



**CONTENT**



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**INTRODUCTION**



# Chapter 1 Introduction

## 1.1 Background

This Frame of Reference for corporate social responsibility (CSR) reflects the vision of CSR for the Dutch CSR Platform (MVO Platform), a coalition of Dutch civil society organisations. It builds on a similar document published in 2002. Our 2007 edition is broken down into two parts; first, published here, a brief overview of standards and operating principles; and second, a more detailed manual offering basic information and explanations of CSR, due to be published later in 2007 (forthcoming).

## 1.2 Purpose

The CSR Frame of Reference has been drafted for use by business, the government and non-profit organisations alike. From the CSR Platform's perspective, corporate social responsibility is not a 'grab-bag' of options to pick and choose from at will. More importantly, we believe that CSR should be rooted in national legislation, internationally adopted standards and widely accepted principles

of good governance and responsible corporate behaviour. This Frame of Reference describes and defines these basic standards and principles.

## 1.3 Definition of CSR

The CSR Platform has adopted the following definition of CSR:

*CSR is a process whereby a company assumes responsibility, across its entire supply chain, for the social, ecological and economic consequences of the company's activities, reports on these consequences, and constructively engages with stakeholders.*

## 1.4 Basic Principles

The Frame of Reference is based on relevant internationally agreed standards, agreements, operating principles and processes. While international treaties, declarations, guidelines and covenants primarily define the social, ecological and economic responsibilities of governments, it is clear that they also have a direct and indirect bearing on companies.

A primary normative basis can be found within the 1948 Universal Declaration on Human Rights (UDHR). In the preamble of the Declaration, “every organ of society” (which includes the corporate sector) is called upon to take “progressive measures” so as to “promote respect for these rights and freedoms and secure their universal and effective recognition and observance”.

Two other important standards should be noted. In the area of labour practices, the ILO Conventions provide an important normative basis, while the 1992 Rio Declaration on Environment and Development has a key role with regard to the environment.<sup>1</sup>

In addition to the standards and treaties primarily oriented towards governments, international guidelines and standards that specifically address corporate responsibilities have also been developed. These include the OECD Guidelines for Multinational Corporations (revised edition, 2000) and the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977).<sup>2</sup>

The Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights (2003) of the UN Sub-commission on Human Rights also clarify the responsibilities of corporations on the basis of existing obligations of governments in this field.<sup>3</sup>

### 1.5 Sectoral approach

This Frame of Reference serves as a basis for developing sector specific guidelines, management systems and operating mechanisms. Initiatives covering an entire sector or an entire supply chain may contribute significantly to a systematic implementation of standards and guidelines and thus expand the practical experience based on these guidelines.

### 1.6 Corporate citizenship

Corporate citizenship refers to business activities or investments in local communities or targeted at specific segments of the community. They can include social objectives that are not directly related to the company’s core business, but where their

core competencies are deployed to make a social contribution. In this way, corporations can provide a major contribution towards development objectives, like the UN Millennium Development Goals.<sup>4</sup>

### 1.7 Voluntary vs. mandatory

The CSR Platform emphasizes that voluntary and mandatory CSR approaches can coexist. Non-governmental organisations (NGOs) and corporations alike have launched voluntary initiatives aimed at implementing the standards and principles referred to in this Frame of Reference or in other guidelines. Such multi-stakeholder initiatives, which are often industry-wide, can provide an important contribution to the development of credible and effective compliance with principles and standards.

These voluntary initiatives do not, however, guarantee that all corporations observe national and international regulations across the board. Although international treaties, when ratified by a national government, oblige states to protect its citizens against violations committed by third

parties, including companies, many developing and transitional countries nonetheless have legislation with extremely weak enforcement regimes. The Dutch government must ensure that companies based within its jurisdiction do not violate rights elsewhere.

In order to arrive at a level playing field and limit 'free rider' behaviour as much as possible, the ultimate goal should be to introduce internationally binding and enforceable legislation of environmental rights and human rights, including workers' rights.



**CSR  
STANDARDS**



## Chapter 2. CSR Standards

### 2.1. Social aspects

#### Human rights

Human rights consist of economic, social and cultural rights, as well as civil and political rights. Workers' rights and community rights are also included as universal human rights. From a strictly legal perspective, consumer rights are not considered universal human rights, but companies are also expected to observe consumer rights, notably the right to good health and the right to live.

Companies are required to observe and promote internationally recognized human rights within the sphere of their activities and influence. This means that companies are expected to observe the following responsibilities:

- Showing respect for national sovereignty
- Refraining from becoming involved in or supporting, either directly or indirectly, human rights violations; refraining from aiding and abetting war crimes or other crimes against

humanity, or profiting from such crimes; when operating in conflict areas, taking extra care to uphold basic human rights

- When protecting property and staff, making sure that security forces (either linked to the government or private entities) observe human rights<sup>5</sup>
- Respecting local communities and indigenous people
- Respecting the right to health and access to adequate basic provisions in terms of food, education, housing and participation in cultural affairs, and refrain from conducting activities that obstruct these rights.

