Hertie School
of Governance

CSR Instruments: A Systematic Overview

Evaluation for the German CSR Forum and Bertelsmann Foundation

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This study was conceived in the context of a project course on CSR instruments and modeled on a real case. The German Federal Ministry of Labour and Social Affairs (BMAS) had tendered a report that would provide an overview of the existing classification tools used to evaluate CSR performance. The report is part of the National Strategy on Corporate Social Responsibility, the CSR action plan of the German government.

The Federal Ministry of Labour and Social Affairs is the lead ministry responsible for implementing the National Strategy for Corporate Social Responsibility. The Action Plan for CSR was decided by the federal cabinet on October 6th, 2010. According to the Action Plan, CSR measures include a company's contributions to voluntarily participate and include social responsibility into their business plan. The inclusion of a company's key stakeholders is an integral part of CSR.

The goal was not only to provide an overview of the principle and international agreements but also to classify existing instruments from different stakeholders' perspectives. For this, students analyzed 58 CSR instruments for which they developed a diverse set of evaluation criteria. Moreover, they tested their assumptions about key stakeholders' interests in a small workshop interviewing representatives of trade unions, chambers of commerce, consumer groups as well NGOs.

The result is a very impressive piece of work as it presents new insight in a largely under-researched field. The report was presented to the working group on evaluation of the federal CSR forum in Berlin on June 6th, 2012 where it received a lot of praise by the participants. I hope it will be used in the professional world.

Anke Hassel
Professor of Public Policy

Table of Content

Abbreviations

AML	Anti-Money Laundering
CFP	Corporate Financial Performance
CLS	Core Labour Standards
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
DJSI	Dow Jones Sustainability Index
EU	European Union
ESG	Environmental, Social, Governance
GRI	Global Reporting Initiative
GHG	Greenhouse Gas
ILO	International Labour Organization
ISO	International Standardization Organization
KPI	Key Performance Indicator
NGO	Nongovernmental Organisation
MNC	Multinational Company
MNE	Multinational Enterprise
OECD	Organization for Economic Cooperation and Development
SME	Small- and Medium-Sized Enterprise
SRI	Socially Responsible Investing
TBL	Triple Bottom Line
UN	United Nations
UNEP	United National Environment Programme

Executive Summary

The recent years have witnessed a growing interest and importance in issues of Corporate Social Responsibility (CSR). In an era of globalisation where companies operate across borders laws, rules and boundaries often become blurred and thus insufficient to guarantee the rights and needs of all stakeholders involved. The development of CSR in discourse and practice has been a response to these multiple governance gaps. Due to the vast number of CSR initiatives, the German CSR Forum, an inter-sectorial working group initiated by the German Government, has recognised the need for a systematic analysis and assessment of existing CSR tools. This report proposes a quantitative method to classify existing instruments based on pre-defined criteria in order to shed more light on the usefulness of these instruments as well as to evaluate their respective merits and limitations for the German context.

In detail, the quantitative method, developed for this report, consists of a CSR Evaluation Matrix based on five overarching criteria: (1) Practicality, (2) Reliability, (3) Accuracy, (4) Value added and (5) Scope. In addition, four CSR stakeholder perspectives (management, NGOs/local community, employees, consumers/investors) have been defined. The different instruments were further divided into four groups according to their underlying mechanism:

Group 1 – Aspirational Principles and Codes of Conduct – contain instruments such as the UN Global Compact or the Partnering Against Corruption Initiative which mainly serve to increase visibility of companies' CSR engagement and help NGOs to raise awareness.

Group 2 – Management Systems and Certification Schemes – cover instruments enabling business to enhance its internal processes for CSR-related activities as well as establishing credibility with consumers. Examples include Fair Trade or Global Gap.

Group 3 instruments – Social Rating Indices – address investors and have the capacity to induce internal change within companies by transmitting signals to external stakeholders due to enhanced transparency regarding corporate social performance.

Group 4 – Reporting Frameworks – contain instruments such as the Green House Gas Protocol which demonstrate high usefulness for all stakeholders, mainly due to their specificity.

In conclusion, one can say that the nature of the various instruments determine their usefulness for different stakeholders. However, the relevance of instruments also depends on the particular stage at which the discourse and practices of CSR are in a specific context, as this report discerns a certain development of instruments' usefulness over time. With regard to the German context and based on the results of this analysis, our recommendation is for government to focus its attention on the instruments contained in Group 2, as these provide the greatest value for all stakeholders involved.

1. Introduction

The internationalization and growing interconnectedness of markets has redefined the role of the private firm in the global economy. The regulation of labour standards or the mitigation of negative externalities on the environment are issues which used to be dealt with by national governments however such a centralized approach is no longer viable where firms increasingly operate across borders, often in territories where regulatory competition or lacking financial and human resources discourage national governments from implementing stringent regulatory standards (Hassel, 2008; Egels-Zanden, 2009). Even in the case of Germany, where social and environmental standards clearly rank above average and where co-determination guarantees for the involvement of labour in firm decisions, global supply chains have become increasingly common, leading to new concerns about the behaviour of businesses (Habisch, Wegner, 2005).

The development of Corporate Social Responsibility (CSR) in discourse and practice has been a response to the multiple governance gaps that exist in the global marketplace. CSR or alternative expressions such as corporate accountability, corporate responsibility or corporate citizenship have been theorized in manifold ways, however there is still a lack of agreement on a single, all-encompassing definition. In his seminal work on the pyramid of CSR, Carroll (1979, p.500) regards CSR as the economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time. In its CSR Strategy 2011-2014, the European Commission directly links CSR to business practice by defining the former as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2011, p.3).

The diversity of definitions attached to CSR and the context-specificity of the concept have raised multiple controversies and misunderstandings in the implementation of responsible business practices. Besides the broad range of theoretical understandings of what CSR is and what it should aim to achieve, recent years have seen a proliferation of CSR tools driving forwards the agenda of global corporate voluntarism. These instruments are far from homogenous; they are driven by a diversity of actors, address a wide range of issues and utilize different methods, including certification, reporting and standard-setting. The picture is further complicated by multiple international intergovernmental agreements regulating social, environmental or governance issues in state and corporate activities. As a result of this drive towards formalization and standard-setting, companies are increasingly burdened with a range of different reporting and disclosure demands while at the same time facing a lack of reliable information regarding the multiple instruments and their potential for adding value for different stakeholders (European Commission, 2003, 2004). This is particularly true in the German context where CSR initiatives lack broad understanding and visibility. In response to this situation the National CSR Forum, comprising experts from the private, public and civil sector, has launched an Action Plan to raise awareness and support for the issue (National CSR Forum, 2010).

With regard to the theoretical and practical complexities inherent in the CSR debate, the German CSR Forum has recognized the importance of a systematic presentation and assessment of selected CSR tools. By proposing a method how to classify different instruments and assessing them on the basis of pre-defined criteria, this report aims to assemble the multiple pieces of the CSR instruments puzzle and shed light on the mechanisms these instruments utilize as well as evaluate their respective merits and limitations. Through this process it will be shown that the wide range of existing instruments can be justified on the basis of the manifold particularities of different sectors and issues. Different problems in different contexts necessitate tailored answers. Calls for a universal CSR instrument that standardizes CSR practice across every country, company, issue area and industry sector therefore seem to be a misguided approach that would serve only to diminish the impact of CSR.

The report proceeds as follows: First, the normative and legal drivers of CSR will be explained, including a presentation of the most relevant international agreements. Second, the methodology will be introduced, highlighting the classification scheme as well as the individual criteria of assessment. This provides the basis for the presentation of our four identified categories of CSR instruments whereby the underlying functionality and main strengths and weaknesses of these categories are examined as well. The instruments that achieved the best evaluation according to our criteria are presented as part of this section. Finally, the results of our analysis are synthesized from the perspective of key stakeholder interests and general issues of debate are raised.

2. Normative and Legal Foundations of CSR

Prior to our analysis, it seems necessary to provide a brief overview of the current debate about the normative and legal foundations of CSR. By pointing to the social and political developments that have led to the emergence of the phenomenon CSR, we will be better able to understand the underlying trends discernible within the different categories of CSR instruments.

There is widespread agreement that CSR is characterized by enterprises' voluntary contributions to sustainable development transcending their legal obligations (Lee, 2008; Visser & Tolhurst, 2010; Franklin, 2008). This implies that companies give due regard to the triple-bottom line issues of economic, ecological and social responsibilities. Despite this shared understanding, two major views on the driving forces of CSR can be distinguished. On the one hand, the normative approach towards CSR – also called corporate citizenship – regards firms as an integral part of society who rely on existing societal institutions (e.g. infrastructure, education and social security systems) to sustain their profit-making activities. In this context, it is expected that businesses acknowledge their civil embeddedness and contribute to the general development and well-being of the societies in which they operate (Franklin, 2008; Brammer, et al 2012). Many proponents of greater regulatory pressure and more stringent incentive mechanisms to foster CSR justify their views based on this approach.

On the other hand, the economic perspective on CSR grounds corporate responsibility in the intrinsic motivation of businesses to "do well by doing good". Advocates of this view stress that there is a positive relationship between practicing CSR and corporate financial performance (CFP), i.e. that there is a "business case" for CSR (Carroll & Shabana, 2010). CSR instruments may contribute to an improved performance of a company through increased consumer satisfaction and reputation, greater chances in the competition for talented employees, or improved risk–management strategies. According to this perspective, it is the market and its manifold actors which regulate the practice of CSR rather than political or regulatory bodies (Brammer et al., 2012).

