

SUSTRAINY PROJECT

ECONOMY

TOPIC N°4 CORPORATE SOCIAL RESPONSIBILITY (CSR)



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Introduction to the topic

The European Commission defines Corporate Social Responsibility (CSR)¹ as the responsibility of enterprises for their social impact. CSR is therefore company led and companies are responsible for:

- Integrating social, environmental, ethical, consumer and human rights into their business strategy and operations
- Follow the law. Indeed, Public authorities play a supporting role through voluntary policy measures and, where necessary, complementary regulation.

According to the United Nations Industrial Development Organization (UNIDO), CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders.²

CSR is voluntary but at the national level, countries have national policies and strategies to foster it. At the European and International level, the following guidance and strategic documents should be underlined:

A renewed EU strategy 2011-14 for corporate social responsibility

Action plan on human rights and democracy (2015-2019)

Communication on the next steps for a sustainable European Future

Reflection paper: towards a sustainable Europe by 2030

Directive 2014/95/EU on non-financial reporting

United Nations guiding principles on business and human Rights

¹ https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en

² <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>

UN 2030 agenda for sustainable development

ISO 26000 guidance standard on social responsibility

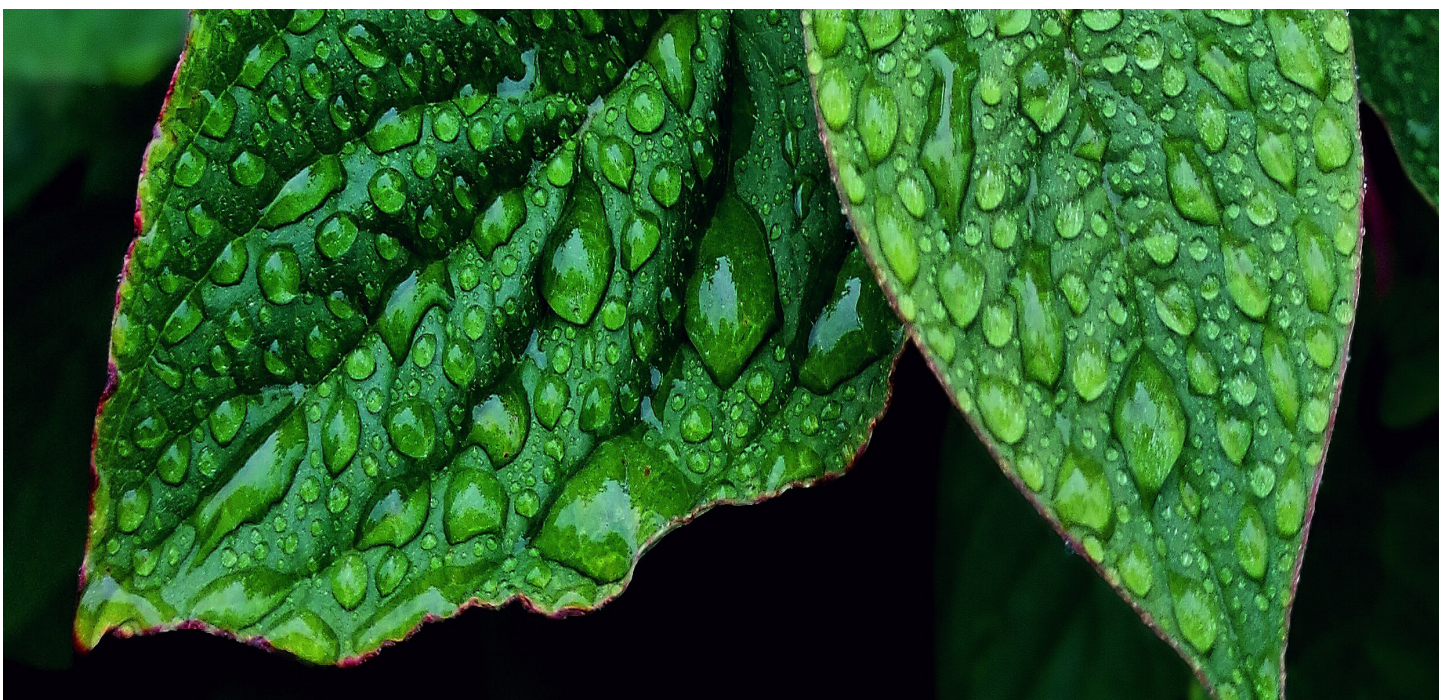
OECD guidelines for multinational enterprises

OECD due diligence guidance for responsible business conduct

CSR should be distinguished from other related concepts such as self-regulation, co-regulation, philanthropy, charity and purpose. Its key issues include environmental management, eco-efficiency, responsible sourcing, social equity, gender balance, labour standards, employee and community relations, human rights, good governance and anti-corruption measures. We will further develop, explore and illustrate these concepts in the different chapters of this module.

As you will see, concepts, standards and policies regarding CSR usually address the structures and needs of large companies. It is nevertheless important to know them. Furthermore, more and more reports and strategic advice are now taking into account the SME context (see chapter 5 more specifically).

A well-thought and properly implemented CSR strategy can bring you many competitive advantages including better image and reputation, better decision making, more efficient risk management, customer loyalty, increase in sales, revenue and turnover as well as efficient human resources management.



Chapter 1 –Environmental management and eco-efficiency in CSR

1.1 Eco-efficiency – THE CONCEPT¹

1. This concept introduction is taken from the IISD Business and Sustainable Development Global guide https://www.iisd.org/business/tools/bt_eco_eff.aspx

The term ‘eco-efficiency’ was coined by the **World Business Council for Sustainable Development (WBCSD)** in 1991. It is defined as creating more goods and services while using fewer resources and creating less waste and pollution.

According to the WBCSD, *“eco-efficiency is achieved through the delivery of competitively priced goods and services that satisfy human needs and bring quality of life while progressively reducing environmental impacts of goods and resource intensity throughout the entire life-cycle to a level at least in line with the Earth’s estimated carrying capacity”*. Therefore, eco-efficiency increases the value of the product or services and optimizes the use of resources.

