



**International Chamber of Commerce**

*The world business organization*

**Department of Policy and Business Practices**

## **Web-based commentary on the ICC 9 steps on responsible business conduct**

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### **Introduction**

On the occasion of ICC's World Congress in Denver, Colorado (US), in May 2002, ICC published a booklet prepared by its Commission on Business in Society – ICC's main working body on corporate responsibility issues -- entitled "Business in society: making a positive and responsible contribution".

The booklet makes practical suggestions to companies on how to deal with corporate responsibility issues. They take the form of nine practical steps (*ICC 9 steps* for short) that companies can use to develop their own approach. The *ICC 9 steps* draw on the practices of global member companies active in ICC's Commission on Business in Society that already have well developed set of principles and policies on corporate responsibility. The steps are addressed to companies of all sizes – including small and medium sized enterprises (SMEs) – to guide them through the process of developing individual company policies and practices.

The booklet also explains to readers outside business how companies are addressing corporate responsibility and sets out ICC's overall position. This ICC product has been well received by both ICC member companies and international organizations dealing with these issues.

The *ICC 9 steps* are intended to cover the main elements that companies should consider when forming their own approach to corporate responsibility.

For this reason, the ICC Commission on Business in Society has written the following web-based commentary<sup>1</sup> on the *ICC 9 steps*, providing further suggested guidance to companies through examples, sources of background information on each of the steps. The commentary is accessible on the ICC website at [www.iccwbo.org](http://www.iccwbo.org).

The text of the commentary should not be regarded as part of the *ICC 9 steps*, nor is it intended to go beyond the substance of the original text. Also, the examples set forth in the commentary should be considered as illustrations of how companies have approached these issues, and not as recommended patterns. Each of the *ICC 9 steps* and their commentary can be read independently of one another. In practice, some of these steps may be combined or their sequencing modified.

ICC and its Commission on Business in Society hope that ICC member companies everywhere will find this to be a useful source of suggested practical guidance and information. The commentary may also be relevant to a broader audience wishing to understand how companies approach corporate responsibility.

Maria Livanos Cattau  
Secretary General, ICC

Robin Aram  
Chair, ICC Commission on Business in Society

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<sup>1</sup> The references, examples and hyperlinks in this web-based commentary to specific enterprises, programmes or documents do not constitute an endorsement by the ICC of any enterprise, programme or opinion mentioned or referred to.



## **Step 1 Confirm CEO/board commitment to give priority to responsible business conduct**

A basic requirement is the commitment of senior management to treat responsible business conduct as a corporate priority. Rather than reacting to outside pressures, a company's voluntary adoption of its own business principles should be motivated by its desire to express the values that guide its approach to doing business.

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### ***Commentary***

#### **Commitment of senior management**

Senior management commitment is key to a company's successful approach to corporate responsibility. While it is essential that senior management assign clear responsibilities, resources and authority to company managers for addressing corporate responsibility issues on an ongoing basis, leadership in these matters rests with the chief executive, the chairman and board directors.

A task force of chief executives under the aegis of the World Economic Forum ([www.weforum.org](http://www.weforum.org)) in partnership with the International Business Leaders Forum ([www.iblff.org](http://www.iblff.org)), has developed a statement entitled "Global corporate citizenship: the leadership challenge for CEOs and Boards". This statement recommends a "Framework for Action" that chief executives, chairmen, board directors and executive management teams can use as a template. The framework identifies some key leadership actions that can be adapted by most business leaders to their own circumstances. This template for leadership is intended to be relevant for all companies, industry sectors and countries.

According to this framework<sup>2</sup>, experience has shown that for corporate citizenship to flourish, CEO and board leadership in particular is essential. CEOs and board members can provide leadership by setting the strategic direction for corporate citizenship in their company and engaging in the wider debate on globalization and the role of business in development. This can be divided into the following concrete actions:

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<sup>2</sup> The following four paragraphs are excerpted from "Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards", World Economic Forum Global Corporate Citizenship Initiative, 2002, page 5. See [www.weforum.org](http://www.weforum.org)



**1. *Articulate purpose, principles and values internally and externally***

Business leaders can play a crucial role in serving as role models and champions by communicating and behaving in a manner that is consistent with the company's stated values and principles. Platforms for doing this include:

- Annual general meetings and other briefings with investors
- Annual report, environmental/social reports and other corporate publications
- Regular meetings and communications with employees
- Interaction with trade, industry and business associations
- Other focused stakeholder dialogues and communications
- Non-executive roles on other company boards
- Speeches, conference platforms and media interviews

**2. *Promote the “business case” internally***

Business leaders are uniquely placed in emphasizing to their employees in a persuasive manner the costs of “getting it wrong” in terms of economic, social and environmental performance and the business and societal benefits of “getting it right”.

**3. *Engage the financial sector***

Business leaders can engage proactively with their major institutional investors, bankers and insurers on issues related to their companies' social and environmental risks, innovations and business opportunities.

**4. *Enter the debate on globalization and the role of business in development***

There is a growing need to ensure that the public debate on these subjects is open and rational, backed as much as possible by solid evidence, practical examples and experience of the business contribution to development. Business leaders can join dialogues aimed at defining the different roles and responsibilities of governments, business and other actors in helping to spread the benefits of globalization to more people and countries.

A key rule to observe is the absolute necessity to ensure that the messages and positioning of the CEO and/or board members match the activities and behaviour of the company in all its business operations.

Companies that have chosen to publish their business principles usually feature these on their websites, many of which include a section entitled “Business principles” or “Corporate responsibility”. The principles are often preceded by a message from the chief executive explaining the background and intent of the principles. Other useful sources of CEO communications on corporate responsibility are company reports on their economic, environmental and social performance. These generally include an introduction by the CEO or another senior company executive, which gives the overall approach of the company. In addition, company websites often include a selection of speeches by the CEO and other senior company executives, and increasingly these deal with corporate responsibility issues. These can provide first hand information on how chief executives communicate their company's corporate responsibility messages.



## **Examples**

Below are illustrations of how chairmen and chief executives of various companies have expressed their commitment to treat responsible business conduct as a corporate priority:

### ***Alcan (aluminium and specialty packaging, Canada)***

*Message from Travis Engen, President and Chief Executive Officer, introducing the company's 2003 sustainability report*

“Through our governing objective of Maximizing Value, we challenge the way we do things in all aspects of our business, from operations to administration, in an effort to incorporate best practices and continuous improvement throughout Alcan. Correspondingly, through our focus on sustainability, we see ever more clearly the contribution that our economic, environmental and social efforts have on the Company's long-term license to operate and grow. These concepts are clearly mutually supporting and joint drivers in ensuring the success of today's enterprise.”

<http://www.alcan.com>

### ***BP (oil & energy, United Kingdom)***

*Letter from Lord Browne of Madingley, Group Chief Executive, introducing the “BP Environmental and Social Review 2002”*

[http://www.bp.com/enviro\\_social/letter\\_from\\_lord\\_browne.asp](http://www.bp.com/enviro_social/letter_from_lord_browne.asp)

### ***El-Delta (fertilizers, Egypt)***

*Aly Maher Ghoneim, Chairman and Managing Director*

“El-Delta mission is to be run not only to contribute to national effort in increasing industrial, agriculture, productivity and benefiting the national economy but also to achieve a reasonable return on investment. El-Delta at the same time cannot lose sight of it's social responsibility and obligations.

All this requires:

- Being in close contact with our customers and suppliers
- Continuously review and improve the work procedures.
- Keeping our employees and plants safe by adopting environment friendly processes.
- Devoting considerable time, effort and expense to insure that their employees are properly trained to discharge their functions efficiently.”

<http://www.el-deltafert.com.eg>



***MTN Group (telecommunications, South Africa)***

*Cyril Ramaphosa, Chairman, introducing MTN Group Sustainability Report 2003*

“The MTN Group is strongly committed to NEPAD’s vision of an African Renaissance and I believe that we are making an important contribution towards the achievement of this vision by providing accessible communication services. But our responsibilities extend beyond simply providing this service. If we are to be true to our commitment to Africa, then we need to invest in a manner that takes into account the expectations of our stakeholders and contributes appropriately to the social, economic and environmental sustainability of the communities we serve.”

[http://www.mtngroup.com/pdf/2003\\_s/MNT%20COMP.pdf](http://www.mtngroup.com/pdf/2003_s/MNT%20COMP.pdf)

***Singapore Airlines (air transport, Singapore)***

*Message from Cheong Choong Kong, Deputy Chairman and CEO, introducing Singapore Airlines’ Environmental Report 2002-2003*

<http://www.singaporeair.com/pdf/english/AboutSIA/Environment/EnvReport0203/ceo0203.pdf>

***South African Breweries Miller (brewery, South Africa)***

*Chief Executive’s review, introducing the SAB Miller’s Corporate Accountability Report 2003*

[http://www.sabmiller.com/results/car2003/pdfs/SABMiller\\_CAR2003\\_cereview.pdf](http://www.sabmiller.com/results/car2003/pdfs/SABMiller_CAR2003_cereview.pdf)

***Standard Chartered (financial services, United Kingdom)***

*Message from Bryan Sanderson, and Mervyn Davies, Chairman and Group Chief Executive*

<http://www.standardchartered.com/global/csr/index.html>

***Unilever (consumer products, United Kingdom/Netherlands)***

*Niall FitzGerald, Chairman, addressing Unilever’s annual meeting in May 2003*

“Our commitment to the communities in which we operate is, for us, a hard-edged business issue. And it has always been. The success of Unilever depends on the health of society. We are interdependent. That is the business reason why we have always sought to be a responsible corporate citizen and are committed to environmental sustainability.”

[http://www.unilever.com/news/speeches/2003English\\_8522.asp](http://www.unilever.com/news/speeches/2003English_8522.asp)



## **Step 2 State company purposes and agree on company values**

Responsible business conduct is built upon the *values and goals of the company itself*, as well as on legal requirements and stakeholder expectations. Business principles commonly include a statement of mission, values and operating principles. All companies should consider articulating their core values (e.g. honesty, respect for people etc.) as an underpinning for their own principles.

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### ***Commentary***

#### ***Company values and goals***

A company's approach to corporate responsibility should be based on its goals and core values. These values will provide standards upon which the company can base its approach to doing business and its relations with its employees, shareholders, customers, business partners, and the public at large. The company's history, corporate culture, and overall philosophy will also play their part. Company values are bound to reflect the specificity of its core business, so that they can be applied in the company's operating principles. Companies may find it advisable to focus on a small number of core values. They should also be mindful of the distinction that may exist between a company's own core values, and the values of the environments in which the company operates and which the company should seek to respect.