Despite the voluntary nature of CSR, which is undisputed in both approaches, companies have come under increased pressure to implement socially responsible practices. Not only has the number of specialized NGOs demanding good corporate behaviour from businesses increased greatly, but states are also increasingly drawn into the arena of CSR through international governmental agreements (see box below). Initiatives from the European Commission to make social and environmental reporting binding for companies and the integration of CSR consideration into the procurement policies of individual countries are just two examples of this trend towards greater formalization and regulation of CSR (Dannenbring, 2009). Given these trends, the voluntariness of CSR is likely to be called into question in the near future.

Among the most prominent CSR instruments are several international agreements on environmental, social and governance issues, namely the OECD Guidelines, the UN Framework for Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, or the Rio Declaration on Environment and Development, which have emerged at different times between 1977 and 2008. Those agreements form the legal underpinning for CSR within the international arena. The following will briefly introduce the main characteristics of each of these agreements, before moving on to section 3, which will cover the methodology.

The OECD Guidelines (2000) provide principles and standards for responsible business conduct in areas such as industrial relations, human rights, environment, information disclosure, consumer interests and taxation. While the adherence to the principles by companies is purely voluntary, signatory governments must sign a binding declaration whereby they commit themselves to implement the Guidelines and ensure observance by enterprises operating in or from their jurisdiction. This process is supported by National Contact Points which receive and track complaints about irresponsible business behaviour.

International Agreements

The UN "Protect, Respect and Remedy" Framework for Business and Human Rights (2008) and its Guiding Principles provide an authoritative global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. Three pillars underscore the Framework: a) the state duty to protect against human rights abuses by third parties, including business, through appropriate regulation and adjudication; b) the corporate responsibility to respect human rights and c) greater access by victims to effective judicial and non-judicial remedies.

The ILO Declaration on Fundamental Principles and Rights at Work (1998) contains four fundamental rights that have become the so-called ILO "core labour standards" (CLS): 1) freedom of association and the right to collective bargaining, 2) freedom from forced labour, 3) the effective elimination of child labour and 4) freedom from discrimination regarding employment and occupation. The Declaration is not legally binding, but applies to all ILO states on the basis of their membership in the ILO. In this regard, the CLSs are liberated from the voluntary mechanism of normal ILO Conventions, thereby making the compliance with certain minimum standards a norm in all ILO signatory states.

The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (1977) was launched as a reaction to multinational companies' (MNCs) increasingly controversial impact on social policy and labour-related issues. It attempts to regulate and guide MNCs' conduct in areas of employment and training, conditions of work and industrial relations. The Declaration is non-binding in nature, but its implementation in member countries is subject to regular monitoring and reviews.

The 27 legally non-binding principles enshrined in the Rio Declaration on Environment and Development (1992) define rights and responsibilities of states with the goal to ensure environmental protection and sustainable development. The Declaration negotiated at the UN Earth Summit coined a wide array of principles such as the right to development, the polluter-pays principle, the precautionary principle or environmental impact assessment. The Rio meetings brought about related frameworks such as the UN Framework Convention on Climate Change, the Convention on Biodiversity and a statement of principles on forest management.

3. Developing a Typology of CSR Instruments: The Framework

This report applies a comparative research approach to evaluate the CSR instruments listed in the ISO/DIS 26000 'Guidance on Social Responsibility' Annex A (ISO, 2009). All 58 instruments[1] contained in the Guidelines were categorised using a framework established by the European Commission (EU Commission, 2003) which classifies instruments according to their underlying mechanism. The four categories are: (1) aspirational principles and codes of practice, (2) guidelines for management systems and certification schemes, (3) rating indices used by socially responsible investment agencies and (4) accountability and reporting frameworks.

The comparative analysis within each of the four categories is carried out to detect and explain the differences and similarities among the broad range of CSR instruments that fall within each category. The assessment of instruments is based on a multi-stakeholder and multi-criteria performance evaluation that has been accomplished with the help of a CSR evaluation matrix developed during the research phase[2].

It is based on five overarching criteria: (1) practicality, (2) reliability, (3) accuracy, (4) value added and (5) scope. Two of these criteria (practicality and value added) were further specified in order to capture different stakeholder interests with regard to these criteria.

1 The number of instruments assessed is slightly below the original number of instruments suggested by ISO 26000 due to feasibility issues. In some cases relevant information about an instrument was only available in a foreign language and could therefore not be assessed with regard to the research criteria.

2 See Appendix 1 for detailed information on the Matrix.

The report further identifies four major CSR stakeholder perspectives – management[3] , NGOs/local community, employees, consumers. This classification ensures that the interests of internal, external and broader external stakeholders are adequately represented.

Practicality

For management practicality concerns the cost (financial, bureaucratic and time-related) of signing up to and fulfilling the requirements of an instrument. The higher the costs, the lower the assigned score for practicality. For the remaining stakeholders, practicality mainly concerns accessibility of information about the relevant instrument.

Reliability

For all stakeholders reliability relates to what types of external monitoring and control mechanisms exist for assessing a company's performance in implementing the relevant CSR instrument.

Accuracy

For all stakeholders accuracy concerns the precision of the information provided by the relevant instrument about what a company has to do to comply with the instrument's provisions.

Value Added

For management the category value added assesses the extent to which membership of an instrument will enhance the visibility or reputation of the firm, lead to improved risk-management and/or help raise profits (e.g. reduction in energy costs). For employees the val-

3 For the purposes of the report management was conceptually equated with the stockholders of a company.

Table 3.1: Criteria Overview

Practicality	Reliability	Accuracy	Value Added	Scope
• Cost • Accessibility	• External monitoring • Control mechanisms	• Precision of information provided	• Benefits for stakeholders	• Prominence • Size

ue added by an instrument relates to questions of empowerment (e.g. through training on employee rights) and better working conditions (e.g. through health and safety regulation). For consumers value added mainly concerns transparency and the extent to which the relevant instrument allows consumers to make more informed choices among the products they may decide to consume. For NGOs and local communities, the category value added concerns the level of positive social and/or environmental impact achieved by companies complying with the relevant instrument.

Scope

For all stakeholders scope relates to the size and prominence of an instrument, measured in terms of the number of signatories (or the market share of signatories in the case of sector-specific instruments) and its geographical scope, i.e. the number of countries or regions from which signatories originate.

All instruments were assigned a numerical value indicating their performance in the respective criteria, ranging from 1 (very low) to 5 (very high). A score of 0 was assigned if the criterion was "non-applicable". The different values for stakeholders in the criteria value added and practicality were added together to obtain an overall score between 0 and 20, while the values for the remaining criteria where scaled to 20 in order to weigh each criterion equally in the process of assigning overall scores to each instrument. Overall scores were calculated by summing up the scores of all 5 criteria with a resulting score ranging from 0 to 100[4]. All instruments were ranked from highest to lowest score within their category.

4 See Annex 2 for an overview of the numerical values and statistical measures as well as a comprehensive table with the relevant instruments and scores.

4. Analysis of EU Mappings groups

Group 1 - Aspirational Principles and Codes of Conduct

The EU Commission (2003, p.12) defines aspirational principles and codes of practice as "guidelines which provide broadly agreed methods of substantive performance for companies". 25 out of the 58 ISO 26000 instruments can be assigned to this group with generic and sector-specific instruments being equally represented (12 and 13 instruments respectively).

The overall mean score within the group is 60.34. In total, 9 out of 25 instruments score above average, however the Fair Labour Association and the Partnering Against Corruption Initiative achieve by far the highest scores with 84.5 and 84 respectively. The lowest score was assigned to the CERES Principles (33.5) (for a ranking of the top ten instruments see table 4.1). The standard deviation of the total score is relatively low (11.27), with the bulk of the instruments receiving scores clustered around the mean.

The data for the criterion of practicality show that the highest score across stakeholders is achieved by the Partnering Against Corruption Initiative (PACI) with 4.75 and the lowest score is assigned to the Fur Free Retailer Programme with 1.75. While the only other instrument with a value lower than 2.5 are the CERES Principles, instruments scoring 4 or higher are numerous. Since the mean value achieved by all instruments in the category is 3.23, the instruments score on average best in the area of practicality.

In the category of reliability we observe the poorest performance of the instruments with a mean of 2.42 out of 5. The relatively low performance in the area can be linked to the nature of instruments in Group 1, which are by definition ideal benchmarks and gen-

FAIR LABOR ASSOCIATION

The Fair Labor Association was founded in 1999 in response to sweatshop scandals. Today, it is a multi-stakeholder initiative consisting of 30 multi-nationals from diverse industries, 15 suppliers and 200 universities.

MISSION: Protecting workers rights and improving working conditions around the globe, across industries and throughout the supply chain.

APPROACH: Members commit to comply with the FLA's Workplace Code of Conduct throughout their supply chains. By providing training programs, the FLA facilitates compliance. Both members and independent external monitors assess compliance; third parties, e.g. workers, are encouraged to file complaints to the FLA. Results are published on the association's website. In cases of non-compliance, remediation plans are set up. Ultimately, enforcement is limited to excluding members from the FLA.

