

Regulation and Compliance in some countries:

Canada²

- As part of its mandate to create the foundation for a more productive, competitive, knowledge-based economy, Industry Canada (IC) promotes sustainable development and the integration of economic, social and environmental objectives
- In the past, the department's CSR and SD mandate has been implemented through the use of a range of policy levers including:
 - Legislation and regulation, such as the Canada Business Corporations Act in the area of corporate governance
 - Economic instruments, such as Technology Partnerships Canada, a technology investment fund that supports industrial research and pre-competitive development in environmental technologies
 - Information instruments to build knowledge-capacity, e.g. Strategis as a broad-based web site that provides CSR-related information to corporations and consumers
 - Voluntary codes, standards and other initiatives to encourage corporate performance beyond legal necessity
- During the last few years, IC has addressed CSR-related challenges on responsibilities such as those respecting corporate governance and marketplace climate, environmental protection and sustainable development, human resource management practices, community development, consumer protection, innovation, and smart regulation through a continuing and further use of its wide range of policy levers

Singapore³

- As a holistic and sustainable approach to bring forward the CSR movement in Singapore, the National Tripartite Initiative (NTI) on CSR was launched in May 2004 by Cedric Foo, Chairman of SPRING Singapore and Minister of State for Defence; the NTI on CSR serves as a steering committee to review and formulate broad CSR strategies, taking a tripartite approach to include the key stakeholders including business, unions and the government
- The national steering committee has since founded a society known as Singapore Compact for CSR, in bringing the CSR movement forward
 - The national society will be a platform in fostering dialogue and collaboration among various CSR stakeholders
 - It will play a pivotal role in defining the direction and landscape of CSR in Singapore, and help Singapore embrace CSR as a coordinated national initiative

¹ By Tina Pavia and Cecille Lao, October 31, 2007, Drafted for the Meeting of WINGS Corporate Initiatives Committee.

² http://strategis.ic.gc.ca/epic/site/csr-rse.nsf/en/h_rs00070e.html

³ <http://www.csrsingapore.org/roadmap.php>

United Kingdom⁴

- The government believes that CSR is essentially about companies moving beyond a base of legal compliance to integrating socially responsible behavior into their core values, in recognition of the sound business benefits in doing so
- The Government's approach is to encourage and incentivise the adoption and reporting of CSR through best practice guidance, and, where appropriate, intelligent regulation and fiscal incentives
- Pensions Act Amendment – this legislation came into effect in July 2001 and requires trustees of occupational pension schemes to state their policy regarding the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realization of investments
- Transparency
 - UK businesses are consistently among leaders in surveys of CSR reporting: in the Global Reporters 2006 Survey
 - The Government encourages companies to report on their CSR performance in a number of ways:
 - Issued guidance on environmental reporting
 - Supported initiatives promoting company reporting including the Forge I & II guidance for the financial services sector and the ACCA sustainability reporting awards
 - Supported the Global Reporting Initiative
 - The enhanced business review requirements of the Companies Act
- Companies Act 2006
 - The Companies Act 2006 brings the regulatory framework up to date to reflect the modern business environment; it enshrines in statute the concept of Enlightened Shareholder value which recognizes that directors will be more likely to achieve long term sustainable success for the benefit of their shareholders if their companies pay appropriate regard to wider matters such as the environment and their employees
 - All companies, other than small, must already prepare a Business Review as part of the director's annual report
 - From October 2007, quoted companies must also - to the extent necessary for an understanding of the company's business - disclose information on environmental, employee, social and community matters, as well as on contractual and other arrangements essential to the business

⁴ <http://www.csr.gov.uk/ukpolicy.shtml>

The European Union

The European Union Alliance for CSR was launched by the European Commission in March 2006, as part of its strategy to give a new impulse to “make Europe a pole of excellence on CSR”⁵

