



Corporate Social Responsibility

ENGLISH



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Introduction

This booklet provides basic information on corporate social responsibility (CSR) mainly for staff at Dutch missions abroad. It identifies various sustainability issues confronting enterprises operating on an international level. It looks at CSR, the OECD guidelines and human rights – areas in which the Dutch government has clearly specified what it expects of enterprises and the role they can play.

The aim is for readers of this booklet each to play their own part in helping the international business community understand what corporate social responsibility entails. This booklet helps you to examine the issues in greater depth, and refers to useful information sources. These and other references can also be found on www.mvonderland.nl/csrpassport.

Policy

‘Corporate social responsibility ... benefits businesses, people, animals, society and the environment. Integrating CSR into business processes and product development ensures better loyalty in customers, investors and employees, and contributes to both the reputation and competitive edge of the business community. This carries CSR beyond just meeting the existing national and international regulations, which by definition means that CSR assumes voluntary participation.’

From: *the Government Vision on Corporate Social Responsibility (MINEZ) 2008-2011*.

EN 05

About corporate social responsibility

Corporate social responsibility (CSR) is the new, essential standard for enterprise in the twenty-first century. CSR benefits people, society and the environment. But that is not all. CSR – sustainable enterprise – pays dividends. In all corporate decisions the enterprise strives for better results for people, the environment and itself. CSR creates added value for all stakeholders in an enterprise.

An enterprise's core processes all play a role. But there is a distinction between optimising business processes (such as purchasing, production and logistics) and the core business (the actual product or service). Different themes and issues may play a role in each country, sector or enterprise. It is therefore important for enterprises, NGOs, governments and sector organisations to work together.

For an entrepreneur, sustainable enterprise means going one step further than the law requires, inspired by a future vision of society. Internationally agreed standards such as the OECD guidelines form a basis for responsible international business.

Policy

CSR means ensuring a company's performance impacts on society by:

- consciously aiming for value creation in the three dimensions Profit, People and Planet, thus contributing to society's long-term prosperity;
- maintaining a relationship with the various stakeholders based on transparency and dialogue, and responding to legitimate demands from society.

From: *Winst van waarden*, Social and Economic Council (SER) (in Dutch only).

Further reading:

- [CSR Netherlands](#), a knowledge and network organisation that encourages the business community to practise corporate social responsibility.
- [OECD Guidelines](#) for Multinational Enterprises.
- [Agency for International Business and Cooperation](#) (EVD) (in Dutch with English webpages).

Documents:

- [Government Vision on Corporate Social Responsibility 2008-2011](#).

The Netherlands and international CSR

The Dutch government has clear expectations of the business community when it comes to international CSR, starting with compliance with the [OECD Guidelines for Multinational Enterprises](#). This code of conduct for the international business community has the support of all the OECD member states, and a growing number of other countries. The guidelines were drafted in cooperation with the business community, trade unions and civil society organisations. They address issues such as working conditions, the environment and corruption.

OECD

National Contact Point for OECD guidelines

The [Netherlands National Contact Point](#) (NCP) supports enterprises in putting the OECD guidelines into practice. Although compliance with the guidelines is voluntary, there is the option of submitting a substantiated notification to the NCP if a company is not acting in accordance with the OECD guidelines. If admissible, the NCP tries to mediate between the reporting parties and the company in question.

Human rights

In the field of human rights, the Dutch government's expectations of the Dutch business community are particularly high, since they are based on compliance with international human rights instruments and the recommendations of UN Special Representative John Ruggie.



Responsible chain management

The Social and Economic Council's [Statement on International Corporate Social Responsibility](#) addresses the issue of responsible chain management. In response, the government wrote a [letter to the House of Representatives](#) setting out its policy on the subject in more detail. (Letter available in Dutch only).



CSR Diplomacy

CSR is an integral element of economic diplomacy and of efforts to promote international business, through, for example, economic missions, dialogue and knowledge exchange. CSR presents the Netherlands with the opportunity to give itself a distinct edge on international markets.

Further reading:

- [OECD Guidelines for Multinational Enterprises](#).
- [OHCHR website](#) (human rights instruments).