STRENGTHS:
- Empowerment of workers
- Dual monitoring system
- Transparency

WEAKNESSES:
- Enforcement limited to exclusion from the association
- Recent scandals shed bad light on the FLA

Table 4.1: Overall Scores of the Top Ten CSR Instruments in Group 1

Rank	Instrument	Score
1	Fairlabor Association	84.5
2	Partnering Against Corruption Intiative	84
3	International Chamber of Commerce	72.5
4	Wolfsberg Group	70
5	Electronic Industry Citizenship Coalition	70
6	Principles of Responsible Investment	70
7	Zentralverband der deutschen Elektrotechnik und -industrie	67
8	Equator Principles	66
9	Consumers Charter for Global Business	63
10	United Nations Environment Programme Finance Initiative	60

PARTNERING AGAINST CORRUPTION

The Partnering Against Corruption Initiative (PACI) was launched at the World Economic Forum in Davos in 2004. It is a private sector initiative, signed by over 170 companies from all over the world.

MISSION

PACI aims to shape corporate best practice in preventing corruption and bribery and to define the international anti-corruption architecture through influencing regulation.

APPROACH

PACI has a top level approach which requires that each chief executive office of a company signs a commitment statement requiring a zero-tolerance policy towards bribery within the company as well as the implementation of a specific anti-corruption programme which will ensure the application of this zero-tolerance policy. PACI relies on regular meetings for companies to share best practices through the bi-annual Task Force Meetings as well as the World Economic Forum Annual Meetings and the regional World Economic Forums. PACI cooperates with Transparency International and other civil society actors.

Strength

- Designed by companies for companies
- Devotes resources to a specific area of CSR: corruption
- Powerful driving force: World Economic Forum
- Regular institutionalized meetings
- Example of a business case for CSR

Weaknesses

- No external oversight of the implementation process

eral principles rather than clearly formulated goals enforced by external auditing.

A similar tendency can be observed with regard to the category of accuracy. With 2.78 the overall mean in this category is higher than that of the category of reliability. However, there are few genuinely high scores. The Fair Labour Association (FLA) and the Partnering Against Corruption Initiative (PACI) receive the highest scores (both 4.5).

In the category of value added the overall mean across stakeholders is 2.78. There is only one high-scoring instrument (PACI with a score of 4.25) and a large number of instruments cluster around the mean. An interesting result obtained was that the value added for management received the highest mean score of all stakeholder groups (3.42).

Instruments score particularly high with regards to the criterion of scope with a mean of 3.88. This observation indicates that aspirational principles and codes of practice aim specifically at enhancing outreach and inclusion. Prominent instruments such as the UN Global Compact or the Equator Principles that do not rank highest when evaluating their overall performance according to the evaluation matrix have been found to score particularly high with regards to scope (both 5).

Looking at the results obtained, there seems to be a trade-off between instruments' scores for practicality for management and reliability. This result is intuitive, as instruments which are easy to implement (broad, non-binding principles) are often not conducive to effective internal and external monitoring (those principles not prescribing specific actions against which companies' performance could be measured). Furthermore, an interesting finding has been that the scope of an instrument and its added value for management are positively related. The criterion of scope is particularly interesting for management since the greater the

INTERNATIONAL CHAMBER OF COMMERCE

The ICC is the voice of world business championing the global economy as a force for economic growth, job creation and prosperity. Over 120 countries are members of the. They represent a broad cross-section of business activity including manufacturing, trade, services and the professions.

MISSION

ICC speaks for world business whenever governments make decisions that crucially affect corporate strategies and the bottom line.

APPROACH

ICC activities cover a broad spectrum, from arbitration and dispute resolution to making the case for open trade and the market economy system, business self-regulation, fighting corruption or combating commercial crime. ICC has direct access to national governments all over the world through its national committees. The organization's Paris-based international secretariat feeds business views into intergovernmental organizations, e.g. the UN and WTO, on issues that directly affect business operations.

Strength

- Increase of visibility
- Detailed and comprehensive data on statements, codes and policies
- Various tools, guidelines covering diverse areas, e.g. promotion of trade

Weaknesses

- No external monitoring,
- Low practicality, variety of different tools
- Little training provided

prominence of an instrument the greater the international visibility a company can obtain for its CSR activities through membership.

Summarising the above findings, the particular strengths of aspirational principles and codes of practice lie in providing management with benefits deriving from the **visibility** of their CSR engagement and NGOs with a way to **raise awareness** of CSR issues. While these advantages are of great significance in the early phases of promoting the concept of CSR, the lack of precision in terms of which behaviour is expected of companies for compliance as well as the absence of monitoring means that the risk of "green washing" is high.

UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact was ratified in 2000 in order to foster a more sustainable and inclusive world economy. It is the first initiative between the UN and business. Today it has more than 3000 members.

The Compact has two complementary objectives; (1) to mainstream the ten principles in the business sector; and (2) to increase business actions in support of broader UN goals, e.g. the Millennium Development Goals.

The Compact is a continuously developing initiative and network that enables the exchange of ideas, promotes dialogue and encourages the development of CSR by advancing universal environmental and social principles. Participating companies must under the Communication on Progress (COP) policy submit annually a communication outlining their implementation of the ten principles which is published on the website. The company is the required to set in motion change so that principles become part of its strategy, culture and day-to-day-operations.

- Universality, UN initiative
- Global recognition, scope
- Unlimited voluntary network

- Accountability, no monitoring mechanisms
- Enforcement, no sanctioning mechanisms
- Reliability, what do participants really commit to

ELECTRONIC INDUSTRY CITIZENSHIP COALITION

Established in 2004 and now consisting of over 60 global electronic and information technology companies, the EICC seeks to promote a common Code of Conduct for the electronic industry supply chain.

MISSION

Creating a global electronics industry supply chain that consistently operates with social, environmental and economic responsibility.

APPROACH

The EICC seeks to achieve its mission through building awareness regarding CSR issues in the electronic industry and by driving behavioural change from companies through the adoption and implementation of a common standard, the EICC Code of Conduct. The EICC provides its members with different categories of tools in order to implement the Code of Conduct, including measurement tools, capacity building tools and external relations tools. The EICC is a total supply chain initiative, which means that signatories are required to ask all direct suppliers to implement the Code of Conduct as well.

Strength

- Simple membership process
- Variety, nature of membership
- Wholesome supply chain initiative
- Use of KPIs in annual report
- Regular Code of Conduct review

Weaknesses

- Lack of enforcement mechanisms
- Low labour standards
- Low reliability of information
- No involvement of civil society or trade unions in auditing process

GROUP 1: Aspirational Principles

THE EQUATOR PRINCIPLES

The Equator Principles, led by WestLB, Citigroup, ABN AMRO, and Barclays, was launched in 2003. Currently, 76 financial institutions in 28 countries have officially adopted them, covering over 70 percent of international project finance debt in emerging markets.

MISSION

The Equator Principles are credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions.

APPROACH

The EP are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. The EP are adopted voluntarily by financial institutions and are applied where total project capital costs exceed US$10 million. Members are required to publish an annual report on the website.

Strength

- Global industry standard
- Easy accessibility of information
- Improvement of reputation risks
- Scope - growth trend in membership
- Potential to change firm's behavior

Weaknesses

- No supervisory monitoring authority, week compliance
- Free-riding problems, lack of sanctions
- Lack of transparency and accountability

ETHICAL TRADING INITIATIVE

The Ethical Trading Initiative was established in 1998 to improve and enforce labor standards in global supply chains. This British multistakeholder organization covers over 35,000 suppliers and 9.4 million workers across the globe.

MISSION

The Ethical Trading Initiative aims to improve the lives of workers in global supply chains.

APPROACH

The Ethical Trading Initiative is a membership-based organization, comprised of businesses, NGOs and labor unions. It advances its objectives on three levels: 1) agree, comply and enforce the ETI Base Code (derived from ILO conventions 2) create a platform and internal governance structures between NGOs, businesses and labor unions backed by the British government to facilitate cooperation 3) launch concrete pilot projects to enhance and monitor labor standards globally.

Strength

- Cooperation between stakeholders
- Broad acceptance
- Large number of suppliers and workers covered globally

Weaknesses

- Mainly active in the UK
- Little international relevance
- Lack of strict enforcement mechanisms

THE WOLFSBERG GROUP

The Wolfsberg Group is an association of eleven global banks, which aims to develop financial services industry standards, and related products. These include Know Your Customer, Anti-Money Laundering (AML) and Counter Terrorist Financing policies.

MISSION

The Wolfsberg Group Principles and Statements are recommended to all those committed to the fight against money laundering and terrorist financing.

APPROACH

The Wolfsberg Group has issued various sets of AML Principles, as well as related Statements, the so-called Wolfsberg Standards. These guidelines lay down what acts may call for due diligence and special attention and also provides monitoring mechanisms. The Wolfsberg Group has also designed an AML Questionnaire for inclusion in the Due Diligence Repository. The AML Questionnaire is to provide an overview of a financial institution's anti-money laundering policies and practices.