#### Labour rights

Human rights concerning labour, including a ban on forced labour; the use of child labour; the right to freedom of association; and the right to receive fair remuneration, have been laid down in several articles of the Universal Declaration on Human Rights (UDHR). The International Labour Organisation (ILO) has detailed and expanded labour rights

and standards, notably in its 1998 Declaration on Fundamental Principles and Rights of Workers.

The ILO Conventions, in combination with the 1998 declaration and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, as well as the labour chapter in the OECD Guidelines, offer the most authoritative references with regard to labour standards. In view of this, companies should observe, respect and promote the following labour rights:

- The right to organize and collective bargaining (ILO Conventions 87, 98, expanded by 135)
- Ban on forced labour (ILO Conventions 29 and 105)
- Ban on child labour (ILO Conventions 138 and 182)
- Ban on discrimination (ILO Conventions 100 and 111)
- Security of employment (ILO Tripartite Declaration of principles, art. 24-28)
- The right to occupational health and safety (ILO Convention 155)

- Observance of maximum number of working hours (ILO Convention 1)
- The right to a living wage (ILO Tripartite Declaration of principles, art. 34).

### Consumer rights

In their dealings with consumers, companies should operate with honesty in their business affairs, marketing and advertising, and uphold the safety and quality of the goods and services they provide. The basic principles in this respect are expressed in the 1999 UN Guidelines for Consumer Protection, which cites eight basic principles: the right to access to necessary goods and services; to safety; information; choice; the right to be heard; to appeal and lodge a complaint; the right to consumer education; and sustainability.<sup>6</sup>

## 2.2 Environmental aspects

International goals with respect to the environment and sustainable development include the 1992 Rio Declaration on Environment and Development, the 1992 Biodiversity Treaty (formally: Convention on Biological Diversity), and the 1997 Kyoto

Protocol. Further, the 2002 UN World Summit on Sustainable Development in Johannesburg emphasized the role of the private sector in sustainable development.

A variety of specific treaties and conventions express the responsibilities of companies for the effects of their activities on air, water, soil, climate, ecosystems, biodiversity and health.<sup>7</sup> Companies should make an effort to minimize the negative effects of their activities. Moreover, they should report on these effects and engage in a dialogue with all stakeholders. The 1998 UNECE Aarhus Convention stipulates citizens' rights of access to information, public participation in decision-making, and access to justice in environmental matters.<sup>8</sup>

In view of the aforementioned treaties, the following basic principles apply to business:

- The principle of preventive action
- The precautionary principle<sup>9</sup>
- Addressing environmental damage at source
- The 'polluter pays' principle<sup>10</sup>
- Access to information about environmental impacts.

## 2.3 Economic aspects

In addition to concerns about the social and environmental impacts of companies, economic aspects are also increasingly debated from a CSR perspective. Yet unlike the social and environmental arenas there is as yet virtually no common international framework relating to this subject. There are, however, explicit international agreements in several specific areas (corruption, competition, taxation) that have an economic implication (see below for further information). In other areas, standards are being developed on the basis of existing corporate social responsibility practices. These areas include purchasing and trading conditions and fair allocation of profits across supply chains.

### Purchasing and trading conditions

Standards should be applied that provide the requisite conditions for responsible manufacturing behaviour, covering the purchasing and trading practices of companies that outsource internationally. For example:

- Pricing policy honouring the social and environmental quality of products and services provided
- Honest contracts based on the Unidroit's Conventions<sup>11</sup>
- Reasonable supply lead times in order to avoid exercising excessive pressure on workers and thus violating workers' rights
- Continuity in trading relations with multi-year contracts to ensure economic security for suppliers
- Shortening the supply chain in order to reduce suppliers' transaction costs
- Safeguarding the position of small-scale producers.

### Corruption

Any company should refrain from bribery and corruption practices. Explicit reference should be made in this context to the 1992 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The agreement requires all OECD countries to incorporate the convention into national legislation. Thus, The Netherlands has made it a criminal offence to bribe government officials abroad (i.e. outside The Netherlands).

### Competition

Profits and margins are not divided equitably across market and value chain players if dominant market positions are abused and corporations enter into agreements that undermine free trade and competition. Companies engaging in free trade and free markets should comply with rules aimed at providing fair opportunities to all players in the market.