Documents:

- [Government Vision on Corporate Social Responsibility 2008-2011](#).
- [SER Statement on International Corporate Social Responsibility](#).



International business and CSR

Companies involved in importing and exporting goods or in investing in other countries are often confronted with challenging social issues. What is the political situation in a particular country? What is its position on human rights? What is the status of the environment there? How can a company tackle corruption at the border? How can it be sure that child labour has not been used in the production chain? International CSR starts by mapping out the possible impact of business activities on people and the environment.

Supply chain responsibility

Almost all enterprises participate in international purchasing or production chains. The conduct of other operators in these chains, such as suppliers and subcontractors, is becoming increasingly important to them, as it can affect their own performance and reputation. Responsible chain management means that a company does everything in its power to facilitate and encourage CSR in other companies in the chain. There are many ways in which a company can exert influence on its suppliers' social and environmental performance, ranging from providing information to monitoring.

The influence of any company in the chain can be illustrated as follows:



Sphere of Influence

Policy

The SER is calling on the business community to take action and ensure responsible chain management. It is vital for enterprises to strive for transparency in the production process and to monitor the social and environmental performance of parties within the chain and their suppliers. In its letter responding to the SER's Statement on International Corporate Social Responsibility, the government focused on the following points:

- Companies bear the primary responsibility for adequate chain management; the government acts as facilitator.
- A company can be expected to exert its full influence in ensuring supply chain responsibility.
- Chain responsibility calls for customisation.

In practice

From the Dutch Embassy in Kuala Lumpur, Malaysia: 'We developed a toolkit for Malaysian exporters and suppliers to Dutch companies. The toolkit helps Dutch companies inform their suppliers of their expectations regarding CSR. It also helps Malaysian companies to meet European expectations with regard to CSR. According to our partners, the toolkit is different to what they have seen so far and very practical. It goes beyond the traditional approach of presenting abstract theories and guidelines or best practices that are often too difficult to translate into the daily business operations of an average company.'



Stakeholders

Satisfied employees, customers, suppliers, local communities, shareholders, government authorities, trade unions, banks, accountants and NGOs are all vitally important to every company. A healthy company knows who these stakeholders are and is aware of their wishes and demands, including in relation to CSR. It can also estimate fairly accurately the extent of their commitment and influence. Transparent communication and cooperation with all stakeholders generates considerable advantages, especially in the case of complex situations abroad.



Strong partnerships

A company is never alone in its search for an integrated CSR policy. Numerous standards, initiatives and guidelines already exist in many sectors, in raw material chains, at product level and through coordinating bodies. Affiliation with a CSR initiative or quality mark prevents multiplication of codes of conduct and discourages free riders who benefit disproportionately from CSR investments made by others. Cooperation makes a sector or product group more effective and gives it more credibility.

The ISO 26000 standard currently under development should help companies implement the guidelines. Companies that want to work actively with CSR can join [Global Compact](#), a United Nations initiative for international



cooperation between enterprises, aimed at strengthening ten universal principles in the field of human rights, the environment and corruption. For some business sectors (i.e. timber, cocoa, tea, soy, natural stone and tourism) affiliation with [the Dutch Sustainable Trade Initiative](#) (IDH) may be an interesting option.

Further reading:

- [CSR country-specific toolkits](#) (in Dutch).
- [Dutch Sustainable Trade Initiative](#), (IDH) which aims to make international trade and production chains more sustainable.
- [Global Compact](#), a United Nations international initiative for international cooperation between enterprises, aimed at strengthening ten universal principles in the field of human rights, the environment and corruption.
- [Centre for the Promotion of Imports from Developing Countries](#) (CBI).
- [Portal for Responsible Supply Chain Management](#).
- [ISO 26000](#).
- [Business – NGO Interaction](#).

Documents:

- [Government's letter to the House of Representatives on Chain Management](#) (in Dutch).
- [ICC Guidance on Supply Chain Responsibility](#).
- [Brochure EVD on Corporate Social Responsibility](#) (in Dutch).