- The Alliance, and the wider stakeholder partnership in which it is embedded, aims to better harness the innovation of enterprises and stakeholders in support of sustainable development and the European strategy for growth and jobs⁶
- As part of their engagement in the European Alliance for CSR, companies throughout Europe are engaging in CSR Laboratories, business-driven initiatives engaging with stakeholders to address CSR solutions to business challenges⁷
 - Business-driven and action oriented CSR Laboratories aim to address CSR challenges in and around the nine priority areas of the Alliance
 - The objective of the CSR Laboratories is to bring together business practitioners, stakeholders and representatives of the European Union to share experience and explore joint operational projects
 - They will facilitate engagement between businesses and the European Commission by allowing for constructive discussion about new approaches towards EU policy initiatives, based on practical experience
 - Engaging in a Laboratory can enable a company to improve management of specific CSR issues and achieve efficiency gains, enlarge and possibly scale up existing initiatives through collaborative action and/or pooling of resources
- National CSR-related Policies in the European Union: On Transparency⁸
 - Austria: The Guidelines for sustainability reporting in Austria, meant to standardize and facilitate the reporting on sustainable management issues and addressed to all enterprises in the country, were developed by the Austrian institute for sustainability, the Federal Ministry for Economic Affairs and Labour, the Federal Ministry of Agriculture, Forestry, Environment and Water Management, the Austrian Business Council for Sustainable Development, the Austrian Federal Economic Chamber and the Federation of Austrian Industries
 - Denmark
 - The Ministry of Environment and Energy issued in December 1995 a Statutory Order on the duty of certain activities (the most polluting) to draw up green accounts, mandating environmental reporting on more than 3000 companies
 - The categories of listed activities are required to submit a statement of green accounts to the Danish Commerce and Companies Agency each year. The statement of green accounts shall include information on aspects relating to the occupational environment, e.g. concerning polluting substances used in the production processes and the extent to which they present a risk to the safety and health of the company staff

⁵ <http://www.csreurope.org/whatwedo/alliance/>

⁶ <http://www.csreurope.org/whatwedo/alliance/>

⁷ <http://www.csreurope.org/whatwedo/alliance/CompaniesandEUAlliance/Laboratories/>

⁸ http://ec.europa.eu/employment_social/emplweb/csr-matrix/csr_matrix_en.cfm

Legal Environment/Reporting of Corporate Social Responsibility

- The statement shall be followed by a presentation of data on the major consumption by the company of energy, water and raw material in the accounting period and of significant types and volumes of pollutants that form part of the production processes, company's products or wastes from the company and how the pollutants are discharged into air, water and soil
 - The Annual Accounts Act was changed in 2001, and now companies can present supplementary reports on, for example, the enterprise's social responsibility, knowledge and know-how, environmental issues and follow-up on such matters
 - In August 2001, the Ministry of Social Affairs released a set of guidelines for social and ethical reporting aimed at both private and public organizations who wish to report on the social impact of their activities
 - The Ministry of Employment has also participated, together with Danish employers' organizations and trade unions, in the production of a guide on social reporting for small and medium-sized enterprises. This guide provides businesses with information on what a social report is, what the benefits of reporting are, past reporting experiences of other Danish companies and instructions on how to get started with reporting
- France
 - In May 2001 with the adoption of the law on the New Economic Regulations, France became the first country to mandate triple bottom line reporting for publicly listed companies
 - According to the new law, the annual report of a listed company shall 'contain information ...on how the company takes into account the social and environmental consequences of its activities'
 - The law applies to French quoted companies at group level and internationally: it obliges companies to report on a set qualitative and quantitative of social indicators – which have been specified by a decree- but does not provide guidelines for reporting
 - Moreover, corporations are required to report on community issues, specifically on the way they take into account the impact of their activities on local development and local populations and on how they engage with local stakeholder groups
 - As for labor standards, corporations have to report on the way in which their international subsidiaries respect the ILO core labor conventions and the way in which they promote the ILO conventions with regard to their international sub-contractors
- Portugal
 - Law no. 141/85 and decree-law no. 9/92 require companies with 100 or more employees to issue a social balance report every year and forward it to the Labour Ministry
 - The social balance report provides essential information on the organization's human resources management and the effectiveness of social investments and of actions to improve employees' quality of life
- Sweden
 - Since 1999, companies of a certain size are required to include in their annual financial accounts information on their environmental impact; this provision applies to more than 20,000 sites