Strength

- Rules have great potential for becoming leading principles
- Potential to bridge the 'transatlantic gap'
- Participant banks commit to apply the rules to all their operations

Weaknesses

- Principles are vague in some areas
- Lack specific enforcement mechanism
- Uncertainty about application; to avoid further regulation

Group 2 - Analysis: Management Systems and Certification Schemes

Instruments included in Group 2, guidelines for management systems and certifications schemes, are defined as "auditable guidelines for implementing, reviewing and external certification compliance to the standard. (...) These instruments enable business to enhance its internal processes for CSR-related activities as well as establishing credibility with consumers or other user groups through certification or verification" (European Commission, 2003, p.12).

The total number of instruments from the ISO 26000 list that can be assigned to this group is 21, of which 6 are generic and 15 sector-specific. The mean score within this group is 72.9 with a standard deviation of 13.47. For generic instruments the mean and the standard deviation are 64.7 and 18.0, whereas for sector-specific instrument they are 76.2 and 10.8. The mean for the specific instruments is higher than the overall mean and its standard deviation is lower. This implies that on average sector-specific instruments perform better than generic ones, which intuitively seems to confirm the assumption that sector-specific instruments better respond to the respective needs of different industries.

The instrument that attains the highest score is Fairtrade, with a score of 91.5. Other top scoring instruments in Group 2 are the GlobalGap, Social Accountability 8000 and the Rainforest Alliance. While the Rainforest Alliance also performed very well, it is con-

FAIRTRADE

Fairtrade was founded in 1988 and initially only targeted to the coffee market. Today Fairtrade covers several different agricultural products in 58 producing countries, through 827 Fairtrade certified producer organizations and over 1.2 million farmers and workers.

MISSION Fairtrade aims to more fairly redistribute the revenue of sales of agricultural products and impose a minimum price to be paid to producers so they can develop in a sustainable way.

APPROACH Fairtrade uses the relationship between consumers and producers directly to achieve their goal. The assumption is that Fairtrade label will inform consumers that the product has been produced in a sustainable way and therefore deserves to be sold at a higher price. Fairtrade establishes a set of standards and minimum prices to pay producers that adhere to the standards. An independent body of consultants inspects producers to ensure that all standards are being followed.

Strength

- Wholesome approach, labour and environmental standards
- Widely recognized
- Independent certification body, the only ISO 65 accredited certification scheme
- High transparency, abundant information for stakeholders

Weaknesses

- Strict rules may discourage formation of broader membership base
- Limited sales market
- Difficult to measure effects

Table 4.2: Overall Scores of the Top Ten CSR Instruments in Group 2

Rank	Instrument	Score
1	Fairtrade	91.5
2	Global G.A.P.	88
3	Social Accountability 8000	85.5
4	Rainforest Alliance	83
5	Forest Stewardship Council	83
6	International Council of Chemical Associations - Responsible Care	83
7	UTZ Certified	83
8	Rainforest Alliance Sustainable Agriculture Network (SAN) Standards	82.5
9	ISEAL Alliance	80.5
10	Marine Stewardship Council	80

GLOBAL G.A.P.

In 2007 the EUROPGAP, a European initiative to harmonize food safety, was rebranded to the GlobalGAP in order to address the growing global significance. Today it has more than 100 000 members in more than 100 countries.

MISSION: To establish one global standard for good agricultural practice, this includes food security, environmental well-being and labor welfare.

APPROACH: Five different instruments address all major areas/sectors of food production. Being a pre-farm-gate standard it addresses all farming inputs as well as activities until the product leaves the farm. Standards can be adjusted to local circumstances if needed and guidelines help the implementation of the standards. Strict internal as well as external control mechanisms are in place and non-compliance is sanctioned. By having a large membership (especially in Europe) the GlobalGAP is an essential and established institution within the food market that cannot be ignored.

Strength:
- High membership
- Specific/detailed instruments
- Local adaptation
- External monitoring
- Active stakeholder involvement

Weaknesses:
- Difficult to obtain information
- Not very visible for consumers

sidered to be a similar yet less stringent version of Fairtrade, as a result of which the report gives preference to Fairtrade. The worst performing instrument is the Ethical and CSR Management System (Forética), which receives a score of 40 (for a ranking of the best instruments see table 4.2).

With regard to all assessment criteria the general performance of the instruments is good with average scores lying between 3.0 and 4.0. The only criterion in which instruments perform relatively poorly is practicality for management where the average score is 3.07. This result is unsurprising given that instruments in this group generally set strict guidelines for the behaviour of companies, which require a significant amount of financial and managerial effort. At the same time, however, there is a relatively high degree of added value for management (3.9). This suggests that even though these instruments are demanding in terms of implementation for managers, they also provide the company with a range of benefits once its CSR activities have been certified. External certification allows companies to signal to their consumers their true commitment to CSR and can hence lead to gains from enhanced reputation.

The above observation is closely linked to the good performance of instruments in the group regarding the criterion of reliability. The mean score identified here is 4.0 which clearly exceeds the value obtained for Group 1. Labels and trademarks provide consumers with credible indications as to whether companies live up to their CSR commitments.

According to the findings outlined above, the main strengths of guidelines for management systems and certifications schemes are the **commitment** required of companies who become members of this type of instrument and the **credibility** that these instruments have due to their stringent external monitoring procedures.

RESPONSIBLE CARE

Responsible Care was founded in 1985 in response to chemical disasters in Italy and India, among others. Since the early 2000s, it has been managed by the International Council of Chemical Associations. 54 chemical associations in 60 countries are currently members of Responsible Care.

MISSION: Its mission is to contribute to sustainable chemistry, improve HSE standards and improve communication with stakeholders, performance and accountability.

APPROACH: Members need to implement the Core Principles, Global Charter and Global Product Strategy in addition to the original codes of practice specifying HSE standards. Capacity-building workshops, a toolkit for SMEs, as well as the sharing of health, safety and environmental information and a system of checklists are employed. ICCA encourages verification by 3rd parties, government officials or industry members. The ICCA monitors performance through the annual self-assessment reports.

Strength:
- Encompassing scope
- Tailored to needs of chemical industry
- Toolkit, easy for SMEs

Weaknesses:
- No stringent requirement for independent verification
- Lack of sanctioning mechanism, weak incentive for compliance.
- No uniform reporting framework, difficult to compare members' performance

SOCIAL ACCOUNTABILITY 8000

SAI SOCIAL ACCOUNTABILITY INTERNATIONAL

Social Accountability 8000 (SA8000) was created in 1997 by Social Accountability International (SAI). In 2010 this certification covered over 2,700 facilities in 62 countries across 65 industries, representing over 1.6 million employees.

MISSION

Setting standards for managing human rights in workplaces across all industrial sectors.

APPROACH

An organization wishing to seek certification has to apply to an accredited auditing firm or certification body. Auditors will visit the facilities and make an assessment of corporate practice regarding certain SA8000-related issues. The company then has to implement the necessary measures to comply with the standard and obtain certification for a 3 year period, during which time a series of mandatory surveillance audits will be carried out.

Strength

- Most widely recognized global auditable standard of its kind
- Applicable to companies of all sizes
- Reliable, with clear monitoring procedures
- Highly accurate and transparent

Weaknesses

- Only covers labour issues

Group 3 -Social Rating Indices

Social rating indices which form Group 3 of the categorisation used provide individual and institutional investors interested in socially responsible investment (SRI) with easily accessible and comparable information on corporate performance, usually including ethical, social, governance or environmental issues (Slager, 2009). Like reporting or certification instruments, social rating indices constitute a "market information regime", enhancing transparency regarding corporate social performance. All social indices use pre-determined selection criteria, measure the social performance of a group of listed companies and weigh and rank the companies accordingly (best-in-class approach). However, unlike most CSR instruments they are not primarily targeted at management, consumers or NGOs, but rather at investors.

Even though a wide array of social indices has recently been developed[5], none is contained in the ISO 26000 list. At the same time, there is widespread agreement that the most widely recognised and most representative social rating indices are the Dow Jones Sustainability Indexes (DJSI) and the FTSE4Good (Szekely & Knirsch, 2005, p.634), leading to the choice to include these two instruments for analysis in this report (see table 4.3 for their final score).

In the category of practicality for management both instruments have been rated relatively low (1.5). The score reflects the fact that there are multiple conditions whose fulfilment is necessary for a company to become part of one of the sustainability indices. Concerning practicality for internal and external stakeholders such as employees, investors/consumers[6] or NGOs both received a score between 2 and 4. The rankings established by the instruments are accessible on the internet conditional upon the purchase of a user license which does not pose a problem for investors (score of 4), but brings the results beyond other external stakeholders' reach (score of 2). Investors with a user license are given easily accessible, transparent and comparable information supporting them in the management of their investment portfolios.

Given the sophisticated assessment methodologies and expertise of the assessment organisations, both rating indices display a high degree of reliability (4 / 4.5). A

5 Amongst others, these include the Ethibel Sustainability Index, the Securvita Natur Aktien Index and the Domini 400 Social Index.

6 For the purposes of the analysis of rating indices consumers were conceptually equated with investors, since this type of CSR instruments targets mainly investors.

DOW JONES SUSTAINABILITY INDEXES

The Dow Jones Sustainability Indexes were launched in 1999 by the index provider Dow Jones Indexes and the Sustainable Asset Management (SAM) Group. It comprises global and regional benchmarks, among them the DJSI World Index, DJSI North America or DJSI Asia Pacific.