CSR and human rights

Protect, respect and remedy

Companies have a responsibility to respect human rights. The Netherlands supports the work of John Ruggie, the Special Representative of the United Nations Secretary-General on business and human rights. In his 'protect, respect and remedy' framework, Ruggie distinguishes the following elements: the duty of government to protect human rights, the responsibility of enterprises to respect human rights and the need to give the victims of human rights violations by enterprises an effective right of redress. Ruggie points out that companies should exercise due diligence, since they will then be aware of their influence on human rights and will take measures to prevent it from being negative.



The four elements of due diligence are:

1. having in place company-wide human rights policies;
2. assessing the impact of company activities on human rights;
3. integrating this knowledge and these human rights norms into corporate cultures and management systems; and
4. monitoring and reporting on performance.

Ruggie's work has been given a positive reception by governments, the business community and NGOs.

Ruggie has studied some 400 cases which show that company activities can affect all human rights, both labour and non-labour rights. The 30 human rights are listed in the Universal Declaration of Human Rights (UDHR).

ILO

The most important rights in the field of labour relations are laid down in the conventions of the [International Labour Organisation \(ILO\)](#) and are embedded in the national legislation of many countries. Topping the list are the freedom to join a trade union, the right to collective bargaining, and the ban on forced labour, child labour and discrimination. Other important workers' rights include employment security, health and safety, a living wage and reasonable working hours.

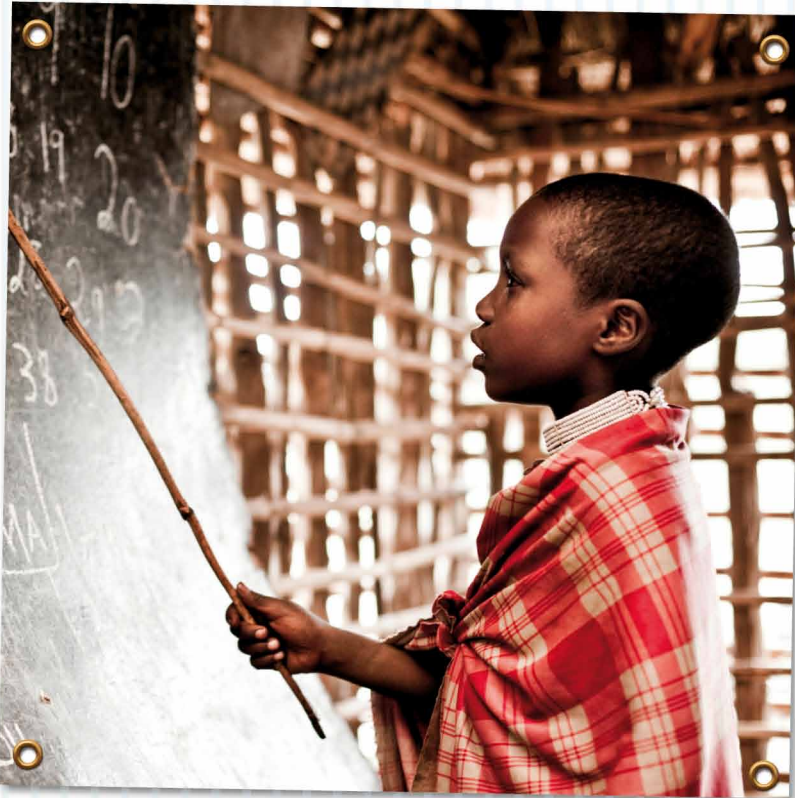
Quick Check

The Human Rights Compliance Assessment Tools developed by the Danish Institute for Human Rights (DIHR) are useful tools in helping companies to assess the impact of their activities on human rights. Embassies can advise companies to do a quick check. DIHR is developing an online portal with country-specific and sector-specific information for companies.



The Netherlands and CSR/human rights

The Netherlands has conducted an investigation into the liability of Dutch parent companies whose foreign subsidiaries have been involved in violations of human rights and environmental law. In 2010, six embassies will intensify their CSR and human rights policies and will exchange experiences with other embassies with a view to more active intervention worldwide.



