

Business Ethics and Social Responsibility

edited by Salvatore Vento

Corporate Social Responsibility in the European Union

In the last few years, the Anglo-Saxon concept of business ethics has become a subject of discussion and legislative action throughout Europe, including Italy. Sensational episodes of corruption involving large companies like Enron and Parmalat remind us of the urgent need for shared criteria in the assessment of business behaviour. In the present issue, this article is dedicated to discussing and defining Corporate Social Responsibility (CSR); in Italian, *Responsabilità Sociale dell'Impresa (RSI)*.

The EU issued two documents on CSR:

- the Green Paper "Promoting a European Framework for Corporate Social Responsibility" in 2001;
- the communication adopted by The European Commission concerning "CSR: A Business Contribution to Sustainable Development" (COM(2002) 347 final, July 2nd, 2002).

In the Green Paper, CSR is defined "a concept whereby Companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Its basic features are:

- an internal dimension: human resources, work organization, integrated product policy;
- an external dimension: from local communities to suppliers and consumers.

In other words, the Green Paper outlines a holistic approach towards CSR.

In the Commission's Communication, it is said that CSR can contribute significantly in reaching the strategic objective set by the European Council in Lisbon in March 2000, i.e. "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion."

The Communication suggests that CSR promotion must be based on the following guidelines:

- recognition of the voluntary nature of CSR;
- the need for credibility and transparency of CSR practices;
- a balanced and all-encompassing approach for CSR, which considers economic, social and environmental issues as well as consumers' interests.

In order to spread these guidelines, an “EU Multi-Stakeholder Forum on CSR” has been organized.

CSR in Italy

In Italy, CSR is the concern of the Ministry of Work and Social Policies. In 2003, it promoted a European Conference in Venice, where the project CSR -SC (Social Commitment) was presented as the Italian contribution to the European campaign for the promotion of CSR. The Ministry, in cooperation with Bocconi University, worked out the Social statement, which contains guidelines for companies willing to carry out CSR practices on a voluntary basis, and is also a tool for self-assessment, monitoring and demonstration made available to companies already committed to CSR. It defines 8 main stakeholders (human resources, shareholders/partners, customers, suppliers, financial partners, State, local bodies, public administration, community, environment) and defines some criteria for each of them.

Following the European operating model, in May 2004 an Italian CSR Multi-Stakeholder Forum was created. It is an advisory body whose President is the Minister of Work and Social Policies and whose members are trade associations and unions, as well as representatives of non-profit organizations. As a consequence of an agreement with Unioncamere, an office for CSR consultancy to companies will be opened in 20 Chambers of Commerce. On December 10th, 2004, the newspaper “Il Sole 24 ore” published an insert on the CSR-SC project, and some TV commercials on CSR are currently under production.

Each Italian region also has the possibility of contributing to the promotion of CSR in the drawing up of their development programs. The most significant example is the “Regione Toscana”, which funds small and medium size companies seeking Sa8000 certification, through its “Programming Complement” target n. 2, 2000-2006, regarding financial aid for consultancy services. This financing should cover 50% of the total expense expected. The available resources amount to more than 28,000,000 euros. The aim of this program is to reward companies holding a certification in the fields of environmental quality (Emas or Iso 14001) and social responsibility (Sa8000). Moreover, in May the Regional government created an ethical regional commission for CSR, whose members are representatives of local stakeholders: Chambers of Commerce, local bodies, non-profit and non-government organization, consumer associations, trade unions and entrepreneurial associations. Three groups work within the Commission on the following items:

- certification of district and production process
- ethics in economy and finance
- tools for CSR and its applicability to small and medium size companies.
-

The *Regione Umbria* also supported CSR with decisive action: two bills were approved, the first concerning the creation of a register of Sa800 certified companies; the second providing contributions without security covering 50% of the consultancy and certification expenses, addressed to those companies who implement certifiable management systems.

Enrolment in the register entitles the company to priority status for:

- financial incentives, contributions and facilities, according to the regional law;
- administrative authorizations, according to the regional law;

- choice of the subjects to be invited to tenders for public works or goods and services supplying, when other requirements provided by the law in force are met.

CSR can also be applied to a group of companies operating in an area in the form of an “industrial district”, i.e. of a “local system” (small or medium size urban area) with a specific production.

Sa8000

Sa8000 (Social Accountability) is a uniform, auditable, voluntary standard for a third party (an accredited body) verification system, like many other kinds of certification (Iso 9000, a system for the management of quality, environment etc..). It has been developed by CEPAA (Council on Economic Priorities Accreditation Agency), now known as SAI (Social Accountability International).

The standard contains four chapters:

Purpose And Scope

Normative Elements And Their Interpretation

Definitions

Social Accountability Requirements

The social accountability requirements that companies must meet are nine:

1. Child Labor:
2. Forced Labor
3. Health and Safety
4. Freedom of Association and Right to Collective Bargaining
5. Discrimination
6. Discipline
7. Working Hours
8. Compensation
9. Management Systems

The criteria to be followed in management systems are:

1. Policy: Top management shall define the company’s policy for social accountability and labour conditions, and make the document available to all personnel and to external public.
2. Management Review: Top management shall periodically review the results.
3. Company Representatives: The company shall appoint a senior management representative who shall ensure that the requirements of this standard are met. The company shall provide for non-management personnel to choose a representative from their own group.
4. Planning and Implementation: The company shall ensure that the requirements of this standard are understood and implemented at all levels of the organisation; methods shall include training and monitoring.
5. Control of Suppliers: The company shall establish and maintain appropriate procedures to evaluate and select suppliers.
6. Addressing Concerns and Taking Corrective Action: The company shall respond to the concerns of employees and other interested parties with regard to conformance/nonconformance the requirements of this standard.

7. Outside Communication: The company shall establish and maintain procedures to communicate regularly to all interested parties.
8. Access for Verification: The company shall provide information and access to interested parties seeking to verify conformance to the requirements of this standard.
9. Records: The company shall maintain appropriate records to demonstrate conformance to the requirements of this standard.

As recently as December 31st, 2004, 572 companies from 45 countries worldwide held a certification; 28% of them, 163 to be precise, are Italian companies. Italy is the country with the highest number of certified companies. Some of the best known include Coop Centro Italia, Granarolo, Maina Panettoni, Palmera and Wind Telecomunicazioni. In addition, the Industrial Association of the Province of Novara and the Small and Medium size Companies Association in Udine, hold certifications.