According to the WBCSD, critical aspects of eco-efficiency are¹:

- A reduction in the material intensity of goods or services
- A reduction in the energy intensity of goods or services;
- Reduced dispersion of toxic materials;
- Improved recyclability;
- Maximum use of renewable resources;
- Greater durability of products;extension of functions and product life
- Incorporation of lifecycle principles
- Consideration of the usefulness and recyclability of the product/service at the end of its useful life
- Increased service intensity



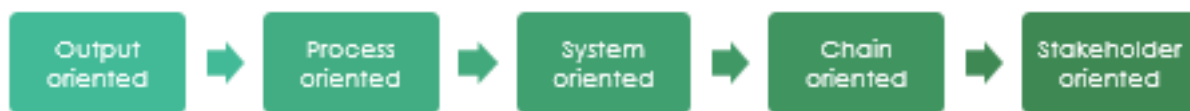
Eco-efficiency is part of a broader concept called ‘**sustainable production and consumption**’ (SPC). This concept involves changes in production and consumption patterns that lead to sustainable use of natural resources. Businesses play a key role, both as consumers of raw materials and as producers of goods and services.

¹ <http://docs.wbcsd.org/2006/08/EfficiencyLearningModule.pdf>

1.2 Resource management, impact and different phases of eco-efficiency

Eco-efficiency implies better resource management and reduced use of resources such as energy, water and virgin materials and the reduction in waste.

In their study “Eco efficiency and beyond” Seiler Hauffman et al (2004) identify five phases of the eco-efficiency development of a company.



Output oriented: management is focused on output rather than on processes. In this phase, errors are only recognized once the event happened. Companies are in a reactive mode.

Process oriented: Focus shifts to the production process. Errors can be corrected in the basis of knowledge and measurement.

System oriented: The entire company focuses on impact measurement and supports eco efficiency. In this phase, the company sets up a system to control production and applies preventive measures or corrective measures if an error occurs.

Chain oriented: Beyond the internal focus on previous phases, during the chain-oriented process, focus becomes more external and takes into consideration the external effects within markets and considers how different companies of a same sector interact in a cooperative way creating win-win situations and creating value in the entire chain.

Stakeholder oriented: In this ultimate phase, companies base their vision and policy on stakeholder expectations acting with a sense of responsibility towards society.

In practice, here are different tools that can guide your eco-efficient business model:

- Life-cycle assessment and ecological foot print
- Environmental performance evaluation
- Material flow analysis
- Resource efficiency accounting
- Cost benefit analysis

- Eco-efficiency analysis
- Eco-marketing
- Eco-efficiency benchmarking

Different impact measurement standards can help you perform your analysis:

- **ISO 14010** sets environmental auditing criteria
- **ISO 14030** sets environmental performance evaluation criteria
- **ISO 14040** sets life cycle assessment criteria.
- **ISO 14020** sets the environmental labelling criteria

1.3 Eco-efficiency, company performance and macro-economic benefits

Company performance and competitiveness is at the heart of the WBCSD's definition of eco efficiency as eco-efficiency is achieved by the "delivery of **competitively priced** goods and services".

At a basic level, eco-efficiency means, "*doing more with less*". It enables more efficient production processes and the creation of better products and services while reducing resource use, waste, and pollution along the entire value chain. Not only can it save production costs but can also open up new sources of revenue for companies.¹

The OECD defines eco efficiency as a ratio² on an output (the value of products and services produced by a firm, sector or economy as a whole) divided by an input (the sum of environmental pressures generated by the firm, sector or economy). Eco-efficiency is therefore directly related to the company performance. It also prioritizes human welfare over nature exploitation.

The reduction in ecological impacts translates into an increase in resource productivity, which in turn can create competitive advantage. A further competitive advantage is financial: indeed financial markets have started to look at the environmental performance of companies as it was proven that companies that have implemented eco-efficiency usually outperform their competitors that didn't.

Here is the most important advice for implementing eco efficiency in your company³:

- Revalorize your products and think about new resources revenue from waste
- Apply systemic risk minimization
- Cooperate with other companies in order to maximize the use of resources
- Know your customer and sell functional products and services
- Provide users with comprehensive solutions
- Create new businesses with add on services
- Rethinking opportunities in the light of changing markets (new taxes, increased consumer awareness).

¹ <http://docs.wbcsd.org/2006/08/EfficiencyLearningModule.pdf>

² <http://docs.wbcsd.org/2006/08/EfficiencyLearningModule.pdf>

³ <http://docs.wbcsd.org/2006/08/EfficiencyLearningModule.pdf>



1.4 Eco-Efficiency in CSR - BEST PRACTICE

Innovation in sustainable products (Viva Green)



Context: VivaGreen is a company founded in 1992 that produces biodegradable, chemical-free and recycled products for a home-based and daily use.

Challenge: VivaGreen is active in the research and development of these materials and is committed in developing green and high quality products.

Solution: Viva Green CSR strategy focuses on education, research, community relations, ethics, and most importantly expanding engineering resource to answer to the challenge of growth in their product range and distribution channels. It identifies sustainable substitute product materials with similar cost base to the harmful products to allow products to be competitive. It also focuses on product performance.

Result: Increased turnover by 100% in two years and increase of 65% in exports.

More information: <http://csrhub.ie/csr-case-studies/vivagreen-innovation-in-sustainable-products.html>

European Eco Label for sustainable processes (Samsic Italy)



Context: Samsic is a family company founded in Brittany (France) in 1986 in the sector of cleaning. It is now present in 25 countries in Europe and beyond with over 30 000 clients, 93 000 employees and a turnover of 2,6 billion euros. In Italy, Samsic provides cleaning, energy and maintenance services for industrial building and facilities.

Challenge: Samsic is active in various types of industries and it believes that it has a role to play in their sustainability limiting the negative impact of their daily tasks.

Solution: Every employee of Samsic Italy is involved in the sustainability measures as they are encouraged to use cleaning products more efficiently and are committed to the company's environmental performance. They optimize the use of products and reduce costs for the company.

