Going Beyond CSR

*Aspiring global business leaders must take note of the social frameworks which are defining expectations of acceptable business conduct. **Luke Wilde**, Director of twentyfifty, talks to Criticaleye about a new kind of responsibility*

At a UN summit for global leaders, Paul Polman, CEO of Unilever, spoke about his efforts to create an underlying sense of social purpose to what the company does. In his words: 'We all need to be way beyond CSR. Companies will now have to provide solutions to some of the global challenges and be co-responsible, and that is a higher level than what we have talked about until now.'

Unilever's leadership stands out, but others are following. It is one of a growing number of companies which have made a commitment to respect and support human rights. This is no simple commitment as a recent assessment undertaken by holiday company Kuoni on the impacts of tourism in Kenya shows (Unilever has published a similar assessment of its activities in Vietnam, undertaken by Oxfam). There are gaps in the practice of even the most

sophisticated multinationals, especially where the impact on human rights arises through the business relationships with other entities, such as suppliers, joint venture partners or host governments.

GREAT EXPECTATIONS

The UN Guiding Principles on Business and Human Rights have provided a framework for these assessments. ▶

The advent of these principles, and the clarity which they bring to the respective roles of business and government, has been a great leap forward for the international dialogue on corporate responsibility. Developed over six years through an intensive global multi-stakeholder process, these principles were unanimously endorsed by governments at the UN's Human Rights Council in 2011. This gives them a legitimacy which other responsible business frameworks simply don't have and sets them apart from the vaguer notion of CSR.

Foreign Secretary William Hague and Business Secretary Vince Cable launched the UK Government's action plan for implementing the UN Guiding Principles in September 2013, and other European governments will follow shortly (a requirement of the revised European CSR strategy). Guidance on implementing the principles in the oil and gas, technology and recruitment sectors has been published by the European Commission, and for small businesses by the UK's Equality and Human Rights Commission.

The UN principles set out clear expectations of governments and businesses to ensure accountability for the impact on human rights, where it was inadequate before. The EC guidance provides the expectation that businesses will avoid contributing to gross human rights abuses as a matter of legal compliance and will be proactive in identifying and managing their impacts by establishing 'human rights due diligence' processes – or, put simply, to know what their human rights impacts are and to show how they are addressing them.

Furthermore, companies are expected to establish grievance procedures,

accessible not only to employees but to others potentially affected by the company such as customers, communities and workers in supply chains and to demonstrate that they are tracking those grievances and making changes to their practices as a result.

AN EVOLVING FRAMEWORK

While the guiding principles have the weight of governments behind them, there are also a number of other recently developed global social frameworks aimed at businesses, such as the United Nations Global Compact. This voluntary initiative launched by the UN's Secretary General in 1999 encourages businesses to adhere to ten principles based on international standards covering human rights, environment and corruption. With over 7,000 participating companies in 145 countries, the Global Compact claims the title of the world's largest CSR initiative and has spawned a number of other frameworks.

For example, there's the Women's Empowerment Principles, which are a set of seven that offer guidance for businesses on how to empower women in the workplace, marketplace and community. There's also the Children's Rights and Business Principles, which have been developed by UNICEF, the UN Global Compact and Save the Children. These Principles form the first comprehensive guide for companies on the full range of actions they can take in the workplace, marketplace and community to respect and support children's rights.

There are also a growing number of sector specific principles such as the Voluntary Principles on

Security and Human Rights (Extractives), International Code of Conduct for Private Security Service Providers (Security), and the Code Against the Sexual Exploitation of Children (Tourism).

> " *These principles have been a great leap forward for the international dialogue on CSR* "

None of these social frameworks have the status of law, not even the UN Guiding Principles (despite its government endorsement), and the significance of any UN or international organisation action is often a matter of great debate. So why should businesses be paying attention to them? I believe there are several good reasons:

- **Good practice guidance**: these frameworks have been pulled together by multiple parties, including businesses, and offer sound input into the development of accepted, consistent, global practices for operating, particularly in emerging markets and developing countries

- **Operating where governance is weak**: they provide clear benchmarks for operating to international expectations, either where there are gaps in local laws or enforcement is lacking ▶

- **Access to investment**: the International Finance Corporation and other international development banks are increasingly integrating such global social frameworks into their investment decisions and safe guarding policies

- **Building more equal societies**: many of the emerging markets have seen dramatic growth in the last decades but in many cases the benefits have accrued to the few, creating unequal societies with limited middle classes. As their economies slow, there is a critical need to spread the wealth in order to stimulate further home-grown growth which will require fundamental human rights issues to be addressed such as the inclusion and empowerment of women

- **Social pressure**: having contributed to the development of these social frameworks, activist groups, including leading NGOs such as Oxfam, are pushing for companies to pledge adherence and are judging company performance against them

- **Cost avoidance**: failing to match up to these social frameworks brings costs in many forms, whether it's simply management time to respond to activist challenges, compensation, stoppages arising from public protest or legal costs in fighting court proceedings.

In many ways, enthusiasm for these global social frameworks is society's response to the crisis in global capitalism. They are seeking to fill gaps identified in global governance and are the beginnings of the re-making of markets and the development of a sustainable capitalism. But human rights is also taking prominence now because environmental and population

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pressures are raising questions of equity and fair share; social media is bringing evidence of conditions at the base of supply chains to our attention, and serious abuses such as the factory fires and collapse in Bangladesh continue.

NEXT STEPS FOR CEOS

Global business leaders should see these frameworks as helpful indicators of the direction of social and political expectations, changes in the business environment and possible direction of future legislation. Being ahead will avoid the costs of catching up later, and most likely will place your company in favoured positions for contracts, licences and finance.

It will also help the emerging markets which have seen very unequal development, spread that wealth and bring many more consumers into the market. Practical steps business leaders can take include:

- Arrange for the executive to be briefed on the UN Guiding Principles on

Business and Human Rights and other global social frameworks

- Ensure that human rights is being treated correctly as an overall framework for managing the social impacts of the business and its business relationships, and involving multiple functions, not as a discrete topic under CSR

- Familiarise yourself with the major human rights impacts of your industry and how they are mitigated (including which countries you operate in with serious human rights problems), and commission assessments to confirm your company impacts in particular locations; adopting the above mentioned principles where appropriate to address the impacts identified

- Ensure that steps are being taken to integrate human rights due diligence into corporate practice, looking for guidance from industry and stakeholders as required and that reports from grievance mechanisms are being acted upon. ■

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