Legal Environment/Reporting of Corporate Social Responsibility

- Since 1997, government agencies have to integrate environmental management systems and report annually on their progress
- The Netherlands
 - Around 300 Dutch companies (belonging to the most polluting sectors) are required to report to the government and the general public on their environmental performance
 - Following the Social and Economic Council recommendations on CSR, the Dutch government has requested advice from the Council for Annual Reporting on how social aspects can be integrated into corporate annual reports
 - A multi-stakeholder taskforce on CSR was then set up under the Council for Annual Reporting to develop a set of Dutch reporting guidelines which was released in 2003 after extensive stakeholder consultations
 - The guidelines focus on a number of key general issues and are meant as a kind of introduction to social reporting for interested companies in the Netherlands
- United Kingdom
 - Under the Operating and Financial Review (OFR) proposal a company would be required to provide more qualitative and forward looking information on a wider range of issues than have traditionally been covered by company reporting
 - This would include information about a company's relationships with its employees, its impact on the environment and on the wider community, where such information is relevant to an assessment of the company/business
 - The requirement to publish an OFR would be limited to large companies or groups, though it was estimated that they account for a quarter of corporate economic activity in the UK
 - In October 2001, the UK government issued a set of guidelines on corporate environmental reporting (e.g. greenhouse gas emissions, waste and water use), following a call by then Prime Minister Tony Blair for all top firms to start issuing environmental reports
- National CSR-related Policies in the European Union: On SRIs⁹
 - Austria
 - A platform for SRIs was founded in 2001 by the Austrian Society for Environment and Technology with the support of the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management
 - The platform aims at strengthening the market for socially responsible investments in Austria
 - It constitutes a network and source of information about SRI activities in Austria and Europe and is working on the development of a medium-term strategy to support supply and demand within the area of SRI

⁹ http://ec.europa.eu/employment_social/emplweb/csr-matrix/csr_topic_allcountries_en.cfm?field=9

Legal Environment/Reporting of Corporate Social Responsibility

- Belgium
 - The new occupational pension law of May 15 2003 requires pension fund managers to disclose in their annual reports to what extent they take into account ethical, social and/or environmental criteria in their investment policies
 - These annual reports are public documents
- France
 - The law on public pension reserve fund adopted in July 2001 requires disclosure of social, environmental & ethical criteria used for investment
 - The Law on the generalization of Employee Savings Plans adopted in February 2001 requires that the employees' saving funds "specify the social, environmental or ethical considerations the fund management company must take into account when buying or selling stocks and securities. The fund's annual report indicates on how these considerations have been taken into account."
 - A cross trade-union Committee for Employees' Savings was set up in January 2002 by four trade unions with the aim to control the way employee salary savings schemes are invested and guide fund managers towards secure and socially responsible funds
- Germany: From August 1 2001, certified private and occupational pension schemes are required to report whether they take into account ethical, ecological and social aspects in their investment policies
- Hungary: In the framework of privatization of public propriety, several standards – such as employment obligations, defense of the environment, and labor standards – were set to investors by the Ministry of Employment, Policy and Labour and the Ministry of Economy in close cooperation with the investors' community
- Spain
 - The Parliament opened a debate in early 2003 to modify the law on institutional investors and the law on pension funds, introducing a requirement for the pension funds managers and institutional investors to disclose whether they are using ethical, social or environmental criteria for their investment decisions.
 - The National Stock Market Committee adopted a document elaborated by INVERCO, the Spanish Association of Institutional Investors and Pension Funds, on requirements that investment funds have to follow if they want to be referred as 'ethic', 'social' or 'green' funds.
 - The objective of this initiative is to increase transparency of information on the characteristics of a financial product and avoid misleading advertising
 - Among the requirements is the need to disclose the ethical, social and environmental principles of the fund and the criteria used for the investment decisions
- Sweden
 - Under the Public Pension Funds Act, National Pension Funds are required to draw up an annual business plan, which must describe how environmental and ethical considerations are taken into account in investment activities, the impact of such considerations on the management of funds