Result: The Samsic branch in Italy was awarded the European Eco Label Certification for Cleaning in 2019 and certified by the ISO 14024 Type I eco label restraining the use of hazardous substances. As a result, it has created synergies and durable partnerships with clients and suppliers creating a sustainable quality-drive supply chain.

More information: https://ec.europa.eu/environment/ecolabel/documents/Success_story_SAMSIC_IT.pdf

Chapter 2 –CSR and community relations

2.1 CSR and community relations – THE CONCEPT

As recalled by the European Commission in its [Green Paper on CSR](#), corporate social responsibility is also about the integration of companies to their local environments. On the one hand, companies contribute to local communities by providing jobs, paying wages and taxes. On the other hand, they depend on the health, stability, legal reliability and prosperity of the communities and societies in which they operate. They also profit from the local market, especially SMEs that mostly rely on the clients of surrounding areas.

Being involved in community development contributes to the accumulation of social capital. In addition, the knowledge of local traditions can even create new businesses related and help companies to specialize building on their local strengths.

Community relations is nowadays a strategic aspect of business and a fundamental ingredient the sustainability of companies. Increasing social pressure is transforming the relationship between companies and communities. The reputation of a company and its image as an employer and producer contributing to its local community can certainly boost its competitiveness.

You can make a commitment to the community in two manners: (1) through employment and recruitment policies by attracting and retaining top employees respecting diversity and inclusion engagements (2) through direct social engagement in the community which in turn gives a positive visibility to the company among customers improving its position in the market.

A positive and proactive connection to the community can translate into more value for your company and even more market share and a successful business plan.

2.2 CSR, community building and community involvement

CSR is closely related to the concept of community relations and community support especially community development, promoting diversity, fostering inclusion ([link to module](#)) and philanthropy efforts ([link to module](#)).

External pressures, risk mitigation and official compliance triggered most businesses to adopt more responsible practices and support innovative efforts to promote human rights and improve communities.¹

Community involvement can take many forms: supporting a local charity with financial contribution (see Philanthropy module), organize a local event, volunteering in a local school or community projects, mentoring, give a financial contribution or get involved in reconstruction after a natural disaster etc. Most companies engage in community actions that are directly related to their products. For example, a restaurant can give food to a local homeless shelter, a building company can give free material to a community project linked to construction.²

Community involvement asks for great investment in terms of time, skills and resources and is a process to be followed on the long term in order to achieve sustainable change, long-lasting results and social impact. Investing in community engagement, diversity and inclusion require consistency, an ongoing presence and follow-up to be effective³. But they have an equally long lasting result on company branding, they can induce demographic and societal shifts and even increase profits.⁴



1 <https://www.greenbiz.com/article/connection-between-diversity-inclusion-and-corporate-responsibility>

2 <https://www.nibusinessinfo.co.uk/content/corporate-social-responsibility-local-community>

3 <https://diversitymbamagazine.com/organizations/linking-diversity-and-corporate-social-responsibility-a-lost-opportunity/>

4 <https://rsmus.com/economics/rsm-middle-market-business-index-mmmbi/corporate-social-responsibility-and-the-middle-market/diversity-and-inclusion-hand-in-hand-with-csr.html>

2.3 CSR, diversity and social inclusion inside the companyGoals.

A strong diversity and inclusion strategy is often one of the main elements of an organization's overall corporate social responsibility (CSR) program. As recruiting and retaining talent becomes more challenging, especially for SMEs, valuing diversity and inclusion can be a differentiating and valued characteristic. It further stirs a sense of belonging among employees who feel they are respected and have aligned values with their employer and colleagues. This influences positively their engagement and long term commitment to the company.

Inside the company, the Human Resources strategies to recruit and value employees from diverse backgrounds and the gender equality policies are essential (please also relate to the inclusion and diversity module and to the labour chapter of this module). You can even go further to insure they have the right pole of skills in the community by providing or contributing to vocational training.

Another essential component of social inclusion inside the company is gender balance. Research by the Harvard Business School and the organization Catalyst (Soares et al, 2011) have widely valued the contributions of gender equality and feminine leadership for companies. Inclusive leadership improves the quality of CSR policies and increases sustainable wins for companies and societies. More women leader is also co-related with higher levels of philanthropy from the company.¹

You can find more information on Diversity & Inclusion in the specific SUSTRAINITY module dedicated to this issue.



¹ https://www.catalyst.org/wp-content/uploads/2019/01/gender_and_corporate_social_responsibility.pdf

2.4 CSR and Community relations EXAMPLES AND BEST PRACTICES

Workplace gender transitioning policy (Dublin Bus)



Context: Dublin bus is a public transportation company based in Dublin, created in 1987 and having over 3500 employees today. As a part of their commitment to sustainable community life, giving employees a fulfilling experience and supporting diversity and inclusion among the workforce, Dublin Bus has introduced a Workplace Gender Transition Policy drafted in consultation with the LGBTQ+ Community working at Dublin Bus.

Challenges: Drafting a gender transition policy was time consuming and asked for a lot of engagement from employees and managers. This initiative is one of the first in the country so it couldn't benefit from lessons learned and best practices.

Solution: The policy provides comprehensive information for employees and their managers on gender identity and how to provide a supportive environment for employees that are transitioning. It allows to retain a committed workforce, attracting new talent. It further fosters engagement and encourages dialogue around Trans issues within the company and society in general.

Result: A number of other organizations have contacted Dublin Bus for advice and guidance in this area. The company received an award at the CIPD Ireland Awards 2018, under the Diversity and Inclusion category. It was nominated for 'Employer of the Year' at the GALAs 2017 which celebrate and acknowledge achievements in the LGBTQ+ community in Ireland. The nomination was made by the family of an LGBTQ+ employee based on the company's work in this area since 2017.

More information: <http://csrhub.ie/csr-case-studies/dublin-bus-workplace-gender-transition-policy.html>

Building Suitable local communities (The Little Milk Co)



Context: The Little Milk Co are family run organic dairy farms in Munster and Leister, Ireland. It was created in March 2008 and specializes in the production of Cheddar and soft cheese. It is a result of the union of ten milk producers. The management team is only constituted by two persons.

