forward-looking business.

CSR will therefore not replace the role of the government as legislator but the government can determine instruments which promote CSR and which can result in new legislation and regulations.

#### *3.2. STAKEHOLDER DIALOGUE DOES NOT REPLACE SOCIAL DIALOGUE*

An essential part of CSR is entering into a dialogue with the various stakeholders of a company. Companies no longer only enter into dialogue with shareholders, suppliers and employees, but also with other interested parties (both direct and indirect) of the company. An important challenge for the management will be to enter into this dialogue in a structured way and to bring the various (sometimes contradictory) interests of the stakeholders into balance and evaluate them.

Via the social dialogue, employers already have experience with dialogue processes with one of the most important stakeholders of the company, namely the employees. This dialogue is structured in our country, at national and sectoral as well as at company level. Therefore, it may not be the intention to neglect social dialogue by entering into stakeholder dialogue which undoubtedly makes matters more complex. The stakeholder dialogue must not replace the social dialogue or be used to play off various interests of stakeholders against one another. The stakeholder dialogue is therefore not a threat to the structured consultations between employee and employers. The stakeholder and social dialogue should complement one

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<sup>11</sup> see [www.accountability.org.uk](http://www.accountability.org.uk)

<sup>12</sup> see further § 3.4.

another. The theme of CSR, moreover, should become a focal point in the social dialogue between employees and employers.

### *3.3. TRANSPARENCY IS KEY*

Transparency plays a crucial role in CSR. Transparency benefits the credibility of enterprise and offers stakeholders the possibility of entering into dialogue with a company confidentially. Additionally, transparency plays an important role in corporate socially responsible investments.

By being transparent, companies indicate what they stand for and how they do business. In the first place, this is explained in the mission of the company and possibly in a written out and public code of conduct. Open dialogue with the stakeholders is another means for companies to promote transparency. Therefore, a large portion of the instruments developed as part of CSR are dominated by transparency.

The manner in which companies are organised and how decisions in the company are made form part of this transparency as well. Via corporate governance, companies can organise the management structure and decision-making processes in the company more efficiently, making them more transparent and objective. This benefits both the company itself and its stakeholders in their dialogue with the company.<sup>13</sup>

CSR stands or falls with whether companies are transparent or not. Transparency is as it were a 'conditio sine qua non' for corporate social responsibility. Transparency is also a condition for informing the consumers.

### *3.4. CSR STARTS FROM A LONG-TERM PERSPECTIVE*

CSR presumes, just as sustainable development, a long-term perspective. Companies who engage in CSR do not only have a view for the short term, which can be seen as very important in the current economic constellation, but also want to perform in the long term. Finally, the success of the company is measured against this as well.

Socially responsible companies want to book their success at an economic, social and environmental level and this in the long term, without losing sight of short-term objectives. Both perspectives therefore continually need to be weighed up against each other.<sup>14</sup>

### *3.5. CSR IN THE SME*

The majority of Belgian companies consists of small and medium size companies. Specific attention is therefore required for the application of CSR in the SME.

It is precisely because of the scale of these companies, the fact that they are embedded in the local context and that they are led by entrepreneurs who are in direct contact with their area, customers, employees and suppliers, that SMEs, also from a business-economic point of view, are more likely to be able to implement CSR on a daily basis. Their size on the other hand has implications for the commitment of time, staff and financial means for executing CSR

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<sup>13</sup> Free from: design of the Code Buysse, Corporate governance: aanbevelingen voor niet-beursgenoteerde ondernemingen, page 2, version 21 March 2005

<sup>14</sup> Free from: Koning Boudewijn Stichting, Duurzaam Ondernemen; breng beweging in uw bedrijf. 10 case studies and 100 practical tips. March 2002, page 11

engagements. These companies often do not communicate explicitly on their CSR activities and, additionally, these activities are less characterised by a continuous and integrated approach of CSR within the company strategy. For the development of actions for sensitisation and knowledge transfer with regard to CSR for SMEs, these specific characteristics must be taken into account.

### 3.6. CSR HAS AN INTERNATIONAL DIMENSION

One of the most important changes of the last decade in the global economic and financial order is globalisation. Companies are not just active in a local environment anymore, but have more and more connections with companies in non-Western countries. Some companies are active there themselves, whilst others do not operate activities but have a part of their production chain in these countries.

Whereas in Western countries regulations are thoroughly developed (at an economic, social and environmental level) and governments are also able to enforce them, this is not always the case in Third World countries. One of the greatest challenges for CSR therefore lies in these countries. Western companies can provide an important contribution there to put Sustainable Development into practice. The Belgian government therefore not only asks and expects from its companies which invest and operate abroad that they observe the local legislation (this should be obvious) but that they also take these international standards and values into account. Therefore, the social responsibility of companies should be based on these standards and values as soon as a company has links to Third World countries and must be consistent with the observance of the legislation in Belgium. The respect for the international dimension of CSR should, as it were, be a trademark and quality guarantee for Belgian companies.

It is also of importance not just to apply our own standards and habits there, but, along with the local legislation and habits, to use the internationally recognised standards and instruments as departure point. The Belgian government is party to countless international treaties and other initiatives in the area of human rights, labour rights, environment, etc. Although many of the engagements are only binding to government, it has always engaged itself to facilitate the adaptation of and compliance with the international standards and values. Obviously each country is responsible for its *own* legislation.

According to the European Commission there are two sorts of instruments, as far as the international dimension of CSR is concerned.

1. The instruments, such as the OECD guidelines for multinationals. These are the most exhaustive, internationally recognised provisions for activities of multinational companies.
2. The international agreements concerning human rights, employment rights, environment, consumer protection, health, etc., which exceed the concept of corporate social responsibility and the execution of which must be promoted by the governments.<sup>15</sup>

These international standards and values, considered important by the government, which companies should take into account in the context of CSR, both in their own country and particularly in other countries are described in Appendix 1. It is not the intention to provide an exhaustive list of all possible international standards and values which can play a role in the

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<sup>15</sup> Free from: Communication from the Commission, COM (2002)347, Corporate Social Responsibility: A business contribution to sustainable development, 2 July 2002, page 6-7.

context of the social responsibility of companies, but only to point out and concretise the most important standards for companies.

However, not only legislation at an international level is important. There are numerous other elements which can influence society when international business is conducted from Belgium, for example the practices applied when goods and services are purchased from Third World countries. The international dimension of CSR does not play an equally important role for each company. For many companies (mainly small and medium-size companies) the local dimension of CSR plays a larger role in their CSR policy, even though they can also take notice of the international dimension.

### *3.7. CSR DOES NOT HAVE TO BE A BURDEN*

Having an eye for the economic, social and environmental dimension of business means that business must be substantiated in a different manner. This requires a different working method within the company at all levels and dialogue with various stakeholders. Lack of time, manpower or financial means and specific information or support from the environment of the company can also weigh on any CSR initiative.

In order to allow CSR to become part of companies' operational management, the administrative burden companies are confronted with must be considered.

Hence also the need for simple instruments which are usable for small and medium size companies as well; instruments which allow companies to work in a socially responsible manner, without this being an additional heavy administrative burden. From this point of view, the need for more convergence between the various existing instruments arises. Many instruments have been developed in recent years, so that sometimes one cannot see the wood for the trees. Better agreement and comparability of instruments are therefore at hand.

### *3.8. INDEPENDENT VERIFICATION IS IMPORTANT*

Transparency is not always sufficient. More often stakeholders are asking companies to prove that what they say they will do is also actually done. The issue here is the company's credibility and the extent to which they are accountable. That is why the demand for independent and external verification by a third party has increased, particularly among consumers, NGOs and governments. This has been the case for financial and economic aspects of business for a long time and is required more and more for the environmental and social aspects of business. A growing number of labels and certificates capitalize on this. Independent control means a control which is carried out by a competent controlling body which is independent from the company and which is accredited based on an objective evaluation scheme.