Child labour

In its Human Rights Strategy, the Dutch government expressed its commitment to playing a leading role in combating child labour, starting with the worst forms. The Netherlands envisions an integrated approach to combatting child labour, using all instruments available, and consistently raises the issue in its dialogue with third countries. Development policy plays an important role in providing children with an education and improving families' living standards, so that children do not need to work.

When requesting financial support from the government for investment in emerging or developing markets, companies have to declare in advance that their actual primary suppliers do not make use of child or forced labour. The Netherlands also seeks to include effective provisions on human rights, including child labour, in free trade agreements and other preferential trade arrangements, and is seeking an EU ban on products made using the worst forms of child labour. At the initiative of the Netherlands, the Council of Ministers of the EU has requested the European Commission to explore the scope to introduce trade measures, including a ban.

Gender

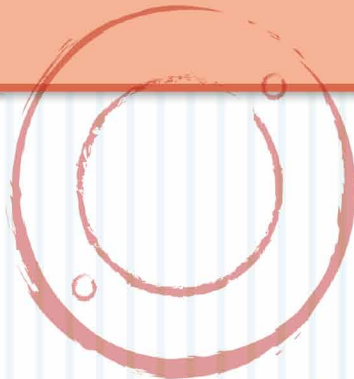
The government wants to contribute to a worldwide ban on all forms of discrimination on the grounds of gender and to lasting improvements in the position of women and girls, especially in developing countries. More women in employment leads to more rapid economic growth, more industrial activity and bigger profits. It is therefore important to focus

specifically on preventing discrimination of female employees in terms of legal position, salary, violence and exclusion from the employment market. More female managers in industry helps to resolve the gender issue.

In practice

From the Dutch Embassy in Bogotá, Colombia:

‘The mining industry in Colombia has a very poor image. There are numerous conflicts between companies, employees and local communities, especially with regard to evictions, violence in the workplace, pollution and the oppression of traditional mineworkers. Our embassy is working with the *Comité Minero Energetico, Ideas para la Paz* and the British and American embassies on implementing human rights within the mining sector in Colombia. We are contributing our expertise on dialogue between civil society, the government, companies and the local community.’