Challenge: Despite its small size, it was very important for the Little Milk Co to get engaged in local communities in accordance to their beliefs in local and sustainable farming and animal and human well-being.

Solution: They developed community groups offering workshops notably on mental health, leadership and empowerment. They also offer financial support and assistance to self-sustainable community-projects.

Results: Development of 3 local community groups and active dissemination on social media.

More information: <http://csrhub.ie/csr-case-studies/sme-csr-case-studies/the-little-milk-co-building-healthy-and-sustainable-communities.html>

Chapter 3 –Labour standards and management in CSR

3.1 Labour standards – The conception of ILO and company codes

The International Labour Organization (ILO) plays a key role in CSR as labour and social dialogue are key aspects of sustainable businesses and CSR strategies. When talking about labour standards, many codes of conducts derive from principles and standards developed by ILO.

ILO conventions, when ratified at the national level, become binding on governments and those governments adopt legislation to apply them. If they are not binding to companies, ILO standards can guide their behavior.

The first involvement of ILO with CSR standards can be traced to 1977 and the “MNE Declaration” or “[Tripartite Declaration of Principles Concerning Multinational Enterprises & Social Policy](#)” which is a guide on company behavior aimed at governments, ILO constituents and enterprises. This declaration recognizes the role of multinational enterprises in globalization, direct investment, trade and social policies. It was adopted with the agreement of workers, governments and companies (tripartite collaboration).

In 1998, ILO signed the [Declaration on Fundamental Rights and Principles at Work](#), which addresses social rights such as the right of association for workers and the end of forced labour.

In 2000, ILO accepted the invitation of the UN Secretary General to participate in an initiative promoting global citizenship, the UN Global Citizenship Compact. It promoted policy dialogue on how to prevent discrimination and promote equality and more specifically how to prevent discrimination related to HIV. It has also written the [Labour Principles of the United Nations Global Compact, a Guide for Business](#).

Other than ILO declarations, company codes also define labour standards. A company code refers to a voluntary initiative adopted unilaterally by individual corporations. On a wider level there are also business association codes. Finally there are multi-stakeholder codes which are initiated by NGOs and operate through a subscription method. The [Fair Labour Association FLA Code](#), [Ethical Trading Initiative ETI Base Code](#) and [Social Accountability 8000](#) standards are examples of multi stakeholder codes.



3.2 A focus on employment relations of conduct

Instituting social dialogue, The **ILO tripartite declaration** balances the roles and responsibilities of governments, multinationals, employers and workers. It gives advice on employment promotion as it increases living standards and opportunities, especially in developing countries, security of employment and training.

You can follow a particular advice on how to **determine wages**: you should take into consideration the living needs of the workers and their family, the costs of health and alimentation in a country, the wage level of the country and the productivity level.

Another aspect should be underlined: the importance for employers, in association with governments, to provide vocational training and skills development to employees widening their professional opportunities and strengthening their careers.

Regarding employment relations, the **ILO 1998 Declaration** institutes the freedom of association and the right to collective bargain, the elimination of compulsory and child labour, and the fight against discrimination in respect to employment and occupation.

In its **Labour Principles for the UN Global Compact**, you will find advice on how to effectively fight discrimination at work especially regarding recruitment, remuneration, leave in general and maternal leave specifically, job assignment, job and performance assessment and training opportunities.

Non discrimination means that a worker is chosen on the basis of their suitability to the job and there is no distinction, preference or exclusion based on other grounds. The workplace is indeed recognized as one of the strategic entry points to free society from discrimination. We advise you to issue clear company policies and procedures for recruitment and job promotion, to provide staff training on a non discriminatory basis, to be aware of disability, to adapt the physical working environment and working hours to workers' needs and conditions, to keep records on recruitment, training and promotion in order to give a transparent overview of employees' progression in the organization and to be aware of informal cultural issues that prevent employees to raise concerns or complaints.



3.3 A focus on health and safety

In its [Green Paper](#), the European Commission underlines that health and safety at work are two essential issues in CSR that have been traditionally approached by national legislations and **enforcement** measures. Nevertheless, with the development of **work outsourcing** and companies being more depending on the health and safety performance of suppliers and contractors, CSR is gaining importance. Most companies code of conduct include health and safety rules. Companies also promote health and safety performance as marketing arguments to the consumers purchasing their products. The demand for measuring, **communicating and documenting** occupational, safety and health performance is increasing. These are now included in procurement contracts and many certifications notably. One example is the [Swedish TCO Labeling scheme](#) which aims to stimulate a safer occupational environment paying specific attention to equipment.

In the ILO tripartite declaration it is stated that companies should maintain the **highest level of health and safety standards in conformity with national standards** bearing in mind their relevant experience including in **preventing specific hazards**.

Compensation should be given to workers who have been victim of occupational accidents and diseases an adequate **preventive culture** should be put into place.

The Ethical Trading Initiative **ETI Base Code** gives further indication on safety and hygiene also highlighting the need for hazard minimization. It advises to give workers regular and recorded **health and safety training** that should be repeated for new or reassigned workers and the need to **assign responsibility** for health and safety to a senior management representative.



3.4 Labour standards and management—EXAMPLES AND BEST

Employee engagement through social networking and gamification (The Big Blue Bubble)



Context: The Big Blue Bubble is a Canadian studio based in London and founded in 2004. It has developed more than 100 games since its creation and it has rapidly grown winning several awards such as the Deloitte's Technology Fast 50 Companies.

Challenges: With its stunning growth, it has also considerably raised its number of employees reaching up to 200 persons. This led to challenges related to managing key HR functions, as well as internal communications.

Solution: In order to address the challenge, the Big Blue Bubble developed an internal social media tool (ISM) driving internal communication and employers' engagement in their areas of interest. They put into place a cloud-based HR platform with a strong internal social networking function allowing to streamline performance reviews, give feedback, generate reports and communicate through an organized news feed. Through the tool, the company openly shares business updates, photos, product launch news, upcoming event and birthday information, highlights who's out of the office on any given day, introduces new employees and interns, and even promotes employees' participation in extracurricular activities.