MISSION

The mission is to provide investors interested in socially responsible investment with a reliable and transparent index guiding them in the management of their sustainability portfolios.

APPROACH

All indices measure the stock market performance of the top 10 or 20 percent of the leading sustainability companies within multiple sectors (best-in-class approach). The annual assessment procedure carried out by SAM is primarily based on a company-tailored questionnaire and focuses on general and sector-specific economic, environmental and social criteria. Once included into an index, companies are subject to daily monitoring, which can in the case of exceptionally poor performance lead to exclusion from the index.

Strength

- Intense external scrutiny
- Sector-specificity
- Competition can propel sustainability performance
- Comparability through ranking

Weaknesses

- Need for licenses decreases accessibility
- No feedback mechanism for companies
- Wide reliance on self-assessment
- Exclusion of small- and medium-sized firms
- No NGO participation

Table 4.3: Overall Scores of the Top Ten CSR Instruments in Group 3

Rank	Instrument	Score
1	Dow Jones Sustainability Indexes	77
2	FTSE_4_Good	72.5

FTSE4GOOD

	FTSE4Good was launched in 2001 by the British financial index provider FTSE and the Ethical Investment Research Service (EIRIS). FTSE4Good consists of the Europe 50 Index and Global 100 Index, including the 50 or 100 best-performing CSR companies.
MISSION	The goal is to objectively measure the performance of companies with regard to globally recognised corporate responsibility standards and rank them accordingly.
APPROACH	Based on questionnaires and external sources EIRIS annually assesses companies' performance in five categories (environmental sustainability, stakeholder relations, human rights, supply chain, countering bribery). Performance factsheets are handed out to companies for review. Some sectors are excluded from the index, given their inherent unsustainable or unethical activities (e.g. tobacco, weapons). Once included into an index for a yearly period, firms are subject to bi-annual monitoring.
Strength	• Feedback mechanism on company performance • Competition can propel sustainability performance • Comparability through ranking
Weaknesses	• Need for licenses decreases accessibility • Criteria self-assessed and too generic • Exclusion of small- and medium-sized firms • No NGO involvement

potential credibility problem arises however regarding the reliance on self-reporting by companies in the form of questionnaires. Both indices mitigate this weakness by relying on additional external mechanisms such as press coverage, qualitative interviews and sustainability reports.

Whereas both indices are accurate in that they assign numerical scores to sustainability performance and hence make companies measurable and comparable, this quantitative approach faces the risk of over-simplification. Furthermore, both indices do not offer firms great transparency about reasons for exclusion, given that the ranking relies on competition rather than the complete fulfilment of specific indicators. The DJSI scores higher in the category of accuracy because it includes both generic and sector-specific assessment criteria, while FTSE4Good only focuses on generic criteria. In addition, FTSE4Good's accuracy is diminished given its reliance on negative screening (i.e. excluding some sectors per se based on their inherently unsustainable or unethical practices), which is ultimately an arbitrary decision and decreases investor choice.

With regard to the criterion of value added, both indices have high potential to be beneficial for management, as they may improve companies' relations with their stakeholders and hence enhance their reputation (4.5). In addition, the instruments are likely to provide increased investment flows and greater effectiveness of internal processes. With regard to external stakeholders both indices are prone to create added value (4.5), as the ranking exerts constant pressure on companies to improve their sustainability performance.

As regards the criterion of scope both instruments achieve a score of 4. Their geographical reach is significant listing companies from various world regions, however due to their sole emphasis on stock enterprises the performance of SMEs and sole proprietorship businesses is beyond their reach.

In total, the DJSI achieved a score of 77, whereas the FTSE4Good received a score of 72.5 out of 100. From this analysis we can conclude that both instruments seem well suited to induce internal change within companies and transmit clear signals to external stakeholders regarding corporate sustainability. The particular strengths of this type of instruments are the **accuracy** of the information produced thanks to the detailed auditing and evaluation processes as well as the **comparability** of companies' CSR performance given the ranking format. Since the mechanism underlying DJSI and FTSE4Good is similar to that of rating indices in general, the results obtained seem fairly representative of the group as a whole.

Group 4 - Reporting Frameworks

Reporting frameworks are instruments for companies to provide information to different stakeholder groups with regard to social, economic and environmental performance issues. Next to this communication function, reporting frameworks serve as managerial tools, helping to streamline internal corporate procedures regarding sustainable business practices. The general idea behind reporting frameworks is the use of standardised information for benchmarking, ranking, and cross-comparisons, enabling activists and NGOs to reward socially responsible business practices while exerting pressure on poor performers.

From the ISO 26000 list, 10 instruments can be placed in the Group 4 accountability and reporting frameworks. The overall average score of the instruments is 73.4. The minimum score assigned is 48 for the Global E-Sustainability Initiative. The maximum score assigned is 93 for the Greenhouse Gas Protocol. Other well-performing instruments are the UNCTAD International Standards of Accounting and Reporting (ISAR)[7], the Accountability AA 1000 Series, the Ethos Indicators of CSR and the Key Performance Indicators (KPIs) for Environmental, Social and Governance (ESG) issues. The prominent Global Reporting Initiative (GRI) as well as Transparency International achieve a total score of 77 and 74.5 respectively, their high scores being mainly determined by an outstanding performance in the category of scope (see Table 4.3 for the ranking of instruments).

Overall, the results indicate that the specificity of an instrument is positively related to its usability and quality. The GHG Protocol is issue-specific by focusing on the topic of greenhouse gas emissions, AA 1000 primarily addresses assurance providers, while the KPIs for ESG neatly fulfill the requirements of investment

THE GREENHOUSE GAS PROTOCOL

Since its launch in 2001, more than 1000 businesses and organizations worldwide have developed their GHG inventories using the GHG Protocol.

MISSION

The Greenhouse Gas Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.

APPROACH

The Protocol addresses the accounting and reporting of six greenhouse gases covered by the Kyoto Protocol. The aim is to create and promote the broad adoption of internationally accepted GHG reporting and accounting practices through an open and inclusive process. The protocol frames the process of measuring GHG emissions by using a series of so-called comprehensive "scopes" with respect to direct and indirect GHG emissions.

Strength

- Creates a common standard in the field of GHG emission
- Active Stakeholder involvement
- Makes GHG data comparable, calculation tool
- Provides assistance in GHG risk management
- Accuracy and transparency

Weaknesses

- Lack of enforcement mechanisms, unaudited reports
- Verifiers not certified
- Risk of selective participation

7 The UNCTAD ISAR operates at the definitional border of what a CSR instrument actually is. Not only do these standards focus on financial reporting, rather than sustainability indicators, their implementation is in many countries also made mandatory for companies.

Table 4.4: Overall Scores of the Top Ten CSR Instruments in Group 4

Rank	Instrument	Score
1	The Greenhouse Gas Protocol	93
2	UNCTAD International Standards of Accounting nd Reporting (ISAR)	88
3	AccountAbility AA 1000 Series	84
4	Ethos Institute (Ethos Indicators of CSR)	80
5	Global Reporting Initiative	77
6	Transparency International	74.5
7	Key Performance Indicators (KPIs) for ESG (DVFA/EFFAS)	70
8	UNEP Sustainable Buildings and Climate Initiative	63
9	UN Partnership Assessment Tool	56.5
10	Global e-sustainability initiative (GESI) / E-TASC	48

ACCOUNTABILITY

Established in 1995, AccountAbility works with companies, NGOs and governments to help them incorporate environmental, social, and governance accountability into their governance structures. AccountAbility has a vast international scope, with offices on five continents.

MISSION: AccountAbility was founded with the intention of improving the performance of businesses by the means of three underlying principles: Inclusivity, Materiality and Responsiveness

APPROACH: AccountAbility aims to achieve its mission through the AA 1000 Series of standards, which are divided into three subcategories: Principles Standard, Assurance Standard and Stakeholder Engagement Standard. Each of these contains detailed guidelines for proper conduct. The subdivision of the accounting standards makes the information easier to categorize and work with. Furthermore, the standards are straightforward and readily accessible. Audits are conducted by an independent assurance provider, to ensure reliability and accuracy. Consequently, recommendations are made based on the assurance provider's findings. All assurance providers must be licensed.

Strength:
- Clear and detailed guidelines
- Institutionalized involvement of multiple stakeholders
- Vast geographical scope
- Fills in important gap in reporting: verification and assurance

Weaknesses:
- Does not directly address concerns of employees and local communities

professionals. Only the Ethos Indicators and the GRI are broader in nature. This outcome is intuitive given that the more accurately and narrowly defined the criteria for reporting are, the less room companies have for creative accounting practices. Furthermore, information derived from specific reporting criteria can be much better read, measured and used by external actors for comparison than that which is generated when companies merely follow a set of broad guidelines.

A weakness discerned for all reporting frameworks is the wide reliance on self-assessment, and hence the high potential of companies to cherry-pick or over-rate performance (the mean score in the category reliability is 3.4). Reporting and assurance are, in fact, two sides of the same coin. Only by having sustainability reporting checked by an external, independent agent can corporations credibly claim the validity of their reporting. In this respect, AA 1000 fills an important gap by supporting assurance providers in assessing sustainability reporting.

