

# **Ethics of corporate social responsibility and its measurement**

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***The basis of ethics  
and how to make it  
practical?***

- **Balancing ethical ideals of:**
  - **Doing good**
  - **Not doing harm**
  - **Individual autonomy**
  - **Justice to all**



- Long heritage of ethics seen in all fields of society, culture and religion
- Industrial revolution, capitalism and change of values
- Ethics and responsibility increasingly important in recent business activity

## *The imperatives of love*

- The ethical principle of loving good - beneficence - supports the development of science and technology that might cure sick persons or feed hungry people.

## *The imperatives of love*

- Respect for the ethical principle of self-love supports empowerment of people so they can make choices according to their values.
- Let each company find their own way to express responsibility to the community.

## *The imperatives of love*

- The ethical principle of loving life - do no harm - warns us to assess all options, current and new, to provide the best alternative for the local situation now.
- We should respect life of our own and others.



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**Not just Anthropocentric  
viewpoints of the world but also  
Biocentric and Ecocentric views**

**Building a society for both today  
as well as for the future  
generations**

## *The imperatives of love*

- The ethical principle of loving others - justice - makes us consider the risks for others, and for future generations.
- All should share in the fruits of what we do.
- Benefit sharing with all in the community



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***Codes of ethics  
and how to apply  
international  
ethics norms***

# International Standards for Bioethics all countries have agreed to.

- UNESCO General Conference 1997 and the UN General Assembly 1998  
Universal Declaration on the Human Genome and Human Rights
- UNESCO General Conference 2003  
International Declaration on Human Genetic Data
- UNESCO General Conference 2005  
Universal Declaration on Bioethics and Human Rights

## *Universal Declaration on Bioethics and Human Rights*

### Article 14 – Social Responsibility and Health

- a) The promotion of health and social development for their people is a central purpose of governments, that all sectors of society share.
- b) Taking into account that the enjoyment of the highest standard of health care is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition, progress in science and technology should advance:
- (i) access to quality health care and essential medicines, including especially for the health of women and children, because health is essential to life itself and must be considered as a social and human good;
  - (ii) access to adequate nutrition and water;
  - (iii) improvement of living conditions and the environment;
  - (iv) elimination of the marginalization and the exclusion of persons on the basis of any grounds; and
  - (v) reduction of poverty and illiteracy.

## *Universal Declaration on Bioethics and Human Rights*

### Article 15 - Sharing of Benefits

1. Benefits resulting from any scientific research and its applications should be shared with society as a whole and within the international community, in particular with developing countries. In giving effect to this principle, benefits may take any of the following forms: Special and sustainable assistance to, and acknowledgement of, the persons and groups that have taken part in the research;
  - (a) Access to quality health care;
  - (b) Provision of new diagnostic and therapeutic modalities or products stemming from research;
  - (c) Support for health services;
  - (d) Access to scientific and technological knowledge;
  - (e) Capacity-building facilities for research purposes;
  - (f) Other forms of benefit consistent with the principles set out in this Declaration.
  
2. Benefits should not constitute improper inducements to participate in research.

UNESCO does not prescribe universal norms of ethics without regard for different cultures.

The *Universal Declaration on Bioethics and Human Rights* provides a framework for principles and procedures for guidance.

*The guidance is also addressed to civil society and industry. Consultations on the declarations have involved civil society and industry also.*

# International Standards for Ethics and Responsibility

## ■ Core traits or virtues related to individual behaviour:

- Honesty
- Openness
- Fairness
- Truthfulness
- Accuracy
- Conscientiousness
- Respect
- Collaboration
- Loyalty

# International Standards for Ethics and Responsibility

## ■ Core traits or virtues related to the community:

- Social Responsibility
- Sustainable Development
- Social Welfare
- Gender Equality
- Peace
- Human Rights
- Environmental responsibility
- Socio-economic Development
- Socio-economic Equity
- Scientific Freedom
- Democratic Development



# Moral obligations of "rich" countries and corporations **to the society**

- Based on the ethical principle of beneficence, there is a voluntary moral duty to help others, regardless of any contribution to the wealth generation of the rich given by the poor.
- When the wealth has been aided by the contribution of the poor, this becomes stronger. However, it is a matter of ethical debate when the moral duty becomes a legal obligation.