Results: Information is better shared by employees, employees feedback are better taken into consideration, content shared is of quality and relevant, there is a high level of participation by the leadership team.

More information: <https://smbp.uwaterloo.ca/2018/10/internal-social-networking-is-the-name-of-the-game-at-big-blue-bubble/>

Workers' well-being (Levi Strauss)



Context: Levi Strauss & Co is a fashion brand founded in the United States in 1853 and very known for its denim jeans. The company is nowadays worth 7 800 million dollars.

Challenges: Being part of an industry with many work risks, Levi Strauss has established standards and comprehensive code of conduct for the past 25 years in order to maintain a responsible supply chain. It is highly engaged in protecting workers' rights and their basic needs. Nevertheless, Levi Strauss decided to go beyond minimum standards and established a deeper communication with its workers.

Solution: In 2011, it began piloting the program "Worker well-being" in order to create a more sustainable and respectful supply chain. Through this approach, it partners with suppliers and local organizations to implement programs focusing on financial empowerment, health, family well-being, equality and acceptance. In order to address the variety of workers' personal needs, it institutes a listening approach surveying factory workers in first hand. Once the needs are compiled, specific programs are put into place with the support of local actors, representatives and NGOs.



Co-funded by the
Erasmus+ Programme
of the European Union



Results: The program has extended to 17 countries impacting nearly 190 000 workers (65% of total company workers). By 2025, the company aims to implement the program with over 300 000 workers which represents the totality of workers from strategic suppliers. Workers well-being resources and specific projects (investing in women, freedom of association in Haiti, Child labour prevention in Bangladesh) are available [here](#) and its guide handbook can be consulted [here](#).

Chapter 4 – Transparency and anti-corruption in CSR

4.1 Transparency and anticorruption – DIFFERENT CONCEPTS

Transparency and anticorruption are concepts that usually go together. But what are they exactly and how do they relate to CSR?

In our democratic societies, transparency is a basic principle, governing individual and collective action, used as an underlying assumption. In principle, it means that companies have nothing to hide: **they should disclose their information to stakeholders and should be made accountable for their actions** and act responsibly. In this perspective, transparency is a democratic ideal and a matter of economy efficiency.

As for anti-corruption, it relates to the action of preventing or eradicating dishonest and fraudulent conduct especially in the political and business context.

At the EU level, the following actions have been taking to improve company transparency:

- Improving tax transparency : fighting tax evasion and avoidance through the [Directive 2015/2376/ EU on automatic exchange of tax rulings and advanced tax agreement](#), the [EU Action Plan for Fair and Efficient Corporate Taxation](#) and the [EU Platform on Tax Good Governance](#)
- Country-by-country reporting: [Directive adopted in 2013](#) to enhance the transparency in the oil, gas, mining and forestry sectors. This enhances government accountability.
- [Directive on disclosure of non-financial information](#): This directive adopted in 2014 requires large companies with more than 500 employees listed in the EU markets and operating in the banking and insurance sectors to disclose certain non-financial information such as their business model, outcomes, risk management, key performance indicators (KPI) in terms of employment, environment, social policy, human rights and anti-corruption. It was followed by precise instructions from the European Commission about [compliance](#).
- [Revised Shareholders Rights Directive](#): This directive adopted in 2017 aims at improving the governance of EU companies listed on the stock exchanges.
- [Sustainable Finance Action plan](#): Adopted in 2018 under the recommendations provided by the High Level Action Group on Sustainable Finance. It provides investors with a set of tools and a framework to integrate sustainability considerations in their investment choices and identify sustainable investment opportunities.

4.2 CSR and anti-corruption

Some scholars, such as Bacio Terracino (2007) in his study *Anti Corruption: The Enabling CSR Principle* affirm that **anti-corruption standards have received considerably less attention in CSR than issue such as labour rights**, environment or human rights. Indeed, the consequences of corruption for individuals and societies are only an evidence on a long term trend and so are not self-evident. As corruption is a threat to society, it is an important component of CSR.

The first voices addressing anti-corruption in the real of CSR started to be heard in 2000 when the **UN Global Compact Initiative** was launched. Anti-corruption is linked to the **tenth principle**: “Businesses should work against corruption in all its forms, including extortion and bribery.” Corruption is indeed seen as an obstacle for social and economic development all over the world having negative impacts for sustainability and community development. Corruption affects business growth, impacts costs by raising them considerably and induces serious legal and reputational risks. Anti-corruption laws emerge nationally at a worldwide scale. The UN also provides a **platform** for companies in order to institute dialogue, mutual learning and exchange of best practices on the issue.



4.3 Transparency, Accountability and Financial Sustainability of companies

Within the transparency perspective, many actors can ask companies to disclose their information. According to scholars Aggeri and Le Breton (2016) in their study *The Regulation of Transparency in the field of CSR (2016)* we can distinguish among these actors:

- **NGOs**: they value transparency to answer to the needs of citizens to be informed and to promote corporate transparency. They can eventually institute transparency awards or publicly criticize companies that fail to be transparent.

- **Public authorities:** in the name of transparency, they approve legislation and regulations to create CSR reporting obligations for company's big corporations.

- **Specialists:** the need for more transparency has materialized into various private standards. One standard example is the **AA1000 series** which improves the accountability and overall performance of organizations by increasing the quality of social and ethical accounting, auditing and reporting.

- **International organizations:** **UNEP's Financial Institution Initiative** engages a broad range of financial institutions in constructive dialogue about sustainable development and promotes the adoption of sustainable practices in all levels of financial institutions operations. It has put into place its own **Corporate Sustainability Reporting tool**.