It has been further observed that for those reporting frameworks supporting the tendency amongst companies to produce extensive CSR performance booklets the accuracy score is relatively low. This style of presenting data does not only distract from important trends, but is also inaccessible for most interested stakeholders who are overburdened by so much information. In this regard, the KPIs for ESG are innovative by attempting to quantify sustainability performance and hence make cross-comparisons of companies possible. Simultaneously, however, the rejection of the more descriptive, qualitative format of CSR reporting may subtract from accuracy and lead to over-simplification of complex issues. This trade-off underlines that a healthy balance between quantitative and qualitative reporting is yet to be found.

ETHOS INSTITUTE

The Instituto Ethos de Empresas e Responsabilidade Social was established in 1998.
It includes over 1000 small, medium and large companies across all industries, but mostly from South America.

MISSION: The mission is to provide companies with a tool to support the process of incorporation of CSR into their management via a self-assessment mechanism.

APPROACH: Companies voluntarily complete a questionnaire and send it to the Ethos Institute. The answers are then tabulated, turned into customized reports that are sent back to the companies. The performance of the companies is quantified and for each existing indicator, the company is given a grade. Organizations which receive a high grade in one of the indicators are invited to report their practices and join the Best Practices of the Ethos CSR Indicators Benchmarking, an online reference center in corporate social responsibility.

Strength:
- Platform of exchange
- Easy to comprehend procedure
- Accessible for all types of companies
- Consumer and "end-user" friendly

Weaknesses:
- Self-assessment could lead to "green washing"
- No continuous auditing and evaluation
- No clear monitoring process

GROUP 4: Reporting Frameworks

The analysis has shown that the strengths of accountability and reporting framework instruments lie in creating greater **transparency** regarding the behaviour of businesses and helping the process of **standardisation** for assessing the practices of corporations. Despite these strengths most reporting frameworks are yet lacking effective external checks, which might seriously subtract from their potential to create value added for the multiple stakeholders.

KEY PERFORMANCE INDICATORS

EFFAS

The Key Performance Indicators (KPIs) for environmental, social and corporate governance (ESG) issues is a reporting framework primarily targeted at the investment community. It is driven by the European Federation of Financial Analysts Societies (EFFAS) and the Society of Investment Professionals in Germany (DVFA). The latest version of the KPIs was published in 2010.

MISSION

Proposing the basis for ESG data into corporate performance reporting.

APPROACH

Companies are required to report annually in a numerical format on nine general criteria (e.g. GHG emissions, training & qualification, corruption) as well as appropriate sector-specific indicators critical for investment decisions. The quantitative format ensures the linkage between financial and non-financial information and guarantees for cross-company comparability. The KPIs for ESG thereby reacts to the growing demand of investors for transparent and accurate data on corporate sustainability performance.

Strength

- Performance measurable and comparable
- Sector-specificity
- Freely accessible
- Relevant for investors

Weaknesses

- Over-simplification given numerical format
- Selective reporting
- Limited reliability
- Incomprehensible data for stakeholders other than investors

GLOBAL REPORTING INITIATIVE

Global Reporting Initiative was established in 1997 and has become the most widely used sustainability reporting framework. GRI oversees a network of 30,000 corporations, governments, NGOs, consultancies, accountancy organizations, business associations, rating organizations, universities, and research institutes.

MISSION

GRI is a self-regulatory tool for non-financial reporting, its mission is to enhance the quality, rigor and utility of sustainability reporting, to integrate many standards into a single, generally accepted sustainability framework, as well as to increase credibility, consistency and comparability of CSR reports.

APPROACH

Firms which intend to start reporting according to GRI go through a 5 step process - develop an action plan, identify key stakeholders and connect with them, based on stakeholder interviews define topics for reporting which are most important internally and externally, monitor information and set performance goals, and finally write a report to communicate their sustainability progress. GRI provides companies with a reporting starter kit. However it does not provide consulting services, nor does it engage in any assurance, auditing, verification, certification of reports. A GRI Training programme is provided by local GRI certified training partners.

Strength

- Global scope
- Multi-stakeholder governance structure
- Extensive informative framework
- Complementary CSR tool

Weaknesses

- Lack of enforcement and auditing mechanisms
- Selective reporting
- Lack of participation by SMEs and developing countries

5. Synthesis of Results from the Perspective of Key Stakeholders

The analysis has so far established a systematic overview of existing CSR instruments. The diversity of instruments has been classified according to different types of mechanisms and instruments were assessed on the basis of pre-defined criteria and different stakeholder perspectives. Thereby, merits and limitations have not only been identified for individual instruments, but also for the broader mechanism that these instruments rely on. It has become clear that different types of instruments and their respective strengths serve various stakeholders to a different extent, making their usefulness highly context-specific. Table 5.1 provides guidance as to the types of instruments that seem of most relevance to stakeholders outlined throughout the report.

Management

Table 5.1 indicates that management is the stakeholder that can benefit most from the diversity of CSR instruments. Depending on the aims of the company and the CSR policies it has already implemented different types of instruments can be important for intensifying and streamlining CSR practices. If management is interested in awareness raising and the visibility of its socially responsible activities, aspirational principles and codes of practice can provide a platform for exchange of information and best practices. Instruments falling within the second category of guidelines for management and certification schemes require a larger commitment to CSR activities and concrete changes in company practices, but are valuable tools to increase the credibility of CSR performance. Management can further benefit from reporting frameworks if it is willing to increase the transparency about its CSR activities and report on CSR practices in a standardised manner.

Employees

The commitment of a company to CSR through the use of instruments from the second group can decisively improve working conditions fostered within a company and along its supply chain. It has become apparent that many of the guidelines for management and certification schemes directly address labour standards and provide tools for companies to improve their performance in this area. Furthermore, employees may at times benefit from regular standardised reporting and the increased transparency provided for if a company

Table 5.1 Types of CSR instruments and their relevance for stakeholders

	Management	NGOs / Local Community	Employees	Consumers (Investors)
Visibility & Awareness Raising (Aspirational principles and codes of practice)	X			
Credibility & Commitment (Guidelines for management systems and certification schemes)	X	X	X	X
Comparability & Accuracy (Social rating indices)				X
Transparency & Standardization (Accountability and reporting frameworks)	X	X	X	

adopts reporting frameworks. Reporting, if conducted accurately and carefully, provides employees or trade unions with verifiable data on working conditions and thereby leads to strengthened accountability channels between management and the workforce.

Consumers

Table 5.1 above underlines that certification schemes carry the largest benefit for consumers given the strengths that those instruments present in the areas of commitment and credibility. Consumers that often lack the means or capacity to attain elaborate information on production and product standards prior to their consumption decisions are given easily accessible and immediate signals in the form of labels or trademarks. In this way, they can clearly distinguish the diversity of brands and products in the marketplace and possibly adapt their decisions to consume products accordingly.

NGOs/ Local Community

NGOs and local communities can profit most from guidelines for management and certification schemes (Group 2) on the one hand and reporting and accountability frameworks on the other hand (Group 4). Since the instruments contained in the Group 2 require a significant change in corporate processes, they can contribute to a great extent to overcoming problems relevant to local communities. Furthermore, the adoption of CSR labels by companies provides NGOs with an easy way to hold them accountable for their commitments, thereby decreasing the probability of green-washing. This process of external monitoring can be further enhanced by instruments contained in Group 4 which encourage the regular publication of elaborate and transparent information on company behaviour.

Investors

It has been emphasised that the interests of investors engaging in socially responsible investment are best served by social rating indices (and by the KPIs for ESG falling within the category of reporting frameworks). Their focus on quantitative data relevant to investment decisions as well as the usage of the best-in-class approach allows investors to quickly compare sustainability performance among companies. Certainly, such easy access to accurate information can prove of great help for investors in the management of their investment portfolios.

6. Conclusion and Recommendations

Following from the analyses as well as the above observations, interesting conclusions can be drawn with regards to the usefulness of CSR instruments. Firstly, it has become clear that different types of CSR instruments fit different stages in the development of CSR practices. This evolution is captured figure 6.1 below.

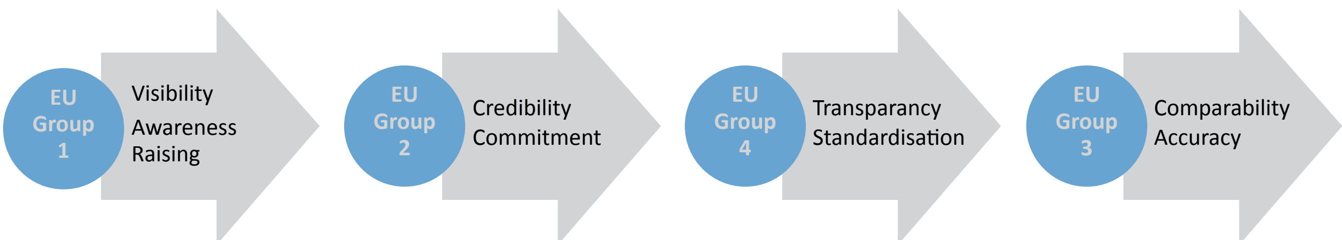
Aspirational principles and codes of practice stand at the beginning of CSR implementation, focusing predominantly on visibility and awareness raising. These instruments serve to frame the debate on environmental, social and economic problems and explore how business could voluntarily contribute to their resolution. Subsequent initiatives go further by establishing concrete systems and benchmarks that aim to enhance companies' CSR activities and embed standards more firmly in firm processes and management structures. These initiatives are driven by the instruments from the second group – guidelines for management and certification schemes.