### *3.9. CSR STARTS FROM A SUPPLY CHAIN APPROACH*

In the first place, companies provide services or produce goods. The life cycle which these products and services go through normally does not take place within one and the same company. The life cycle consists of development, extraction of raw materials, manufacturing and assembly, distribution, use and finally removal. In each phase of the life cycle of products and services there is a possible impact on the environment (contamination, using up non-renewable sources, damaging ecosystems, etc.), at a social level (respect for labour and

human rights, employment, education, health, etc.) and at an economic level (fair trade, price setting etc.)

Companies do not only influence this phase of the life cycle which takes place within their company, but can also play a role in the preservation of the production chain and the whole life cycle of a product or a service. Already during the development phase of products, companies can take environmental characteristics into account (e.g. reuse and recycling of materials, energy consumption, industrial ecology, etc.) or companies can ask their suppliers to apply the basic standards of the International Labour Organization (ILO), etc.

Although not all companies influence the production chains or the life cycle of products and services in a similar way, many more efforts can be undertaken in this area.

Moreover, companies who are in the same industry can work together on parts of their production chains. For example, this could be the organisation of communal employee transport, agreements for waste management and agreements for energy-saving production.

### 3.10. SOCIALLY RESPONSIBLE INVESTMENTS (SRI) AS A LEVER FOR CSR

The FPSD 2004-2008 provides a specific action for 'ethical investment' (Action 8, §30807-30810) as these investments, considering the size of the amounts, can set the economy on the road to sustainable development.

To avoid a discussion about what 'ethical' actually means and to follow the latest international developments in this respect (see Eurosif report<sup>16</sup>), it seems appropriate to use the term (SRI), which can be described as follows:

*Socially Responsible Investment combines traditional financial values with social, ethical and environmental criteria by including them in investment management (saving and investing) in a structural, voluntary and transparent manner and by exercising the attached rights. Consultation with the stakeholders is also part of this process.*

SRI products are not new. They have existed since the beginning of the nineties and blew over from Anglo-Saxon countries. Ever since, their success has also increased in Belgium and other European countries. Via SRI, considerable means are made available to socially responsible companies, who must meet the requirements of the investor. This way, CSR companies have easier access to means, which is of importance to the economic performance of companies. Moreover, this gives these companies more means to develop further social and environmental initiatives. SRI is therefore one of the most important and most powerful instruments to encourage companies to employ CSR. As EUROSIIF has determined<sup>17</sup>, the SRI market is currently at a crossroads. SRI in essence forms a very specific niche market, but at the same time concerns a general concept which is making its entrance into the whole financial market.

<sup>16</sup> Eurosif, *Socially Responsible Investment, among European Institutional Investors*, 2003 Report, Eurosif, Paris, 2004, <http://www.eurosif.org/pub2/lib/2003/10/sri rept/index.shtml>

<sup>17</sup> Ibid., p.11 <http://www.eurosif.org/pub2/lib/2003/10/sri rept/index.shtml>.

Depending on the criteria used and the research methods, various generations of SRI products can be distinguished by the type of screening approach:

- The *first generation* is based on negative criteria. Certain activities, services or products are rejected or avoided (e.g. arms trade and animal testing).
- In the *second generation*, as well as the negative criteria, a limited series of positive criteria is used, i.e. the performance of companies which supply a social added value in a certain area (e.g. creation of extra jobs or specific efforts for ecologically responsible production).
- The *third generation* applies broad positive criteria and only invests in companies which belong to the best within their sector at all levels of sustainable business (*'best in class'* approach). Within the third generation, a distinction also exists based on the quality of the underlying research and the nature of the information sources. Some funds look at all aspects of CSR in their screening of companies but they only base themselves on information which the company provides itself, via standard lists.
- For the *fourth generation* some funds look at all aspects of CSR and researchers contact the company itself and its stakeholders for the screening; the information provided by the company is verified by contacting the parties directly and indirectly involved in the company (employees, trade unions, members of environmental and Third World movements, ...).

In addition, other types of investment can be mentioned within the SRI framework:

1. Placing with solidarity participation: a part of the tax-exempt profits is placed with associations or projects with a social added value as a means of saving. In other words: part of the proceeds is redistributed in the form of donations to associations.
2. Ethical and solidarity participation: part of the savings are invested in non-listed companies belonging to the social economy. An investment is considered solidary if at least 50% of the package belongs to the social economy

Besides these, there is a new form, namely shareholder activism. This means that shareholders can exercise influence, by means of voting rights during the general meeting. This way, the active shareholder attempts to improve the behaviour of the company in which he is a shareholder at an ethical, social and environmental level.

Good management, *corporate governance*, and reputation appear to be the main driving forces which are making the SRI market evolve. In order to attract investors, for instance, it has proved important that all market actors keep to the same playing rules (*'level playing field'*). Finally, the quest for cost-saving and risk-reducing measures enhances certain investors to favour precisely those companies which take the long-term impact into account (e.g. insurance companies).

### 3.11. CSR SUPPORTED BY INSTRUMENTS

In order to incorporate an integrated CSR policy, organisations can use various instruments. These instruments can help with the internal reinforcement and external communication of a CSR policy. These are not mandatory instruments and each organisation must consider for itself whether the use of a certain instrument has added value. A good (social) cost-benefit analysis may be necessary. Additionally, the size of a company plays a role. Not every instrument is as suitable for small(er) organisations, due to the fact that the level of formalisation and reporting may not be appropriate. For a number of instruments it will be necessary to use or to develop indicators.

Below six different possibilities are presented which can help an organisation in drawing up its CSR policy:

1. *Codes of conduct*: formal statements of the values and trading practices of the organisation and possibly of its sub-contractors and/or suppliers.
2. *Management standards*: a set of procedures, practices and detailed provisions which an organisation uses in its business operations.
3. *Reporting*: bringing out a report of activities, achievements and objectives at CSR level.
4. *Social audit*: auditing the social achievements of the organisation, sometimes including ecological and economic aspects.
5. *Labels*: information for consumers/users on a number of characteristics of a product or an organisation.
6. *SRI*: actions which promote investments according to social, ecological, financial and ethical criteria.

This overview is not an exhaustive summary of all possible instruments available. It only provides a picture of the possibilities an organisation has to implement a CSR policy. Various considerations at organisational level will eventually determine how matters will be dealt with. More detailed information on these instruments is included in appendix 2.

As well as the above-mentioned instruments, there are also other inspirational sources for CSR, such as

- a. The best practices of other companies. Companies learn best from each other. Distributing and exchanging best practices is therefore vital to promote CSR.
- b. Various international initiatives with regard to CSR. The best-known examples of these include Global Compact of the UN, Ethical Trading Initiative, Fair Wear Foundation, Fair Labour Association, FSC and MSC.
- c. The national and regional exchange platforms which contribute to shaping the CSR debate in Belgium are, for example, Business & Society, The Flemish Network for Business Ethics, Kauri and Trivisi.
- d. Other initiatives, both at home and abroad, concern setting up of CSR knowledge centres, working groups within employer federations, and consultation platforms help companies and stakeholders to easily obtain information, best-practices, etc..

The above summary is not exhaustive, but is an indication of all kinds of initiatives which can serve as a source of inspiration order to improve and facilitate the quality of CSR.