# Moral obligations of "rich" countries and corporations **to the shareholders**

- Effective and transparent consultation with shareholders
- Maximize returns to shareholders according to shareholder choices
- Discuss short-term and long-term benefits to shareholders
- Follow applicable laws
- Examine and predict social trends

## Who decides what is the appropriate form of benefit sharing?

- Mutual agreement of stakeholders
- The local persons must consent to the process of aid in an informed manner, after proper assessment of the technology.
- Some coordination has advantages, but diversity should be encouraged.
- How to punish those who abuse the system?



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# **Corporate Social Responsibility (CSR)**

# Definitions of CSR

- Corporate Social Responsibility (CSR) is difficult to define.
- Wikipedia: “an expression used to describe what some see as a company’s obligation to be sensitive to the needs of all of the stakeholders in its business operations”.
- International Standards Organization (ISO): “balanced approach for organizations to address economic, social, and environmental issues in a way that aims to benefit people, communities, and society”.
- World Business Council for Sustainable Development: “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.
- Here: CSR is the company’s decision to significantly decrease harmful effects and/or increase its perceived beneficial impact on society and/or the environment.

# Triple Bottom Line

- Current business reporting is not comprehensive. It does not include environmental and social impact of businesses.
- Triple Bottom Line (3BL): approach to address this deficiency.
  - Phrase coined in 1997.
  - “People, Planet, Profit”.
  - Popular approach to reporting social, environmental, and economic performance of businesses.
  - Main advantage for society: movement towards “full-cost accounting” of both negative (e.g. pollution) and positive (e.g. philanthropy) externalities, spurring improvement in more aspects relevant to society (not just utilitarian profit maximization).
  - Whether we should or should not promote this kind of reporting is beyond the scope of this presentation, and involves complex questions of economics, politics, philosophy, and future events (ex. if emissions trading begins, affects state of environmental reporting).
    - To counter some basic criticisms, some justifications for 3BL: (a) strengthens corporate-democratic institution, (b) can allow companies to move more towards strategic CSR, rather than merely altruistic CSR.
    - Can view social and environmental aspects as being separate from financial reporting. Or, can see them as being part of one holistic reporting method.

# Types of 3BL Metrics

- Can be classified into 3 types (all have advantages and disadvantages):
  - a) Pass/Fail, Yes/No “binomial” metrics. E.g. A company either has or does not have a explicit OHS code.
  - b) Quantitative: interval or ordinal. E.g. (Interval) Ecological “Footprints”\*: a region produces 10 million L of freshwater, but a company uses 12 million L;  $EQ = 12/10 = 1.2$ ; anything  $>1$  is unsustainable. E.g. (Ordinal) A company is  $i^{\text{th}}$  place out of  $j$  companies on workplace accidents as a % of workers.
  - c) Qualitative. E.g. A company has various philanthropic programs, including music conservatory scholarships, mentorship programs, and helped in tsunami relief efforts.

\*From Center for Sustainable Innovation:  
[www.sustainableinnovation.org/the-social-footprint.html](http://www.sustainableinnovation.org/the-social-footprint.html)



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# **CSR Standards, Ratings, and Reporting Methods**

# Standards I: Sustainability Indices

- Domini Social 400 Index (since 1990)
  - Market-capitalization weighted stock index.
  - 400 US corporations that pass social screens
    - Not significantly involved in military, tobacco/alcohol, gaming, nuclear energy
    - Environmental performance, employee relations, diversity, product performance
- Ethibel Sustainability Index
  - Focused on sustainable development and stakeholder involvement.
- Dow Jones Sustainability Index
- Financial Times Stock Exchange Index FTSE4Good.
- Major comments: Not standardized, only a small fraction of companies are rated, no degree of 3BL performance.

# Standards II: Certification

- ISO14000 series
  - International Standards Organization (ISO)
  - Voluntary standard for auditing and certifying environmental management systems.
    - Wikipedia: “specifies requirements for establishing an environmental policy, determining environmental aspects and impacts of products/activities/services, planning environmental objectives and measurable targets, implementation and operation of programs to meet objectives and targets, checking and corrective action, and management review”
- SA8000
  - Social Accountability International (SAI)
  - Voluntary standard for auditing and certifying labor practices, based largely on ILO conventions, UN Convention on the Rights of the Child, UN Declaration on Human Rights.
    - Child labor, forced labor, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, and compensation.
- Major comments: Often very detailed and relatively high degree of standardization. But, there are no “degrees” of 3BL performance.