In practice, among the European Commission advices in its **EU Sustainable Finance Action plan**, we can retain:

- **Mainstreaming sustainability in risk management:** include environmental and social goals in financial decision making in order to limit the financial impact of environmental and social risks
- **Foster transparency in the long term:** corporate transparency on sustainable issues is seen as pre-requisite to enable to properly assess the long term value creation of companies. Long term risks should be fully transparent. This long term transparency can be supported by innovative technology. In the long run, it empowers citizens and allows to make informed investment decisions.
- **The creation of financial sustainability labels**
- **Financial sustainability benchmarks:** Useful instruments allowing investors to track, measure performance and allocate assets accordingly.

4.4 Transparency & Anticorruption EXAMPLES AND BEST PRACTICES

Accountability – The case of Titan in Greece



Context: Titan is a cement company implemented in Greece since 1902. In 1995 it was the first company in Greece to publish a social report. Titan employs directly 1 142 workers and indirectly 5 000 workers through its supply chain (3500 local suppliers).

Description: Titan has also taken a leading role in the implementation of the “CSR supply chain Laboratory” under the EU Business Alliance for CSR. It has also a code of conduct underlying its compliance with human rights, health and safety, sustainable growth, fighting bribery and corruption, preventing conflicts of interest and committing to fair competition and financial and non-financial reporting.

Results: Titan was ranked first in the Accountability Rating Greece in 2008 and 2009. Titan’s 2007 Sustainability Report was the first one to achieve a Global Reporting Initiative (GRI) A+ Application Level and among the first reports in Greece with external audit. In the last five years, Titan obtained 85 million euros in investments and contributed to 320 million euros to the national and local economy.

More information: <https://www.titan.gr/en/about-us/dynamic-presence-in-greece>

Financing collective action to fight corruption and fraud (Siemens Integrity Initiative)

SIEMENS

Context: Siemens is an international group founded in 1847 in Germany. It is active in the sectors of health, energy, industry and construction. In 2019 the company was worth 99 841 million dollars. It has received high scores in the compliance category in the Dow Jones Sustainability Index.

Challenge: In the face of widespread and deep rooted corruption, Siemens believes that it is highly unlikely that individual activities alone are sufficient to bring significant ethical changes and improve transparency. Therefore collective action methods and plans are needed notably to create fair and equitable market conditions and to eliminate the temptation of corruption. The company strongly supports integrity pacts, codes of contacts and more importantly financing long term initiatives.

Solution: Siemens has launched a global Siemens Integrity Initiative dedicating 100 million dollars to support organizations that fight corruption and fraud through collective action, education and training.

Results: The initiative, launched in 2009, is foreseen to run for 15 years. The first round founded 30 projects in 20 countries for a total of 37,7 million dollars. The second round in 2013 founded 24 projects in 20 countries for a total of 35,54 million dollars. The third round in 2018 founded 22 projects in over 40 countries for a total of 25.2 million dollars. Among the projects financed in the second round, we can point out the initiative by the University of Vienna that identifies links between corruptions, lack of business, political integrity and tax crimes exploring the confrontational relation between tax administrations and multinationals. Among the projects funded in the third round, we can underline “setting the ground for business integrity in Bulgaria” by Transparency International and MedCompassIII by Polmed (Poland) sharing its market experience and observation of the healthcare system and participants’ needs.

More information: <https://new.siemens.com/global/en/company/sustainability/compliance/collective-action.html>

Chapter 5–CSR, for SME: focus on company image and company performance

5.1 Why consider the business case of SMEs when talking about CSR

CSR is usually associated to big companies and corporations who have a high level profile and attract media attention. The irony is that these companies don't constitute the bulk of European companies. Indeed, according to European Commission data, in 2015, SMEs represented 99% of all companies in the EU.¹ They employed in 2017 over 94 million people or approximately 66% of the EU total workforce.²

CSR is completely compatible with a SME business plan, value and functioning. First of all, because it makes more sense to introduce social responsibility and CSR standards right at the foundation of the company and in its beginnings to create a solid basis.

Secondly, because a CSR strategy allows to detect and avoid certain risks focusing on sustainability and specific demands and consumer expectation on the market. CSR is a valuable tool to detect opportunities. Furthermore, it gives an overview of the functioning of the whole supply and value chain with concerns related to the environment, circular economy or community support.

Thirdly, because it values a long term and respectful relation with employees who will tend to engage more with the company. SMEs are more likely to scale-up the efficiency gains brought by CSR. Overall, it adds a strong value to the company.

5.2 The effects of CSR on SMEs performance, image and competitiveness

Many studies analyzing the direct economic effect of CSR for SMEs performance shows a positive³ (Bnoui, 2011) but limited financial effect⁴ (Jain et al, 2016) of this policy. Some researchers such as Morsing & Perrini (2009) even affirm that after 30 years of research, the effect of CSR on financial performance is still unclear. Therefore, costly CSR action should be approached cautiously by SME managers.

¹ https://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises

² <https://www.statista.com/statistics/878412/number-of-smes-in-europe-by-size/>

³ https://www.researchgate.net/publication/321609261_Corporate_Social_Responsibility_CSR_and_Financial_Performance_FP_Case_of_French_SEM's

⁴ https://www.researchgate.net/publication/301917380_Corporate_Social_Responsibility_and_Financial_Performance_in_SMEs_A_Structural_Equation_Modelling_Approach

If only meant for economic purpose, CSR won't thrive. It is rather a self-driven purpose based on strong societal belief rather than an institutionalized approach (Morsing & Perrini, 2009).¹

Literature² (Morsing & Perrini, 2009) shows that CSR can have a direct effect on the following factors: knowledge and capacity to innovate, trust of stakeholders, reputation and contribution to the community well-being. Existing research underlines that SMEs rely strongly on interpersonal relations with different stakeholder groups and competitors. Formal engagement, networking and volunteerism are fruitful opportunities for SMEs to invest in social capital and to cultivate relationships in the social and business environments. In turn, these relationships might generate mutual help and benefit the company's stability and even survival in an increasing competitive market (Morsing & Perrini, 2009).³

The involvement in CSR enhances company's reputation which has an effect stimulating loyalty, trust and confidence among consumers, suppliers, partners and possibly investors.