Chapter IX of the OECD Guidelines, the 2004 UNCTAD Model Law on Competition, UNCTAD's 1980 Multi-laterally Agreed Equitable Principles and Rules

for the Control of Restrictive Business Practices<sup>12</sup> and Article 81 of the EU Treaty<sup>13</sup> cite the following basic conditions for fair competition:

- Prevention of consolidation and market domination
- Ban on competition-restricting agreements regarding price, quotas, subscriptions to tenders, and market shares.

### Taxation

Developing countries are deprived of considerable sums of money as a result of internal transfer-pricing practices and exemption from taxation. Corporate social responsibility in this area involves enterprises observing the following responsibilities:

- Tax should be paid in the country where business activities have actually taken place and profits have actually been made
- No transfer pricing, in other words, no price manipulation at borders with the aim of avoiding taxes or trading tariffs

- No thin capitalization, i.e. hiving off profits from subsidiaries by having them pay interest to other subsidiaries elsewhere
- No tax avoidance by extending payment deadlines or securing exceptional payment concessions
- No undue use or abuse of tax benefits linked to specific conditions, for example moving a company elsewhere as soon as a concessionary tax regime has lapsed.

**OPERATIONAL  
ASPECTS**



## Chapter 3 Operational aspects

There is growing consensus within the international CSR debate and practice about the above framework of standards. The debate is now increasingly focusing on the challenge of getting these principles implemented and integrated within a companies' activities. The implementation of CSR principles is conditional upon specific corporate policy being in place, the design of management systems and implementation plans, and the identification of responsibilities. The NGOs and trade unions participating in the CSR Platform have gained valuable experience, both individually and collectively, in developing systems – frequently product or sector-specific – for CSR monitoring, certification and verification standards. The CSR Platform has identified a number of general principles that are essential for the implementation of an effective and credible CSR policy.

### 3.1 Multi-stakeholder approach

Adopting a multi-stakeholder approach is an essential condition for a credible and effective CSR policy. One of the key elements is to identify all relevant stakeholders and the degree of their involvement and influence. Employees, local communities, suppliers, individuals, civil society organizations and other relevant stakeholders should be involved in defining and implementing CSR policy and participating in external verification of the implementation of CSR programmes and policies.

### 3.2 Supply chain approach

International product and supply chains are becoming ever more complex as a result of the outsourcing of manufacturing and other business processes. Decisions to outsource activities are frequently motivated by the desire to save costs and spread risks. It is precisely for that reason that companies have to take extra care to avoid violations of CSR standards in their production and supply

chains. The CSR Platform considers supply chain responsibility a core concept for companies in this respect. Supply chain responsibility implies that a company does all it can to enable, promote and implement responsible business practices throughout its supply chain.

### 3.3 CSR Implementation

CSR policy can be developed, implemented and integrated in business practices in a number of distinct steps. A corporate governance structure that aligns with CSR principles should be developed. Other essential elements for putting CSR into practice include analyses of risks and consequences of business practices, explicit policy-making, internal monitoring and management systems, independent verification, assessment and reporting. These are necessary steps in order to guarantee compliance with policy and uphold a company's credibility.

#### Corporate Governance

Companies need effective and transparent corporate governance in order to operate properly and be trusted as such by third parties. Corporate governance aligned with CSR, as well as other criteria, is a vital condition in this regard. The company board should ensure that CSR activities and responsibilities are incorporated explicitly in corporate policy and that mechanisms and management systems are developed that are conducive to creating a relationship of mutual trust between the company and the society in which it operates.

#### Analysis of risks and consequences

Companies should gain an understanding of the social, environmental and economic conditions in a given country, region and/or sector in which it operates. Companies should also analyse the consequences of their business activities in the supply chain and/or the community so that their business operations can fully comply with CSR standards. Solid analyses of the risks and consequences of their business practices allow companies to set priorities and identify which CSR elements are particularly at risk. This will



include information on how these risks may be avoided, or what plan may be developed in order to achieve compliance with these standards within a reasonable timeframe.

### **Developing policy: codes of conduct and sector-based initiatives**

The responsibility assumed by a company for CSR should be reflected in its policy as expressed in a code of conduct and action plan. In order to avoid a plethora of codes of conduct, each defined by companies on their own, this is best achieved through a cross-sector approach, in which sector-level or product-level agreements are made with the entire industry and in consultation with relevant stakeholders.

### **Implementation: management system, internal monitoring**

The first step is for companies to monitor their own practices in order to establish whether these are consistent with their internal CSR policies, goals and implementation plans. As is customary in quality assurance and environmental management systems, a CSR management system will consist

of explicitly defined corporate policy and ensuring processes for complying with the standards. Such a system should also include self-monitoring processes to ensure that companies themselves can demonstrate whether and/or to what extent they are acting in line with the standards introduced, and what corrective measures they must take in order to eliminate any non-compliance.