# Ratings I: Institutional Ratings

- Global AccountAbility Rating (G50+).
  - Proprietary, owned by AccountAbility and csrnetwork. Both are specialized NGOs.
  - Takes Fortune Global's 50 largest companies and some others, ranks them on basis of CSR.
    - Stakeholder engagement, governance, strategy, performance management, public disclosure, assurance.
  - Can get "bespoke" rating, with report, and then benchmarked against the larger companies. Usually, only larger companies can afford this kind of rating.
- Other institutions will rate. Some are unsolicited, others are solicited.
- Major comments: Creates an economic market for 3BL rating. But, hardly standardized.

# Ratings II: Academic Benchmarks

- Krut and Munis (1998). "Sustainable Industrial Development: Benchmarking Environmental Policies and Reports". *Greener Management International*. 21: 88-98.
  - Focus on environmental performance. 19 indicators, look at companies within sector-context, qualitative, symbols to show commitment, look at company public information.
- Graves et al. (2002). "100 Best Corporate Citizens". *Business Ethics*. 11(2): 8-13.
  - 3BL. Data from 6 categories, quantitative, on each rate from -2 (major concern) to +2 (major strength), net scores, good and bad treated symmetrically, variety of sources for information.
- Vlek et al. (2002). "Een praktisch model voor duurzaam bedrijfspresteren". *Economisch Statistische Berichten*. 87: 524-527.
  - 3BL. Qualitative: principles, practices and results. Some quantitative data.
- Graafland et al. (2004). "Benchmarking of Corporate Social Responsibility: Methodological Problems and Robustness". *Journal of Business Ethics*. 53: 137-152, 2004. 3BL.
  - Sector-specific, 70 aspects of CSR, 6 different stakeholders, scores (0, 0.5, 1.0), questionnaires, annual reports, and other public information, scores added up, based on weights of stakeholders.
- Major comments: Most are very detailed. But, hardly any agreement, often unwieldy.

# Reporting I: Informal Information

- Third parties, e.g. NGOs, media.
- Companies themselves.
  - Statements.
  - Press statements.
  - Websites.
  - CSR sections in annual reports.
- Major comments: No standardization, an erratic source of information.

# Reporting II: Sustainability Reports

- Global Reporting Initiative (GRI)
  - Initially created from Coalition for Environmentally Responsible Economies (CERES) – coalition of labor, social justice, religious, investor, and environmental groups.
  - Focuses on economic, environmental, and social metrics.
  - Mallenbaker.net: “It is structured around a CEO statement, key environmental, social and economic indicators, a profile of the reporting entity, descriptions of relevant policies and management systems, stakeholder relationships, management performance, operational performance, product performance and a sustainability overview”.
- Major comments: Qualitatively very detailed. But can portray improvements in sustainability when in fact they are becoming LESS sustainable, and not very widely used (only several thousand companies at most using GRI).

## A few examples of potential CSR Projects with RUSHSAP, UNESCO Bangkok

- Increasing ethics education for different stakeholders - to increase ethics literacy among consumers so that they can make informed buying decisions.
- Museum displays for ethics of science and technology
- Ethics of energy technologies projects
- Institutional collaboration for common goals. Promoting awareness of, and integrating, human security and peace programs into teaching curricula and community activities.
- Holding forums, discussions, and camps on environmental ethics, such as ethics of energy use – to stimulate new ideas for companies, to increase sustainability, and to educate and engage different stakeholders.
- Promoting CSR standards, or increasing CSR standards. For instance, “green” companies may want to campaign to increase awareness and adoption of ISO standards.
- Discussions and analyses of how to get more on the traditional bottom line and 3BL with marginally less CSR activity. Increasing CSR “bang for the buck”.
- Research on targeting particular groups, e.g. management schools to increase legitimacy of CSR norms in the business community.



- The presenting team acknowledges assistance by Dr. Glen Kurokawa, former consultant to RUSHSAP, on measurements of CSR.
- More on the website of RUSHSAP
- [www.unescobkk.org/rushsap](http://www.unescobkk.org/rushsap)