

 mvoplatform

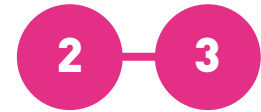


csr
frame of
reference

2012

The MVO Platform is a network of civil society organisations and trade unions who are active in the area of international corporate social responsibility (CSR). The MVO Platform was created to improve and strengthen cooperation between civil society organisations and to present a common voice in the political arena. In addition, through this CSR Frame of Reference, the platform addresses the corporate sector itself.

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what is csr?

1.1 introduction

The joint mission of the organisations that work together in the MVO Platform is to ensure that companies are accountable for the social, ecological and economic consequences of their activities across their entire supply chain. This includes human rights and animal welfare. This Frame of Reference provides a clear overview of how the MVO Platform perceives corporate social responsibility (CSR). It is based on earlier versions that were published in 2002 and 2007. This edition has been adapted in line with the latest international guidelines, such as ISO 26000 (International Organization for Standardization), the United Nations (UN) Guiding Principles for Business and Human Rights and the 2011 edition of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

1.2 definition

The MVO Platform defines CSR as follows:

CSR is a result-driven process whereby a company assumes responsibility across all its business operations for the social, ecological and economic consequences of its activities, and is accountable and transparent towards its stakeholders regarding these issues.

1.3 supply chain responsibility

The MVO Platform considers supply chain responsibility as a crucial and essential part of CSR. Supply chain responsibility implies that a company is doing everything in its power to enable, promote and carry out corporate social responsibility across the entire chain. Supply chain responsibility is included in the most authoritative normative guidelines. The MVO Platform believes that guidelines that do not explicitly refer to corporate responsibility for the entire supply chain must be adapted accordingly to include this consideration.

1.4 normative framework

Labour rights, human rights, anti-corruption and the environment are all discussed in international UN treaties. These include the International Labour Organization (ILO) Conventions, international human rights covenants concerning civil and political rights and economic, social and cultural rights, the Convention against Corruption and the Convention on Biological Diversity. These treaties place certain obligations on the states that have ratified them. Such states are obliged to make sure that civilians are protected against violations of these treaties by third parties, and that includes companies. States are expected to do everything within their power to prevent violations in other

countries by companies under their jurisdiction. Further elaboration and clarification of what such obligations entail are provided in the UN Guiding Principles on Business and Human Rights.

The treaties are not directly applicable to the international corporate sector. However, content from treaties and various UN Declarations has found its way in international standards, guidelines, operational principles and processes that elaborate on the concept of corporate social responsibility.

The current norms that are most commonly referred to include:

- the OECD Guidelines for Multinational Enterprises (revised in 2011): guidelines to which OECD member states and associated countries have committed themselves and which determine the obligations of multinational enterprises located in these countries. All member states have National Contact Points, to whom violations can be reported.¹
- the UN Guiding Principles on Business and Human Rights (2011): principles that clarify in further detail the roles that governments and companies are expected to play in terms of protecting and respecting human rights.²

- the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977): recommendations to member states and multinational enterprises in the areas of employment policies, equality and job security.³
- ISO 26000: a global standard that defines social responsibility for all types of organisations and describes it in more concrete detail.⁴

The normative framework that applies to international business clearly states that enterprises have a responsibility to respect labour rights, human rights and the environment. This responsibility is distinct from government obligations. Even if governments do not translate international obligations regarding human rights into national legislation, enterprises are not allowed to take advantage of this. On the contrary, they are expected to make additional efforts to meet their social responsibilities.

The MVO Platform advocates legally binding instruments that clearly state the social responsibilities of internationally operating companies, preferably at an international level. Regulation and sanctions must form a structural part of this system.

international csr standards

2.1. human rights

Human rights include economic, social and cultural rights, as well as civil and political rights. Labour rights and the rights of the community are also considered to be universal human rights. The most fundamental human rights are recorded in the Universal Declaration of Human Rights,⁵ which in turn serves as the basis for two UN treaties, namely the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.⁶

Enterprises have a responsibility to comply with internationally acknowledged human rights within the domain of their activities and business relations. In 2011, new UN Guiding Principles on Business and Human Rights were adopted. These principles describe in more detail what this responsibility entails. The MVO Platform would like to draw attention to the following three points:

- enterprises shall have no involvement with, nor contribute directly or indirectly to human rights violations.
- when violations do occur, or are likely to occur, enterprises should undertake all possible efforts to prevent violations or to remedy any damage suffered.
- enterprises should embrace an active policy that

inventories all risks and addresses these risks in a timely fashion.

The above points apply to all human rights and all types of enterprise.