### **External verification**

Independent verification processes are the final building block of an effective CSR policy. The quality, usefulness and credibility of a company's efforts, as well as the management systems and processes it has introduced, are strengthened by independent verification of its CSR programme. Independent verification is not a purely technical matter merely requiring the involvement of one or several experts. All those directly involved, for example the employees or the local community, should be able to verify the extent to which a given company's CSR policy is being implemented and enforced. Such independent verification should be conducted by an organization without links to the

company and that is trusted by all relevant stakeholders.

### Transparency and reporting

Companies are expected to be transparent about their policy and to report on their CSR performance. The following are key transparency and reporting principles:

- Reports are relevant, intelligible, accurate, complete and balanced. Other important elements are: adequate explanation, comparability over time, comparability with affiliated firms (subsidiaries and suppliers), topicality and timeliness<sup>14</sup>
- Supply of information, for example background information for labels or quality marks and information made available to the general public
- Disclosure of data and consultation
- Right of access to information for stakeholders, for example consumers, about the origin and production processes of products and services.

### Complaints procedure

The implementation of a CSR policy will involve creating channels for complaints from employees, consumers and other stakeholders, so that these stakeholders may at all times report alleged violations of CSR standards. Individuals providing information on a company's operations should not subsequently suffer disciplinary action, discharge or discrimination. Companies should therefore have transparent and effective procedures for handling complaints from employees, consumers and other stakeholders, and they should co-operate in resolving differences quickly and fairly without introducing unnecessary costs, charges or other obstacles.

## Notes

- <sup>1</sup> United Nations (UN), General Assembly resolution 217 A (III), 10 December 1948, "Universal Declaration on Human Rights", <http://www.un.org/Overview/rights.html>; International Labour Organization, ILOLEX database of International Labour Standards, <http://www.ilo.org/ilolex/english/convdisp1.htm>; United Nations, U.N. Conference on Environment and Development, June 1992, "Rio Declaration on Environment and Development", <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=78&ArticleID=1163>
- <sup>2</sup> Organisation for Economic Co-operation and Development (OECD), Revision 2000, "OECD Guidelines for Multinational Enterprises"; International Labour Organization (ILO), November 1977, "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy", <http://www.ilo.org/public/english/employment/multi/download/english.pdf>
- <sup>3</sup> United Nations, U.N. Sub-Commission on the Promotion and Protection of Human Rights resolution 2003/16, August 2003, "Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights", <http://www.unhcr.ch/Huridocda/Huridoca.nsf/0/64155e7e8141b38cc1256d63002c55e8?Opendocument>
- <sup>4</sup> See <http://www.un.org/millenniumgoals>
- <sup>5</sup> Guidelines are the UN Code of Conduct for Law Enforcement Officials (1979) and the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials (1990), [http://www.unhcr.ch/html/menu3/b/h\\_comp43.htm](http://www.unhcr.ch/html/menu3/b/h_comp43.htm)
- <sup>6</sup> United Nations, Department of Economic and Social Affairs, 1999, "Guidelines for Consumer Protection (as expanded in 1999)", [http://www.un.org/esa/sustdev/publications/consumption\\_en.pdf#search=%22UN%20Consumer%20Guidelines%22](http://www.un.org/esa/sustdev/publications/consumption_en.pdf#search=%22UN%20Consumer%20Guidelines%22)
- <sup>7</sup> Convention on International Trade in Endangered Species of Wild Flora and Fauna (1973), the Cartagena Protocol on Biosafety (2000), the Stockholm Convention on Persistent Organic Pollutants (POPs, 2001), the Rotterdam Convention on Prior Informed Consent (PICs, 1998) and the OECD Guidelines for Multinational Enterprises. There are now some 200 multilateral treaties on the environment which collectively provide a policy and legal framework for the environment. These treaties preceded the 1992 Rio de Janeiro climate conference.
- <sup>8</sup> UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention). <http://www.unece.org/env/pp/> and Principle 10 of the Rio Declaration.
- <sup>9</sup> Principle 15 of the Rio declaration.
- <sup>10</sup> Principle 16 of the Rio declaration.
- <sup>11</sup> The Netherlands have signed the Unidroit Conventions, including the Uniform Law on the Formation of Contracts for the International Sale of Goods.
- <sup>12</sup> United Nations, UNCTAD, 1980, "The Set Of Multilaterally Agreed Equitable Principles And Rules For The Control Of Restrictive Business Practices".
- <sup>13</sup> European Community, 1958, "Treaty Establishing the European Community (1997 Nice consolidated version Nice)", <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12002E081:NL:HTML>
- <sup>14</sup> The Global Reporting Initiative (GRI) is often used as a reporting standard these days.

**MVO  
PLATFORM**







## Colophon

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