Like we underlined many times in this module, the positive effects for the workforce and workers well-being is of outmost value. The pursue of employee's health and safety improves productivity and employees performance which is essential for SMEs. It provides an extra source of differentiation and recognition in increasing complex and dynamic markets (Morsing & Perrini, 2009).⁴

To conclude, engagement in CSR is challenging for SMEs and comes with a human and financial cost. Nevertheless, it benefits them by bringing positive effects related to their reputation, improving performance and raising business opportunities.



1 https://www.researchgate.net/publication/228148484_CSR_in_SMEs_do_SMEs_matter_for_the_CSR_agenda

2 https://www.researchgate.net/publication/228148484_CSR_in_SMEs_do_SMEs_matter_for_the_CSR_agenda

3 https://www.researchgate.net/publication/228148484_CSR_in_SMEs_do_SMEs_matter_for_the_CSR_agenda

4 https://www.researchgate.net/publication/228148484_CSR_in_SMEs_do_SMEs_matter_for_the_CSR_agenda

5.3 CSR for SMEs – BEST PRACTICE

SME values and reputation (DHR Communications)



Context: DHR Communication is a PR agency based in Dublin, funded in 2004 and employing 12 persons. The company works with clients of a wide range of sectors: education, technology, business, healthcare, public sector, arts. The company has implemented a CSR programme covering the issues of: relations in the workplace, environment, market relations, community relations and sustainability. Established in 2014, their CSR policy and sustainability report is available [here](#). Examples of actions are: stimulating cycling to go to work, stimulating the participation of employees to NGOs, giving Pro Bono PR support and long career breaks to pursue volunteering or education projects.

Results: The CSR policy has contributed to the reputation of this PR agency bringing them a certain number of new clients especially in the public and non-profit sectors. It has allowed employees to develop new skills and broaden their social circle affecting positively their performance. It has further created a better working environment.

More information: <https://www.bitc.ie/sme-case-studies/dhr-communications-strong-company-values-for-a-powerful-reputation/>

SME creating value in the production chain (Dem Collective AB Sweden)

Context: DEM Collective is a textile company using organic cotton. It was founded in 2004, it has currently two office, one in Stockholm, one in Gothenburg (Sweden) and one factory in Sri Lanka. The products (jeans and tshirts) are mainly sold in Sweden and in the U.S. In 2009, the company had 3 employees in Sweden, 16 in Sri Lanka.

Challenge: With production being delocalized in another country, challenges related to the respect of labour rights, human rights and workers safety have arisen.

Solution: The company has instated human rights and production guidelines. It is transparent towards its clients showing its manufacturing process and is in close relation with subcontractors accompanying them in their ethics and environmental responsibility and advising them on their business. It allowed to run a profitable clothing company without taking advantage of people or the environment. Sustainability has been included in the company growth strategy.

Results: The company maintained its lower price while also having a good reputation and acquiring market shares overseas. This case study has appeared several times in Swedish articles as an example of social responsibility. As the founder of the company resumes: "it is possible to combine ecology, ethics and quality with good design".

More information:

<http://su.diva-portal.org/smash/get/diva2:352809/FULLTEXT01> p.25 and http://pubsys.kooper.se/dem-collective2007en/visa.lasso?ukat_id=8000000000037146&kat_id=8450000000009694&mall=1-spalt.lasso

Chapter 6 – JOIN THE MOVE

Tips and tricks regarding CSR for SME adviser

This toolkit created by the European Commission targets SMEs advisers in order to assist SME owners in the creation of their CSR strategies. It has embedded a guide on sustainability, a guide on the respect of human rights and concrete advice such as: “be practical”, “don’t overcomplicated it”, “identify concrete benefits”, “be authentic”, “communicate”. It gives a straight forward CSR roadmap including tips on how CSR can increase competitiveness, tips to identify small and feasible actions (in terms of community engagement, supply chain, environment) and tips to identify and assign resources.

Among other advices, one concerns the importance of including employees in the elaboration of the CSR policy: *“Integrating employees into the process is key for successful integration of CSR. This can be done by consulting with them, building on their knowledge and experience and providing training and capacity building workshops”.*

This toolkit provides links to business plan strategies, self-assessment strategies and case studies. Consult it here: https://www.diplomatie.gouv.fr/IMG/pdf/tips-tricks-csr-sme-advisors_en_cle49eff7.pdf

Tips for organizations to develop their CSR strategy in 2020

This blog post, by an HR specialist, is a good summary giving practical tips on how to build your CSR strategy. Among the most important advice: “involve your employees”, “review your whys”, “be authentic and transparent”, “build your network of ambassadors”, “follow standards and certifications”. Useful links are given to better understand impact measurement and CSR reporting.

Consult it here: <https://youmatter.world/en/5-csr-sustainability-tips/>

Eco toolkit – Environmental tools for your small enterprise

This platform contains a kit of practical tools that are useful for consultants to coach SMEs on how to monitor and reduce their environmental impact and save costs. The Ecotoolkit platform is free but you must register and create a profile. Consult it here: <http://ecotoolkit.eu/>

ETUC Toolkit on Corporate Social Responsibility (CSR)

ETUC is the European Trade Union Syndicate. In 2012 it has released a toolkit aimed at their members (trainers, national experts, coordinators) in order for them to better understand and apply CSR. After introducing the concept of CSR and the European Commission Strategy, it explores issues of transparency, disclose and CSR reporting, gives an overview of CSR standards and provides a data base of good practices.

Consult it here: https://www.etuc.org/sites/default/files/publication/files/brochure_csr_tool_kit_en_6.pdf

Join a network: The European Alliance for CSR

The CSR Alliance was launched in March 2006 by the European Commission, with members of the business community and support from business organizations such as BusinessEurope, SMEUnited (formerly called UEAPME) and CSR Europe. The Alliance aims to contribute to the promotion of CSR throughout Europe. It acts to demonstrate the value of voluntary business engagement casting a light on innovative CSR practices and stimulating new ones. It is an informal grouping and does not involve specific rules or requirements, charters or heavy processes. Companies involved in the Alliance are expected to provide, on a regular basis, information on their CSR activities and on contributions to the Alliance for EU high-level meetings.