## **4. THE INTEREST OF CSR FOR THE VARIOUS STAKEHOLDERS**

### *4.1. WHY SHOULD COMPANIES DO BUSINESS IN A SOCIALLY RESPONSIBLE MANNER?*

The motivation and motives of (large and small) companies to implement CSR can be multiple and different in nature and can be influenced by both internal and external, as well as positive or negative factors.

#### *Internal driving forces:*

Every person working in a company or elsewhere bases himself on values and has a vision on sustainable development, ethics and their role in society. Even if many of them still do not establish a link between these beliefs and their daily work, more and more companies implement CSR because of intrinsic and 'ethical' convictions and thus intend to be good

corporate citizens. The internal motive can come from the management and directors as well as from employees and shareholders. The personal motivation of the company management and employees is of decisive importance. The conviction that CSR is an integral part of and the ideal way to do business is an important step.

*External driving forces:*

Various actors and factors can play a role here. A positive factor can be the demand of stakeholders for more socially responsible conduct of a company, or the demand of purchasers and consumers for more environmental sound and people-friendly products and production methods.

Sometimes a negative factor caused by a company's 'antisocial' behaviour (e.g. environmental scandals or child labour) is the direct reason to adjust its activities and products. For example, a public boycott or a scandal can cause damage to a company's image. A risk analysis of a company can therefore lead to the conclusion that CSR is the protection and reinforcement of its 'license to operate'. Companies are motivated to meet the expectations and requirements of stakeholders, because this guarantees their license to operate. CSR can be the instrument to meet these expectations in an adequate manner.

Additionally, changes in laws and regulations, requirements from investors, economic developments within a specific sector, technological innovation and information from benchmarking can also contribute to a more CSR-orientated and integrated company strategy.

*What are the advantages for a company to employing CSR?*

Several studies demonstrate that companies who integrate CSR into their company policy have a *competitive advantage*.<sup>18</sup> These companies are, after all, more interesting for employees. CSR increases their motivation to continue working for that company and has a positive effect on productivity. Additionally, consumers are looking more and more critically at how a company, from which they are buying a product, deals with its corporate responsibility. Openness and dialogue with external parties make it easier for companies to anticipate expectations from the market and explore new markets. This also contributes to a greater innovative ability of those companies. All these elements have positive effects on the company's mid and long-term market position.

Furthermore, CSR can lead to *greater efficiency* in company operations by for example: savings on materials, waste, water and energy use and the reduction of excess by-products and transport.

CSR therefore contributes positively to the reputation and the image of the company in different ways.

Finally, companies must take into account the fact that, once the basis for CSR is sufficiently large, the legal framework will be adapted to it in order to maintain the 'level playing field' for companies. Therefore, any 'lagers' will have to go along with the trends set by others. Companies who are pro-active in their CSR policy will have a competitive advantage with regard to companies who do not invest in CSR.

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<sup>18</sup> "Achieving high performance-CSR at the heart of business", The Virtuous Circle Ltd and The Work Foundation, March 2004

#### *4.2. WHAT IS THE INTEREST OF CSR FOR STAKEHOLDERS?*

CSR implies that stakeholders are more actively involved in company policy. This allows stakeholders to make their interests and concerns known to companies in various manners, in dialogue or partnership, and to be ensured of seeing a receptive attitude from the companies in response. In other words, stakeholders can achieve their own objectives better if companies want to enter into dialogue with them. This involvement of stakeholders is only possible if they receive correct information and can dialogue with the companies, who are transparent about their activities and results at an economic, social and environmental level and about their mutual relations. This information can be made available e.g. by means of reporting. The mutual information exchange between companies and stakeholders, for example on the economic or technological impact of their expectations, makes it easier to avoid or resolve any conflicts between them. Stakeholders also benefit from participating in CSR. In a proper way, it increases their own credibility in the dialogue with companies and the interested parties gain knowledge of the activities and final objectives of the company. Moreover, all stakeholders, as actors in the society, benefit from companies that apply CSR due to the global impact on sustainable development at large.

#### *4.3. WHY DOES THE GOVERNMENT HAVE AN INTEREST IN CSR?*

The government has an interest in companies that behave socially responsibly for several reasons.

Companies have an important place in, and are part of, our society. They can contribute significantly to reaching the objectives which society has in view. These objectives can be determined or agreed upon internationally, such as the Kyoto-norms, the Millennium Goals, etc. The ‘damage’ which is inflicted on society by companies which do not apply CSR has repercussions on society and on the means and the possibilities of government to reach its objectives. On the other hand, companies which reduce as much as possible the burden to the environment will contribute to reaching environmental objectives, or companies which focus on diversity within their personnel as a policy priority contribute to a more tolerant, fair and more stable society. Higher employability of people in a vulnerable employment situation, a healthier environment, etc. have a positive impact on lowering the costs of unemployment benefits, healthcare, etc.

This means that companies can become more competitive due to CSR. Government obviously benefits from competitive business, which not only positively contributes to the welfare and the well-being of a country, but also enhances the social and environmental aspects.

The government also has an interest in the role of companies as good ambassadors of Belgium. When companies are an example for others abroad, this reinforces the reputation of the home country in question. This falls within the relatively new domain of public diplomacy, where influencing the public opinion and dialogue with target groups abroad are at the centre.

### **5. THE ROLE OF THE GOVERNMENT**

The government fulfils various roles. Besides being a legislator, it is also an important employer and market party and member of various international institutions. Out of these

different roles it can take on an exemplary function. The most important roles which can be distinguished are:

- a. The government as *legislator and control body*. Even though CSR is defined as voluntary and above the law, regulation is never completely dissociated from a voluntary CSR policy. In a continuous process in which a large number of companies make certain efforts regarding CSR, it can be useful that the government sets the standard through legislation, so that others who are not (yet) in that process are included as well. Regulation, control and voluntariness can go hand in hand.
- b. The government as *employer*. The government is the largest employer in the country. It should therefore fulfil an exemplary function in the area of CSR, for instance regarding diversity in the work force and the enhancement of employees' knowledge and competencies. As government sets the right example it gains credibility when stimulating and facilitating CSR at companies.
- c. The government as *customer and consumer*. The government is a large customer and consumer. Through public procurement it purchases various services and products. By including ecological, ethical and social clauses in its tender procedures, suppliers are not only stimulated to develop CSR activities, but also to produce sustainable products and services themselves. Moreover, the government can, as a responsible purchaser, serve as an example for other stakeholders.
- d. The government as *partner*. The government also becomes more and more a partner to other societal actors, such as the growing attention for more public-private partnerships. Moreover, the government is also shareholder in a number of companies. In whatever partner function, the government can pay attention to the implementation of CSR.
- e. The government as *institutional investor*. The government possess considerable funds which it invests, for instance in pension schemes for civil servants. By investing these means in 'sustainable funds', companies are stimulated to make CSR efforts.
- f. The government as *international player*. The government is a member of various international institutions (World Trade Organisation, World Bank, IMF, etc.) It can present proposals to have CSR standards implemented in decisions, advices and standardization. In this sense, the policy-making role of the government is of importance both for Belgium and for international relations. Also, the government can increase the basis for CSR in international institutions.

In these various capacities, the government can stimulate, facilitate and promote qualitative corporate social responsibility. In order to do so, the government can take different paths. The list below, which does not reflect any order of importance or preference, outlines the different possibilities.

1. *Informing* various target groups of the added value of CSR. In the first place, obviously, this concerns the business world itself, with specific attention for SMEs. The various target groups must be able to gain customised information. This provision of information can take various forms, such as the development of a website, its inclusion in the functioning of the company's customer service desk, the development of specific training programmes for higher education or the development of a knowledge centre.
2. *Collecting and distributing of best practices* for CSR derived from companies or other civil society organisations. Companies learn from each other. It is therefore of great importance to collect CSR best practices and to distribute them on a large scale. This is, moreover, very effective to raise companies' awareness of the importance of CSR.
3. The provision of *various incentives*. To get more companies on the path of CSR and to reach a critical mass of companies, the government can use several incentives. A company

can be won over by linking advantages to an effort to implement an integrated CSR policy.

4. Facilitating the debate around CSR by promoting *networking*. The government can promote this networking between the various stakeholders by providing the necessary structure and financing. By giving stakeholders the chance to share their vision on CSR, joint strategies linked to concrete combined actions can be developed.
5. Increase *quality and innovation by supporting scientific research, education and training*. The government can support new (or existing) scientific programmes in order to reinforce the theoretical basis of CSR, as well as develop action oriented approach, and a way of implementing and validating CSR instruments. A cost-benefit analysis carried out for a CSR policy may show that an integrated CSR policy is profitable.
6. Promoting the quality of CSR by providing a *homogenous and coherent framework across the regions and the various authority levels* in which one can place CSR and its instruments. By emphasising and promoting the quality of certain instruments or approaches, a more convergent offer can be made to companies to carry out labelling and reporting in the same way. Companies then have the possibility to assess their own efforts through benchmarking.

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# APPENDIX 1

## INTERNATIONAL KEY STANDARDS AND VALUES FOR CSR

### 1. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO HUMAN RIGHTS

The most important and most universal text concerning human rights is the **universal declaration for human rights** (UDHR) of 10 December 1948<sup>1</sup>.

On 10 December 1948, the General Assembly of the United Nations approved a declaration in which a number of basic human rights were laid down. The UDHR contains thirty articles with the most important civil, political, economic, social and cultural rights of human beings.

Human rights apply for all mankind and are not affected by place of birth, skin colour, gender, faith or belief.

The rights summed up in the UDHR can be divided into two groups:

- a. Civil (art. 1-18) and political rights (art. 19-21), such as the right to live, the right to freedom of opinion, to protection against violence, to privacy, to a fair trial, etc.
- b. Social, economic (art. 22-25) and cultural rights (art. 27), such as the right to a decent wage, to work, to proper employment conditions and fair compensation, to form unions and join them, to honest, safe and healthy working conditions, to participate in cultural life, etc.

The UDHR, together with the **International Covenant on Economic, Social and Cultural Rights** (3 January 1976<sup>2</sup>), the **International Covenant on Civil and Political Rights** (23 March 1976<sup>3</sup>) and the **Optional Protocol to the International Covenant on Civil and Political Rights** (23 March 1976<sup>4</sup>), forms the '**International Bill of Human Rights**' of the UN. Contrary to the UDHR, the other two covenants and the optional protocol are agreements approved by the General Assembly and are therefore binding on the parties who have signed and ratified them. The UDHR is a resolution of the UN General Assembly and as such does not have binding legal power. It is a moral declaration of intent on human rights which is as such accepted by the entire global community and also forms part of international customary law.<sup>5</sup>

Even though it is the member states of the UN who signed the declaration, the responsibility of reaching these ideals is seen as common: '*... so that **each individual and each body of the community**, bearing this statement in mind at all times, will strive to promote the respect for these rights and freedoms through education and upbringing and ensure the general and actual recognition and application of these rights by means of progressive measures, both at a national and an international level.*' Consequently, companies as well have the responsibility of observing human rights and promoting them within the scope of their activities and influence. Therefore, in conflict areas and countries where governments are not

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<sup>1</sup> Universal Declaration of Human Rights, G.A., res.217A (III), U.N. Doc A/810 at 71 (1948)

<sup>2</sup> Date on which it took effect. Year of approval was 1966.

<sup>3</sup> Ibidem

<sup>4</sup> Ibidem

<sup>5</sup> Free from: M. Cohen. Handboek International Law. Mys & Breesch, Ghent, 1996, page 248-249.

so particular about human rights, companies must also pay attention to this and make sure that, on the one hand, they do not participate in or contribute to violations of human rights and that, on the other hand, they contribute to the promotion and application of human rights whenever possible.

The provisions summed up in the UDHR and the other documents of the ‘International Bill of Human Rights’ have been used and elaborated in countless UN conventions and protocols which provide a more detailed explanation of the scope and the content of the international standards with regard to human rights.<sup>6</sup>

Besides the civil and political rights (first generation) and the social, economic and cultural rights (second generation), as summed up in the UDHR and other UN conventions and protocols, there are also collective rights (third generation). Examples of these are the right to: self-determination of minority groups, a healthy living environment, the use of natural resources, etc. The discussion on the concrete content of these collective rights continues. They have not yet been laid down in internationally recognised treaties. Here as well, companies can act pro-actively and contribute to shaping the interpretation of collective rights.<sup>7</sup>

## 2. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO LABOUR

The various declarations and conventions of the International Labour Organisation (ILO) form the basis for the international standards and values with regard to labour. Often, these are further elaborations and concretisations of rights summed up in the UDHR.

Even though the ILO conventions and declarations in a strict sense only bind states, there is also a large moral commitment for companies due to the specific structure of the ILO: the ILO is an international tripartite institution in which not only governments are represented, but also employers’ and employees’ organisations.

The ILO has included the most important and most fundamental standards concerning labour in the **‘Declaration on Fundamental Principles and Rights at Work’**<sup>8</sup>. Four fundamental labour rights are laid down in this, which are written out in eight conventions, namely<sup>9</sup>:

1. Freedom of association and the right to collective bargaining:
  - Convention no. 87: “Freedom of Association and Protection of the Right to Organise Convention”, 1948
  - Convention no. 98: ‘Right to Organize and Collective Bargaining Convention’ , 1949
2. The abolition of forced labour:
  - Convention no. 29: “Forced Labour Convention”, 1930
  - Convention no. 105: “Abolition of Forced Labour Convention”, 1957
3. The prohibition on child labour:

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<sup>6</sup> Free from: P. Frankental, De ethische gedragscode van bedrijven: beginnen met een intentieverklaring. In: Mensenrechten in het bedrijfsleven, toch meer dan window-dressing. P. Nauwelaerts, D. Cassimon, H. Opdebeeck (eds.), Intersentia Rechtswetenschappen, Antwerp-Groningen, 2001, page 148.

<sup>7</sup> Free from: Informatiepakket: Wat zijn mensenrechten . Amnesty International and League for human rights, November 2004, page 4

<sup>8</sup> ILO Declaration on Fundamental Principles and Rights at Work, 1998

<sup>9</sup> See: [www.ilo.org](http://www.ilo.org)

- Convention no. 138: “Minimum Age Convention”, 1973
  - Convention no. 182: “Worst Forms of Child Labour Convention”, 1999
4. The prohibition on discrimination in the workplace:
- Convention no. 111: “Discrimination (Employment and Occupation) Convention”, 1958
  - Convention no. 100: “Equal Remuneration Convention”, 1951

Further elaboration of the content of these fundamental standards and conventions can be found on the website of the Belgian label for promotion of socially responsible production: [www.social-label.be](http://www.social-label.be).<sup>10</sup>

Another important ILO declaration is the ‘**Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy**’ (also called the MNE Declaration) of 1977. This is a statement of principles which mainly contains guidelines in the area of employment conditions and relations. The MNE Declaration also contains a number of additional labour standards, such as:

- The right to security of employment (MNE Declaration, art 24-28).
- The right to a liveable wage (ILO conventions no. 26 and no. 131)
- The right to safe and healthy employment conditions (ILO convention no. 155)
- Observing the maximum number of working hours (ILO convention no.1)<sup>11</sup>

Moreover, the MNE Declaration contains a number of provisions concerning the general employee policy. More specifically these are:

- Training (MNE Declaration, art. 29-32)
- Dealing with complaints (MNE Declaration, art. 57 and 58).

The above list of provisions concerning the general employee policy can be expanded with a number of provisions as included in the **OECD Guidelines for Multinational Enterprises**<sup>12</sup>:

- Timely disclosure of information regarding reorganisations etc. and the right to collective dismissal and redundancy schemes (OECD guidelines IV, art. 6).
- No threat of being transferred when exercising the right to organise (OECD guidelines IV, art. 7).
- Not maintaining double standards (OECD guidelines IV, art 4a).
- Employing as many local personnel as possible and training them (OECD guidelines IV, art. 5).
- Enabling employee representatives to negotiate and to consult with decision-makers (OECD guidelines IV, art. 8)<sup>13</sup>.

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<sup>10</sup> The eight conventions of fundamental standards form the basic criteria for the Belgian label for promotion of socially responsible production, also called the Belgian Social Label.

<sup>11</sup> These four standards, together with the 4 fundamental standards, constitute the basic criteria in the “SA 8000 standard”, the “ICFTU/ITS Basic Code of Labour Practice”, the ‘Ethical Trading Initiative’ and the ‘Clean Clothes Campaign Code of labour practices for the apparel and sportswear industry’ amongst others.

<sup>12</sup> The OECD guidelines for multinational companies of 1976 (revised in 1991 and in 2000) are part of the OECD Declaration on International Investment and Multinational Enterprises. (DAFFE/IME(2000)20)

<sup>13</sup> Free from: MVO Platform, MVO Referentiekader. Peco, Amsterdam, December 2002, page 6-7

### 3. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO THE ENVIRONMENT

Before dealing with a number of important international standards with regard to the environment, there are a number of general principles which are directed towards preventing negative effects on the environment and safety in the **Rio Declaration on Environment and Development** as well as in the **EC treaty**.

Specifically, these are:

- The principle of preventative action (art. 174 (130 R, section 2) of the EC Treaty)
- The Precautionary Principle (art. 15 of the Rio declaration and the art. 174 (130, section 2) of the EC Treaty)
- Approaching environmental damage at the source (art. 174 (130 R, section 2) of the EC Treaty)
- The principle of ‘the polluter pays’ (art. 16 of the Rio statement and the art. 174 (130 R, section 2) of the EC Treaty)

Besides these general principles, there are also a number of important treaties with regard to the environment.

With regard to *air and climate* these are:

- The **1979 Geneva Convention** on Long-Range Transboundary Air Pollution<sup>14</sup> and the **eight accompanying protocols**<sup>15</sup>.
- The **Vienna Convention of 1985** for the Protection of the Ozone layer<sup>16</sup> and the **Protocol of 1987 concerning substances that deplete the ozone layer**<sup>17</sup>.
- The **Framework Convention of the United Nations of 1992 with regard to Climate Change**<sup>18</sup> and the **1997 Kyoto Protocol**<sup>19</sup>

With regard to *diversity and bio safety* the most important treaties are:

- The **1992 Biodiversity convention**<sup>20</sup>
- The **Cartagena bio-safety protocol of 2000**<sup>21</sup>

With regard to *hazardous substances, products and waste* the most important treaties are:

- The **1989 Basel Convention** with regard to the control of transboundary movement of hazardous wastes and their disposal<sup>22</sup>
- The **1998 Rotterdam Convention** concerning trade in hazardous chemicals and pesticides<sup>23</sup> (also called the PIC convention)
- The **2001 Stockholm Convention** with regard to persistent organic pollutants.<sup>24</sup> (also known as the POP Convention)

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<sup>14</sup> UNECE, Convention on Long-range Transboundary Air Pollution, 1979

<sup>15</sup> See: <http://www.unece.org/env/lrtap>

<sup>16</sup> UNEP, The Vienna Convention on the Protection of the Ozone Layer, 1985

<sup>17</sup> UNEP, The Montreal Protocol on Substances that Deplete the Ozone Layer, 1987 (adjusted and/or amended in London 1990, Copenhagen 1992, Vienna 1995, Montreal 1997, Beijing 1999)

<sup>18</sup> UN, United Nations Framework Convention on Climate Change, 1992

<sup>19</sup> Kyoto Protocol to the United Nations Framework Convention on Climate Change, 1997

<sup>20</sup> Convention on Biological diversity, 1992

<sup>21</sup> Cartagena Protocol on Biosafety to the Convention on Biological Diversity, 2000

<sup>22</sup> Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, 1989

<sup>23</sup> Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, 1998

- The **1992 Helsinki Convention** with regard to transboundary effects of industrial accidents<sup>25</sup>

Another convention which can be referred to here is the ‘Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental matters’, the so-called **Aarhus-Convention<sup>26</sup> of 1998**, in which for the first time a relation was established between human rights and environmental rights and in which a number of important provisions with regard to stakeholder participation, transparency and access to legal procedures is stated.<sup>27</sup> The **1991 Espoo Convention** on environmental impact assessment in a transboundary context<sup>28</sup> is also important here.

#### **4. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO CONSUMER PROTECTION**

In 1999, the Economic and Social Council (ECOSOC) of the United Nations brought out the revised and expanded ‘**UN Guidelines for Consumer Protection**’<sup>29</sup>. In these guidelines, eight principles for consumer protection are brought forward<sup>30</sup>:

1. The right to access to necessary goods and services (UN Guidelines for Consumer Protection, III,D)
2. The right to safety (UN Guidelines for Consumer Protection, III, A, C, H)
3. The right to information (UN Guidelines for Consumer Protection, III, B)
4. The right to choice (UN Guidelines for Consumer Protection, III, B)
5. The right to be heard (UN Guidelines for Consumer Protection, III, E)
6. The right to appeal and objection (UN Guidelines for Consumer Protection, III, E)
7. The right to consumer education (UN Guidelines for Consumer Protection, III, F)
8. The right to sustainability (UN Guidelines for Consumer Protection, III, B)

#### **5. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO HEALTH**

The right to health is a fundamental human right which is described both in the **UDHR** (art. 25) and in the **1966 International Covenant on Social, Economic and Cultural Human Rights**<sup>31</sup> (art. 12).

The **UN Committee on economic, social and cultural rights**<sup>32</sup> (CESCR) in its ‘**General Comment 14**’ brings attention to the obligations of states as ‘non-state actors’, such as companies. The ‘General Comments’ are the instrument by which the CESCR makes the

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<sup>24</sup> Stockholm Convention on Persistent Organic Pollutants, 2001

<sup>25</sup> Convention on the Transboundary Effects of Industrial Accidents, 1992

<sup>26</sup> Convention on Access to information, Public Participation in Decision-Making and Access tot Justice in Environmental Matters, 1998

<sup>27</sup> Free from: MVO Platform, MVO Referentiekader. Peco, Amsterdam, December 2002, page 7

<sup>28</sup> Convention on Environmental Impact Assessment in A Transboundary Context, 1991

<sup>29</sup> Economic and Social Council, resolution 1999/7

<sup>30</sup> Free from: MVO Platform, MVO Referentiekader. Peco, Amsterdam, December 2002, page 8

<sup>31</sup> International Covenant on Economic, Social and Cultural Rights. Adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966

<sup>32</sup> A committee set up by the Economic and Social Council of the UN, via resolution 1985/17 as part of the follow-up of the implementation of the international convention with regard to social, economic and cultural rights.

interpretation of the content of human rights provisions known. In paragraph 42 of its 'General Comment 14' the committee points out that *"While only States are parties to the Covenant and thus ultimately accountable for compliance with it, all members of society - individuals, including health professionals, families, local communities, intergovernmental and non-governmental organizations, civil society organizations, as well as the private business sector - have responsibilities regarding the realization of the right to health. State parties should therefore provide an environment which facilitates the discharge of these responsibilities"*<sup>33</sup>. Companies therefore also have responsibilities with regard to the realisation of the right to health. In paragraph 45 the CESCR is more concrete on this: *"For the avoidance of any doubt, the Committee wishes to emphasize that it is particularly incumbent on States parties and other actors in a position to assist, to provide "international assistance and cooperation, especially economic and technical" which enable developing countries to fulfil their core and other obligations indicated in paragraphs 43 and 44 above"*<sup>34</sup>. Companies must therefore contribute to the obligations which states have with regard to implementing the right to health.