The starting point for identifying the values that suit a particular company should be a management assessment that takes account of employee views. It may also be useful to include the views of other key stakeholders, such as shareholders and customers. As part of this process, a company may also wish to consider how it is perceived by the broader public and what are the public's expectations of the company. These internal and external views can be based on public opinion research tools such as surveys or focus groups.

Once a company has reached agreement internally on its mission and core values, it may choose to express them either through a mission statement or a set of business principles or both. These elements should be consistent in substance and style.

Company websites usually feature a mission statement in the form of a brief description of the company and its core business activities. These can usually be found on the home page of the website or in sections entitled "mission statement" or "about us".

Companies, especially SMEs, seeking examples of how to express their purpose and values are encouraged to visit the websites of global companies in their sector of activity, as the experience of these companies may be very relevant to their own. See for example ([http://www.standardchartered.com/global/csr/our\\_values.html](http://www.standardchartered.com/global/csr/our_values.html)). It may also be useful to see how global companies in other sectors have chosen to do so. The websites of sectoral business organizations may offer further guidance on how companies in their sector can approach corporate responsibility.

While the experience of other companies will be very useful to get started, there is no substitute for a process of consultation and communication within the company, taking into account the views of other stakeholders as appropriate.



## **Examples**

### ***Alcan (aluminium and specialty packaging, Canada)***

“At Alcan, we share common values of integrity, accountability and trust, transparency, and teamwork that will guide us in our dealings with customers, suppliers, and other stakeholders. We will also achieve our full potential by being: value and customer-driven; results-oriented; proactive; innovative and open-minded. Our commitment to environmental, health and safety care is non-negotiable.”

From Alcan’s website  
[www.alcan.com](http://www.alcan.com)

### ***Aramex (transport, Jordan), social responsibility***

“We at ARAMEX believe in a set of core values that guide our actions. We understand that corporate social responsibility is a cornerstone for future success, and we seek involvement in worthy causes. We support youth, whether in sports, training and employment opportunities or awards and recognition. We care for the environment and we are responsive to the events in the communities in which we operate.”

From Amarex’ s website  
[http://www.aramex.com/social\\_responsibility.asp](http://www.aramex.com/social_responsibility.asp)

### ***Empresas Polar (food & beverages, Venezuela), mission***

“To satisfy the needs of consumers, clients, sales companies, concessionaires, distributors, shareholders, workers and suppliers, through our products and the management of our enterprises. To guarantee the highest standards of quality, efficiency and competitiveness, with optimum price/value ratio, high income-yield and sustained growth. To contribute to the improvement of the community's quality of life and to the nation’s development.”

From Empresas Polar’s website  
[http://www.empresas-polar.com/english/english/mvv\\_en.html](http://www.empresas-polar.com/english/english/mvv_en.html)



***Grupo Comex (paints, Mexico), our mission and philosophy***

“Comex philosophy is based on the support to our personnel, driving a nonstop improvement in all our operations to offer better products and prices to the market in order to obtain excellent profits and a healthy financial situation; thus, we can overcome problematic situations and contribute to the society’s benefit and the growth of the Nation.

Therefore, our commitment is:

- Towards the consumers, offering them more benefits with high quality products and services at the best price on a more permanent basis.
- Towards the distributors, promoting their development for them to obtain a better yield from their investment.
- Towards the personnel, respecting their human dignity by backing up their self-development at work, giving them security and a fair compensation.

Towards the community, contributing to its development by protecting natural resources and backing up projects of social benefit”

From Grupo Comex’s website

<http://www.comex.com.mx>

***Procter & Gamble (domestic products, United States), statement of purpose***

“We will provide products and services of superior quality and value that improves the lives of the world’s consumer. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.”

From “P&G Values and Code of Conduct”

[http://www.pg.com/content/pdf/01\\_about\\_pg/01\\_about\\_pg\\_homepage/about\\_pg\\_toolbar/download\\_report/values\\_and\\_code\\_of\\_conduct.pdf](http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/values_and_code_of_conduct.pdf)



***Rio Tinto (minerals & metals, UK), community and environment***

“Mining and mineral processing produces essential metals and minerals that supply the amenities of life and enhance living standards. Rio Tinto is committed to conduct these activities in a manner that safeguards the natural resources in its care, be they water, air or land.

Wherever Rio Tinto operates around the world we are the neighbours of communities whose stages of economic and social development, systems of government, cultures and traditions vary widely. We recognise our business can accelerate social change and we accept the obligation to work with our neighbours to manage that change. We also strive to meet the expectations of the wider world concerning our activities, beyond the traditional legal and profit-making considerations of business.”

From Rio Tinto’s website:

<http://www.riotinto.com/community/default.asp>

***Sampath (financial services, Sri Lanka), Mission & Vision***

“Our values

- Create a learning culture that promotes individual and organizational development as well as promoting innovation and value for customers.
- Treat all internal and external customers the way we all would like to be treated.
- Encourage and promote teamwork in all aspects of behavior.
- Open to feedback and demonstrate an eagerness for personal development.
- Monitor and demonstrate an impressive commitment to results.
- Uncompromising ethical and professional standards of behavior.”

From Sampath’s website

<http://www.sampath.lk/vision1.htm>

***San Miguel Corporation (food & beverages, Philippines), company profile***

“Social responsibility is integral to San Miguel’s corporate character. Thus, the company supports initiatives aimed at improving the quality of life of Filipinos, with focus on entrepreneurship, education, and the environment.”

From San Miguel’s website

<http://www.sanmiguel.com.ph/ci/>



***Statoil (oil & gas, Norway) – why Statoil accepts social responsibility***

“We regard creating value and conveying values as the key elements in our social responsibility.

Our most important and direct contribution to local growth and development is the spin-off from our investments. This includes job creation, procurement of goods and services, taxes, and the transfer of technology and expertise.

Another positive effect of our presence and practice, which is less visible but more long-term, derives from the example we set and the attitudes we convey.

These find expression through the way we treat our staff, fight corruption, tackle environmental challenges and otherwise discharge our social responsibility.

A characteristic of some of the world’s most successful companies is that they have core values and a sense of purpose beyond maximising profits.

We are convinced that commercial success in the future will depend on a company’s ability to generate profits in a sustainable and socially responsible manner.

In that context, our involvement along the social dimension represents an appropriate and necessary extension of the responsibility we have demonstrated in the environmental area.”

From Statoil’s website

[www.statoil.com](http://www.statoil.com)



### **Step 3 Identify key stakeholders**

Business principles set out what companies see as their responsibilities to employees, shareholders, customers, business partners and other groups in society. Finding out from stakeholders what issues are important to them is therefore essential. Stakeholders – defined as those constituencies that have a direct stake in a company – typically can include shareholders and investors, company employees and trade unions, client companies and consumers, and local communities directly affected by a company’s operations. A company may also wish to broaden its consultations to include other participants in the production chain, as well as government authorities, the media and non-governmental organizations. Companies should be mindful of the differences that may exist within stakeholder groups, such as local communities who are becoming increasingly emphatic about their concerns and with whom it may be useful to establish a dialogue.

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### ***Commentary***

Stakeholder engagement is possibly one of the most challenging aspects of corporate responsibility. ICC suggests that companies choose carefully those stakeholders they wish to consult and engage them in a structured way on specific issues and projects.

ICC proposes a precise definition of stakeholders as constituencies that have a direct stake in the company, which includes shareholders and investors, company employees and trade unions, client companies and consumers, and local communities directly affected by a company’s operations. Companies’ efforts to engage stakeholders should focus primarily on these groups.

In addition to these stakeholders, over time and as a company becomes more experienced in stakeholder engagement, it may wish to broaden its consultations to include other participants in the production chain, as well as government authorities, the media and non-governmental organizations. These participants, although not directly involved in a company, may be worth considering because they may be affected by what a company does and can in turn affect the company’s projects.

Shell and the Environment Council have produced a best practice guide entitled “Guidelines for stakeholder dialogue” addressed to company external affairs professionals, line management and others involved in building good relationships with key stakeholders.<sup>3</sup>

Dialogue is defined as finding ways to involve stakeholders in some of what a company does. This usually involves providing an opportunity for people first to understand the choices faced by a company, and then help companies shape those choices to accommodate other factors. Such processes can supplement established stakeholder dialogue mechanisms such as for example annual general meetings, or workers’ councils that exist in some countries.

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<sup>3</sup> “Guidelines for Stakeholder Dialogue – a joint venture”, Shell International Limited and The Environment Council, 1999, 32 pages. The remainder of this section is entirely drawn from this publication with the kind permission of the Environment Council.



Stakeholder dialogue can make the following contributions to project management:

**Prevent** – by involving stakeholders from the start of a project, potential problems can be identified and anticipated before they arise. In some cases, it may be appropriate to build working relationships through a “partnering” process.

**Resolve** – systematic dialogue facilitated by an independent third party can establish effective communication, clarify disputed issues and may help to resolve them.

**Manage** – sometimes the best outcome may be an agreement to disagree about basic principles, together with some managed collaboration to mitigate sources of particular dispute.

What sorts of project can benefit from stakeholder dialogue?

**Local projects** – these are projects in a specific area, concerned mainly with practical issues, and of significance to people in that immediate area, for example the establishment of a company facility. Key stakeholders in such projects will include local communities directly affected by the particular project.

**Strategic projects** – these are much bigger decisions with possibly national or international impact. The stakeholders in strategic projects tend to be correspondingly broad, and interested in political, social, ethical and environmental questions, as well as practical ones.

The guidelines propose the following “ten principles of stakeholder dialogue”:

1. focus on specific interests and values, away from generalized public positions
2. acknowledge genuine differences
3. identify and reduce uncertainty as early as possible through sharing information and clear objectives and policy
4. address all the dimensions of a situation
5. be as open as possible at all times
6. ensure the process is inclusive
7. acknowledge past mistakes and accept responsibility where appropriate and legally possible
8. resolve internal negotiations first
9. allow enough time
10. use genuine, informed two-way communication



## **Stages of a stakeholder dialogue process**

### ***Plan***

- create a core team within the company to advise and inform those managing the stakeholder dialogue
- build understanding and confidence internally in the idea of stakeholder dialogue
- identify primary stakeholders
- scope and analyze issues, possibly with some key stakeholders
- plan overall dialogue process and key events, checking viability with selected stakeholders

### ***Prepare***

- detailed design and preparation work
- research and preparation of any accompanying documentation
- plan logistics of meeting

### ***Participate***

- clarify issues
- expose assumptions
- reduce uncertainties
- build on common ground
- explore ideas to resolve differences
- commission joint research and fact finding
- generally improve communications and relationships

### ***Progress***

- manage uncertainty
- turn ideas into solutions
- agree unavoidable trade-offs
- make commitments

### ***Perform***

- put commitments into action
- maintain communications with and commitments to stakeholders.