The UN Guiding Principles on Business and Human Rights are upheld in the broader OECD Guidelines for Multinational Enterprises. ISO 26000 also places a strong emphasis on compliance with, and promotion of, human rights. A few important elements in these guidelines are:

- in war situations, or in the absence of good governance, companies should be particularly sensitive to compliance with human rights and should not obtain any benefits from the situation.
- companies should contribute to the improvement of the position of vulnerable groups, minorities and women.
- adequate basic facilities must be respected and, where possible, assistance given to realise such facilities.

land rights and natural resources

When buying or using land and other natural resources in developing countries, or in countries with weak governance, the property rights and customary laws of the local

population must be respected. Purchase of land or the use of natural resources must be compensated adequately. In situations where there is lack of clarity regarding property rights, international conventions and guidelines such as the UN Declaration on the Rights of Indigenous People⁷ and the UN Resolution concerning the Right to Food⁸ are to be upheld in the considerations. The UN Basic Principles and Guidelines on Development-based Displacement and Evictions⁹ describe the conditions that must be met for an eviction to take place. In all cases, alternative housing must be made available.

2.2 labour rights

Labour related human rights have been laid down in the Universal Declaration of Human Rights (UDHR). The ILO has further elaborated on labour rights by developing conventions and recommendations, eight of which have been qualified as fundamental rights. These address the following subjects: non-discrimination; freedom of association and recognition of the right to collective bargaining; prohibition of all forms of forced labour and prohibition of child labour.¹⁰

After they have been signed by the member states, the ILO Conventions must be ratified in national legislation. Many other CSR Guidelines (like ISO 26000 and the OECD Guidelines for Multinational Enterprises) refer to the ILO Conventions. As such, the ILO Conventions are regarded as authoritative CSR standards. According to these standards enterprises are expected to comply with, as well as to respect and to promote, the following labour rights:

- freedom of association and the right to collective bargaining (ILO Conventions 87 and 98, supplemented by 135)
- prohibition of forced labour (ILO Conventions 29 and 105)
- prohibition of child labour (ILO Conventions 138 and 182)
- prohibition of discrimination (ILO Conventions 100 and 111)
- the right to job security (ILO Tripartite Basic Principle, art. 24-28)
- the right to a safe and healthy work environment (ILO Convention 155)
- compliance with maximum hours of work (ILO Convention 1)
- The right to a living wage (ILO Tripartite Basic Principle, art. 34).

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2.3 consumer rights

Consumer rights are not acknowledged as universal human rights in legal terms. However, the UN Guidelines for Consumer Protection¹¹ do state that enterprises are expected to respect consumer rights, in particular where these concern the right to health and the right to life. These UN guidelines were expanded in 1999 to include stipulations regarding sustainable consumption. They also call on governments to protect against dangers that threaten the health or safety of consumers, to provide information to enable consumers to make choices, and to provide effective damage compensation. Additionally, they call for sustainable consumption and freedom of association for consumer groups.

2.4 environmental treaties

Objectives in the areas of the environment and sustainable development were formulated at an international level in the Rio Declaration of 1992 (to be reviewed in 2012),¹² the Convention on Biological Diversity (1992)¹³ and the Kyoto Protocol (1997).¹⁴ The UN World Conference of Johannesburg in 2002 also emphasised the role of the private sector in sustainable development. A great number of specific

treaties and conventions detail the responsibilities that enterprises have for the effects of their activities on air, water, soil, climate, eco-systems, biological diversity and health. A few of the most important conventions are: the CITES (Convention on International Trade in Endangered Species of Wild Flora and Fauna); the Cartagena Protocol on Biosafety; the Stockholm Convention on Persistent Organic Pollutants; Rotterdam Convention on the Prior Informed Consent Procedure for certain hazardous Chemicals and Pesticides in international trade and the OECD Guidelines for Multinational Enterprises.¹⁵

As a result of these international treaties, enterprises have the important responsibility of striving to achieve maximum energy reduction by reducing energy needs and by implementing maximum energy efficiency. Enterprises must also make optimal use of sustainable energy, where possible.

Enterprises must take steps to minimise the negative effects of their activities, and they must report to all stakeholders and enter into dialogue with them. The UN Economic Committee for Europe (UNECE) Aarhus Convention (1998) outlines the rights of civilians in terms of access to information, public participation in decision-making and access to justice in environmental matters.¹⁶

According to the conventions mentioned above, the following basic principles apply to enterprises:

- the principle of preventative action
- the precautionary principle¹⁷
- fixing environmental damage at the source
- the polluter pays principle¹⁸
- presenting environmental information in a transparent way.