Complementary to this development, the rise of reporting frameworks can be observed, which emphasise primarily the standardisation of CSR corporate reporting. This trend underscores the need for companies to not just engage in CSR, but also to credibly inform internal and external stakeholders on their activities and thereby open themselves to external scrutiny. At the end of the CSR development process stand the social rating indices which cater for the interests of the increasing number of ethical investors aiming to include socially responsible organisations within their investment portfolios, however they currently only include stock companies.

There is widespread agreement that given the rapid spread of CSR in theory and practice on a global level in recent years, awareness raising and visibility of CSR is being surpassed by the need to develop more rigorous standards and implement credible verification schemes. As underlined in the second chapter, this trend is underscored by the increasing tendency to move away from voluntariness towards greater formalisation and legalisation of CSR.

A second major insight has been the complementarity and interdependence of CSR instruments. Pioneer instruments like the UN Global Compact are now coupled with reporting frameworks, such as in this case the GRI, in order to strengthen their potential for providing greater accountability. Social rating indices depend on existing CSR activities and standardised reporting to enable ranking and benchmarking of company performance. Generic instruments are complemented by sector-specific tools which address specific particularities of sectors, geographical regions or stakeholders. Such findings emphasise that the often overwhelming diversity of CSR instruments can be justified on the basis of the manifold problems and contingencies our societies have to cope with in an increasingly globalizing world. Different problems in different contexts necessitate tailored answers, which makes clear that calls for a universal CSR instrument are clearly misplaced.

Table 6.1 Evolution of CSR Instruments



Conclusion and Recommendations

With these insights in mind, some policy recommendations to the German government tailored to the national context can be raised.

- All instruments analysed and presented in this report have the potential to deliver value for various stakeholders. However, our recommendation for the government is to particularly focus its attention on the advancement of sector-specific instruments placed in the second group, guidelines for management systems and certification schemes, as with their emphasis on credibility and commitment they can potentially create the greatest value added for the range of stakeholders. In the German context where CSR has gained in prominence in recent years it is no longer general awareness raising, but problem-oriented commitment by companies and its credible verification which should stand at the forefront of the policy agenda.

- Simultaneously, however, it should be kept in mind that specific management guidelines and certification schemes can involve high implementation costs due to the multiplicity of standards, codes of practice and costs of certification. This can prove overly burdensome for the multiple SMEs forming the backbone of the German economy. Capacity-building and providing financial resources for SMEs will therefore be necessary to advance their internal CSR agenda.

- Given the increasing and already widespread interest in CSR, there is an opportunity for the German government to further explore and realise the potential of civil society organisations, trade unions and industry associations to hold companies accountable for their CSR commitments. A close engagement with these groups is of utmost importance to improve accountability mechanisms underlying CSR instruments and to thereby raise their reliability to address CSR related issues in corporate activity.

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Appendix 1: Quantitative Assessment of CSR Instruments of Category 1 Aspirational Principles and Codes of Practice

Quantitative Assessment of CSR Instruments of Category 1 Aspirational Principles and Codes of Practice

		Practicality					Reliability		Accuracy		Value Added					Scope		
Name of Instrument	**Applicab.**	**Man.**	**Empl.**	**Cons.**	**NGOs**	**Sum**	**Orig.**	**Adj.**	**Orig.**	**Adj.**	**Man.**	**Empl.**	**Cons.**	**NGOs**	**Sum**	**Orig.**	**Adj.**	**Sum**
Amnesty International Human Rights Principles	0	5	3	3	2.5	**13.5**	2	**8**	2	**8**	2.5	2	2	2	**8.5**	5	**20**	**58**
Caux Round Table Principles for Business	0	4	4	4	4	**16**	1	**4**	1.5	**6**	2	2	1.5	2	**7.5**	3	**12**	**45.5**
CERES Principles	0	3.5	1.5	1.5	1.5	**8**	1.5	**6**	1	**4**	1.5	0	0.5	1.5	**3.5**	3	**12**	**33.5**
Clean Clothes Campaign	1	0	5	4	3	**12**	3	**12**	3	**12**	3	5	3	3	**14**	2	**8**	**58**
CoC for the Protection of Children from Sexual Exploitation in Travel/Tourism	1	4.5	3.5	2	3	**13**	2	**8**	2.5	**10**	4	2.5	2.5	3.5	**12.5**	4	**16**	**59.5**
Consumers Charter for Global Business	0	3	2	2.5	3.5	**11**	2.5	**10**	3	**12**	3	0.5	4	2.5	**10**	5	**20**	**63**
Electronic Industry Citizenship Coalition/ CoC	0	4	4	1	2	**11**	4	**16**	3	**12**	4	4	1	2	**11**	5	**20**	**70**
Equator Principles	1	4	4.5	4.5	4.5	**17.5**	2	**8**	2.5	**10**	4.5	2.5	2	1.5	**10.5**	5	**20**	**66**
Ethical Trading Initiative (ETI)	0	1.5	5	3	2	**11.5**	2	**8**	2.5	**10**	1.5	1.5	2	0	**5**	3	**12**	**46.5**
Fairlabour Association (FLA)	0	2.5	4.5	4.5	5	**16.5**	5	**20**	4.5	**18**	3	4.5	2.5	4	**14**	4	**16**	**84.5**
Fur Free Retailer Programme	1	4	0	3	0	**7**	2	**8**	3	**12**	2	0	4	4	**10**	2	**8**	**45**
International Chamber of Commerce (ICC)	0	3	5	5	5	**18**	2	**8**	3	**12**	3.5	3	3.5	4.5	**14.5**	5	**20**	**72.5**
International Cocoa Initiative	1	3.5	2	2	4.5	**12**	3	**12**	2	**8**	3	1.5	1.5	4.5	**10.5**	4	**16**	**58.5**
International Road Transport Union Charter for Sustainable Development	1	4.5	2	2	3.5	**12**	2	**8**	2.5	**10**	4	1.5	2	3	**10.5**	4	**16**	**56.5**
Partnering Against Corruption Initiative (PACI)	0	5	5	4.5	4.5	**19**	2.5	**10**	4.5	**18**	4.5	4.5	3.5	4.5	**17**	5	**20**	**84**
Principles of Responsible Investment (PRI)	1	3	4.5	4.5	4	**16**	2.5	**10**	3	**12**	4.5	2	2	3.5	**12**	5	**20**	**70**
Rainforest Alliance & others Global Sustainable Tourism Criteria Partnership	1	4.5	1.5	1.5	3	**10.5**	1.5	**6**	4	**16**	4.5	2.5	2	3.5	**12.5**	3	**12**	**57**
UN Global Compact	0	5	2	2	2	**11**	2.5	**10**	1.5	**6**	3.5	2	1.5	2	**9**	5	**20**	**56**
UNEP Life Cycle Initiative	0	4	0	3.5	2.5	**10**	2	**8**	3.5	**14**	4	2.5	3.5	3	**13**	3	**12**	**57**
United Nations Environment Programme Finance Initiative (UNEPFI)	1	4	4.5	4.5	4.5	**17.5**	1.5	**6**	2.5	**10**	3	3.5	2	2	**10.5**	4	**16**	**60**
Voluntary Principles on Security and Human Rights	1	4	2	2	2	**10**	2.5	**10**	2	**8**	4	2.5	1.5	3.5	**11.5**	3	**12**	**51.5**
Wolfsberg Group	1	3.5	3	3	3.5	**13**	3	**12**	3.5	**14**	5	2.5	3.5	4	**15**	4	**16**	**70**
World Business Council for Sustainable Development (WBCSD)	0	2.5	3	3	3	**11.5**	2	**8**	2.5	**10**	3.5	2	2	2.5	**10**	5	**20**	**59.5**
World Cocoa Foundation	1	3	2	3.5	4	**12.5**	2.5	**10**	2.5	**10**	3.5	2	1.5	4	**11**	4	**16**	**59.5**
Zentralverband der dt. Elektrotechnik und -industrie e.V.	1	3	4	3	3	**13**	4	**16**	4	**16**	4	4	3	3	**14**	2	**8**	**67**
Sum		88.5	77.5	77	80	323	60.5	242	69.5	278	85.5	60.5	58	73.5	277.5	97	388	1508.5
Sum/N (Mean)		3.54	3.1	3.08	3.2	12.92	2.42	9.68	2.78	11.12	3.42	2.42	2.32	2.94	11.1	3.88	15.52	60.34
Standard Deviation		1.11	1.50	1.12	1.19	3.08	0.87	3.47	0.87	3.49	0.95	1.28	0.93	1.11	2.96	1.03	4.13	11.27
Max		5	5	5	5	19	5	20	4.5	18	5	5	4	4.5	17	5	20	84.5
Min		0	0	1	0	7	1	4	1	4	1.5	0	0.5	0	3.5	2	8	33.5
Mode		4	2	3	3	12	2	8	2.5	10	4	2	2	2	10.5	5	20	59.5

Apendix 2: Quantitative Assessment of CSR Instruments of Category 2 Guidelines for Management Systems and Certification Schemes