Examples of stakeholder dialogue processes:

- direct meetings or telephone calls
- mediated meetings
- focus groups
- public meetings
- facilitated workshops

Stakeholder dialogues will typically use a mixture of the above. The difficulty is how to use which technique at what moment with which group of people.



Companies should carefully weigh the resource implications of establishing a stakeholder dialogue depending on factors such as: the number of stakeholders, the complexity of the issues, the amount of prior consultation and preparation required, and the number of meetings needed. In some cases, it may be useful to consider the use of professional mediators with a wide range of experience. Another issue for companies is whether to mention the names of consulted non-governmental organizations in public documentation such as annual reports. Such a decision can only be made with the explicit consent of all stakeholders taking part in the dialogue.

Every stakeholder dialogue is different and so there is no single blueprint. What is most important is to be open, consistent and honest in dealing with stakeholders. Stakeholder engagement is about long-term commitment and dialogue. Engaging with stakeholders must be carefully planned and managed. A badly managed stakeholder dialogue can, in some cases, have a counter-productive effect. If the process is rushed or cramped by time constraints, stakeholders are likely to feel that their participation is undervalued and their contributions not taken seriously. This could lead to antagonism and mistrust, and could damage the legitimacy of the process.

Every stakeholder dialogue process needs its own concrete goals and deliverables, but there are some more general measures of success by which the process can be judged. A successful process:

- produces results which are better than could have been achieved by other means
- involves all stakeholders whose non-involvement would invalidate the outcome
- enables all stakeholders to voice their needs
- satisfies at least some of the needs and interests of all stakeholders
- produces agreed, timed and costed action plans
- produces results which feel legitimate to and owned by all stakeholders
- generates commitments which are realistic and practical
- establishes contingency plan in case important decisions turn out to be wrong
- builds trust and creates a good relationship for the future
- makes the next stakeholder dialogue process easier

ICC has national committees in over 80 countries that are the focal point for ICC member companies in their country. Companies are encouraged to refer to national committees as their “first port of call” when confronted with questions about how to organize a stakeholder dialogue. ICC national committees can provide member companies with a forum to share experience on corporate responsibility issues in the context of national societal expectations, for example by establishing a “commission on business in society” at national level.





Below are examples of collective initiatives, through which companies have built relationships with stakeholders<sup>4</sup>:

### ***Business Partners for Development (BPD)***

BPD is a recently completed project-based initiative set up by the World Bank to study, support and promote strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world. It was created, believing that tri-sector partnerships could provide long-term benefits to the business sector and at the same time meet the social objectives of civil society and the state by helping to create stable social and financial environments. BPD worked in four areas; Natural resources, water & sanitation, youth development, and road safety.

[www.bpdweb.org](http://www.bpdweb.org)

### ***Digital Partnership***

The Digital Partnership is an international partnership comprising IT users and suppliers, educators and community leaders aimed at facilitating affordable access to technology, training and the Internet for learning, enterprise and development in developing and emerging market economies. The practical aim is to enable Information Communication Technologies (ICT) skills training in disadvantaged communities to support socio-economic development. An initial pilot was launched in South Africa in June 2002.

[www.digitalpartnership.org](http://www.digitalpartnership.org)

### ***Extractive Industries Transparency Initiative***

The Extractive Industries Transparency Initiative was announced by UK Prime Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg, September 2002. Bringing together international mining and mineral companies, national governments and international NGOs, this initiative aims to increase transparency over payments by companies to government and government-linked entities, as well as transparency in the revenues of host country governments.

[www.dfid.gov.uk/Pubs/files/extractive\\_industries\\_transparen.htm](http://www.dfid.gov.uk/Pubs/files/extractive_industries_transparen.htm)

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<sup>4</sup> Annotated list drawn from "The buck stops where? Managing the Boundaries of Business Engagement in Global Development Challenges" by Robert Davies and Jane Nelson, The Prince of Wales International Business Leaders Forum, January 2003



### ***Global Business Coalition on HIV/AIDS***

The Global Business Coalition on HIV/AIDS (GBC) is a rapidly expanding alliance of international businesses dedicated to combating the AIDS epidemic through the business sector's unique skills and expertise. The GBC works from the principle that HIV/AIDS should be a core business issue for every company, particularly those with interests in heavily affected countries. With the support of global leaders in government, business and civil society, the GBC promotes partnerships in the global response to HIV/AIDS, identifying new, innovative opportunities for the business sector to join the growing global movement against the disease.

[www.gbcaids.com](http://www.gbcaids.com)

### ***Marine Stewardship Council***

The Marine Stewardship Council (MSC) is an independent, global, non-profit organisation working to reverse the continued decline in the world's fisheries. The MSC is seeking to harness consumer purchasing power to generate change and promote environmentally responsible stewardship of the world's most important renewable food source. First established by Unilever and WWF in 1997 the MSC works through a multi-stakeholder partnership approach, taking into account the views of all those seeking to secure a sustainable future.

[www.msc.org](http://www.msc.org)

### ***Voluntary Principles on Security and Human Rights***

The Governments of the United States, the United Kingdom, the Netherlands and Norway, companies in the extractive and energy sectors, and non-governmental organizations, have developed a set of voluntary principles to guide companies in maintaining the safety and security of their operations with an operating framework that ensures respect for human rights and fundamental freedoms. These principles are designed to provide practical guidance that will strengthen human rights safeguards in company security arrangements in the extractive sectors. They are the basis of a global voluntary standard for the extractive sector.

<http://www.state.gov/g/drl/rls/2931.htm>



***World Economic Forum Agricultural Trade Task Force***

Created in 2001, the Agricultural Trade Task Force brings together leading global and regional food and beverage companies, NGOs focused on development and poverty alleviation, international organizations and research institutes for constructive dialogue on the subject of agricultural trade. The Task Force aims to drive forward the equitable reform of global agricultural trade in order to make a substantial contribution to the alleviation of poverty in the developing world.

[www.weforum.org/site/homepublic.nsf/Content/Agricultural+Trade+Task+Force](http://www.weforum.org/site/homepublic.nsf/Content/Agricultural+Trade+Task+Force)



#### **Step 4 Define business principles and policies**

Each company needs to think through its principles for itself (rather than just taking an existing code “off the shelf”). Some companies chose to do this through open dialogue and collaboration with selected stakeholders. Some companies’ business principles are high-level statements of principle; some contain more detailed statements of policy, while others prepare separate materials on policy, management systems, implementation and monitoring procedures. The underlying reasons why business principles make good economic sense should be borne in mind in defining the principles. Companies should consider legislation, social expectations, reputation indicators, risk management, bottom-line benefits, corporate and product image and strategic advantage.

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#### ***Commentary***

To be effective and relevant to an individual company’s specific circumstances, business principles and policies should be developed and implemented by the company itself. Such principles have the advantage of bridging cultural diversity within enterprises and offering the flexibility to tailor solutions to particular circumstances, taking into account the widely differing conditions faced by individual companies in the various countries in which they operate. The principles themselves and associated arrangements are likely to be attuned to the need and circumstances of the company concerned: its history, its culture, geographical location, size, sector, and so on.

A company should develop its own process for expressing its business principles, based on its goals and core values (see commentary on step 2). This process should be led by a team of executive managers within the company, with the engagement and full support of the company’s chief executive and board (see commentary on step 1). Employees and other stakeholders may also be consulted as appropriate (see commentary on step 3). It should be left to each individual company to decide how broadly to consult with stakeholders in the development of its principles. Whatever process is chosen, ultimately, what is important is to ensure that the principles command wide support within the company, and that they are effectively implemented through the establishment of management systems (see commentary on step 5).

Legal implications of company principles should be carefully considered. The adoption and especially the communication to various groups of interested parties (employees, customers, the public at large etc.) of the principles, values and goals of the company can in certain cases, or at least in certain legal systems, be considered as a legal commitment. Empty promises or claims could expose the company to liability.

The structure and contents of business principles will vary from company to company. Companies should select and prioritize issues to be covered in their business principles based on those issues that are most important to them and to their stakeholders, and that are most relevant to their sector and business activities.

In a publication entitled “Developing a code of business ethics” the UK-based Institute of Business Ethics [www.ibe.org.uk](http://www.ibe.org.uk) draws a distinction between “issue-based codes” and



“stakeholder codes”. An “issue-based code” sets business principles with respect to the main domains where a company’s activities and conduct may have economic, social or environmental impacts (e.g., environment, workplace, human rights, integrity) (see for example Unilever’s Code of Business Principle

[http://www.unilever.com/environmentsociety/purpose\\_principles/ourprinciples](http://www.unilever.com/environmentsociety/purpose_principles/ourprinciples). A

“stakeholder code” is structured with reference to the obligations acknowledged towards each stakeholder (see for example Land Securities’ Business Ethics Policy

<http://www.landsecurities.co.uk>).

In developing business principles, there will be much to learn from the good practice of other companies, but ultimately the structure and issue coverage of the principles has to be decided by the company itself.

Individual company principles should express what the company believes is right according to its mission and core values. Company principles should therefore reflect as closely as possible how the company does business in a responsible way, and the key ground rules it sets itself for doing so. The underlying reasons why the business principles make good economic sense should also be borne in mind throughout the process of drafting the principles. A litmus test of any good individual company principles should be: “Does this make good business sense?” To be useful, company principles should contribute to the success of the business and to sound management.

One of the most complete sources of information on corporate responsibility initiatives is the database on Business and Social Initiatives (BASI) compiled by the International Labour Organization (ILO). This database is available online on the ILO website at <http://www.ilo.org/basi>. It includes comprehensive information on corporate responsibility initiatives, which address labour and social conditions in the workplace and in the community where enterprises operate. The database features corporate policies and reports, codes of conduct, accreditation and certification criteria, and labelling and other programmes. It allows customized searches to retrieve information on specific companies and organizations, countries, regions, business sectors and labour and employment issues.

As an indication of the types of issues covered by individual company codes, an OECD working paper<sup>5</sup> that surveyed the issues covered in 233 codes of conduct, including 107 individual company business principles, organized these issues in the following broad categories:

- fair business practices
- rule of law
- fair employment and labour rights
- environmental stewardship
- corporate citizenship

Another useful indicator of the type of issues that can be covered in individual company codes of conduct are the nine principles of the Global Compact [www.unglobalcompact.org](http://www.unglobalcompact.org), an

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<sup>5</sup> Organisation for Economic Cooperation and Development, Working Party of the Trade Committee, “Codes of corporate conduct: an inventory” document TD/TC/WP(98)74/FINAL, May 1999, 99 pages, [http://www.oilis.oecd.org/oilis/1998doc.nsf/LinkTo/td-tc-wp\(98\)74-final](http://www.oilis.oecd.org/oilis/1998doc.nsf/LinkTo/td-tc-wp(98)74-final)



initiative of the Secretary General of the United Nations to promote responsible corporate conduct (see commentary on step 6). Additional sources of information to assist companies in developing their business principles include:

- “Creating a workable company code of ethics – a practical guide to identifying and developing organizational standards”: a publication by the US-based Ethics Resource Center [http://www.ethics.org/ercbooks\\_workablecode.html](http://www.ethics.org/ercbooks_workablecode.html)
- “Developing a code of business ethics”: a publication by the UK-based Institute of Business Ethics (IBE);
- The “codes of conduct” section of IBE’s website (<http://www.ibe.org.uk/>)

Some companies supplement their business principles by internal guidelines and procedures on specific issues, such as environmental management, safety and occupational health, or ethics and integrity. Therefore, while a specific issue might not be covered in a company’s business principles, it may be that the company has developed a separate detailed policy guideline on the issue for internal use within the company. Some companies may find it appropriate to communicate these internal guidelines to a broader audience outside the company -- for example by publishing them on their website.

## ***Examples***

Below is a list of issues that are typically covered in a company’s business principles and policies, each illustrated by excerpts from individual company codes of conduct.

### **Business integrity**

#### ***Alcan (Aluminium and specialty packaging, Canada), Worldwide Code of Employee and Business Conduct***

##### *Conflicts of interest*

It is essential that we remain free of, or disclose, commitments and relationships that involve, or could involve, a conflict of interest with Alcan.

A conflict of interest can exist if you have a direct or indirect personal interest in a decision being made where that decision should be made objectively, free from bias and in the best interests of Alcan.

It is important that even the appearance of a conflict of interest be avoided.

Any employee who believes that he or she may be affected by a conflict of interest must immediately disclose all relevant details to his or her supervisor.

Alcan Worldwide Code of Employee and Business Conduct  
[www.alcan.com](http://www.alcan.com)



***Rio Tinto (minerals & metals, UK), The way we work: statement of business practice***

“Bribery, in all its forms, is prohibited. We neither promise, offer nor accept bribes or anything which could be taken for one, either directly or indirectly.

We only make payments for legitimate business services and at rates that reflects their market value. We work with business partners, representative agents and intermediaries after making them aware of Rio Tinto’s policy and being satisfied that they will not make unauthorised payments indirectly on the Group’s behalf.

We disclose any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest but strive to avoid them. Gifts and entertainment are only offered or accepted for conventional social and business purposes and then only at a level appropriate to local circumstances.”

[http://www.riotinto.com/library/reports\\_PDFs/corpPub\\_BusPract\\_English.pdf](http://www.riotinto.com/library/reports_PDFs/corpPub_BusPract_English.pdf)



***CLP Holdings (power services, Hong Kong), Code of conduct***

CLP is committed to conducting all our business with integrity, in accordance with our business ethics. The Code states that we must comply with all applicable legal requirements and company policies. If anyone is in any doubt on any ethical or legal matter, he/she should consult the Group Internal Auditor or the Company's Legal Department.

Ethics go beyond the narrow letter of the law, however. Whatever the law may permit, all our business must be conducted honestly and fairly, with no conflict of interest or undue influence. This entails being honest and forthcoming with our colleagues, preparing and offering honest business assessments, evaluations and proposals, and recording accurately all transactions. If we make a business commitment, we must take reasonable care to ensure that we meet it. In carrying out our work, we must safeguard the confidentiality of business information and the integrity of our business and operations records. We must also respect the business assets of our company, customers and partners.

All Company books, invoices, records, accounts, funds and assets must be created and maintained to reflect fairly and accurately and in reasonable detail the underlying transactions and disposition of Company business. This Code explicitly prohibits each of us from making any false or misleading statements or other entries in the books, accounts, records, financial statements, or any other documents including disclosed documents of our Company and any other company for which our Company has responsibility or oversight. This Code also prohibits each of us from creating, maintaining or using any off-the-record accounts with banks or any other third parties. No reporting may be made that intentionally conceals or disguises the true nature of any Company transaction.

The Code requires everyone to cooperate fully with our internal and external auditors. Each of us is explicitly prohibited from destroying, altering or falsifying any records that may be connected to an investigation, litigation or bankruptcy proceeding. More than that, each of us (not everyone else) is under an obligation to promptly report ethical concerns and suspected violations of the Code to management.”

<http://www.chinalightandpower.com.hk/NR/exeres/A952D4BD-6F8B-4DB0-BFCF-94AD67A79C14%2C4C80FCB8-AA49-46F4-ADDE-FA8D616C2A12%2Cframeless.htm?ch=%5FCLPH%5FourCompany%5FBusStrate%5F&lang=en>



## Business partners

### ***Aracruz (paper, Brazil), Code of conduct***

“All relationships with suppliers and service providers shall be conducted on a loyal and honest basis. Every relationship should be long lasting, without prejudice to the principles of free initiative and fair competition. Negotiations shall always aim at Aracruz’s best interests.

The selection of suppliers and service providers shall be through a tender process, aiming at the best possible response in terms of costs and quality. There shall be a constant attempt to develop mutual understanding and improve materials, processes and services.

Aracruz’s employees are strictly prevented from requesting gifts, bonuses or any other personal advantage from suppliers or service providers. Likewise, they must not accept gifts, except for small courtesies of symbolic value.”

[http://www.aracruz.com.br/e\\_index.htm](http://www.aracruz.com.br/e_index.htm)

### ***Nestlé (food, Switzerland), Corporate Business Principles***

“Nestlé aims to deal with reputable suppliers who are willing to apply Nestlé quality standards. Supplier relationships are benchmarked and evaluated with the objective of striving for continuous improvement in the areas of quality, service etc. As a relationship between a supplier and Nestlé strengthens and progresses, it may evolve into one of preferred supplier status.”

<http://www.nestle.com/pdf/english/CorporateBusinessPrinciples.pdf>

## Community relations

### ***ING (financial services, The Netherlands), Business Principles***

“Wherever ING operates, it recognises that good relations with its local communities are fundamental to its long-term success. The Group's community relations policy is founded upon mutual respect and active partnership, aimed at sustaining lasting and trusting relationships between the Group's operations and local communities. Cultural, sport and environmental activities are a central part of ING's community relations policy, and individual employees are encouraged to play a positive role in community activities.”

<http://www.ing.com/ing/contentm.nsf/content/2DA337E37B12EDE2C1256C4500352BD2!OpenDocument&sc=society&lan=en&qn=EAA4E008D135D71FC1256BE4004A58B4>



***Transnet (transportation, South Africa), Corporate Social Investment Guiding Principles***

“Transnet has recognised and acted on the need for critical intervention in rural and peri-urban areas where the needs are the greatest and yet the least support is currently provided. Those who are most vulnerable and historically disadvantaged are at the top of our agenda. By putting the infrastructure in place, the company assists communities to access resources and therefore empower themselves socio-economically. We support projects in a vast number of isolated and less known communities ranging from the mountainous village of Begwa in the Limpopo Province to the rural town of Indwe in the Eastern Cape.”

<http://www.transnet.co.za>

## Competition

***Procter & Gamble (domestic products, United States), Values and Code of Conduct***

“We believe in competing fairly because we all benefit from fair, free and open markets. We compete strictly on the merits of our products and services and make no attempts to restrain or limit trade. Specifically,

- We never discuss such matters as prices, pricing strategies, product or marketing plans, or terms of sale with competitors. Should a prohibited subject come up during the course of a trade association or other meeting, we must leave the meeting and inform our leadership or legal counsel.
- We do not enter into agreements with our competitors concerning prices, production volumes, customers or sales territories.
- We do not link purchase of one product to another or compel suppliers to buy from us to retain their P&G business.
- We do not disparage the products or services of a competitor.
- We collect competitive information through proper public or other lawful channels but do not use information that was obtained illegally or improperly by others, including through misrepresentation, invasion of property or privacy, or coercion. based on their own quality and performance and our reputation as a company, rather than by false or deceptive statements or comparisons.”

[http://www.pg.com/content/pdf/01\\_about\\_pg/01\\_about\\_pg\\_homepage/about\\_pg\\_toolbar/download\\_report/values\\_and\\_code\\_of\\_conduct.pdf](http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/values_and_code_of_conduct.pdf)



## Compliance

### ***Alcatel (telecommunications, France), Statement on Business Practices***

“All officers, executives and managers of Alcatel and its subsidiaries are responsible for the continuing enforcement of and compliance with this policy, including necessary distribution to ensure employee knowledge and compliance. Non-compliance with this policy will result in disciplinary measures.”

<http://www.alcatel.com/sustainable/values/values02.htm>

### ***Nestlé (food, Switzerland), Nestlé Corporate Business Principles***

“Nestlé is committed to the application of these principles in all countries, and wherever they are not in conflict with relevant local legislation where it operates. Nestlé compliance with its Corporate Business Principles is regularly monitored by its internal auditors on the basis of clear auditing instructions, which are certified by the external auditing firm KPMG. Findings and recommendations are reported to the Nestlé S.A. Board of Directors.”

<http://www.nestle.com/pdf/english/CorporateBusinessPrinciples.pdf>

## Consumer relations

### ***MTR Corporation (underground transportation, Hong Kong), Code of Conduct***

“The Company aims to be the most customer-orientated urban railway in the world through listening to and understanding the needs of customers, and providing the required services in a cost-effective manner. The Company keeps the customers informed of the truth about the Company’s capabilities and shall avoid misrepresentation, exaggeration and overstatement.

The Company accepts its social responsibility of improving its service so as to promote the quality of life of human beings.

Directors and employees shall try their best, in consultation with the Corporate Relations Department to handle enquiries and complaints from customers to provide excellent customer service.”

[http://www.mtrcorp.com/eng/sustainability/conduct/code\\_of\\_conduct\\_e.htm#6](http://www.mtrcorp.com/eng/sustainability/conduct/code_of_conduct_e.htm#6)



***Telenor (telecommunications, Norway), Social responsibility code of conduct***

“Customers shall be met with insight, respect and understanding. You shall always try to fulfil the needs of the customer in the best possible manner, within the guidelines for corporate ethics that apply to the business. Customer’s personal information shall be protected in accordance with the relevant laws on protection of personal data.”

<http://www.telenor.com/csr/coc/>

## Employment

***Shell (oil & energy, UK/Netherlands), Shell General Business Principles***

“To respect the human rights of their employees, to provide their employees with good and safe conditions of work, and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work, and in the application of these principles within their company. It is recognised that commercial success depends on the full commitment of all employees.”

[http://www.shell.com/home/Framework?siteId=royal-en&FC2=/royal-en/html/iwgen/how\\_we\\_work/business\\_principles/zzz\\_lhn.html&FC3=/royal-en/html/iwgen/how\\_we\\_work/business\\_principles/business\\_principles.html](http://www.shell.com/home/Framework?siteId=royal-en&FC2=/royal-en/html/iwgen/how_we_work/business_principles/zzz_lhn.html&FC3=/royal-en/html/iwgen/how_we_work/business_principles/business_principles.html)



### ***Switcher (clothing, Switzerland), Code of Conduct***

“Factories shall set working hours, wages and overtime pay in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. While it is understood that overtime is often required in garment production, factories shall carry out operations in ways that limit overtime to a level that ensures humane and productive working conditions. A contract based on local legislation has to be established between employee and employer.

- A. Workers are paid at least the minimum legal wage or the local industry standard, whichever is greater. Minimum wage has to be sufficient to a decent living and to face minimal fundamental needs of employees.
- B. The factory pays overtime and any incentive (or piece) rates that meet all legal requirements or the local industry standard, whichever is greater. Hourly wage rates for overtime must be higher than the rates for the regular work shift.
- C. The factory does not require, on a regularly scheduled basis, a work week in excess of 48 hours without overtime and 60 hours with overtime.
- D. Workers may refuse overtime without any threat of penalty, punishment or dismissal.
- E. Workers have a least one day off in seven.
- F. The factory provides paid annual leave and holidays as required by law or which meet the local industry standard, whichever is greater.
- G. For each pay period, the factory provides workers an understandable wage statement which includes days worked, wage or piece rate earned per day, hours of overtime at each specified rate, bonuses, allowances and legal or contractual deductions.
- H. Aforementioned points have to be summed up in a contract. This paper has to be signed by employer and employee. If the worker is unable to understand the contract, the employer has to read it and explain its content to the worker. Depending on the case, a neutral person shall attend the meeting also.
- I. Salary deductions for disciplinary measures are prohibited.”

[http://www.switcher.info/pages/code\\_conduite.html#12](http://www.switcher.info/pages/code_conduite.html#12)



## Environment

### ***PepsiCo (beverages, United States), Worldwide Code of Conduct***

“PepsiCo is committed to providing safe and healthy work environments and to being an environmentally responsible corporate citizen. It is our policy to comply with all applicable environmental, safety and health laws and regulations. It is the responsibility of each employee to comply with all company policies concerning violence in the workplace and substance abuse.

We are dedicated to designing, constructing, maintaining and operating facilities that protect our people and physical resources. This includes providing and requiring the use of adequate protective equipment and measures and insisting that all work be done safely.

We believe that protecting the environment is an important part of good corporate citizenship. We are committed to minimizing the impact of our businesses on the environment with methods that are socially responsible, scientifically based and economically sound. We encourage conservation, recycling and energy use programs that promote clean air and water and reduce landfill waste.”

<http://www.pepsico.com/citizenship/coc/index.shtml>



### ***Sappi (fine paper, South Africa), Environmental Policy***

“Sappi recognises that responsible environmental management of natural resources, linked with social responsibility and sound economic performance, are the requirements of sustainable development. Therefore the company is committed to the responsible management of its activities and to continuous improvement of its environmental performance.

To give effect to this policy, Sappi will cultivate, throughout its operations, an attitude of responsibility to the natural environment and will practice these principles:

#### **Compliance**

- Meet or exceed the applicable environmental requirements
- Practice sustainable forestry consistent with international and/or regional standards

#### **Performance improvement and monitoring**

- Implement internationally recognised environmental management systems such as ISO 14001 and/or regional equivalents in all operational units
- Continuously improve its environmental performance
- Use the best practicable means to reduce waste and emissions and the specific use of water and energy per ton of product produced
- Participate in developing regulations and standards and set our own standards, where we find it applicable, based on analyses of environmental impacts and cost effective technologies
- Request suppliers of goods and services to apply equivalent environmental standards
- Assess and mitigate the environmental impacts of new projects
- Conduct regular environmental audits and management reviews
- Monitor compliance of the group's activities with its environmental policy, standards, targets and procedures

#### **Training and communication**

- Effectively train all employees and contractors whose activities have a significant impact on the environment to ensure that the group policy is understood, implemented and maintained
- Make environmental performance a key issue in measuring managerial performance
- Communicate this policy and other environmental matters openly with stakeholders, interest groups, authorities and communities.”

[www.sappi.com](http://www.sappi.com)



## Health and safety

### ***Mattel (toys, United States), Mattel's Global Manufacturing Principles***

“Health:

- a) In locations where there are more than 1000 employees, there must be an on site medical facility for routine medical treatment and work-related injuries. In locations where there are less than 1000 employees treatment must be available to employees within 15 minutes if there is not a clinic on site.
- b) The facility must have lighting which meets Mattel’s standards or local requirements, whichever are higher.
- c) Temperatures must be measured during hot and cold seasons and if they exceed local or Mattel standards corrective actions must be taken
- d) Noise must not exceed 85dBA. Hearing protection must be used in any areas that exceed this limit. If the local limit is lower, the lower limit will be used.

[Http://www.mattel.com/about\\_us/Corp\\_Responsibility/cr\\_global.asp](http://www.mattel.com/about_us/Corp_Responsibility/cr_global.asp)

### ***Reliance (chemicals, India), Our commitments***

Click here for Reliance’s Health, Safety and Environment Policy

[http://www.ril.com/eportal/VirtualPageView.jsp?page\\_id=370#policy](http://www.ril.com/eportal/VirtualPageView.jsp?page_id=370#policy)

## Human rights

### ***BP (oil & energy, United Kingdom), Environment and society, human rights***

“Our business policies make it clear that we support the Universal Declaration of Human Rights (UDHR); they also state our responsibility to protect the rights of our employees and other people who work with us. As a sustainable business, we also believe we have a shared responsibility to protect the rights of people living in the societies on which our business impacts.”

<http://www.bp.com/genericarticle.do?categoryId=2011558&contentId=2017438>



## Product / service quality

### ***Dow (chemicals, United States), The Dow Quality Policy***

“Quality Performance is a commitment to excellence by each Dow employee. It is achieved by teamwork and a process of continuous improvement. We are dedicated to being the leader in providing quality products and services which meet or exceed the expectations of our customers. Quality management plays an important role by assuring that the company can produce and deliver the quality products and services expected by its customers. Dow has established infrastructure and support organizations to assist management in implementing Quality Systems in a consistent and coordinated manner globally.”

[www.dow.com](http://www.dow.com)

### ***Podravka (food & beverages, Croatia), Quality Policy***

“All our products and production processes are based on quality management principles, and the satisfaction of our clients and consumers is our chief commitment and objective. We commit ourselves to meeting the demands of our clients and consumers and to improving continuously the quality of our products and business processes.”

<http://www.podravka.com/en/company/index.html>

### ***Packages Limited (packaging, Pakistan), Quality policy***

“We at Packages Limited are committed to producing quality products which conform to our customers’ requirements and strengthen our position as a quality-managed company. Our pledge is to provide the market with the best quality products at competitive prices through a customer-driven and service-oriented, dynamic management team. To meet this obligation, the company will continue updating skills of its employees by training, acquisition of new technology, and regular re-evaluation of its quality control and assurance systems. Appropriate resources of the company will be directed towards achieving the quality goals through employee’s participation.”

<http://www.packages.com.pk/Policies.htm>



## Political activities

### ***DuPont (chemicals, United States), Business Conduct Guide***

“Employees may not make any contribution of Company funds, property or services to any political party or committee or to any candidate for or holder of any office of any government. This policy does not preclude, where lawful, (a) the operation of a political action committee, (b) company contributions to support or oppose public referenda or similar ballot issues, or (c) political contributions which have been reviewed in advance by members of corporate management charged with responsibility in this area.

No direct or indirect pressure in any form is to be directed toward employees to make any political contribution or participate in the support of a political party or the political candidacy of any individual.”

[http://www1.dupont.com/dupontglobal/corp/documents/US/en\\_US/social/conductguide/pdf/business\\_conduct\\_eng.pdf](http://www1.dupont.com/dupontglobal/corp/documents/US/en_US/social/conductguide/pdf/business_conduct_eng.pdf)



## **Step 5 Establish implementation procedures and management systems**

Companies must raise awareness among their own personnel and other stakeholders if business principles are to be effective and command wide support. Processes or formal management systems for developing, adopting and implementing individual principles should therefore include internal consultation and communication. Companies offer many examples of management systems covering areas ranging from health, safety and the environment to business integrity, human resources and sustainable development. There are also international standards for these systems, such as those of the International Organization for Standardization (ISO). In some sectors, management processes and guidelines also apply both to joint ventures and to contractors and suppliers. The range of issues covered varies between sectors but continues to develop to include, for example, diversity of the workforce, climate change, biodiversity, waste management, and recycling. In order to implement its business principles, effectively, a company should define objectives and targets and a structured programme to achieve them.

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### ***Commentary***

Once a company has developed its business principles (or revised existing ones) and they have been approved by the company's chief executive and board, the principles and associated materials will need to be broadly circulated within the company so that all company personnel are made aware of them.

Furthermore, in order to ensure that the principles are effectively put into practice throughout the company, implementation procedures and management systems will need to be developed. There is no single approach to establishing processes or formal management systems for developing, adopting and implementing individual company principles. Companies use a variety of tools and approaches, combining them in a way that best suits their needs and circumstances. What matters is that a company defines its objectives and targets for implementing its business principles, together with a structured programme to achieve them. Selected examples of tools and approaches used by companies can be found below.

Some companies have developed multimedia packages that contain the company's business principles and associated materials – usually consisting of a CD-ROM and a personal guide – for distribution to company employees and selected stakeholders. The purpose of such packages is to give employees a clear understanding of the company's business principles and of the role of employees in implementing these principles. Such packages can be linked to a “business principles” section on the company website in order to provide up to date information relating to the principles and the issues they cover. To consult an example of such a package, visit: <http://www.business-principles.ing.com>.

Other companies have chosen to develop “management primers” on specific issues covered in the company's business principles, such as bribery and corruption, or human rights for example. These “primers” are mainly addressed to company managers to provide additional guidance and support in dealing with specific issues, and to help ensure that company principles and policies are effectively and consistently applied throughout the company. They



explain the principles, policies and implementation procedures that the company has put in place, and illustrate concrete situations through case studies. Such “primers” are also intended to inform current and potential business partners of the company’s principles and policies, and – to the extent that companies make such materials public – serve to communicate to a broader public how a company deals with a particular issue and what it has done about it. For examples of such primers, consult <http://www.shell.com>. Individual companies considering the development of such materials should focus on those issues are of particular relevance to their company, and on which additional guidance to company managers would be most useful.

Most companies use internal guidelines or management systems to ensure the implementation of their business principles. These can take the form of practical guidance on how to deal with concrete issues arising from the company’s business principles and policies, combined with mechanisms for internal reporting and follow-up on the application of these principles.

Other companies choose to have their implementation procedures monitored externally (see commentary on step 7), for example through certification against internationally recognized management standards. These include for example:

- the ISO 14000 series of environmental management standards, developed by the International Organization for Standardization (ISO) (<http://www.iso.org/iso/en/prods-services/otherpubs/iso14000/index.html>);
- SA 8000, a certification standard on working conditions, developed by Social Accountability International (SAI) (<http://www.cepaa.org/SA8000/SA8000.htm>);
- the AA1000 standards, developed by the Institute for Social and Ethical AccountAbility. The AA1000 Framework and Series (<http://www.accountability.org.uk/aa1000/default.asp>) can be used as a guide to social and ethical accounting, auditing and reporting. The recently launched AA1000 Assurance Standard (<http://www.accountability.org.uk/aa1000/default.asp?pageid=52>) covers the principles that define a credible assurance process.

Establishing implementation procedures can be a difficult challenge for small and medium sized enterprises (SMEs). Inevitably, they will have to tailor them to their capacity. SME Key ([www.smekey.org](http://www.smekey.org)), an initiative by the European Business Campaign on Corporate Social Responsibility, provides specific guidance to SMEs on how to put into practice their commitment to responsible business conduct. In particular, SME Key has developed a “Guide” on corporate responsibility for SMEs. By using this guide, smaller companies can assess their achievements and identify specific practices that can be improved. The guide can be downloaded for free on SME Key’s website ([http://www.smekey.org/english\\_lan/theguide\\_page135.aspx](http://www.smekey.org/english_lan/theguide_page135.aspx)). Another useful tool developed by SME Key is the Database of SME responsible practices (<http://www.smekey.org/reports/default.asp>), which provides case studies and examples of successful implementation practices by SMEs.

## **Examples**

<b><i>Cemex (cement, Mexico), ensuring a safe environment in which to work</i></b>
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“We promote safe behavior not just in the workplace and among our employees, but also in our employees’ homes and in our surrounding communities. The main components of our safety management system consist of a safety manual, an electronic monitoring and tracking system (SISTER), the CEMEX Safety Award, communications and synergy networks, and specific country programs, such as safety audit and risk analysis. This management model has allowed us to establish corporate guidelines; share practices and experiences among the company’s business units, enabling us to achieve a sustained decrease in accidents; and rapidly integrate new acquisitions into our safety culture.”

[www.cemex.com](http://www.cemex.com)

***Petrobras (oil, Brazil), occupational health at Petrobras***

“The plan is to ensure that its employees are kept healthy by warding off illnesses and preventing them from suffering accidents, for which there are all programs, namely:

**1. Programs to divulge information on health care and awareness as to health risks;**

Program for the Development of Occupational-Health Staff; Program for Instruction on Health Matters; Program on Epidemic Vigilance.

**2. Programs to prevent and control risks connected with work place conditions and environment, as well as in connection with emergencies;**

Occupational-Health Program in Connection with Seagoing Activities; Program on Industrial Toxicology; Program for the Prevention and Medical Control of Physical Risks; Ergonomics Program; Medical Program for Emergencies.

**3. Programs for prevention and control of specific illnesses;**

Program for the Prevention and Control of Infectious Diseases; Program for Prevention and Control of Non-Transmissible Illnesses; Physical Fitness.”

[http://www2.petrobras.com.br/petrobras/ingles/gestao/gestao\\_pessoal.htm](http://www2.petrobras.com.br/petrobras/ingles/gestao/gestao_pessoal.htm)



***Sabic (chemicals, Saudi Arabia), safety, health and environment***

“We live in a world of growing environmental concerns. We engineered and built our plants using modern designs and equipment to minimize their environmental impact. Pollution control measures were given top priority, along with employee safety and health. In subsequent years, we have continued to upgrade our Safety, Health and Environment (SHE) systems in accordance with, and in anticipation of, regulatory requirements and global developments.

We continually seek new ways to enhance the environmental performance of our manufacturing operations and to protect the air, water and soil surrounding our industries. Through regular SABIC environmental audits, we monitor and minimize the ecological impact of our industries by identifying SHE areas that can be improved.

At SABIC, we strive to balance economic and environmental considerations. This involves working closely with stakeholders in our operations: government agencies, international financial organizations, customers, suppliers, contractors, employees and the community.”

<http://www.sabic.com/en/company/hse.htm>



***Sappi (fine paper, South Africa), environmental management***

In addition to working within the frameworks of relevant national legislation and regulations, we are committed to implementing internationally recognised environmental management systems. These systems facilitate continuous improvement, provide independent third party evaluation of our practices and act as benchmarks which enable us to measure our progress in environmental management. Certification also offers customers and consumers the assurance that the products they buy originate from tree farms and mills managed in a responsible manner.

With the exception of Cape Kraft mill and Sappi Usutu, all our pulp and paper mills in Southern Africa are certified to the ISO 14001 Environmental Management System. In North America, all of the pulp and paper mills voluntarily apply ISO 14001 standards and are in the process of qualifying their environmental management systems for ISO 14001 certification, with a goal of certification by the end of 2005.

Having recently obtained Eco Management and Audit Scheme (EMAS) certification in Sappi Fine Paper Europe's mills, Sappi now leads the European paper industry with all seven large mills fully certified with ISO 9001, ISO 14001 and EMAS. EMAS is a voluntary clean citizenship initiative of the European Union, constituting the highest environmental standards in Europe and requiring environmental stewardship, determined continuous improvement and detailed public reporting.

Globally, the fibre we source outside the company has international, regional or national certification including Forest Stewardship Council Certification (FSC); ISO 14001; Programme for the Endorsement of Forest Certification Systems (PEFC); Sustainable Forestry Initiative (SFI); the Canadian Standards association (CSA Z800) and the Plan de Manejo Forestal.

<http://www.sappi.com/home.asp?pid=89>

***Shell (oil & energy, The Netherlands/ UK), management primers***

Click here to read Shell's "management primers", which provide guidance for Shell managers and staff on how to apply Shell General Business Principles. These primers cover a wide range of issues including human rights, corruption, child labour and sustainable development.

[http://www.shell.com/home/Framework?siteId=royal-en&FC2=/royal-en/html/iwgen/how\\_we\\_work/management\\_primers/zzz\\_lhn.html&FC3=/royal-en/html/iwgen/how\\_we\\_work/management\\_primers/management\\_primers.html](http://www.shell.com/home/Framework?siteId=royal-en&FC2=/royal-en/html/iwgen/how_we_work/management_primers/zzz_lhn.html&FC3=/royal-en/html/iwgen/how_we_work/management_primers/management_primers.html)



***Switcher (clothing, Switzerland), norms and certifications***

Switcher 's corporate responsibility practices are certified against internationally recognized management standards. Click here to learn more.

<http://www.switcher.info/home.html?CHAPITRE=1&PAGE=7>



## **Step 6 Benchmark against selected external codes and standards**

Government-mandated or other external codes are unlikely to be a viable alternative to voluntary business principles developed by the company itself, although these may have significant value as external benchmarks. Some companies choose to express public support for one or more of these external codes. It is for an individual company or industry sector to decide what the most useful benchmark codes are and to develop their own understanding of how business principles relate to external codes and guidelines, and to societal expectations. Support for external codes can be time-consuming since they may imply additional commitments. Companies should be selective, bearing in mind their own needs. ICC can provide guidance on the implications of supporting some of the existing international code offerings.

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### ***Commentary***

#### **Government-mandated or other external codes and initiatives**

***The Guidelines for Multinational Enterprises of the Organisation for Economic Cooperation and Development (OECD)*** are non-binding recommendations to enterprises, made by the 37 governments that adhere to them. These guidelines are negotiated between adhering governments, industrial/employers federations through the Business and Industry Advisory Council (BIAC) to the OECD and trade unions through the Trade Union Advisory Council (TUAC) to the OECD. Their aim is to help Multinational Enterprises (MNEs) operate in harmony with government policies and with societal expectations. The guidelines are one part of a broader OECD investment instrument: the Declaration on International Investment and Multinational Enterprises. The recommendations contained in the OECD guidelines provide guidance on appropriate business conduct across the full range of MNE activities. They are supported by implementation procedures, through national contact points in the participating countries, which comprise all 30 OECD member countries, and seven non-member countries (Argentina, Brazil, Chile, Estonia, Israel, Lithuania and Slovenia). In addition, the guidelines are complemented by commentaries that provide information on and explanation of the texts and implementation procedures. Finally, there are interpretations of how certain provisions of the guidelines should be understood. These are the result of deliberations in the OECD Committee on International Investment and Multinational Enterprises.

<http://www.oecd.org/EN/home/0E/N-home-93-nodirectorate-no-no-no-9,00.html>

The ***Global Sullivan Principles of Social Responsibility*** provide a framework by which socially responsible companies and organizations can be aligned. A distinguishing feature of these principles is a commitment to promote fair competition, including respect for intellectual and other property rights. The principles are intended to embrace businesses' existing codes of conduct and work in conjunction with them. The principles aspire to have companies and organizations of all sizes, in widely disparate industries and cultures, working toward the common goals of human rights, social justice and economic opportunity.



Each endorser of the Global Sullivan Principles makes a commitment to work towards the aspiration that all of the Principles represent, including the implementation of internal policies, procedures, training and reporting structures. Endorsing companies and organizations are asked to take part in an annual reporting process to document and share their experiences in bringing social responsibility to life. The reporting format is intended to be flexible, transparent and easy to complete. All reports submitted will be made available on the Global Sullivan Principles website.

<http://globalsullivanprinciples.org/index.htm.htm>

*ICC marketing codes*, are self-regulatory instruments whose principles are generally accepted and followed by business and can be found in most national and sectoral codes. These codes promote high standards of ethics in marketing and advertising by self-regulation against the background of national and international law. They aim to create a balance between the interests of business and consumers, whilst maintaining freedom of choice for business between different marketing tools.

[http://www.iccwbo.org/home/menu\\_advert\\_marketing.asp](http://www.iccwbo.org/home/menu_advert_marketing.asp)

*ICC Rules of Conduct on Extortion and Bribery in International Business Transactions* seek complementary and mutually supportive action by governments, intergovernmental bodies, and the business community to combat extortion and bribery in international trade. As a result of these rules, corporations in a number of countries have been prompted to establish or strengthen their internal rules of fair practices, taking as a model the ICC rules. The rules are complemented by a practical guide to their implementation and other anti-corruption initiatives, entitled “Fighting Corruption: A Corporate Practices Manual” that has been fully revised and updated in 2003. The ICC rules have also led to close cooperation between ICC and OECD on corruption work, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The two instruments are seen as complementary, with the 1999 revision of the ICC Rules containing a preface on the implications of the Convention and dealing with the additional problem of private-to-private sector bribery.

[http://www.iccwbo.org/home/menu\\_extortion\\_bribery.asp](http://www.iccwbo.org/home/menu_extortion_bribery.asp)

*The Global Compact*, while not a code as such, can also be a useful “learning forum” for companies as they develop their approach to responsible business conduct. The Global Compact was originally an initiative of the Secretary General of the UN, Kofi Annan to unite the UN and business in support of nine principles in the areas of human rights, labour and the environment. ICC was the first business organization to respond. The Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. In this way, the private sector – in partnership with other social actors – can help realize the Secretary-General’s vision: a more sustainable and inclusive global economy. As a voluntary initiative, the Global Compact now seeks wide participation from a diverse group of businesses and other organizations, including UN agencies, labour and civil society. To participate in the Global Compact, a company:

- sends a letter from the Chief Executive Officer (and endorsed by the board) to UN Secretary-General Kofi Annan expressing support for the Global Compact and its principles;



- sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations (described below);
- is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- is expected to publish in its annual report or similar corporate report (e.g. sustainability report) a description of the ways in which it is supporting the Global Compact and its nine principles.

In terms of the practical ways in which companies pursue the principles, the Global Compact offers engagement opportunities to all participants through the following:

- *Global policy dialogues:* Each year, the Global Compact convenes a series of action-oriented meetings that focus on specific issues related to globalisation and corporate citizenship. The meetings bring businesses together with UN agencies, labour, non-governmental organizations and other groups to produce solutions to contemporary problems. Issues addressed have included The Role of the Private Sector in Zones of Conflict and Business and Sustainable Development.
- *Local networks:* The Global Compact encourages the creation of local structures and networks at the country or regional level. Such networks are designed to support the implementation of the nine principles; mutual learning and information exchange; the convening of local/regional dialogues on globalisation issues; partnership projects; and the recruiting of additional companies. The Global Compact Office and UNDP facilitate and support the process leading to the formation of these local structures.
- *Learning:* Companies are invited to share examples of corporate practices on the Global Compact web portal. In addition, participants are encouraged to develop in-depth case studies and analyses, and to use these for learning activities in the corporate and academic worlds. Local, regional and international learning events support knowledge sharing.
- *Partnership projects:* The Global Compact encourages companies to participate in partnership projects that are aligned with UN development goals with UN agencies and civil-society organizations.

<http://www.unglobalcompact.org/Portal/>

Another useful reference is the criteria used by *various sustainability/corporate responsibility indexes*, which evaluate or rank companies' performance on economic, environmental and social grounds. Such indexes can be used by individual or institutional investors to compare companies' efforts and achievements in corporate responsibility. Companies themselves may also use these indexes to compare their corporate responsibility performance with those of their peers. Some of these indexes include:

- the Dow Jones Sustainability Indexes <http://www.sustainability-index.com/>;
- FTSE 4 Good [www2.ftse.com/ftse4good](http://www2.ftse.com/ftse4good);
- the Business in the Community Corporate Responsibility Index [www.bitc.org.uk](http://www.bitc.org.uk)
- the Kempen SNS Smaller Europe Index, which is specifically designed for small and medium-sized enterprises [www.kempen.com](http://www.kempen.com);



- the Nordic Sustainability Index <http://www.oxfordresearch.dk/pdf/sri/NSI-presentation-2.pdf>;
- the Storebrand social index [www.storebrand.com](http://www.storebrand.com)

*(Note: These indexes serve different purposes and may use different criteria. They are not comparable between themselves.)*

### **Principles developed by the company itself**

It should again be emphasized that the question of external codes should not be one of the first considerations in the process of an internal programme for responsible business conduct (see step 4). In most instances an “off-the shelf” approach in establishing business principles could prove to be a counter-productive way of dealing with this subject. These external codes are primarily useful as benchmarks, in the sense that they give an indication of the type of issues that can be covered in individual company principles, and of the way these issues can be dealt with in the context of individual company principles.

### **Industry sector codes**

Certain industries or sectors face common challenges, which may be in areas such as the environment, labour standards or human rights. Such industries may develop initiatives and formulate codes which companies and in some cases their suppliers can support. Examples of such sectoral initiatives include:

- The Forest Stewardship Council “Principles and Criteria” <http://www.fscoax.org>;
- The Marine Stewardship Council “Principles and Criteria for Sustainable Fishing” <http://www.msc.org>;
- Responsible Care <http://www.cefic.be>
- The Clean Clothes Campaign “Code of Labour Practices for the Apparel Industry including Sportswear” [www.cleanclothes.org](http://www.cleanclothes.org)
- The International Cocoa Initiative: working towards responsible labour standards for Cocoa Growing <http://www.chocolateandcocoa.org>

### **Express public support**

Companies should take great care in assessing the potential consequences of expressing public support for an external code. Such an expression of public support could be regarded as a commitment, for example in connection with the marketing of the company’s products. Such a commitment, if proven false, may be admissible in court as misleading.

Expressing support for a given code may be linked to business or investor relations such as customer-to-supplier, supplier-to-customer or investor-to-business. Benchmarking a company’s business principles against the code in question may waive the need for formal adherence to the code.

### **Societal expectations**

Societal expectations evolve over time and therefore need to be reassessed periodically. In considering societal expectations, it may be useful for the management of a company to involve stakeholders such as those identified in step 3. It may be particularly useful to consult employees, since experience shows that employee morale is often affected by disharmony between a company’s behaviour and societal expectations.



### **Additional commitments**

Some codes may include reporting requirements in addition to a company's normal business reporting procedures. Such additional reporting requirements may involve periodic reports on how a company implements a specific code or supports particular initiative. In some cases, such additional reports may be drawn from material produced by a company for its normal business reporting procedures. Examples include the Global Compact and the Global Sullivan Principles.

### **Selectivity**

There are a great number of codes available today and that number continues to grow. Many of these codes overlap to a certain extent, but may require different follow-up or reporting systems. Some codes may, in whole or in part, not be relevant for certain companies or industries, but may nevertheless require specific follow-up measures when adhered to. Companies should choose carefully the codes they support or adhere to in light of their specific circumstances.

### **ICC can provide guidance**

ICC has national committees in over 80 countries that are the focal point for ICC member companies in their country. National committees are encouraged to act as a reference point for ICC member companies on issues of responsible business conduct, for example through the establishment of a "commission on business in society" at national level. This will provide companies with a forum to discuss business in society issues in the context of national societal expectations, and a link to the ICC International Secretariat and the work of the Commission on Business in Society at international level.

Global companies may find it useful to participate directly in the international ICC Commission on Business in Society to share experiences with representatives of multinational companies with a solid knowledge of the subject at the global level. These companies can do so by becoming members of the ICC national committee in their country, which can then nominate their representative to the international ICC Commission on Business in Society.



## **7. Set up internal monitoring**

Corporate policies and their implementation need to be kept under constant review to keep abreast of developments in technology and scientific understanding, customer needs and wider societal expectations. It is for the company to assess its social performance through internal consultation and periodic review by management. Equally, it is the company's responsibility to check that its business principles are being acted upon. The extent and manner of external reporting of performance is, of course, for the company to decide. Given the wide differences between industries and individual companies, the contents of such reports are bound to vary. Several international initiatives are being undertaken to develop a common yardstick for voluntary reporting of the economic, environmental and social impact of company activity. An example is the work being done by the Global Reporting Initiative, which is supported by the UN and other international organizations, to agree on a set of common core indicators. They would enable investors and other stakeholders to make global comparisons. Companies should retain the flexibility to adapt such voluntary indicators to their particular circumstances. A key way for companies to create confidence and trust in their commitment to responsible business conduct is to provide timely and reliable information on their financial, environmental and social performance and to communicate this to their stakeholders. Markets all over the world provide examples of companies who enjoy sustained public goodwill and respect by doing this successfully.

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### ***Commentary***

#### **Building a corporate responsibility management and reporting system**

Setting up an adequate internal monitoring system is possibly one of the most important steps in ensuring that corporate responsibility principles are put into everyday business practice. The well-known saying that “what gets measured gets managed” applies equally well to the corporate responsibility domain, and by measuring, monitoring<sup>6</sup> and reporting on appropriate non-financial indicators, companies can improve overall business performance, and thus build trust among their stakeholders and safeguard their reputations.

A corporate responsibility management and reporting system is a way of implementing a strategic framework that will integrate present and planned initiatives and programmes for social responsibility, while demonstrating transparency to stakeholders. Building such a system involves a number of steps, but in well-run companies, the great majority of what is needed to manage these issues is likely to be there already. These companies may have to take account of a wider range of stakeholders or handle a greater variety of data, without needing to develop a whole set of new systems and procedures.