2.5. animal welfare

ISO 26000 establishes respect for animal welfare as an integral part of CSR and refers to the Terrestrial Animal Health Code (2010) of the World Organisation for Animal Health.¹⁹

Animals that are kept or used by humans, must not suffer from:

- thirst, hunger and incorrect diet
- physical and physiological distress
- pain, injuries and illnesses
- fear and chronic stress

- restrictions in exhibiting the natural behaviour specific to their species.

When using animals for scientific purposes, the three 'R' principles apply (Replacement of animal tests by other methods of obtaining information; Reduction in the number of animal tests; Refinement of the methods of using the animals for tests).

2.6 economic aspects

In addition to the social and environmental impact of enterprises' activities, CSR also relates to the economic aspects of business. Distinct international conventions and agreements have been established in various areas: anti-corruption, open competition, property rights and taxation. The OECD Guidelines for Multinational Enterprises and ISO 26000 also provide several guidelines for the economic aspects of CSR.

corruption

Enterprises must refrain from bribery and corruption. This has been set out in the OECD Guidelines for Multinational Enterprises and the United Nations Convention against

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Corruption (2003)²⁰. Bribery of officials has been punishable under Dutch law since 2001, also when the bribery occurs in other countries.

open competition

Enterprises must comply with rules that allow fair opportunities to all market parties. From a development perspective, the MVO Platform attaches particular importance to preventing market dominance and unfair competition towards small enterprises, including farmers in developing countries. It is vital to prevent abuse of dominant market positions and the types of agreement that limit trade and competition; limit innovation and effectiveness; and reduce (profit) margins of market and chain parties.

Chapter X of the OECD Guidelines for Multinational Enterprises and ISO 26000 provide the following guidelines:

- prevention of concentration and market dominance.
- prohibition of competition-limiting agreements such as price agreements, setting of quotas, making rigged bids (collusive tenders) and dividing of the market.

These norms have frequently been laid down in competition law at national level. This legislation, however, may

not form an obstacle for cooperation between companies within a sector to promote sustainable development or responsible chain management.

taxation

Chapter XI of the OECD Guidelines for Multinational Enterprises contains stipulations regarding taxation. Developing countries lose out on huge revenues because of the tax evasion activities of multinational enterprises. Responsible taxation practices should form part of CSR policy. Responsibilities for companies include:

- payment of all tax liabilities in the country where corporate activities are being carried out and profits are actually being made.
- no 'transfer (mis)pricing': that is, price manipulation to avoid payment of taxes or trade tariffs.
- no 'depressing' of yield and profit through interest payments, royalties or other compensation without real economic activities being part of the equation.
- no tax evasion through postponement of tax liabilities or through negotiating exceptional tax advantages.
- transparency concerning economic activities, profits, payments to government and personnel numbers for each country where corporate activities take place.

- no wrongful use or abuse of tax benefits that are bound to specific conditions, such as relocating a company when the period of tax benefits has ended.

investment

Capital providers such as banks, investors and financiers are responsible, directly and indirectly, for the social effects of the capital they provide. Capital providers should contribute to economic development in the real sector of the economy and contribute to a sustainable society and reduction of unequal distribution of wealth.

Important standards in this area include the UN Principles for Responsible Investment²¹, the Equator Principles²² and the 2011 edition of the Performance Standards of the International Finance Corporation (IFC)²³.

operational csr principles

The growing consensus on the normative framework for CSR has led to the establishment of the global guidance standard ISO 26000. This is based on the worldwide consensus of six stakeholder groups, including governments, employers, unions and NGOs. International conventions and other global guidelines, many of which have been mentioned here, serve as the basis for ISO 26000. ISO 26000 provides information regarding the implications of these conventions and guidelines for the desired conduct of companies and other organisations.

In addition, the civil society organisations working together in the MVO Platform have gained valuable experience – individually and together – in the development of systems for monitoring, certifying and verifying CSR standards, often at a product or sector level. Drawing on this experience, as well as on ISO 26000, the MVO Platform considers the following principles essential for achieving effective operationalisation of CSR.

3.1 multi-stakeholder approach

Identifying all stakeholders, charting their interests and involving them in the formulation, execution and external control of CSR is an essential condition for the credibility

and effectiveness of CSR policy. A multi-stakeholder approach is desirable at all levels.

3.2 good governance

CSR policy, and the integration of this policy in the business operations, starts with a commitment from the corporate board of the enterprise. This board must support the principles as laid out in ISO 26000. The board and management of an enterprise are responsible for the incorporation of the CSR policy throughout the entire business operations and the supply chain.