Additionally, companies, according to the CESCR, have special obligations with regard to the right to a healthy work environment and a healthy environment. This right includes, among others:

- The obligation to take preventative measures to prevent accidents and diseases which are related to the practice of the profession.
- Minimising the causes of the health risks inherent to the work environment.
- Creating safe and hygienic working conditions.<sup>35</sup>

## **6. INTERNATIONAL STANDARDS AND VALUES WITH REGARD TO THE FIGHT AGAINST CORRUPTION**

Corruption is a widespread problem. Companies, who operate in an international context, whether voluntarily or not, become a victim of this. The responsibility of companies in the area of corruption is laid down in the **1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transaction**<sup>36</sup>. In the first article of this convention a prohibition is made on bribing foreign government officials (in the widest sense of the word: people who exercise a public function). The convention urges states (and companies) to deal with the problem.

Transparency is one of the most important weapons in the fight against corruption.

## **7. TRANSVERSAL INTERNATIONAL GUIDELINES AND STANDARDS CONCERNING THE INTERNATIONAL DIMENSION OF CSR**

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<sup>33</sup> Committee on Economic, Social and Cultural Rights, General Comment no 14, The right to the highest attainable standard of health. E/C.12/2000/4, paragraph 42.

<sup>34</sup> Ibidem, paragraph 45.

<sup>35</sup> Free from: MVO Platform, MVO Referentiekader. Peco, Amsterdam, December 2002, page 8-9

<sup>36</sup> OECD, Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. (DAFFE/IME/BR(97)20)

In this section, two important initiatives with regard to the international dimension of CSR will be discussed. Neither of these initiatives restricts itself to a single theme; their aim is to provide a framework for companies who do business internationally. Both initiatives are therefore specifically focused on companies. It concerns the ‘**OECD Guidelines for Multinational Enterprises**’ and the ‘**Norms on the Responsibility of Transnational Corporations and Other Business Enterprises with regard to Human Rights**’ of the UN Sub-Committee on Human Rights.

## 7.1 THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD guidelines for multinational enterprises are a part of the **OECD Declaration on International Investment and Multinational Enterprises**<sup>37</sup>, which was adopted in 1976 to promote trade between the OECD member states by regulating the behaviour of multinational companies.<sup>38</sup> The guidelines were revised in 1999 and in 2000.

The guidelines are non-binding recommendations and expectations of the OECD member states addressed to multinational companies. With the guidelines, the OECD member states wish to urge multinationals to observe the national law of the country in which they are operating, but also to encourage companies to make a contribution to sustainable development. In other words: via the guidelines, the OECD wants to promote the positive impact a company can have on economic, social and environmental area on the one hand and to restrict the negative effects of company activities on the other.<sup>39</sup>

The Guidelines form a set of principles and recommendations covering a wide range of domains, including employment and the relations with the social partners, human rights, the environment, disclosure of information, the fight against corruption, consumer interests, science and technology, competition and taxes.

In section I chapter 2 of the guidelines, the general principles are stated, with the expectation that companies will fully respect these in the countries where they are working and also take into account the views of other interested parties. It specifically concerns the following aspects:

- a. Contributing to economic, social and ecological progress in order to promote a sustainable development.
- b. Respecting the human rights of those who are affected by their activities, in accordance with the international obligations and commitments which have been entered into with the government of the guest country.
- c. Promoting the building up of local capacity by close cooperation with the local community, including business, as well as by developing business activities in the domestic and foreign markets, in accordance with the requirements of healthy business management.
- d. Promoting the development of human capital, in particular creating employment and providing training possibilities for employees.

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<sup>37</sup> **OECD Declaration on International Investment and Multinational Enterprises**. (DAFFE/IME(2000)20)

<sup>38</sup> Free from: M. Botenga, K. De Feyter, P. Nauwelaerts, S. Smis. Juridisch kader om laakbare handelspraktijken in conflictregio's tegen te gaan. P. Nauwelaerts (red.), Roularta Books, Roeselare, 2004, page 128.

<sup>39</sup> Ibidem, page 129.

- e. Refraining from stipulating or accepting exceptions which are not present in the laws or regulations with regard to the environment, health, safety, labour, tax, financial incentives or other matters.
- f. Supporting and maintaining good principles for company management and applying these in practice.
- g. Developing and applying functional self-regulating mechanisms and management systems which promote a relation of mutual trust between the companies and the society in which they are active.
- h. Promoting knowledge and observance of the company policy amongst their employees by making this policy known in an appropriate manner, among other things by means of training programmes.
- i. Refraining from discriminatory or disciplinary measures against employees who, in good faith, inform the management or, if applicable, the competent authorities of practices which are against the law, the Guidelines or the company policy.
- j. Stimulating business relations where possible, including suppliers and sub-contractors, to apply codes of conduct in their businesses which are in line with the Guidelines.
- k. Refraining from inappropriate interference in political matters in the guest country.

Furthermore, the OECD recommends a code of conduct with regard to eight specific themes<sup>40</sup>:

1. *Provision of information*: publishing regular, reliable and relevant information on the activities, the structure and the financial situation of the company, as well as information on the company's objectives, on who the most prominent shareholders are and on codes of conduct belonging to the social, ethical and environmental policy of the company.
2. *Employment and labour relations*: this includes respect for the right of employees to be represented by unions, contribution to the abolition of child and forced labour, facilities and information for unions (also in the event of mass dismissals) and ensuring health and safety.
3. *Environment*: within the (also international) legal contexts, in general contributing to the broad objective of sustainable development and in particular providing information on the (potential) environmental, health and safety effects to the public and the employees, determining measurable objectives for improved environmental performance and continually seeking improvement of the environmental performance.
4. *Fight against corruption*: neither directly nor indirectly requesting or offering bribes in order to gain a transaction or other benefit.
5. *Consumer interests*: applying honest business and advertising practices and taking all steps which may reasonably be taken in order to guarantee the safety and quality of products and services.
6. *Science and technology*: ensuring that the activities are in line with the science and technology policy of the countries in which they are operating and contributing to the local and national innovation capacity.
7. *Competition*: acting within the applicable laws in a competitive manner, in particular not concluding agreements with other companies on fixed prices or production limitations.
8. *Taxes*: paying taxes on time.

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<sup>40</sup> SER-opinion R/2354, De winst van waarden, 15 December 2000, page 76

The promotion of the guidelines for multinational enterprises is carried out in Belgium by the National Contact Point (NCP), which is part of the Federal Public Service for Economy.

## 7.2 THE UN STANDARDS FOR COMPANIES WITH REGARD TO HUMAN RIGHTS

A second, more recent instrument is the '**Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights**'<sup>41</sup>. These were approved by the Sub-Committee for the Promotion and Protection of Human Rights, a committee which is under the jurisdiction of the Committee on Human Rights of the Economic and Social Council of the UN.