More information here: <https://www.busesseurope.eu/european-alliance-csr-how-get-involved>

Join a network: CSR Europe

CSR Europe is a platform offering a community of practice exchanging tips, best practices and instituting dialogue and collaboration.

More information here: <https://www.csreurope.org/join-csr-europe>

A data base of best practices (Interreg project Road to CSR)

Road to CSR builds on the bases set by the European Commission Directive 2014/95/EU on CSR. Nevertheless, it answers to the fact that most European policies and this directive in particular concern large companies and don't address the specific needs of SMEs. CSR is vital, for larger companies as well as SMEs. Road-CSR brings together 7 partners from 7 countries, involving the managing authorities & regional bodies to help EU member states to apply CSR principles into the core business of SMEs enabling them to become more competitive, sustainable, innovative and accomplish long term profitability with social justice and environmental protection. The project also offers a data base for CSR good practices in SMEs.

More information here: <https://www.interregeurope.eu/road-csr/good-practices/>

Chapter 7 – TO GO FURTHER

A guide to CSR in Europe: Country insight by CSR Europe's National Partner organisations:

https://www.fundacionseres.org/lists/informes/attachments/1036/guide_to_csr_csr%20europe.pdf

CSR case studies in Ireland: <http://csrhub.ie/csr-case-studies/sme-csr-case-studies/>

Recommendations for policy makers to enable corporate sustainable reporting for SMEs by the Global Reporting Initiative (GRI):

https://www.globalreporting.org/resourcelibrary/Empowering_small_business_Policy_recommendations.pdf

A UN global compact initiative dedicated to the fight against corruption:

<https://www.unglobalcompact.org/take-action/action/anti-corruption-collective-action>

Examples of the relation between CSR and company reputation:

<https://youmatter.world/en/the-top-100-companies-with-the-best-csr-corporate-social-responsibility-reputation/>

A video by CSR Europe on eco efficiency tools for SMES:

<https://www.youtube.com/watch?v=JOAQKXb3e3E>

A video by CSR Europe on employability and employee community engagement:

<https://www.youtube.com/watch?v=99YernjOjtk&t=11s>

Chapter 8 - PRACTICAL ACTIVITIES

Activity 1: Quiz & Tricks

1. Please underline the actions you can undertake to apply CSR to work standards:
 - a. Reducing working hours
 - b. Including diversity in your recruitment process
 - c. Recruiting a person because she is a woman
 - d. Organizing team building actions
 - e. Offering your employees chocolate in the morning
 - f. Improving the comfort of chairs.
2. True or false: CSR applied to community relations is equivalent to philanthropy
3. Can you recall the definition and main elements of CSR?
4. Among the benefits of CSR, which ones have been proven?
 - a. Considerable financial gains
 - b. Better reputation
 - c. Gains in productivity
 - d. Trust and loyalty
 - e. Societal benefits
5. True or false: Transparency and accountability are only relevant for multinational companies

Quizz & Tricks answers

1. **a. Reducing working hours:** This statement is a bit reductory. Working hours is indeed an important subject and you should make sure to follow your national legislation. You can also adapt the working hours to your employees' needs but this doesn't mean an automatic reduction. What is essential is to improve the working environment and conditions respecting the health and well being (physical and psychological) of employees.

b. Including diversity criteria in your recruitment process: Having a diverse workforce will strengthen your team with diverse skills set and ideas. When recruiting, make sure you target sources where diverse candidates congregates, if possible offer internships to a diverse target group, use blind resumes etc.

c. Recruiting a person because she is a woman: This statement is a bit reductory. Gender balance in a company is important but you should recruit a person first and foremost based on his/her suitability for the position. Nondiscrimination means that a worker is chosen on the basis of their skills, competences and suitability to the job and there is no distinction, preference or exclusion based on other grounds.

d. Organizing team building actions: Team building is rather an informal tool to stimulate communication and cooperation between workers and foster better management and professional practices. A CSR strategy is made by formal actions and commitments. In all cases, even if we consider that team building falls out of the scope of CSR, it is a great tool in a HR and management strategy.

e. Giving your employees chocolates from time to time: This statement is reductory. First of all, because it is an informal and punctual action. Also consider an important aspect of well-being: health. Chocolate can make people happy and attract their sympathy but on a long term basis it can higher their sugar levels. A CSR action can be to offer employees a healthy breakfast on a daily basis. But then again, you should be careful about the cost of your CSR actions.

f. Improving the comfort of chairs: If you work in an office where employees spend half of the day sitting, improving the comfort of their chair has a direct and long term impact on their physical well-being and even on their health preventing minor injuries such as back pain.

2. **False.** Philanthropy can be one of the actions in your CSR strategy but they are not synonymous. There are many ways to achieve community engagement beyond philanthropy : pro bono actions, volunteering, offering free trainings, creating mutual help communities etc.

3. See page 2. Definition by UNIDO: CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

4. Only response a. Is false (see chapter 5)

5. **False.** If national states usually target multinational in their accountability and transparency guidelines, those elements are also essential to SMEs as they build trust and strong partnerships. This **report** by the Global Reporting initiative (GRI), also available in section 7 gives advice to policy makers on how to enable corporate sustainability reporting for SMEs.

Activity 2 – Building my own CSR strategy

Complete the table below in order to start building your own CSR plan. You can add as many actions per thematic as you wish and even add new thematics you might find relevant.

THEMATIC	ACTION	RESOURCES TO ALLOCATE	CHALLENGE TO CONSIDER	USEFUL CONTACT OR SOURCE OF INFORMATION
Eco-efficiency				
Community involvement				
Work standards				
Transparency				
Product and Supplier chain (market relations)				

Make sure you involve your associates and employees in building your CSR strategy. You can organize a brain storm session in order to get their point of view on the different actions and thematics. Make sure to bring enough paper and pen for drawing and letting your creativity flow!



Conclusion: This is a beginning - My action

We've given you some advice; now it is time to turn this info into action... your action! Write here your own remarks:



