European Best Practices Report	$D_{1.2}$

DESIGN-MTS: *DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector*

Project title	DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector
Project acronym	DESIGN-MTS
Contract No	333720
Call identifier	**41/G/ENT/CIP/12/E/N02S001**
Start of project	1 July 2013
Duration	18 months
Deliverable no	**D1.2**
Deliverable name	European Best Practices Report
Work package	**1**
Authors	Aditya Jain, Nicholas Andreou and Stavroula Leka (University of Nottingham)
Task leader	**Aditya Jain**
Nature[1]	**R**
Dissemination[2]	**PU**
Due date of deliverable	
Revision	18 December 2013 (Revised and Updated Final Version)

---

1   **R**= Report, **P** = Prototype, **D** = Demonstrator, **O**=Other

2   **PU**=   Public; **CO=** Confidential, only for members of the consortium (including the Commission Services)

Table of Contents

Introduction – the growing importance of corporate social responsibility

The ever increasing pace of global competition and international trade, political and demographic developments, economic developments and on-going technological and social innovations offer a number of opportunities to businesses. However, at the same time this rapid pace of change has also made the business environment, less stable and predictable than ever before. As a consequence, the world of business and work has to adapt and change continuously. While many businesses (especially multinational enterprises - MNEs) and financial markets, have growing powers and influence, the margins of governmental policies are increasingly limited by budget constraints and a stronger belief in market regulation. The growing strength of businesses goes hand in hand with increasing convictions that businesses have a societal responsibility.

Companies play a significant role in society and this relationship is now more visible than ever. It is emphasised that companies can and should create value for society, e.g. by producing products and services that are fulfilling real needs in society. This implies, that businesses challenges to make the world a better place to live, also for future generations. As a consequence social and environmental issues like contributing to the quality of life, creating meaningful (or at least decent) employment appear on the business agenda. This forces companies to think beyond profit maximization as their only business goal and also requires business to reflect on their core values, their corporate identity, their business principles, on how they select their business partners, and what they regard as 'doing the right thing' (Zwetsloot, 2003). Therefore, in order to succeed, enterprises increasingly have to be seen to be acting responsibly towards people, planet and profit (the so-called '3Ps') (EC, 2001).

Societal awareness is also increasing that companies may 'externalise' problems, i.e. they may cause problems (e.g. safety or environmental problems and the associated costs for society) while they are not, or not fully, accountable for solving those problems. Increasingly, such 'shifting of responsibility' to society is no longer regarded as acceptable; instead it is increasingly seen as unethical organizational behaviour. Therefore, enterprises are increasingly expected to 'think and act inclusive' i.e. by taking into account the consequences of their business activities for society and for specific stakeholders. This requires transparency of their business impacts, and communication with stakeholders. It is important to notice that ethical principles do neither stop at the corporate fence of the production site, nor at the border of a jurisdiction. Indeed, ethical principles go beyond borders and play an important role in today's international trade (Zwetsloot and Ripa, 2012).

Organizations by their very nature have responsibilities (i.e., economic, ethical, legal and social) assigned to them by law, shareholders, other stakeholders and the society at large (Carroll, 1979; Brummer, 1991). In the academic and business literatures, often some of these responsibilities are discussed under the terms such as business ethics, enterprise responsibility, corporate responsibility, corporate social responsibility (CSR), corporate governance, corporate accountability and corporate citizenship all of which broadly refer to aspects of responsible business practices or ethical business practices. What constitutes responsible business practice is a highly topical and debated subject. It has increasingly provided the focus for exploration of broad philosophical questions about the roles and responsibilities of companies and their relationships with the roles and responsibilities of governments and other stakeholders. Although all stakeholders recognise that enterprise responsibility is increasingly relevant in the current globalised economy, there is no sign of consensus on its definition, rules, structures or procedures. The World Business Council for Sustainable Development (WBCSD) in their publication "Making Good Business Sense" give a much broader outlook to the concept. They define enterprise responsibility as the "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" (WBCSD, 2000; p.6).

It has been argued that responsible business practices, in order to be sustainable, need to impact on the culture and strategy of the organization. Rather than being an optional extra, which usually takes the form of corporate philanthropy, corporate social responsibility should be a source of organizational rejuvenation and growth, enabling the enterprise to take on new inputs, to learn and develop. On this basis, responsible business practice should be indispensable, which cannot be abandoned in hard times. It is a vital ingredient for the future, drawing on external inspiration, enabling organizational learning, and helping to steer core strategy. It may be seen as integral to innovation (Josendal and Ennals 2009).

It should however be emphasized that corporate social responsibility is not a replacement for government responsibility. In fact, responsible business practices will fully realize their potential only when they operate on internationally recognized standards. Global rules do not need to be invented. For instance, ILO core labour conventions providing for full respect of freedom of association, the right to collective bargaining, non-discrimination in pay and employment, and the prohibition of forced labour and of child labour, are universally recognized as benchmarks. CSR begins with acceptance of all of them, spreading them throughout the companies and their suppliers, having a positive attitude towards trade unions and engaging in an active social dialogue (ILO, 2003).

Understanding Corporate Social Responsibility

CSR has been defined in many ways 2011 and, although mostly referred to as CSR, the same underlying themes have also been termed business ethics, corporate responsibility and sustainability, (Crane and Matten, 2010). The World Business Council for Sustainable Development (WBCSD, 2000) states that CSR is: "improving the quality of life of the workforce and their families as well as of the local community and society at large" (p. 8). In 2001, the European Commission launched a European debate with the publication of the Green Paper on CSR, later followed by the European White Paper. CSR was defined by the European Commission in 2002 as 'the integration by companies of social and environmental concerns into their business operations and into their interactions with their stakeholders on a voluntary basis' (EC, 2002).

The International Organization for Standardization has also defined CSR in its ISO 26000 Guide (2010): *the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practiced in its relationships*.

In 2011, the European Commission proposed a new, broader and simpler definition of CSR: "Corporate Social Responsibility is the responsibility of enterprises for their impact on society". Respect for applicable legislation and for collective agreements between the social partners, is a prerequisite for meeting that sustainability (EC, 2011). In this new definition, it is recognised that corporate responsibilities are derived from both legislative, but also wider, societal requirements. This view supports an existing position in the literature that CSR extends beyond voluntary initiatives (Carroll, 1983; Schwartz and Carroll, 2003; McBarnet, 2009; GRI, 2011). The European Commission (EC, 2011) also notes that enterprises should establish a process to integrate social, environmental, ethical, human rights, and consumer concerns into business operations and core strategy, in collaboration with stakeholders.

The aims of CSR are described as:
  (1) maximising the creation of shared value for the owners/shareholders of the enterprise and for their other stakeholders and society at large; and
  (2) identifying, preventing and mitigating their possible adverse impacts (EC, 2011).

Somewhat surprising given the longevity of CSR, is the fact that there is neither an agreed upon definition (Dahlsrud, 2008) nor consensus about when a company can be said to fulfil its responsibilities to society. Most definitions share certain themes (Dahlsrud, 2008, Aragón and Rocha, 2005) including: recognising the triple bottom line, namely economic, social and environmental impacts (Elkington, 1999); stakeholder engagement (Freeman, 1984), integration into company management and strategy (Porter and Kramer, 2006) and transparency and social accountability.

Historical evolution, and current thinking, of CSR

Authors have identified different stages of CSR development (Blowfield and Murray, 2008; Frederick, 2008; Lee, 2008; Carroll and Shabana, 2010). Frederick (2008) highlights four stages or types of CSR:

CSR$_1$ or Corporate Social Stewardship (1950s-1960s); CSR$_2$ or Corporate Social Responsiveness

(1960s-1970s); CSR$_3$ or Corporate/Business Ethics (1980s-1990s); and CSR$_4$ or Corporate Global

Citizenship (1990s-2000s).

The evolution of CSR illustrates the need of corporations to gain social legitimacy (Van Oosterhout and Heugens, 2008). The academic debate surrounding the concept originated in the 1950s. Bowen suggested in 1953 that businessmen should have 'social responsibilities', although it was unclear what these were. Financial concerns regarding CSR initiatives were not dominant at the time; these were carried out because it was the ethical thing to do. Bowen influenced many forward thinking academics and activists. Together, their influence shifted the focus from leader responsibility (businessmen) to corporate responsibility. However, critics existed (Friedman, 1962, 1970) whose arguments would dominate the 1980s, where the first theoretical models were conceived (Corporate Social Performance, Carroll, 1979, Wood, 1991). Meanwhile, CSR had already received attention outside the academic world since the 1960s as a consequence of youth protests and 'unethical' activities of big companies in the USA and Europe. Public opinion began to sway and the first social accountability initiatives rose, as citizens and institutions began to require ethical commitment from business.

In the 1980s, the rise of neoliberalism displaced CSR from most MNEs companies, except the most exceptional (Casado, 2006). The dominant belief was that if companies were economically sound, society would benefit. From this point of view, deregulation and dilution of social boundaries was necessary to allow companies to grow, creating jobs and contributing to society. CSR became a secondary issue. This changed as labour and environmental scandals began to increase (Exxon Valdez shipwreck in Alaska in 1989, sweatshops in Asia, Bopal disaster in India in 1984, etc.). Global pressure from social movements and consumers appeared again. This pressure eventually told, as companies started adopting codes of conduct and increased transparency. CSR was perceived to be a way of minimising negative impact and therefore risk, and enterprises began engaging with stakeholders (Freeman, 1984).

The Rio Summit in 1992 (United Nations Conference on Environment and Development), highlighted the importance of sustainability, which soon became aligned with CSR perspectives. This added to the growing momentum of CSR interest, which provoked the development of multiple standards. The field eventually became overwhelmed with tools, guidance and standards. This plethora of materials, lead to several institutional and multi-stakeholder initiatives in the 2000s to rationalise these CSR initiatives, to develop CSR management tools.

Business was beginning to be seen as accepting responsibility for global impacts. However, the 2008 economic crisis in the USA and Europe seemingly reduced the governmental pressure for CSR, as other priorities dominated the agenda (e.g. increasing jobs rather than promotion of 'good' jobs). In the USA and Europe the public is demanding more from business regarding their activities, while financial markets are asking for – and often being granted – less stringent legislation. Conversely, CSR is gaining importance in a number of developing countries experiencing high economic growth, especially in Latin America. Several theories of CSR have also been developed (see Garriga and Melé, 2004; Lee, 2008 for summaries). Garriga and Melé (2004) classify the theories based on academic background: Corporate Social Performance; Shareholder Maximization; Stakeholder Theory; and Corporate Citizenship. These different origins lead to different initiative goals in practice, making it difficult to integrate these theories.

Corporate Social Performance (Carroll, 1979; Wood, 1991, 2010) attempts to comprehensively assess the impact of CSR policies. To do so, it builds a theoretical framework which –in theory- could help to evaluate CSR at different levels (institutional, organizational, and individual) and across different dimensions. Wood (2010) proposes a model of CSR whereby there are inputs (principles of social responsibility - legitimacy, public responsibility and managerial discretion), processes of social

responsiveness (environmental scanning, stakeholder management, and issues/public affairs management), and outputs (outcomes and impacts of performance - effects on people and organizations, on the natural and physical environment and stakeholders, and on social systems and institutions). However, the framework is difficult to implement in practice, which has led to criticism (Gond and Crane, 2010). Similarly, there have been no empirical, comprehensive, tests of the model and it has proved difficult to compare social performance of different firms.

Shareholder Maximization (Friedman, 1962; McWilliams and Siegel, 2006) or Integration in Core Operations to increase profitability (Lee, 2008) is linked to Corporate Financial Performance and the 'business case' for CSR. It highlights elements including CSR as risk management, cost-effective, human resource management, and developing innovation capacity (EC, 2009). This approach sees CSR as a strategic resource to improve the bottom line of a corporation (McWilliams et al. 2006, as cited in Lee, 2008). Recently, it has broadened to include both financial and social dimensions.

Stakeholder theory is based on the notion that enterprises should be responsive and engage with different agents who have interests –'a stake'- in the company's survival (Freeman, 1984; Phillips, Freeman and Wicks, 2003; Freeman, Wicks and Parmar, 2004), including trade unions, shareholders, workers, NGOs, consumers, governments and civil society, the environment, etc. These "can affect or are affected by the achievement of an organization's purpose", (Freeman, as cited in Perrini and Russo, 2010, p. 209). This approach addresses the issue of measurement and testing by identifying key actors and defining their positions and functions. Therefore, companies can structure their efforts towards stakeholder needs rather than a more overwhelming 'society'. There is no distinction between social and economic concerns, they are both driven by stakeholder needs and therefore central to an organizations priorities.

Corporate Citizenship (Matten and Crane, 2005) is derived from political science. It focuses on the relationship between business and political institutions, specifically how enterprises can improve citizenship rights in communities where they are operating. It also explains institutional pressures and trends in the business world. Under this approach it is implied that companies accept responsibility for global corporate impact, implementing international sustainability codes, policies or compliance mechanisms. Recent approaches emphasize Human Rights and Sustainability, they take into account direct and indirect impacts of enterprises, and their products throughout their life-cycle, on society. Through this perspective it is argued that sustainability driven growth leads to new business opportunities (WBCSD and IFC, 2008). Examples include Green Jobs Economy and Decent Work which have entered the policy agenda over recent years (ILO, 2012).

The 'defining-by-instruments' way out

To further aid the understanding of CSR and promote practice, several efforts have been made to develop CSR standards and instruments. Until 1990, there were only embryonic attempts to develop CSR instruments, since then "a plethora of such principles have been developed" (Werhane, 2010, p. 695). Today, there are more than 300 ethics codes and CSR instruments (McKague and Cragg, 2007; Mazurkiewicz, 2004), mostly developed during the 'standardization revolution' which happened between 1997 and 2002 (GRI in 1999; SA8000 in 2000; UNGC in 2000).

Smith (as cited in Rasche, 2009) defined 'accountability standard' as "predefined rules and procedures for organizational behaviour with regard to social and/or environmental issues that are often not required by law". These standards help companies "to integrate CSR values into their strategy and operations, either by setting out principles for responsible behaviour, providing a set of procedures and implementation steps, or offering indicators and measurement methodologies to evaluate and report on performance" (EC, 2004, p. 7). They are usually developed by third-parties and applied across sectors and geographic regions - although sometimes are company specific - and often monitored by independent-international bodies. These tools offer to build "a common understanding of central concepts such as 'sustainable development' and 'corporate social responsibility" (Mazurkiewicz, 2004, p. 1), and serve as a "declaration on the universal rights and duties of business" (Hoffman and McNulty, 2009, as cited in Werhane, 2010, p. 695).

The relevance of these instruments, codes, and standards has rapidly increased since the original ones emerged, derived from the lack of clarity of CSR definitions and theories. In reality, it is still not clear "what CSR is", what are its causes and consequences or "what is desirable or required" (Van Oosterhout and Heugens, 2008, p. 197-198). This descriptive side of CSR has risen as the 'frontline', as

a way of solving the normative problems of a partly-empty CSR definition, and to detect what dimensions it should have. Ethical standards describe CSR relative to how it applies in the real world (Van Oosterhout, and Heugens, 2008). CSR would be either the 'inventory of CSR activities' (Basu and Palazzo, 2008) or the results we obtain from company's social assessment through CSR instruments and standards. But it is a 'flight forward' (Van Oosterhout and Heugens, 2008), because CSR instruments usually have not followed specific theories and dimensions (CSR standards have made a quite eclectic combination of them), and theories have often not been the basis for creating instruments. As a consequence, it is difficult to detect real differences among firms, and information can be manipulated (Basu and Palazzo, 2008).

Despite these concerns, standards and instruments are crucial for CSR. They influence behaviour in a "recognizable and reproducible" way (Goel and Cragg, 2005, p. 4), although more as self-improvement tools (through benchmarking) than as assessment tools. Their use supports the advancement of a culture of ethics within companies (Maon, Lindgreen, and Swaen, 2010) and offers firm specific, accountable, publicly available, CSR information. In sum, this infrastructure fills "the numerous governance gaps for which hard law is either non-existent or is weakly enforced" (Rasche, 2010, p. 283). Moreover, CSR should be implemented as part of a strategic management model (Porter and Kramer, 2006). On the basis of this, it should then be put into practice using a principles, processes, outcomes approach and a Plan-Do-Check-Act cycle (EC, 2009).

As a consequence of the large numbers of standards and instruments that exist today, there is a broad infrastructure in the CSR field, including instruments, standards, regulations and institutions (Waddock, 2008), but considerable overlap among them (Tate, Ellram, and Kirchoff, 2010). Managers are faced with difficulties regarding which should be implemented and how to differentiate them (Rasche, 2009). Sometimes, their selection is based on specific shareholders or institutional pressures (Goel and Cragg, 2005), business association closeness, or on the 'as many as possible' standards strategy.

Figure 1: Kind of tools to manage CSR
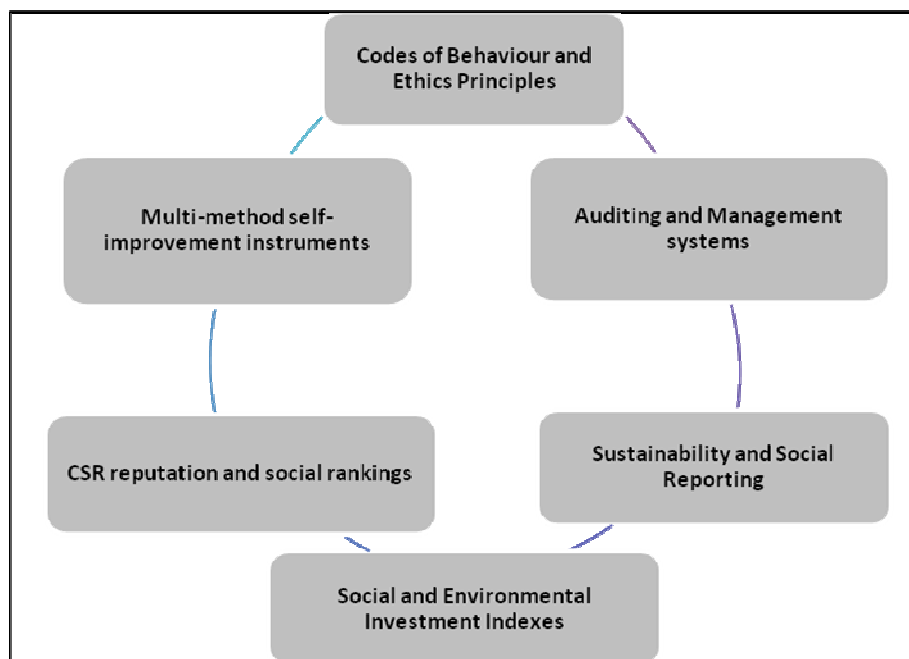
Source: Ripa and Olaizola, 2012

For this reason, during last decade, scholars and CSR institutions have made strong efforts to rationalise these initiatives, and help practitioners and CEOs understand which instruments they should use. Some CSR standards and instruments have created international governing bodies which govern them in collaboration with stakeholders. Old initiatives have been updated, standardised, made more comprehensive, and linked to other standards. Figure 1 and Table 1 show the main types of CSR tools, standards and instruments today.

Table 1: Kind of tools to manage CSR

	Codes of Behaviour and Ethics Principles	Auditing and Management systems	Sustainability and Social Reporting	Social and Environmental Investment Indexes	CSR reputation and social rankings	Multi-method self-improvement instruments
What are they?	A group of broadly agreed principles which business can sign. They define standards for company responsible behaviour, but do not provide external assurance. They usually include mechanisms to inform stakeholders about the company's follow-up of implementation. Some of them are written specifically for a company or a sector.	CSR management systems or frameworks aiming to integrate values into daily practices, processes and activities. They can be certified against a standard, after external assurance. They can be applied in organisations (EMAS) or facilities of the company (SA8000). These certifications include CSR labels to be placed on the packaging of products in order to influence purchasing decisions by consumers (Fair Trade Label-FLO, Ecolabel). These are governed by certification companies or by organisations managing the whole supply chain (e.g., buying directly from small producers).	Guides to standardise social and environmental reporting, according to stakeholders' expectations (GRI). By promoting transparency, social accountability improves. Initially, based on triple bottom-line, today these are more focused on stakeholders and in the development process (AA1000). These can include external verification, or an assurance process by stakeholders or external partners.	Used by investment agencies or socially responsible investors to recognise responsible business. These measure companies' performance. Companies must be previously part of financial indexes to appear in social ones. There are inclusion and exclusion criteria, according to company activities. Focus is given to risk management. Sometimes supported by shareholder activism or institutional pension funds.	A rating of companies according to several economic, social or environmental practices, creating a ranking showing the leaders by areas, which increases corporate reputation.	A set of tools to promote self-improvement. They can also be management systems or guidelines, although they are not audited. They work as a benchmarking tool, and are implemented using guidance from governing organisations.
Key advantages	1. Broad consensus about principles; and dissemination. 2.Easy to accept and to apply by the company. 3. CSR Self-development by companies (good for CSR culture). 4. Great legitimacy of some Ethics Principles.	1. Multi-methods methodology: They get information to audit from different agents (managers, workers, NGOs). 2. It solves the problem of managers' biased information, increasing the reliability 3. Labelling and certification initiatives raise consumers' awareness.	1. Broad coverage. 2. Specific data which is publicly available. 3. There are reporting levels with stricter requirements (external verification) 4. Easier comparability among companies 5. Increasing of public perception of company's transparency.	1. Higher profitability of companies in responsible indexes is claimed, although still debated. 2. They can promote new investments and increase CSR interest. 3. Information available about excellent companies.	1. Corporate reputation improves brand and company value. 2. They guide self-improvement to advance positions in the ranking. 3. Excellent companies are shown.	1. Benchmarking and self-assessment help to evolve CSR. 2. An easy option for companies new to CSR. 3. They can lead to the use of other CSR initiatives.
Key problems	1. Principles are too broad. 2. No hard requirements to ensure compliance. 3. Non-external evaluation, reducing credibility. 4. Not adapted to specific company vision.	1. Complexity of the process, with evaluations facility by facility, which makes difficult its extension. 2. They no consider all CSR areas. 3.In many cases, no publicly available data 4. Labelling is many times focused just on specific market niches or on imported products. 5. Sometimes, there is confusion regarding multiple labels, or not enough information provided. 6. Costs are usually transferred to the	1. Social impacts not always comprehensively evaluated. 2. Level of detail is insufficient: gaps in certain areas 3. No minimum level of performance required. 4. Indicators to measure impacts not always common, so comparability is often not possible. 5. Time consuming.	1. Incomplete information. 2. Not applicable to companies that are not in the general stock indexes. 3. CSR requirements lower than other tools. 4. Specific responses by companies are not made public. 5. Controversial reliability: Some companies regarded as excellent by these indexes have been involved in unethical behaviours	1.No comprehensive view of CSR 2. Focus on short-term, which can lead to 'green-washing'	1.No certification of improvement 2. Initiatives and information kept private

		consumers.			
Main instruments	Global Compact, OECD Guidelines, ILO Guidelines for MNE, Sullivan Principles etc.	SA8000, Good Corporation Standard, SGE 21, FLO: Fair-trade Labelling Organization	Global Reporting Initiative, CSR-SC Project, AA1000.	FTSE4 Good Index Series; Dow Jones Sustainability Index, KLD Ratings, Ethibel-VIGEO .	Fortune, Social Index (Denmark).	Ethos Institute Indicators, European CSR awareness questionnaire, ISO 26000, HRCA Checklist.

Source: Ripa and Olaizola, 2012

Leading global instruments in CSR

The process of extension, legitimization and global governance has created several leading standards, which have been readily accepted by companies, increasing dramatically their relevance. Some of these international principles are being advocated for implementation by the European Union (EC, 2011): the Global Compact, ISO 26000, OECD Guidelines for Multinational Enterprises, ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, UN Guiding Principles on Business and Human Rights, etc. (see Table 2).

The Global Compact is a compilation of ten voluntary principles (Figure 2) that organizations can adhere to (UN, 2000). Developed by the United Nations in 2000, the Compact's labour and human rights principles are based, similar to most CSR instruments, on the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. It is partly a self-improvement instrument, without external assurance systems. However, a Communication of Progress explaining how principles are being applied must be done annually.

Figure 2: The 10 UN Global Compact Principles:

Human Rights Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses. **Labour** Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation. **Environment** Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies. **Anti-Corruption** Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Global Compact has been criticised (Rasche, 2009) due to its 'vague and thus hard to implement' principles and while its value is derived from the high credibility and perceived legitimacy of the UN, it has also been accused of representing a 'capture of United Nations legitimacy' by big business (Rasche, 2009). On the other hand, it is easy to apply; organizations have autonomy to develop policies, actions and evaluation. As such the Global Compact facilitates further involvement in CSR every year, after discussing, learning, empowering, and changing through its underlying principles (Rasche, 2009). Moreover, the Global Compact is the most widespread CSR instrument with more than 10,000 participants (7000 business) around the world in October, 2012. It has also a strong presence in developing and emerging countries, which allows "the possibility to really address global governance issues" (Rasche, 2009, p. 202). Conversely, their presence in the United States is quite limited, representing just a small percentage of participants, probably due to a culture of no collaboration with international organizations (Bremer, 2008) or to a higher fear to be accused of 'bluewashing' by media – due to unethical use of the UN 'blue' flag (Rasche, 2009).

SA 8000 (SAI, 2008) is a labour auditing instrument, developed in 2000 (third version was released in 2008), by the NGO Social Accountability International, located in New York. Based on UN and ILO Conventions, it provides nine labour standards which should be verified through an evidence-based process (sourcing different company-stakeholders), conducted by an auditing organization. As a consequence, it certifies employees' working conditions, but not the entire company. It ensures the compliance with international, national or sectorial legislation, however, advocates adopting the strictest (and most favourable to workers) requirements in the case of conflicts. It takes into account the following nine labour-risk practices: child labour; forced and compulsory labour; health and safety; freedom of association and collective bargaining; discrimination; disciplinary practices; working hours; remuneration; and management systems. It is useful for auditing supply chains or facilities in countries with weak labour legislation.

The Global Reporting Initiative (GRI, 2006) is a reporting instrument launched in 1999 (the fourth version will be available in 2013) by CERES, based in Amsterdam. It aims to create a common social and sustainability reporting framework for organizations, similar to financial reporting, in order to increase corporate transparency. Based on the triple bottom line, the third version introduced new areas and stakeholders (multiple bottom-line) to be considered, including: labour, human rights, society and product responsibility. Each of these considers key indicators which provide qualitative and quantitative data. It has become the main CSR reporting framework. During 2010, almost 2000 companies made a social report on the basis of the GRI methodology and there are most than 3000 reports in GRI database corresponding to 2011. According to International Survey of Corporate Responsibility Reporting (KPMG, 2011), 80 percent of the 250 largest companies in the world (G250 companies) and 69 percent of N100 companies now report on their corporate responsibility (CR) activities according to GRI Sustainability Reporting Guidelines.

Another mainstream reporting initiative is AA1000, developed by ISEA (2003). It explains the process to interact and engage with stakeholders and to maintain an accurate level of credibility and quality in sustainable reporting. An important note is that this tool does not consider the level of performance regarding a CSR issue, but the way in which it is managed. It includes five phases: planning; accounting (stakeholder consultation, identification of issues and indicators, and collection of information); auditing by an external group, feedback and reporting; implementation; and stakeholder engagement.

The ISO 26000 guide created by the International Organization for Standardization (ISO, 2010) was one of the most anticipated CSR instruments, and the outcome of several years of discussion. It is a comprehensive guide considering social, civil, cultural, and political rights. While it lacks certification mechanisms, its broad coverage, management system and extensive and inclusive stakeholder-process in its development, make it a very useful tool to devise a global common framework regarding what CSR initiatives should be.

The UN Guiding Principles on Business and Human Rights (UN, 2011) has been another key development in the challenge of creating a global CSR compromise, and goes further than the Global Compact in United Nations' involvement. OECD Guidelines for Multinational Enterprises (OECD, 2011), ILO MNE Guidelines (ILO, 2006) Fair-Trade mark of the Fair-Trade Labelling Organization (2011), Dow Jones Sustainability Indexes (SAM Research, 2009), and FTSE4Good Index (FTSE, 2006) are other global leaders in creating worldwide responsible principles, fair-trade labels, and sustainable investing indexes, respectively. Two self-improvement instruments: the Ethos Institute Indicators (Instituto Ethos de Empresas e Responsabilidade Social, 2009) and the HRCA Checklist (Danish Institute for Human Rights, 2006) are also relevant.

Table 2: Summary of key CSR standards

Global compact	Ten voluntary principles developed by the United Nations in 2000, which organizations can sign up to without external assurance systems. To promote self-improvement, a Communication of Progress explaining how principles are being applied must be conducted annually.
Social Accountability 8000 (SA8000)	A labour auditing instrument, developed in 2000 (third version in 2008), by the NGO Social Accountability International. Based on UN and ILO Conventions, it provides nine standards which should be verifiable through an evidence-based process. They certify facilities, not companies.

Global Reporting Initiative (GRI-G3)	A reporting instrument launched in 1999 (fourth version in 2013) by the Global Reporting Initiative, in Amsterdam. It aims to create a common social and sustainability reporting framework for organizations, similar to financial reporting, in order to increase corporate transparency. Originally based on the triple bottom line, today it includes alternative areas and stakeholders.
ISO 26000	A guide regarding CSR launched in 2010 by International Organization for Standardization. However, it is not a certificate or standard, but a guidance standard which includes a series of proposals to enterprises about what CSR is, and which applies to them. It recognises a responsibility to exercise due diligence in preventing and addressing direct and indirect company's impacts.
UN Guiding Principles on Business and Human Rights	These include 31 principles adopted by the UN Human Rights Council in 2011. They aim to address the risk of business activities on human rights. They operationalize the UN Protect, Respect and Remedy Framework (State Duty to Protect, CSR to Respect, and Remedy for victims). It includes operationalization of these principles and an interpretative guide.
OECD Guidelines for Multinational Enterprises	Based on the OECD Guidelines in 1976, updated in 2000 and 2011. These guidelines include voluntary good practices, relevant to OECD member countries. National Contact Points (NCP) monitor implementation. In theory, trade unions could raise concerns about infractions if the NCP is not adhering to its responsibilities. However, NCPs have been underdeveloped and are not supported through regulation.
IFC Performance Standard	The International Finance Corporation Performance Standards are eight Standards adopted in 2006 and updated in 2012 (IFC, 2012). All companies financed by the IFC, as well as those financed by other institutions (e.g. some banks under the Equator Principles), are required to adhere to these standards. They cover social and environmental management and assessment systems; labour and working conditions; resource efficiency and pollution; biodiversity; community health, safety and security; land acquisitions; cultural heritage and indigenous peoples. Comprehensive guidance aids risk assessment for the lifecycle of projects, protecting local communities –who can raise grievances to IFC- and ensuring responsible performance.
ILO Guidelines for MNE	The ILO Declaration of MNEs, compiled by the International Labour Organization, the referent UN Agency in labour issues, that is jointly governed by business, unions and governments. They were created in 1977, but updated in 2000 and 2006. They are based on Fundamental Principles and Rights at work and several recent ILO recommendations, and apply globally. The ILO monitors their implementation with periodic surveys on. They promote collaboration between government and enterprise, linking CSR to this tripartite social dialogue and promoting government policies.
FLO: Fair-trade Labelling Organization	A worldwide fair-trade and certification organization, created in 1997, which develops international fair-trade criteria for products and processes originating from developing countries, monitoring their compliance.
DJSI: Dow Jones Sustainability Indexes	These are five indexes which aim to track CSR performance. They exclude controversial business and include the top 10% of companies in the Dow Jones Global Index. SAM's Corporate Sustainability Assessment assesses opportunities and risks in economic, social and environmental dimensions, monitoring them continuously. Human Resources policies are a key area.
FTSE4 Good Index	Launched in 2001, by the FTSE group, an English company owned by the Financial Times and the London Stock Exchange. It is a benchmark index for investors seeking to measure the performance of responsible businesses, but it is also useful for other stakeholders. For inclusion, companies must be within the universe of the FTSE Share Index (UK) or FTSE Developed Index (Global), general economic indexes. Revised every six months, data collection is based on annual reports, company websites or public material, written questionnaires and liaising with companies. Global and regional (UK, US, Europe and Japan) Indexes exist with additional information sought for sectors, countries or operations with higher risks. There are also exclusion criteria and an engagement program to help companies meet the criteria.
HRCA Checklist	HRCA is a self-diagnostic tool to detect potential Human Rights violations, helping to improve enterprise awareness and to make remediate harmful incidents. It was

	developed by the Danish Institute for Human Rights (DIHR) in 1999. It is updated annually based on international agreements. The checklist includes 28 questions and 240 indicators. These were compiled following a consultation process with MNEs and human rights groups.
Ethos Institute indicators	Launched by Brazilian Instituto Ethos de Empresas e Responsabilidade Social, which is a group of over 1,350 companies. This is an external evaluation of the company, based on a set of indicators (often comprehensive in labour and community issues), oriented to their CSR self-improvement and evolution of corporate ethical culture. It includes benchmarking results against the best ten companies.

Key areas of CSR: in theory and practice

Dimensions and issues relevant to CSR traditionally reflect economic, social and environmental concerns. The European Commission (2003) further defined 11 key issues, after reviewing 17 CSR instruments: financial, economic development, consumer affairs, human rights, employee relations, community investment, bribery and corruption; biodiversity, air quality and noise pollution, energy and water, and waste and raw materials. An internal and external dimension of CSR has been identified (EC, 2001).

The internal dimension includes human resources management, health and safety at work, adaptation to change, management of environmental impacts and natural resources; while the external is based on local communities, business partners, suppliers and consumers, human rights, and global environmental concerns). European Commission (2004, p. 7) recommended that contents of standards should be in accordance with "the core labour standards identified by the ILO and include child and forced labour, discrimination issues, freedom of association and collective bargaining, health and safety, wage levels, working times and disciplinary practices", As a consequence, the basic themes of CSR come from international labour standards and regulations (ILO fundamental conventions, UDHR, OECD Guidelines). All these issues tend to be included in CSR instruments.

The ISO 26000 Standard comprehensively covers the full range of current social responsibility issues. It starts by asking questions and challenging an organisation in terms of the underlying principles of social responsibility – accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for the rule of law and international norms of behaviour, and respect for human rights. The standard includes seven core subjects (Table3) – organisational governance, human rights, labour practices, environment, fair operating practices, consumer issues and community involvement and development. Within each subject a number of detailed issues are covered which provide guidance to organisations on how they addresses their social responsibilities.

Table 3: Core Subjects and Issues in ISO 26000

Organizational Governance	
1	Organizational governance
Human Rights	
2	Due diligence
3	Human rights risk situations
4	Avoidance of complicity
5	Resolving grievances
6	Discrimination and vulnerable groups
7	Civil and political rights
8	Economic, social and cultural rights
9	Fundamental principles and rights at work
Labour Practices	

10	Employment and employment relationships
11	Conditions of work and social protection
12	Social dialogue
13	Health and safety at work
14	Human development and training in the workplace
The Environment	
15	Prevention of pollution
16	Sustainable resource use
17	Climate change mitigation and adaptation
18	Protection of the environment, biodiversity and restoration of natural habitats
Fair Operating Practices	
19	Anti-corruption
20	Responsible political involvement
21	Fair competition
22	Promoting social responsibility in the value chain (and supply chain)
23	Respect for property rights
Consumer Issues	
24	Fair marketing, factual and unbiased information and fair contractual practices
25	Protecting consumers' health and safety
26	Sustainable consumption
27	Consumer service, support, and complaint and dispute resolution
28	Consumer data protection and privacy
29	Access to essential services
30	Education and awareness
Community Involvement and Development	
31	Community involvement
32	Education and culture
33	Employment creation and skills development
34	Technology development and access
35	Wealth and income creation
36	Health
37	Social investment

A OECD review (2009), based on the analysis of OECD guidelines, ILO MNE Declaration and the Global Compact, identified 12 labour issues in major CSR instruments: freedom of association and collective bargaining; elimination of all forms of forced and compulsory labour; abolition of child labour; non-discrimination in respect of employment and occupation; general development; employment promotion; training; wages and benefits; hours of work; safety and health; social protection; industrial relations. The relative importance of the different areas among codes has been also studied. The OECD found in 2001 (in Fuentes-García, Nuñez-Tabales, and Veroz-Herrado, 2008) that reasonable working environment (75,7%), compliance with laws (65,5%), no discrimination or harassment (60,8%), workers' compensation (45,3%), prevention of child labour (43,2%), obligations with contractors/suppliers (41,2%), rejection of forced labour (38,5%), training (32,4%), working hours (31,8%), and freedom of association and collective bargaining (29,7%) were the most common work-related topics that appeared in codes of conducts.

Different contexts, different CSR priorities

Fighting corruption or eradicating social inequalities? Conserving biodiversity or ensuring health care? Both standards and enterprises prioritise different issues according their context. Although the European Commission (2011) claims to promote a 'global CSR', ethical priorities change depending on region, national, community (urban, countryside), or business contexts. Cultural values, political framework and economic situation will affect citizens' expectations about corporate behaviour. Government action may also vary as may cooperation between enterprise, government and society, which may differ among countries (Albareda, Lozano, and Ysa, 2007). Sector will also determine how companies define their commitment, decide how many and what instruments are used, choose their priorities, or assess impact (Barth and Wolff, 2009). Several industries are more focused on workers' rights and working conditions (food firms), others in workplace health and safety (chemicals, construction, and mining corporations) or provision of services to the poor (financial services, utilities etc.) (Blowfield and Murray, 2008).

A significant challenge to implementation of responsible business practices is that although many CSR standards target international multi-stakeholder organizations, most research and public initiatives on CSR come mainly from European and American countries. This may lead to a potential mismatch between 'priorities', which can worsen implementation (Waddock, 2008). Blowfield and Murray (2008) go further: "Western priorities for Africa might be to combat corruption, improve governance and transparency, and improve infrastructure, while local priorities might be to improve the terms of trading, create good jobs, and transfer technology" (p. 178). In Latin America, "advocates in the west may focus on rainforest conservation and biodiversity, while local people may be more concerned about poverty, poor education, bad housing, and scarce healthcare" (p. 178). The authors argue that in general, the creation of social stability, the rule of law and a favourable business environment are concerns for business communities in developing countries. Some previous studies (PWC, Ethical Corporation, as cited in Blowfield and Murray, 2008) have analysed the most important CSR issues relative to each region. The EU prioritises sustaining welfare, health, and labour standards in a global economy. The USA defends public health accessibility, social security or corporate governance. Latin America focuses on the rich-poor divide, infrastructure or fighting corruption. Companies also focused on different themes depending on their country of origin. While US firms were focused on external issues including globalization, Japan and EU companies were more linked to consumers (Tate, Ellram and Kirchoff, 2010).

These problems transfer to the development and implementation of standards and instruments, which could be biased according to the geographical area in which each one has been created. Werhane (2010) has warned about the consequences of 'universal definitions of CSR': 'Individualistic' Western approaches (diversity, equal opportunities…) sometimes challenge community, cultural or religious tradition in non-Western settings, making it difficult for companies to follow them. The author suggests taking into account diverse settings and conditions. Consequently, Werhane (2010) demands global collaboration in "the implementation of the CSR agenda: what has to be done […], how to be done […], and how to measure progress" (p. 6) to create a "global commonly accepted CSR framework" (p. 6). Rasche (2010) points out a deeper problem: It is neither possible nor desirable to create a standard which includes all the possible situations. As an example, the author refers to SA8000, an instrument which recognises the need of "demanding local adaptations according to the respective geographical, societal, political and economic circumstances" (p. 285)". For this reason, Rasche (2010) recommends understanding not just their content, but also the process of context specific adoption that must be done in practice. There is a need for further research surrounding this issue. Frederick (2008), a pioneer of CSR, highlights several research needs: analysing the marginal CSR focus in developing nations, the North-South prosperity-poverty gap, the East-West religious-politico tensions or the development pressures on resources. These themes are also expressed by the CSR Platform project (EC, 2009), which suggests that emerging economies and societies, and sector specific implementation will be the focus for future CSR research.

CSR and SMEs

The dominant way of organising work in the OECD countries is in Small and Medium-sized Enterprises (SMEs) they employ the majority of all workers (Spence and Rutherford, 2001). While this is also the case in most economies around the world, a large majority of SMEs in developing

economies fall under the unorganised and informal sectors. Research with regard to enterprise responsibility and SMEs is generally lacking as issues relating to responsible business practices to date have focused mostly on large organizations. This lack of attention on the SME sector leaves considerable knowledge gaps within the literature (Jenkins, 2006; Moore and Spence, 2006; HSE, 2005).

It is well acknowledged that SMEs, including new enterprises, play an incredibly important role in creating jobs and in so doing, assist in poverty alleviation, providing social safety-nets and community support (Painter-Morland and Spence, 2009). However there are simple semantic issues such that most SME's, especially those in developing countries, don't describe this role that they play in terms of theoretical constructs such as corporate social responsibility (CSR) or business ethics. Instead, these 'ethical actions' are just contingent aspects of how their businesses operate (Murillo and Lozano, 2006). For instance, SMEs sometimes operate in closer proximity to the communities within which they function, and on whose support they depend. As such, they respond to the needs of these communities on an ad hoc basis, rather than having a well-designed social accountability/ responsibility strategy (Besser and Miller, 2001). They have to treat their employees well to retain and motivate them, and build relationships of trust within their supply chain in order to survive. Whereas large firms may describe these in codes of conduct, or publish their accomplishments in social responsibility and sustainability reports, SMEs tend to perceive responsible business practices as a much more intrinsic part of their everyday business (Painter-Morland and Spence, 2009) and are therefore likely to remain informal and intuitive, especially in microenterprises (EC, 2011).

However, research on SMEs, especially in developing countries also indicates that SMEs often find themselves at the receiving end of relationships that by no means encourage ethical behaviour (Transparency International, 2008). An analyses of SMEs in Africa, India and Latin-America highlight the following common problems: (i) a regulatory environment that often hurts more than it helps, both because tax structures and compliance mechanisms place undue financial burdens on SMEs, and because other, real problems, like corruption, are not adequately addressed; (ii) SMEs carrying a lot of the burden of job creation and providing social safety-nets, without being granted the government support they need to play this role sustainably; and (iii) an absence of bodies that represent the interests of SMEs and allow them to draw on peer support and broader resources (Painter-Morland and Spence, 2009). There is therefore a real need for governments, large enterprises and other stakeholders such as federations of small businesses to support SMEs by creating an ethically conducive environment as well as through the development of ethics management strategies that are flexible and affordable enough to be implemented within small and medium sized organizations.

CSR and Supply Chain Management

CSR has traditionally focussed on the activities of a firm rather than the entire value chain (Spence & Bourlakis, 2009).   However, global competition, outsourcing of noncore activities to developing countries, the availability of short product life cycles, and time compression have increased the strategic value of managing the supply chain (Skjøtt-Larsen et al., 2007).

Alongside this recognition, the supply chain is now understood as an area of business operations where CSR is perhaps most relevant. Developments in multimedia and communication technology have made it more difficult for companies to hide unethical practices of their suppliers. The escalating flow of information across national and cultural borders has given rise to stories about multinational companies' irresponsible practices, such as violation of union rights, use of child labour, dangerous working conditions, race and gender discrimination, etc. Well known examples from the media are Nike, Wal-Mart, and Apple.

These trends have resulted in the supply chain being very much incorporated into various CSR approaches (Spence & Bourlakis, 2009). For example the refined definition of CSR by the European Commission includes this dimension (EC, 2011). A number of different concepts reflect this interest including, supply chain sustainability (Dyllick & Hockerts, 2002; Koplin et al., 2007), triple bottom line (Elkington, 1997), environmental management (Handfield et al., 2005), corporate greening (Preuss, 2005), green supply (Bowen et al., 2001; Sarkis, 2003) and corporate social responsibility (CSR) in supply chains (Pedersen & Andersen, 2006). As stated by Andersen and Skjoett-Larsen (2009) "multinational companies are not only expected to behave socially responsibly within their own juridical walls. They are also held responsible for environmental and labour practices of their global

trading partners such as suppliers, third party logistics providers, and intermediaries over which they have no ownership" (p. 77).