The adoption of these UN standards for companies is a first step in the creation of a binding framework in which companies are legally subject to respecting the human rights it guarantees<sup>42</sup>. The following step consists of the deliberation of the standards by the Committee on Human Rights and finally the deliberation and adoption by the General Assembly of the UN. The standards shall probably grow into one of the most important, if not the most important, binding standard for the actions of companies with regard to human rights.

The text provides an overview of the responsibilities and obligations of companies with regard to human rights. These were classified into a number of themes which concern<sup>43</sup>:

- a. The right to equal opportunities and the non-discrimination principle (UN norms for transnational corporations, B).
- b. The right to safety of persons (this specifically concerns the protection of citizens in wartime, respecting the rules applicable during an armed conflict and the use of safety services) (UN norms for transnational corporations, C).
- c. Labour rights (UN norms for transnational corporations, D).
- d. The link between human rights, the fight against corruption and consumer protection (UN norms for transnational corporations, E and F).
- e. Economic, social and cultural rights (UN norms for transnational corporations, E).
- f. The link between human rights and environmental protection (UN norms for transnational corporations, G).
- g. The rights and interests of indigenous peoples and other vulnerable groups (UN norms for transnational corporations, A).

Moreover, the norms provide a number of provisions on their implementation. These include:

- Elaborating implementation measures (e.g. via company codes) and execution procedures to guarantee accordance with the norms.
- Supply chain responsibility (in contracts and other transactions and agreements with contractors, sub-contractors, suppliers, licensees, distributors and other natural or legal persons that form part of the agreements with companies).

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<sup>41</sup> UN Sub-Commission on the Promotion and Protection of Human Rights, Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights. U.N. Doc. E/CN.4/Sub.2/2003

<sup>42</sup> Free from: M. Botenga, K. De Feyter, P. Nauwelaerts, S. Smis. Juridisch kader om laakbare handelspraktijken in conflictregio's tegen te gaan. P. Nauwelaerts (red.), Roularta Books, Roeselare, 2004, page 127.

<sup>43</sup> Ibidem

- Periodic reporting (and evaluation) of the implementation of the norms and of the effects of their activities on human rights.
- Transparent and independent monitoring and verification by the UN and other international and national mechanisms existing today or yet to be created. This monitoring must take place with the contribution of stakeholders.
- Stakeholders' right to complain.
- The provision of recovery measures for persons, entities and communities who were unfavourably affected by the non-compliance with the norms. (These norms will also be used by national and/or international courts with regard to determining damage).
- States must develop and reinforce the necessary legal and administrative contexts in order to guarantee the implementation of the norms and other relevant national and international standards by companies.

Before the UN norms for multinational enterprises become binding, there is still a long road of extensive and lengthy negotiations ahead.

The implementation of these norms by companies as part of the international dimension of CSR is therefore an example of forward-looking enterprise.

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## **APPENDIX 2**

### **INSTRUMENTS FOR CSR**

#### **1. CODES OF CONDUCT**

Codes of conduct are formal statements of the values and trade practices of a company and sometimes also of its suppliers or sub-contractors.<sup>1</sup> In a code of conduct, the company indicates how it wants to behave with regard to its stakeholders and what they can expect from the company. Codes of conduct are usually focussed, on the one hand, on the manner in which the company wishes to deal with contractors, sub-contractors, suppliers and licensees and, on the other hand, on what it expects from them.

More and more companies are adopting a code of conduct. There is, therefore, great variety, ranging from very extensive statements to very concise ones. What exactly should be in a code of conduct is very business-specific. This usually arises from the mission and vision of the company and should preferably be determined in consultation with the stakeholders.

If companies do business in an international context and if one starts from the chain approach, it is important that this code is at least based on the international standards.

The OECD guidelines for multinational enterprises and the UN norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights are a good starting point here. These two international standards are specifically focussed on companies and include the most important international standards and values concerning the actions of a company. More information on these standards as well as the most important international standards and values can be found in appendix 1 to this reference framework.

In this context, the 'Corporate Governance Code', which formulates rules of proper management, can also be mentioned. Two versions apply in Belgium since 2005, one for companies listed on the Belgian stock exchange (Code Lippens), the other for non-listed companies (Code Buysse).

It is also important that codes of conduct are not solely intentions but that they are actually implemented and applied and that they apply for the whole business in all its facets. A company's credibility depends to a large extent on whether it lives up to its own declared conduct intentions.

#### **2. MANAGEMENT STANDARDS**

Another important instrument with regard to CSR is the application of management standards. This is a set of procedures, practices and detailed provisions that a company adopts in order to manage various aspects of the business in an efficient and effective way. There is a wide consensus on many of these management standards. They are often issued by international and regional organisations, such as: International Organization for Standardization (ISO), European Committee for Standardization (CEN), European Foundation for Quality Management (EFQM) and Social Accountability International (SAI).

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<sup>1</sup> Free from: European Commission, Green Paper. Promoting a European framework for corporate social responsibility. Com (2001)366, Brussels, 18 July 2001, page 26.

There are management standards for various themes. A lot of companies are already familiar with management standards for quality. The standards of the ISO-9000 series are the most well-known. Particularly ISO 9001, a quality management system which is mainly aimed at increasing customer satisfaction, is known to many companies.

Additionally, more and more companies are familiar with management standards concerning the environment. The ISO-14000 series, the best-known examples of which are the environmental management system ISO 14001 and the environmental management and audit system EMAS, are not unfamiliar to companies who are consciously involved with the environment. Less well-known but growing management standards are those which concern the social management of the company, such as the SA 8000 standard, a management system aimed at embedding international labour standards into the company. Besides management standards for quality, environment and social management, there are also many others relating to specific themes, such as safety (OHSAS 18001) and food safety (HACCP and ISO 22000). This reference framework is not the place to deal with this further.

An integrated approach to a number of these management standards is essential. This involves the inclusion of various elements of business in one management system. These are integral care systems. The best known example of this is the 'EFQM Model for Business Excellence'. Contrary to many quality, safety and environmental standards, which deal with certain aspects of a company, the EFQM model deals with all business aspects. EFQM is therefore an excellent basis into which to integrate the other existing management standards.

The AccountAbility (AA) 1000 standard also belongs in the list of integral care systems, although AA1000 is less extensive than the EFQM model. The AA1000 standard contains a number of modules, which develop various aspects of the integrated approach. The first, AA1000 AS – Assurance Standard – is focussed on the quality of social-ethical accounting, auditing and reporting<sup>2</sup>. No certification for this standard is provided for, meaning that it can be seen less as a real 'management standard' and more as a management system. AA1000 AS was launched by the Institute for Social and Ethical Accountability (ISEA), which wants to ensure the quality of social-ethical accountability, screening and reporting. AA1000 AS can be used both as an independent instrument and to integrate a number of more specific management instruments which are used within the company (such as for example the Balance scorecard, ISO 14001 and the GRI).<sup>3</sup> AA1000 AS pays a lot of attention to involving stakeholders in the process in a systematic and structured manner. It is therefore an excellent model to serve as a starting point for setting up stakeholder dialogue. In 2005 this was expanded with the standard AA1000 SES – Stakeholder Engagement Standard, the second module of the AA1000 series. This standard provides a detailed approach to the method for carrying out a consultation of stakeholders in an effective and credible manner.

ISO has also thrown itself into the development of a standard for social responsibility. This standard, the future ISO26000, will be launched in 2008. For its development, ISO has started an international multi-stakeholder process of concertation and editing in order to promote the Social Responsibility of every organisation in society. The target group is therefore larger than that of just the companies. ISO26000 will also not be certifiable but will rather be a manual and reference work for the application of CSR.