Legal Environment/Reporting of Corporate Social Responsibility

- According to the law, funds shall not own shares in companies that violate the funds' own policies on environment and ethics
- The Netherlands
 - The 1995 Green Investment Directive promotes the access to finance for environmentally sound projects. This directive foresees that the returns from Green financial intermediaries are exempted from income taxes
 - A Green intermediary is a financial intermediary that originates loans and investments in Green projects that comply with a host of criteria as put up by the government
 - For asset and liability risk management reasons, Green Intermediaries are allowed to allocate at most 30% of their assets in non-green projects, so at least 70% of their money must be invested in approved "green" projects
- United Kingdom
 - July 2000 saw the enactment of the UK's Pensions Disclosure Regulation
 - The regulation requires that trustees of occupational pension funds disclose in the Statement of Investment Principles the extent to which social, environmental or ethical considerations are taken into account in their investment strategies and their policy (if any) in relation to the exercise of rights (including voting rights) attached to investments
 - As a result, pension funds started to require more information from the firms they invested in, which forced greater numbers of these firms to publicize information on their social and environmental performance
 - The new Pensions Act of 2003 further required that pension funds disclose annually a record of what they have achieved in pursuit of their SRI policy statements

Comparisons between Approaches to Transparency and Social Responsibility

- According to the Swiss Consulting Group, US-based companies take a more rules-oriented approach to transparency and social responsibility: In October 2002, the US Congress passed the Sarbanes-Oxley Act to address corporate fraud and overhaul accounting and securities laws in response to a string of scandals that rocked Wall Street¹⁰
- In relation, CSR in the US has been defined much more in terms of a strictly philanthropic model, where companies make profits, unhindered except by fulfilling their duty to pay taxes, and then donate a certain share of the profits to charitable causes¹¹
- On the other hand, EU-based companies adopt a more principle-based approach to CSR¹²
 - The European model is much more focused on operating core businesses in a

¹⁰ <http://www.swissconsultinggroup.com/docs/2003-04-28-CSRCoursework.pdf>

¹¹ <http://www.mallenbaker.net/csr/CSRfiles/definition.html>

¹² <http://www.swissconsultinggroup.com/docs/2003-04-28-CSRCoursework.pdf>

Legal Environment/Reporting of Corporate Social Responsibility

socially responsible way, complemented by investment in communities for solid business case reasons¹³

- This seems to be more sustainable since:
 - Social responsibility becomes an integral part of the wealth creation process – which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society
 - When times get hard, there is the incentive to practice CSR more and better – if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove

CSR and Government Regulation: Overlaps and Differences

- One of the key characteristics of CSR is that it is a voluntary commitment to go above and beyond the minimum standards set by government regulations to make sure that the harm it brings to stakeholders is minimized and the advantages maximized
- Thus, by definition, while government regulations influence and set a baseline for CSR activities, mere compliance does not equate to CSR
- This is further supported by the fact that CSR has its own set of measurement mechanisms, such as AccountAbility's AA1000 standard, Social Accountability International's SA8000 standard, and the ISO 14000 environmental management standard

¹³ <http://www.mallenbaker.net/csr/CSRfiles/definition.html>

¹⁴ <http://www.mallenbaker.net/csr/CSRfiles/definition.html>