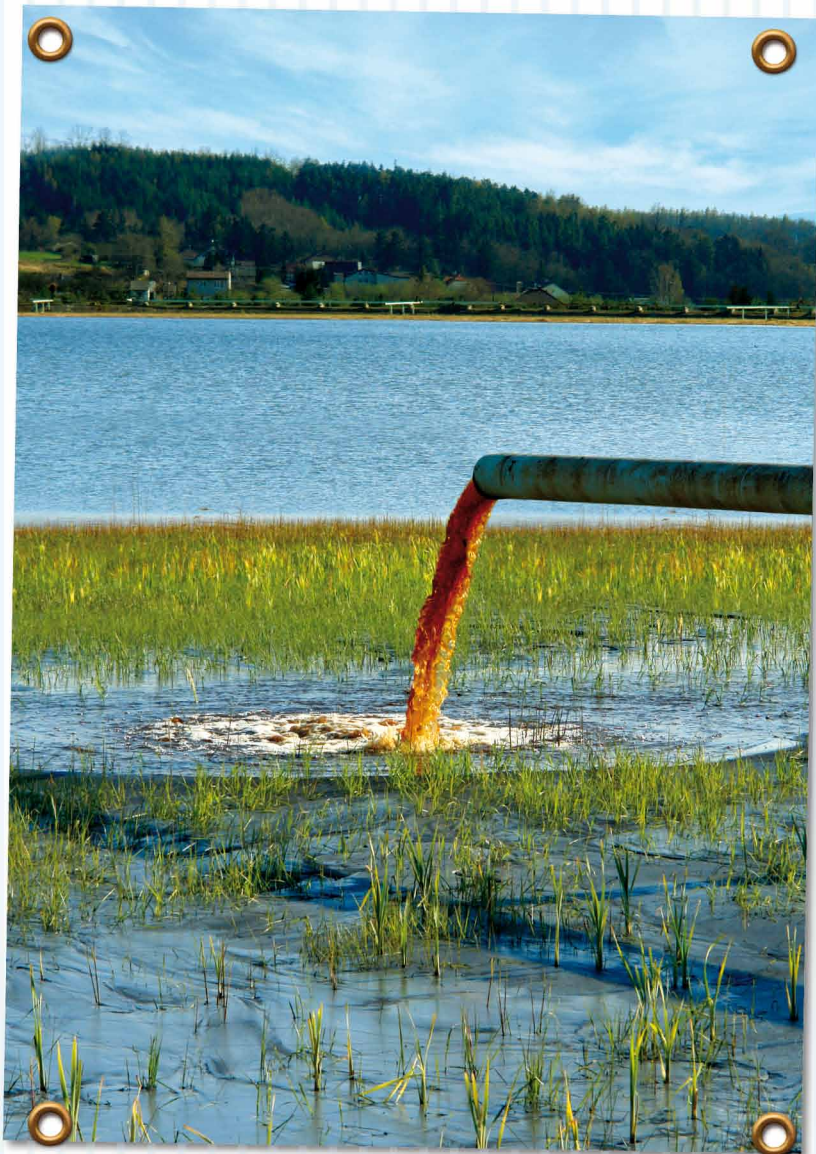


Further reading:

- [Universal Declaration of Human Rights](#).
- [Website](#) about the work of the Special Representative on Human Rights, John Ruggie.
- [International Labour Standards](#).
- [Human Rights Compliance Assessment \(HRCA\)](#) Tools of the Danish Institute for Human Rights (DIHR).
- [Aim for Human Rights](#) is a Dutch organisation that assists businesses in the use of [the Human Rights Impact Assessment tools \(HRIA\)](#).
- [Business and Human Rights Resource Centre](#), with topical information on human rights and a digital newsletter.
- [The International Business Leaders Forum \(IBLF\)](#) works with business, governments and civil society to enhance the contribution that enterprises can make to sustainable development and to the promotion of Human Rights.
- [FNV Mondiaal](#).
- [CNV Internationaal](#).
- [The Business Leaders Initiative on Human Rights](#).

Documents:

- [Human Rights Strategy ‘Human Dignity for All’](#).
- [UN Human Rights Council Report on Business and Human Rights](#).



The environment and sustainable development

Climate change, scarcity of natural resources, pollution and harm to nature are placing an increasing burden on the environment. The Dutch government believes that the business community has a very important role to play in improving this situation and is itself setting an example by introducing sustainable procurement from 2010.

Environmental performance

Enterprises can improve their environmental performance by combating and where necessary mitigating the environmental impact of their processes, products and services – for example, by setting up an environment management system. Innovation and R&D can help them achieve a better environmental performance.

Natural resources

Excessive and inappropriate use of natural resources is destroying global biodiversity. Loss of biodiversity is posing a serious threat to ecosystem services such as water consumption and food production. As natural resources such as clean water, fertile soil, wood and minerals are vulnerable, it is important for enterprises within the production chain to accept their responsibilities in purchasing, using and processing them. Animal welfare is another important consideration. Innovative solutions could lead to reduced water consumption, for example, or to alternatives for materials that are in short supply.



Energy

Fossil fuels are finite and their use often has a negative impact on the quality of the environment, for instance because of CO₂ emissions. Enterprises can minimise their energy consumption and maximise their use of sustainable energy sources. This applies not only to production facilities but also to transport and other chain activities.



Waste and residual products

Most business activities generate residual products. Resources such as water and air may also contain hazardous substances after use. Enterprises must



strive to reduce noxious emissions and minimise waste production. They must also ensure that waste is processed properly, through waste separation, water purification and recycling. The closure of material chains on the basis of the Cradle to Cradle principle could be a useful concept in this regard.

Further reading:

- [OECD Guidelines for Multinational Enterprises](#).
- [Rio Declaration on Environment and Development \(1992\)](#).
- [Convention on Biological Diversity](#). Signed by 150 government leaders at the 1992 Rio Earth Summit.
- [Kyoto Protocol \(1997\)](#).
- [ISO 14000](#).
- [EU Eco-Management and Audit Scheme \(EMAS\)](#).
- [Cleaner Production \(UNEP\)](#).
- [Best Available Techniques Reference Guides \(IPPC\)](#).
- [Basel Convention on Hazardous Waste](#).
- [Ceres Principles](#).
- [Partners for Water](#), a joint effort by government, the business community, knowledge institutes and NGOs to improve the international position of the Dutch water sector.
- Ministry of Housing, Spatial Planning and the Environment [website on sustainable procurement](#) (in Dutch).





The ethics of profit

A socially responsible enterprise contributes to both its own economic, social and ecological progress and that of society in general. It enters into fair and honest relations with other enterprises and governments.

Fighting corruption

Corruption is widespread. It leads to unfair competition and inefficiency. In poor countries it hits even harder, because it prevents the equitable distribution of growth, drains scarce public resources, and renders the fight against poverty ineffective. If there is no level playing field the Dutch business community's export interests will ultimately be damaged.

The Netherlands wants to combat corruption, especially in developing countries, in order to contribute to a level playing field, reduce poverty effectively and improve the distribution of growth.

The government promotes efforts to fight corruption. To prevent the loss of Dutch development aid through corruption, it assesses the risks involved in each financial decision. If corruption nonetheless occurs, aid is suspended or terminated. The government also assists Dutch companies that come up against corruption in foreign countries, and the Public Prosecution Service prosecutes Dutch nationals and companies based in the Netherlands for bribing foreign public officials, either directly or indirectly (e.g. via an intermediary).

Policy

Anti-bribery convention

The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed by the OECD member states, was incorporated into Dutch law in 2001. An enterprise may not offer, promise, give or accept a bribe or other unlawful advantage, either directly or indirectly, in order to obtain or retain business or other improper advantage.

Provision of information

Transparency and openness of information is extremely important for business activities. Depending on the nature, scale and place of business, enterprises should regularly provide information on their business activities and results, since they can then show that they have nothing to hide. An annual social report contributes to transparency.

In many emerging markets and developing countries, matters such as consumer rights, intellectual property, fair competition and taxation are insufficiently regulated. By dealing with them responsibly, a company can contribute to the sustainable development of the host country. This benefits not only the host country itself but also the company's future trade relations. See the website on [the OECD Guidelines for Multinational Enterprises](#) for more information.

Further reading:

- [Global Reporting Initiative](#) (GRI) has developed the world's most widely used guidelines for reporting on sustainability.
- [The Business Anti-Corruption Portal](#) contains extensive profiles of developing countries and emerging economies for SMEs operating there.
- [Transparency International](#), the global coalition against corruption for countering bribery.
- [International Chamber of Commerce anti-corruption policies](#) (ICC).

Documents:

- Annex to the BZ Code of Conduct on Bribery Abroad (BZ Intranet).
- [UN Guidelines for Consumer Protection](#).
- [Business Principles for Countering Bribery](#).
- [Business Principles for Countering Bribery, Small and Medium Enterprise edition](#).
- [OECD Convention on Combating Bribery of Foreign Public Officials](#).

CSR pays dividends

One of the reasons for companies to take an active approach to CSR is the conviction or perception that it is profitable, especially in the long term. Evidence increasingly shows that there is a positive relationship between CSR and corporate performance. A corporate study* has revealed that companies that have embedded CSR in their management practices perform better than their competitors.



* A.T. Kearney, Inc. (2009). Green Winners. The performance of sustainability-focused companies.



Some of the effects are:

- a better market position through lower costs, increased production and innovation;
- a distinct corporate identity leading to larger sales markets and new partnership opportunities;
- greater customer confidence in the company;
- understanding from stakeholders and confidence from the community;
- motivated, healthy and highly qualified employees;
- fewer risks;
- strong business culture;
- positive media attention;
- access to government subsidies.

In practice

From the Netherlands Business Support Office (NBSO), Lyon:
'More and more sustainable Dutch companies are looking for potential contractors in our region. We make an extra effort for them when doing a market scan. We approach not only companies that practise CSR, but also those that have a long way to go on the sustainability ladder. We try to understand their position and then to convince them by showing the social, environmental and financial benefits of sustainably produced products'.