Several multinational companies have responded to the pressure and expectations by stakeholders by defining, developing and implementing systems and procedures to ensure that their suppliers comply with social and environmental standards. Although firms choose their own approach to systematising the CSR efforts in supply chains, many studies reveal that the most visible element in the approach of large multinational companies is the use of corporate codes of conduct. The number of codes of conduct has grown substantially since the early 1990s (Hopkins, 1999; Welford, 2005; Welford and Frost, 2006; Jenkins et al., 2002).

A code of conduct is a document stating a number of social and environmental standards and principles that a firm's suppliers are expected to fulfil (Mamic, 2005; Jenkins, 2001). Codes of conduct are increasingly introduced in contracts between a buyer company and its suppliers (Welford, 2005). They are typically based on the values with which the individual firm wishes to be associated, and its principles are often derived from local legislation and international conventions, standards, and principles, such as UN's Global Compact, the Global Sullivan Principles, Social Accountability 8000, ISO 14001/26000, Global Reporting Initiative, and the ILO Declaration on Fundamental Principles and Rights at Work.

CSR in Europe

Over the past decades, economic and socio-political factors in many European countries as well as the enlargement of the European Union (EU) has led to a partial redefinition of the boundaries between the public and the private sector as well as their respective roles in the society. In 2000, at the Lisbon Summit, EU member states took the position that "the European Social Model, with its developed systems of social protection, must underpin the transformation of the knowledge economy" (Vaughan-Whitehead, 2003). While the European Social Model was considered useful, it is nevertheless under attack with several member states repeatedly trying to undermine social rights due to the belief they would be too expensive for their enterprises and result in very rigid labour markets (Vaughan-Whitehead, 2003). The European Commission's (EC) Social Agenda, subsequently supported by the European Council in Nice (EC, 2001), emphasised the role of CSR in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. In this context, CSR as a voluntary corporate policy is a fairly recent phenomenon in a European context (Matten and Moon, 2008).

Following the Nice summit, the EC launched its Green Paper on CSR "Promoting a European Framework for CSR" in 2001 which defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and their interactions with their stakeholders on a voluntary basis". The European Multi-stakeholder Forum on CSR (EC, 2004) further extended the understanding of CSR by concluding that CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations, that commitment of management and dialogue with stakeholders (both internal and external) is essential and when operating in developing countries and/or situations of weak governance, companies need to take into account the different contexts and challenges, including poverty, conflicts, environment and health issues.

In 2006, the European Commission reconfirmed its commitment with a new communication on CSR, stressing the potential of CSR to contribute to the European Strategy for Growth and Jobs and announcing backing for a European Alliance for CSR. The Alliance serves as a political umbrella for mobilising the resources of large and small European companies and their stakeholders (EC, 2006). So far, more than 230 companies and organisations have joined in support to the European Alliance which revolves around the following three areas of activities: raising awareness and improving knowledge on CSR and reporting on its achievements; helping to mainstream and develop open coalitions of cooperation; ensuring an enabling environment for CSR.

Following the initiatives taken by the European Commission, the European Parliament in 2007 unanimously passed a resolution on 'corporate social responsibility: a new partnership' in which it recognised that, "increasing social and environmental responsibility by business, linked to the principle of corporate accountability, represented an essential element of the European social model, Europe's strategy for sustainable development, and for the purposes of meeting the social challenges of economic globalisation" (European Parliament, 2007). The resolution also recognised the need for

increasing transparency and credibility of voluntary CSR initiatives and called for 'mandatory reporting on the social and environmental impacts of businesses' by European Businesses. In March 2010, the European Commission in its EU2020 vision for smart, sustainable and inclusive growth made a renewed commitment to "renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust" (EC, 2010), again emphasizing both internal and external dimensions of CSR.

Internal Dimension of CSR

Since the notion of responsible business practice has gained popularity, it has been widely accepted that CSR is based on the integration of economic, social, ethical and environmental concerns in business operations. The major social concerns include the welfare of the key stakeholders in the business, both external as well as internal (HSE, 2005; Montero, Araque and Rey, 2009). The European Commission in a follow-up to its 2001 Green paper published a communication (EC, 2002) titled "Corporate Social Responsibility: A business contribution to sustainable development", developing the idea that there are both internal and external dimensions of responsible business practices; 'internal' in that they are targeted at management and employees of the firm itself, or 'external' in that they are targeted at outside groups such the society or the environment (Bondy et. al., 2004). Today occupational health and safety is included in most standards, codes of conduct and reporting guidelines that seek to promote responsible business practices.

The internal dimension of CSR includes socially responsible practices concerning employees, relating to their safety and health, investing in human capital, managing change and financial control (Bondy et. al., 2004). It involves organizations dealing with their internal stakeholders. The primary internal stakeholders of any organization are the management and the employees. Therefore, organizational interactions between management and employees dominate discussions on the internal dimension of enterprise responsibility. They include elements like providing an environment for lifelong learning for employees, better information flow, improving the balance between work, family, and leisure, profit sharing and share ownership schemes, as well as job security among others. Most organizations have documents which spell out the rules of engagement between management and employees. Such documents as collective bargaining agreements and health and safety policies inform each of the parties of their rights and responsibilities.

While, most of the issues highlighted in the internal dimension as indicated above have a legal basis and at a minimum level are underpinned by law, CSR is concerned with what organizations can/should go on to achieve beyond legal requirements. In the UK, which is seen as leading both in the field of OSH (HSE, 2005) and CSR (Vogel, 2005) for instance, areas like public reporting of health and safety performance, director leadership in health and safety, provision of welfare facilities (e.g., gyms) at work, which are all indicators of a good CSR action plan, are not legislated in the health and safety laws. They are at the discretion of management. To therefore exclude/give minimum attention to issues of health and safety in a responsible business agenda under the notion that it is a regulated area may not only be unfair to employees who are an integral part of the stakeholder community but also a total neglect of an important aspect of the concept (Amponsah-Tawiah, 2010).

The challenge of ensuring compliance with existing legislations on health and safety is greater today than ever. With an ever increasing number of newly established enterprises, SMEs and hazardous industries globally engaged in more complex production activities coupled with lack of resources, expertise and in recent times cuts in state funding for inspectorate divisions in some countries, it is probable that promoting CSR, particularly health and safety and quality of life, using legislation as the ground and not the ceiling within a framework of good business practice and common business sense could be a way forward.

From societal responsibilities to the 'business case'

As noted, CSR was initially discussed only in relation to ethics: businessmen had a 'social duty' to their societies. However, after Milton Friedman's (1962, 1970) critique of the concept, CSR initiatives became more scrutinised. The American economist (1970), in a seminal article in The New York Times Magazine, "The Social Responsibility of Business is to Increase its Profits", challenged the fundamental concept of CSR. He criticised the 'mismanagement' of corporate executives engaged in

these social initiatives claiming that companies would incur unnecessary financial costs for shareholders.

Following this, research turned to formalising the potential benefits for companies investing in CSR in an attempt to garner support for the concept and overcome corporate reluctance. In this light, a business case for CSR was developed (Carroll and Shabana, 2010). This put forward the argument that there is a relationship between corporate financial performance (CFP) and corporate social performance (CSP) (Margolis and Walsh, 2003; Lee, 2008).

CSR endeavours are becoming increasingly important for consumers (MORI, 2002 as cited in Little, 2003). In an ever more competitive and global market, maintaining an image aligned with customers' beliefs is critical (EU-OSHA, 2004). Furthermore, organizations poor in CSR are likely to lose out on talent recruitment and see higher turnover, as employees increasingly value responsible organizations (BitC, 2003). Finally, ethical companies are more likely to attract investors, and exclusion from indexes of CSR performance can lead to a substantial drop in share price (Robinson et al., 2011).