3.3 implementation: policy, management system and integration in the organisation

As is the convention with quality and environment systems, a good CSR management system will consist of a policy for the integration of CSR into all relevant aspects of company policy. It is recommended that CSR policy should be recorded in a separate code of conduct or policy declaration that:

- has been approved at the highest level of the enterprise;
- is based on relevant internal or external expertise;
- records the expectations held by the enterprise in the area of human rights with respect to personnel, transparent to the public and is communicated internally and externally to all personnel, business relations and other relevant parties;
- is reflected in the operational policy and procedures that are needed to carry out the policies of the whole enterprise.

The drafting of these codes ideally embraces an approach that extends beyond the company by making agreements at a sector or product level with the entire branch of industry and in collaboration with relevant stakeholders. This serves the purpose of harmonisation and offers the opportunity for adequate comparison and benchmarking between companies.

The OECD Guidelines, the UN Guiding Principles for Business and Human Rights and ISO 26000 all provide guidelines for the integration of CSR within the entire organisation, with due diligence as the central concept. The process encompasses the evaluation of actual and potential effects in terms of CSR, integrating and reacting to findings,

monitoring reactions and communicating how unfavourable effects are tackled.

3.4 supply chain approach

International production and supply chains are becoming more complex through the increased outsourcing of production processes and other corporate activities. Production is often outsourced to countries where there is a higher risk of violating the norms discussed in this Frame of Reference. Due diligence is therefore a central concept in the supply chain approach. Supply chain responsibility policy starts with a good knowledge of the production or service chain and with charting any violations or risks present along that chain. Operations must be structured so that CSR standards can be met. A thorough risk and impact analysis can help establish priorities and indicate which CSR risks are particularly relevant, how to prevent them and which plans need to be developed to achieve compliance with the standards as quickly as possible. Sector cooperation is often a necessary requirement for this objective. Responsible chain management should, where relevant, consist of:

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- a pricing policy that does justice to the social and ecological quality of delivered products and services.
- responsible delivery terms to prevent extreme work pressures and the associated pressure on labour rights.
- continuity in trading relations with multiple year contracts to offer suppliers economic security.
- reinforcement of the capacity of suppliers to meet CSR standards, for example, through training and integrated supply chain planning.

3.5 external control

An independent verification process is the final step in an effectively implemented CSR policy. The quality, usefulness and credibility of the steps taken by the enterprise and the management system developed for this purpose are enhanced by an independent evaluation of the CSR approach, as well as of the results thereof. Independent verification is not only a technical affair, requiring the input of one or more experts, it should also enable all stakeholders, the employees and the local community to test the CSR policy against reality. Independent verification should be carried out by an organisation that can form an independent judgement and has the confidence of all relevant stakeholders.

3.6 transparency and reporting

An enterprise is expected to be transparent about its CSR policy and to provide accountability for its performance in the area of CSR. The following principles with respect to transparency and reporting are based on the UN Guiding Principles for Business and Human Rights. These are also relevant to the broader CSR agenda.

- Enterprises must make their CSR policy and performance available to the public, as well as communicate it among personnel, business relations and all stakeholders, internally and externally.
- The information should be accessible to all target groups.
- Communication on CSR should provide enough information to assess the adequacy of the steps taken by the enterprise.
- External communications should appear in a form and with a frequency that is in tune with the social impact of the business activities.
- When an enterprise has a relatively high risk of creating negative social effects, the formal report must include subjects and indicators that show how the enterprise has identified and addressed its social effects.

- Independent verification of CSR reports will improve the content and credibility of these reports.
- Sector-specific indicators are helpful to achieve a sufficient level of detail and to enable comparisons between companies and over time.

3.7 grievance procedure

Part and parcel of the CSR policy is the development of mechanisms to solve arguments that can arise between the enterprise and stakeholders. ISO 26000 and the UN Guiding Principles for Business and Human Rights provide criteria in terms of structuring these mechanisms. The procedure should meet the following core criteria: legitimacy; accessibility; predictability; equality; compatibility with internationally acceptable rights; transparency; and it must also be used as a source of continuous learning. Company's grievance procedures are an important supplement to the stakeholder dialogue and collective bargaining, but may never be used to replace these legitimate processes.

3.8 corporate citizenship

Corporate citizenship comprises activities or investments in (local) environments, for specific target groups and/or social goals that are not directly linked to the core activities of an enterprise. It is one way in which companies can contribute to social goals such as the UN Millennium Development Goals (MDGs)²⁴ Corporate citizenship can be an important addition to the CSR policy, but may not be used to replace it.

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