Quantitative Assessment of CSR Instruments of Category 2 Guidelines for Management Systems and Certification Schemes

		Practicality					Reliability		Accuracy		Value Added					Scope		
Name of Instrument	Applicab.	Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	Orig.	Adj.	Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	Sum
UTZ Certified	1	2	3	3.5	3.5	**12**	4.5	**18**	4	**16**	3.5	4.5	4.5	4.5	**17**	**5**	**20**	**83**
UNIDO Responsible Entrepeneurs Achievement Programme (REAP)	0	4.5	3.5	3.5	2	**13.5**	4	**16**	4	**16**	4	3.5	3.5	4	**15**	**1**	**4**	**64.5**
Social Accountability 8000	0	2.5	5	4	4	**15.5**	4.5	**18**	4	**16**	4	5	3.5	3.5	**16**	**5**	**20**	**85.5**
Sigma Guidelines	0	4	4.5	4	4.5	**17**	4.5	**18**	3.5	**14**	3.5	3.5	3	3	**13**	**2**	**8**	**70**
SGE 21 Ethical and CSR Management System (Forética)	0	3	3	3	3	**12**	3	**12**	0	**0**	3	2	4	3	**12**	**1**	**4**	**40**
Roundtable on Sustainable Biofuels	1	4	2	2	3	**11**	4	**16**	4	**16**	4	-	4	4	**12**	**4**	**16**	**71**
Rainforest Alliance Sustainable Agriculture Network (SAN) Standards	1	2	4	4	4	**14**	5	**20**	5	**20**	4.5	4.5	3.5	4	**16.5**	**3**	**12**	**82.5**
Rainforest Alliance	1	2.5	4	4	3.5	**14**	4.5	**18**	4.5	**18**	4	4	4.5	4.5	**17**	**4**	**16**	**83**
Marine Stewardship Council	1	2	5	5	5	**17**	4	**16**	5	**20**	4	1	5	5	**15**	**3**	**12**	**80**
Joint Article Management Promotion - Consortium	0	4	2.5	2	2	**10.5**	3	**12**	2	**8**	3.5	4	3	2.5	**13**	**1**	**4**	**47.5**
ISEAL Alliance	0	2.5	4.5	4.5	4	**15.5**	4.5	**18**	4	**16**	3.5	3	4.5	4	**15**	**4**	**16**	**80.5**
International Petroleum Industry Environmental Conservation Association	1	5	3	3	3	**14**	1.5	**6**	2	**8**	4.5	3	2.5	3	**13**	**3**	**12**	**53**
International Council on Mining and Metals - Sustainable Development Framework	1	2	4	4	4	**14**	4.5	**18**	3	**12**	4.5	4.5	4.5	4.5	**18**	**4**	**16**	**78**
International Council of Chemical Associations - Responsible Care	1	4	2	4	4	**14**	5	**20**	5	**20**	3	2	4	4	**13**	**4**	**16**	**83**
Globalgap	1	3.5	3	3.5	3	**13**	5	**20**	5	**20**	4	4	3.5	3.5	**15**	**5**	**20**	**88**
Forest Stewardship Council	1	2	5	5	5	**17**	4.5	**18**	3	**12**	5	5	5	5	**20**	**4**	**16**	**83**
Faritrade	1	2	4.5	5	4.5	**16**	4.5	**18**	5	**20**	4	4.5	4.5	4.5	**17.5**	**5**	**20**	**91.5**
Fair Wear Foundation	1	3	5	3	3	**14**	4	**16**	4	**16**	4	5	2	4	**15**	**2**	**8**	**69**
Common Code for the Coffee Community Association (4C)	1	3.5	5	5	4.5	**18**	3.5	**14**	2.5	**10**	4.5	4.5	3.5	3.5	**16**	**2**	**8**	**66**
Business Social Compliance Initiative	1	3	4.3	2.3	3.7	**13.3**	3	**12**	3	**12**	2	4.3	1.3	2.7	**10.3**	**3.033**	**12.1**	**59.799**
Better Sugarcane Initiative	1	1.5	3.5	3	3	**11**	3	**12**	5	**20**	4	4	2	3	**13**	**4**	**16**	**72**
Sum		62.5	80.3	77.3	76.2	296.3	84.0	336.0	77.5	310.0	81.0	75.8	75.8	79.7	312.3	69.0	276.1	1530.8
Sum/N (Mean)		3.0	3.8	3.7	3.6	14.1	4.0	16.0	3.7	14.8	3.9	3.6	3.6	3.8	14.9	3.3	13.1	72.9
Standard Deviation		0.97	0.98	0.92	0.83	2.08	0.86	3.44	1.27	5.07	0.64	1.07	0.99	0.72	2.31	1.31	5.26	13.47
Max		5	5	5	5	18	5	20	5	20	5	5	5	5	20	5	20	91.5
Min		1.5	2	2	2	10.5	1.5	6	0	0	2	1	1.333	2.5	10.3	1	4	40
Mode		2	5	4	3	14	4.5	18	4	16	4	4.5	4.5	4	15	4	16	83

Appendix 3: Quantitative Assessment of CSR Instruments of Category 3 Rating Indices

Quantitative Assessment of CSR Instruments of Category 3 Rating Indices

		Practicality					Reliability		Accuracy		Value Added					Scope		
Name of Instrument	Applicab.	Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	Orig.	Adj.	Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	Sum
FTSE4Good	0	1.5	2	4	2	**9.5**	4	**16**	3	**12**	5	5	5	4	**19**	4	16	**72.5**
Index DJSI	0	1.5	2	4	2	**9.5**	4.5	**18**	4	**16**	4.5	4	5	4	**17.5**	4	16	**77**
Sum		3	4	8	4	19	8.5	34	7	28	9.5	9	10	8	36.5	8	32	149.5
Sum/N (Mean)		1.5	2	4	2	9.5	4.3	17	3.5	14	4.75	4.5	5	4	18.25	4	16	74.75
Standard Deviation		0.00	0.00	0.00	0.00	0.00	0.25	1.00	0.50	2.00	0.25	0.50	0.00	0.00	0.75	0.00	0.00	2.25
Max		1.5	2	4	2	9.5	4.5	18	4	16	5	5	5	4	19	4	16	77
Min		1.5	2	4	2	9.5	4	16	3	12	4.5	4	5	4	17.5	4	16	72.5
Mode		1.5	2	4	2	9.5	###	#N/A	#N/A	#N/A	#N/A	#N/A	5	4	#N/A	4	16	#N/A

Appendix 4: Quantitative Assessment of CSR Instruments of Category 4 Accountability and Reporting Frameworks

Quantitative Assessment of CSR Instruments of Category 4 Accountability and Reporting Frameworks

Name of Instrument	Applicab.	Practicality					Reliability		Accuracy		Value Added					Scope		Sum
		Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	Orig.	Adj.	Man.	Empl.	Cons.	NGOs	Sum	Orig.	Adj.	
AccountAbility	1	4	4	4	4	**16**	4	**16**	4	**16**	4	4	4	4	**16**	5	20	**84**
Global Reporting Initiative	0	4.5	4	4	3	**15.5**	4.5	**18**	3	**12**	4	2.5	3	2	**11.5**	5	20	**77**
Greenhouse Gas Protocol	0	4.5	5	5	5	**19.5**	4	**16**	5	**20**	5	3	4.5	5	**17.5**	5	20	**93**
UN Partnership Tool	0	4.5	2	2	2	**10.5**	2.5	**10**	3	**12**	4	2	2	2	**10**	3.5	14	**56.5**
UNCTAD International Standards of Accounting	0	2	5	5	5	**17**	4	**16**	5	**20**	4	3	4	4	**15**	5	20	**88**
Key Performance Indicators for ESG	0	3	3	3	4	**13**	3	**12**	4	**16**	5	4	4	4	**17**	3	12	**70**
Transparency International	0	2.5	2.5	2.5	5	**12.5**	4	**16**	4	**16**	3.5	1	1.5	4	**10**	5	20	**74.5**
Global E-Sustainability Initiative	1	4	3	3	3	**16**	2	**8**	2	**8**	4	3	2	2	**11**	2	8	**51**
UNEP Sustainable Buuildings and Climate Initiative	1	5	0	2	4	**11**	3	**12**	4	**16**	4	0	3	5	**12**	3	12	**63**
Ethos Insititue	0	4	4	4	4.5	**16.5**	3	**12**	5	**20**	3	2.5	5	5	**15.5**	4	16	**80**
Sum		38	32.5	34.5	39.5	147.5	34	136	39	156	40.5	25	33	37	135.5	40.5	162	737
Sum/N (Mean)		3.8	3.25	3.45	3.95	14.75	3.4	13.6	3.9	15.6	4.05	2.5	3.3	3.7	13.55	4.05	16.2	73.7
Standard Deviation		0.93	1.44	1.06	0.96	2.73	0.77	3.07	0.94	3.77	0.57	1.18	1.12	1.19	2.79	1.06	4.24	12.94
Max		5	5	5	5	19.5	4.5	18	5	20	5	4	5	5	17.5	5	20	93
Min		2	0	2	2	10.5	2	8	2	8	3	0	1.5	2	10	2	8	51
Mode		4	4	4	4	16	4	16	4	16	4	3	4	4	10	5	20	#N/A