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<sup>6</sup> Monitoring is often meant, and rightly so, to include internal audit. However, internal audit is different from simple monitoring as it aims to test internal procedures rather than simply checking if the procedures are being followed. Internal audit is a means for local management to identify areas of improvement as well as examples of best practice. The latter can then be spread within the company to help drive continuous improvement.



### **Selecting suitable indicators**

An important step is to select what to measure, i.e. selecting indicators associated with the corporate responsibility issues that are to be managed and that provide stakeholders with the information they need. Clearly, it is also important to select targets so that performance can be measured and improved over time. In many cases, the choice of indicators will be influenced by practical considerations such as the ability to use existing data available within the company, rather than to incur the cost of developing a new system. Comparability with other companies in the company's own sector can also be important – investors and customers alike are interested in how a company compares with its peer group.

The question of indicators for corporate responsibility can be confusing, but one of the main reasons for this confusion is frequently failure to think about what one wants to do with the measurements, before deciding what to measure. Broadly speaking, indicators may be used primarily for internal (monitoring) and/or external (reporting) purposes. In the latter case, it will be important to take into account current reporting practice within the industry as well as reporting guidelines such as those developed by the Global Reporting Initiative. For internal purposes, the indicators chosen should be suitable for managing the business in a way that takes corporate responsibility into account. These indicators would best be arrived at by consensus within the company and by dialogue with its stakeholders, with a focus on what is practicable and readily measurable for the company.

Ideally, of course, the same basic set of indicators can be used for both monitoring and reporting on performance, possibly with certain adaptations to attain external comparability with the company's peer group. A modified "balanced scorecard" may be used to select, organize and evaluate performance indicators. This approach can become an assessment tool that enables management to explicitly link financial and non-financial performance to demonstrate the "value added" by the company's corporate responsibility activities.

### **Data collection and analysis**

The next step is one of data collection and analysis. For the purposes of an external report, it may be helpful to balance quantitative data and stakeholder testimony. Existing information can be combined with new data, and methods from other fields, e.g. environmental assessments can be used as a model to gather information on social issues. Stakeholders themselves are valuable sources of quantitative information (e.g. through surveys) as well as anecdotal (qualitative) testimony.

Establishing data collection systems may at first seem a daunting task, but it does not have to be such a painful experience. In many companies, most of the data necessary is already available in existing information systems. Input measures related to environmental issues (e.g. use of various resources) can for example frequently be collected from the financial accounting system or by contacting suppliers. Output measures can often be calculated relatively easily, and a number of process measures regarding e.g. employee behaviour may already be part of periodic employee surveys.



### **Performance appraisal and reporting**

A further step is one of performance appraisal and reporting. If an external report is to make an impact, it is important to be prepared to address controversial topics and to discuss difficult issues. It is possible to surprise outside stakeholders by the honesty and openness of a published report.

Transparency is the key to a high quality corporate responsibility report. As such, reporting on corporate responsibility issues should balance good and bad news, demonstrate senior management's commitment to core values, and be tied to relevant and reliable key performance indicators. Transparency is also critical to create verifiable statements for stakeholders.

Performance appraisal and reporting have benefits within the company too, and may be used as a basis for awarding incentives in order to further encourage continuous corporate responsibility performance improvement. Such appraisals may be done at all levels of the company, provided of course that the responsible manager also has the means to influence the company's corporate responsibility performance.

### **Assurance and review**

The final step is one of verification and review. Any company that reports externally on its corporate responsibility performance will ultimately consider whether it should have that report verified by an external assurance provider. If management decides that such verification could be useful, it must be determined which aspects of company performance should be verified and which stakeholders would most benefit from the verification of such information.

External independent assurance can add considerable value to a report, providing the assurance engagement is of sufficient scope to permit the assurance providers to form a well-founded opinion. It can provide an opportunity for comparison with external good practice and helps to give assurance to stakeholders that procedures and processes are reliable. In addition to enhancing external credibility, the assurance provider may give recommendations on strengths and weaknesses and identify areas for management action and appropriate changes so that future performance can be improved.



## ***Draft content of a corporate responsibility report***

Over the past decade, numerous reporting guidelines have been developed by a large variety of authorities, research institutes, business associations, and other organizations to assist and encourage companies to develop corporate responsibility reports. At present, the most well-established and generally accepted reporting guidelines are the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI) <http://www.globalreporting.org/>. Below is an outline for a corporate responsibility or sustainability report based on the 2002 version of the GRI guidelines.

### **a) Vision and strategy**

This section encompasses a statement of the reporting organization's sustainability vision and strategy, as well as a statement from the CEO.

### **b) Profile**

This section provides an overview of the reporting organization and describes the scope of the report. It provides readers with a context for understanding and evaluating information in the rest of the report. The section also includes organizational contact information.

### **c) Governance structure and management systems**

This section provides an overview of the governance structure, overarching policies, and management systems in place to implement the reporting organization's vision for sustainable development and to manage its performance. Discussion of stakeholder engagement forms a key part of any description of governance structures and management systems.

### **d) Performance indicators**

- Economic performance indicators: The economic dimension of sustainability concerns an organisation's (direct and indirect) impacts on the economic circumstances of its stakeholders and on economic systems at the local, national and global levels. Suggested indicators of economic performance include:
  - Monetary flow indicators as a measure of the impact on each stakeholder group, e.g. total payroll and benefits paid to employees (broken down by country or region).
- Environmental performance indicators: The environmental dimension of sustainability concerns an organisation's impacts on living and non-living natural systems, including ecosystems, land, air and water. Suggested indicators include:
  - Input indicators showing the use of various resources (e.g. materials, energy, water) and output indicators showing quantities of emissions, effluents and waste, as well as indicators showing significant impacts of products.
- Social performance indicators: This dimension of sustainability concerns an organisation's impacts on the social systems within which it operates. Social performance can be gauged through an analysis of the organisation's impacts on its stakeholders. Suggested indicators include:
  - Labour practices indicators, e.g. related to employment, health & safety, training and education. Human rights indicators, e.g. policies and monitoring of non-discrimination, freedom of association, and child labour. Society indicators regarding e.g. bribery and corruption, and political contributions.



## **Step 8 Use language that everyone can understand**

Principles, policies and guidelines must be clearly expressed, particularly if the material is to be translated. The same is true of any external reports.

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### ***Commentary***

Principles, policies and guidelines that explain a company's approach to corporate responsibility and its implementation should be written in clear and concise language. These materials need to be understood, not only by the senior executives of a company who are responsible for their overall development and implementation, but also by company managers and employees. It is they who will play a key role in putting the principles, policies and guidelines into practice on the ground within each of the company's business units and throughout its operations. As much as possible, companies should avoid using jargon and prefer a straightforward business-like style and vocabulary.

Materials developed for the purpose of communicating externally a company's approach to corporate responsibility need to be written in a way that makes them interesting and relevant to a broader audience, which includes shareholders, investors, governments, the general public and the media. This is particularly important in the case of public reports (economic, environmental and social) on the company's corporate responsibility performance. These materials should present hard data and measures of corporate performance in such a way that can be easily understood by general readers. They should also seek to tell the company story through concrete examples and illustrations of company projects, and what these mean for the people in the communities in which the company operates.

If appropriate, as in the case of global companies, these materials, and especially those for external communications, should be translated into one major international language, usually English, to ensure that they reach a broader audience.

Increasingly, companies use their websites as a window on the company for an external audience. Many companies now devote a section of their website to explaining their approach to corporate responsibility. Such a section may include the company's principles, policies and guidelines, to the extent that these are public documents, and also company reports on its corporate responsibility performance. Some companies have also found it useful to translate their website into either a major international language or the languages of countries where they have significant operations. Other companies have chosen to go further and use their website to establish a dialogue with the public at large. This can take the form of an interactive "you tell us box" or "contact box" where the public is invited to send comments and suggestions to the company's attention on corporate responsibility issues. See for example:

Shell's website at <http://www.euapps.shell.com/TellShell>, or  
Nokia's "CSR feedback section" at <http://www.nokia.com/nokia/0,5184,2738,00.html>.



## **Step 9 Set pragmatic and realistic objectives**

These recommendations require the commitment of executives running the business and the development of expertise and internal processes. Above all, responsible business conduct requires a sustained effort by everybody in the company. A key element of a company's organizational development is promoting the importance of responsible business conduct and ensuring that new managers are well versed in this area.

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### ***Commentary***

While a basic requirement, the commitment of senior management will not itself guarantee responsible business conduct. Corporate responsibility needs to be implemented at all levels of operations within the company. Clear lines of responsibility should be established with a view to integrating corporate responsibility into the basic management structure.

The role of a company's board is to make strategic policy decisions on a general approach to corporate responsibility. Executive managers should set practical objectives. The management of corporate responsibility issues should rest with line business managers. But all in all, the implementation of the company's business principles is the responsibility of all company personnel, whether employee, manager or member of the board.

Some companies have chosen to create formal structures – such as a sub-committee of the board of directors or internal committees reporting to a senior company executive -- to champion and monitor responsible business conduct within the company. Sub-committees of the board of directors are usually chaired by the chief executive or by a non-executive director. They typically can comprise representatives of the board, senior managers of business units, and the human resources director. The role of the sub-committee is to set objectives and review the company's overall performance on corporate responsibility. See for example: the Corporate Social Responsibility Committee of Land Securities (property services, United Kingdom) [http://www.landsecurities.co.uk/env\\_community.asp?PageID=500](http://www.landsecurities.co.uk/env_community.asp?PageID=500) and the Corporate Accountability and Risk Assurance Committee of SAB Miller (brewery, South Africa) <http://www.sabmiller.com/>.

Other companies have created an internal department specifically dedicated to corporate responsibility issues, established a unit or “help desk” to assist operational divisions, or entrusted the oversight of corporate responsibility policies and implementation to a senior executive within the company. Whatever organizational structure is chosen by a company, it is important that these structures interact on a regular basis with the company's business units and staff, to ensure a coordinated approach to corporate responsibility throughout the company and the commitment of all its employees. A key objective should be to integrate corporate responsibility in the day-to-day operations of the company, at all levels.

Promoting responsible business conduct within the company is a key element of a company's organizational development. Recent corporate collapses made clear the importance of an ethical corporate culture and behavior for ensuring sustainable business growth. When developing their approach to corporate responsibility, companies may find it useful to consider the importance of good corporate governance practices and to envisage possible