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<sup>2</sup> See here below.

<sup>3</sup> Free from: Gerrit Rauws, Sturen en Rapporteren vanuit de stakeholdersbenadering. Conceptnota voor de pioniersgroep 'Stakeholderbenadering. Trivisie, 22 June 2000, page 4

An important part of the application of these management systems and standards is the development and further monitoring of indicators. These allow economic, social, environmental and organisational performances to be measured and thus followed up and evaluated. In the most extensive form, one reaches a sustainable evaluation table for the company (Sustainability Balanced Scorecard). These indicators are therefore an essential element to sustainability reporting because they provide the stakeholders with a quantified insight into the performance of the company.<sup>4</sup>

### **3. REPORTING**

Publishing reports concerning the company's activities, accomplishments and objectives is one of the best known instruments to promote transparency. Financial reporting is not strange to any company anymore and environmental reporting is becoming established in an increasing number of companies as well.

More and more often there is a tendency to approach reporting in an integrated manner by presenting one single report in which the company reflects its financial, economic, environmental and social activities, achievements and objectives. This is also called sustainability reporting, triple bottom line reporting or CSR reporting.

Whereas standards have been determined for financial and environmental reporting, this is much less the case for sustainability reporting. An initiative such as the 'Global Reporting Initiative' (GRI) wants to provide an alternative here. The GRI was brought to life in 1997 by CERES (Coalition for Environmentally Responsible Economies) in cooperation with the UNEP (United Nations Environment Programme) and sets the objective of developing and spreading globally applicable guidelines (an accounting standard) for sustainability reporting. A univocal approach to sustainability reporting will also allow, just as with financial reporting, comparison of the performance of companies within a certain sector (benchmarking).

### **4. SOCIAL AUDIT**

*Social auditing* can be defined as: "a process in which an organisation reflects on its social and societal impact and its ethical behaviour, measures these, evaluates them, reports and corrects them in function of its own objectives and values and those of its stakeholders."<sup>5</sup> Social auditing therefore does not solely concern the social dimension of the company, but also the environmental and the economic dimension. This is also the reason for retaining the English term in Dutch.

There are many different models of social audit. Models were developed, amongst others, by the 'New Economics Foundation' (NEF), the 'Ethical Accounting Statement' (EAS) and the 'European Institute for Business Ethics'.

Even though the various models place specific emphases, they also have a number of common characteristics:

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<sup>4</sup> GRI suggests a number of core indicators to make comparison possible between companies and sectors with regard to performance.

<sup>5</sup> Reynaert E., Handleiding Social Auditing. Een stapsgewijze ontwikkeling naar duurzaam ondernemen. 1998, Acco Leuven/Amersfoort, page 22

- Identifying the social and societal objectives (values) of the company.
- The importance of involvement of stakeholders (or interested parties) in the social audit.
- The use of quantitative and qualitative performance indicators and comparison points.
- Attention for the added value of an external verification of the social audit.
- The importance of reporting and communication.

The models which offer the company the greatest added value are those which do not see social auditing just as a one-off screening, but as a continual learning process, in which, using a number of instruments and techniques, the social and societal impact of a company is measured, evaluated, reported and adjusted and this in consultation with the company's stakeholders.

Based on international practical experience with social auditing, eight quality principles are brought forward which social audit processes should meet:

1. *More voices*: in the social audit the visions of the various stakeholders of the company must be included.
2. *Completeness*: the social audit must concern all aspects of the company activities, and no aspects may be systematically or consciously left out.
3. *Regularity and evolutionary character*: the social audit process is a continual and cyclical learning process which evolves with time. The social audit must therefore take place regularly.
4. *Comparison*: the social audit must enable the company to compare it to results from previous social audits, external benchmarks, etc. as a basis for evaluation.
5. *Management policy and control systems*: the company will develop a policy for the various aspects of its functioning and a control system for the follow up.
6. *Communication*: the social audit process must be based on publishing information which forms the basis for a dialogue with the stakeholders.
7. *External verification*: the reliability of the social audit report and process must be verified by an independent external expert.
8. *Continual increase in the quality of the sustainable management*: the results of the social audit process must be a lever for continual improvement and step-by-step development to a sustainable enterprise.<sup>6</sup>

## 5. SOCIALLY RESPONSIBLE INVESTMENT

More and more collective investment bodies, such as investment companies and investment funds, take into account companies' performance with respect to the 'triple bottom line' when investing the collected capitals. Pension funds are one of the driving forces for this development in the market because of the large amounts involved and because they are both public and private (with unions as co-trustees).

There is an increasingly strong trend of social movements exploring the economic field and using the financial and economic actors which are embedded in the large companies and international financial institutions as political pressure means. The consumers, who until now only allowed financial-economic arguments to lead them in their saving or investment behaviour, are more and more demonstrating new consumer behaviour which previously

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<sup>6</sup> Free from: Reynaert E., Handleiding Social Auditing. Een stapsgewijze ontwikkeling naar duurzame ontwikkeling. 1998, Acco Leuven/Amersfoort, page 25-26

mainly belonged to the political sphere, namely the sense of public responsibility and citizenship. Parallel to this rising demand, there is a supply of investment products offered by the alternative economic actors as well as by the regular private and public economy. These products come in different forms, such as: solidary, ethical, sustainable or socially responsible.

Economic actors and associations have already taken various initiatives in this respect and it seems worthwhile that governments further promote this dynamic. SRI does not have a particular legal status, but there are already instruments and mechanisms available to organise, diversify and stimulate it.

A recent study carried out by Belsif, the Belgian Sustainable and Socially Responsible Investment Forum, provides a summary of the existing public and private instruments which support these kinds of investments.<sup>7</sup> This extensive inventory distinguishes between four kinds of instruments (services and products, communication, legal and economic) in function of five different target groups (citizens, companies, financial institutions, public authorities and social midfield).

## **6. LABELS**

Labels are words and symbols on products which inform the consumer about a number of characteristics of the product. Via labelling, companies attempt to influence the purchase behaviour of consumers.

Labels often play on the expectations of the consumer concerning the product. Consumer research shows that more and more consumers attach importance to labour conditions, the environment, the Third World, health, etc. important when purchasing goods or services. These same consumers, however, also ask for sufficient and clear information in order to be able to make a socially responsible choice. Companies, governments, NGOs and others have played on this tendency, which has led to an increasing number of social, environmental, fair trade and other labels. Because of this unrestrained growth, the great diversity (also in content) and the lack of external control for some of these labels, consumers threaten to lose their confidence in labelling.

To remain credible, labels must therefore meet a whole series of conditions. For instance, the subject of a label must be relevant both for the consumer and for the intended beneficiary. It must be clear to a consumer what the label stands for. Further, one must be able to expect that a label is actually tested to see if it is what it is claiming to be. Labels may not serve solely to clean up the image of companies without the flag covering the load. Labels must also be financially feasible, both for the company who wants to apply for the label and for the consumer who wants to buy a labelled product. Finally, the intended positive effect of a label must be evaluated. A label which does not meet its objective has no point and only leads to confusion for the consumer.<sup>8</sup>

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<sup>7</sup> <http://www.belsif.be>

<sup>8</sup> Free from: S. Zadek, S. Lingayah en M. Forstater, Social Labels: Tools for Ethical Trade. Final report for the European Commission (DG Employment and Social Affairs), 1998

Quality and credible labels are therefore labels which are subjected to control by an external (third) party. The Belgian label for promotion of socially responsible production (also called the Belgian Social Label), a number of Fair Trade and bio-labels and the European Eco-label are examples of such labels.

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