These factors should translate into a distinct relationship between successful business and CSR. However, assessing that link has been extremely complicated. It was not until two influential meta-reviews of 127 (Margolis and Walsh, 2003) and 52 empirical studies (Orlitzky, Schmidt and Rynes, 2003) that some positive conclusions emerged. Other studies have also been promising. Webley and More (2003) found that organizations practicing an ethical code, outperformed organizations without such a code. Evidence also supports the inverse. Shell was boycotted over the Brent Spar disposal, while Union Carbide was forced to end business over the Bhopal Disaster (HSE, 2005). Carroll and Shabana (2010) reviewed this relationship, explaining previous negative associations on the basis of contextual factors and idiosyncrasies of companies.

As a result, nowadays, there is an understanding that CSR is linked to the innovativeness and competitiveness of a firm as illustrated by a European Competitiveness Report in 2008 (EC, 2009). According to this report, several CSR related aspects including social sustainability or a diverse workforce, have positive impacts on innovation and, further competitiveness. Lee (2008) suggests that this reflects the shift of CSR as a macro level issue to an organizational level, where being responsible has to be justified financially. As such the emerging driver for CSR is the notion that CSR investment will eventually pay off. Indeed it has been noted that: "if Friedman were to revisit the subject today, 'he would find much less to concern him'" (Vogel 2005, in Lee, 2008, p. 55). Furthermore, this link has recently seen increased focus. Factors including greater social awareness and information technology have meant that organizations not seen as ethical, stand to suffer blemished reputations (Tate, Ellram, and Kirchoff, 2010), and the associated business consequences (Little, 2003).

However, Vogel (2005) argues that CSR is good for companies only under certain conditions, including, coherent institutional support and a big enough market for virtues. Accordingly, the question is not "Does corporate responsibility pay", but "Under what condition does corporate responsibility pay" (Blowfield and Murray, 2008), taking into account relevant variables including market, and industry (Carroll and Shabana, 2010). As Vogel (2005) explains "CSR is best understood as a niche rather than a generic strategy: it makes business sense for some firms in some areas under some circumstances" (p. 3). Thus, it is important that CSR is not hinged wholly on a business case.

As the author explains, the paradox is that "[t]here is a place in the market economy for responsible firms. But there is also a large place for their less responsible competitors" (p. 3). Especially problematic is the extension of CSR frameworks to Small and Medium Enterprises (SMEs). While perhaps not intentionally less responsible, SMEs have struggled to adopt CSR. This is partly because a significant proportion of the work (topics, practices and measurements) has been designed for the idiosyncrasy of Multinational Enterprises (MNEs), especially for their application in developing countries. Additionally, CSR requires more economic and managerial resources than SMEs usually have. Despite this, SMEs have closer interactions with communities, and their local, ethical reputation is more critical to business, factors that could help in the implementation and maintenance of responsible initiatives.

The increasing attention for CSR is also fed by recent financial/accountancy scandals that received high media attention, and the growing demands for integrity and transparency of companies, by NGO's, and sometimes by top managers who are convinced that doing business should be more than merely making money. For businesses world-wide, CSR is nowadays an inspiring, challenging and strategically important development.

To develop and implement a CSR policy requires companies to periodically review their existing business practices and to adapt them accordingly. This is not a quick fix, or easily done. It can therefore hardly be a surprise that several companies prefer to formally adopt and communicate responsible business principles, without translating them consequently into actions. In such a way CSR remains a superficial undertaking without much impact; this phenomenon is known as 'green-washing' (Laufer 2003). It is for this reason that the FTSE4Good suggested that BP, Apple and several financial institutions were among the most sustainable companies in their region/sector (FTSE4Good, 2010) before their respective sustainability crises. In order to be more than a new fashion, CSR will have to be closely related to the companies' core activities and have added-value for the business (Porter and Kramer, 2006).

The European Machine Tools Sector and CSR

The CECIMO study on the competitiveness of the European machine tool industry (CECIMO, 2011), outlined the key challenges facing the industry. The machine tool industry is a sub-sector of the mechanical engineering industry. Machine tools have a strategic place within the industry as they enable the production of all other industrial equipment and machinery which are covered by mechanical engineering. The Machine Tools Sector (MTS) is a key enabling sector which boosts Europe's ability to produce new products and services, and is one of the most globally competitive sectors in Europe. Europe generates more than one third of the world machine tool production and half of world exports originate from Europe. The machine tools sector transfer production expertise to other manufacturing segments. Companies supplying machine tools often join forces with their customers to work on developing new solutions for better production systems according to market requirements. Main strengths of European machine tool builders are quality, performance, precision, productivity and the ability solve customer problems.

The European machine tool industry is a knowledge- and technology-intensive sector with high R&D intensity which relies on a strong supply chain, a sound research base and an education system which is able to provide highly skilled engineers. It is characterized by its family-owned SME-dominated landscape, strong concentration on flexible and small-batch production of custom-built and high precision machines, and the export orientation of companies. The production is spread over a wide geographical area, but is mainly concentrated in traditionally strong industrial centers such as South Germany, Northern Italy, Switzerland, Austria and the Basque country in Spain. Major European industries such as automotive, aerospace, energy and transport vehicles rely on first-mover advantages provided by machine tool builders based in Europe, to ensure their global competitiveness.

In 2008, the European machine tool industry saw peak in output of 24.4 billion Euros, which dropped to 16.5 billion Euros by 2010 after two years of contraction during the global downturn. The impact of the global economic crisis on European machine tool manufacturers has been as follows:
*   Shift of market to emerging countries; market shares have been reshuffled during the crisis
*   Small companies became even smaller and big companies got even bigger
*   Trouble in the demand from traditional domestic markets after the crisis; local market has lost significant weight
*   The weakening of the European market has a negative impact on R&D and innovation and end-users at proximity drive the demand for new solutions
*   A certain number of companies did go through hard times and were acquired by other builders, both European and non-European
*   Crisis forced to slow down R&D efforts for two years
*   Enormous cost pressures and inflation after the crisis was observed; inflation in raw materials, intermediary components and energy prices
*   European customers are still very cautious in their capital expenditure programs.
*   The difficulties in accessing finance are multiplied due to a deterioration of industry results

- Banks are more cautious about giving credit to SMEs; the machine tool industry is considered as a cyclical industry and a risky business. The financial system is also short of liquidity amid the government debt problem and subsequent deterioration of confidence

Many companies were able to keep their skilled workforce and support schemes put in place by companies were helpful to maintain workers on the jobs. However, in some companies the rate of workforce loss went up to 20%. Loss of workforce meant loss of know-how and experience, which are both difficult to recover. Overall, European machine tool builders responded to the crisis in the following way:

- Cost cutting to cope with vanishing income, while competitors from developed and developing Asia benefited from broad government support
- Adjustments in production capacity
- Flexible working hours
- Adoption of solutions to increase productivity
- Increasing focus on emerging markets
- Concentrating on more customer-oriented business strategies
- Increasing automation and taking new tools in use to tackle the labour shortage threat in the long-term

There is a shortage of workforce and a gap between industry's skill needs and skill availability on the market. There were almost one hundred fifty thousands of employees working in nearly one thousand five hundred machine tool producing companies across Europe at the end of 2010. European machine tool manufacturers are predominantly small and medium enterprises (SMEs). The average number of employees per company in 2010 was less than 100. A lack of qualified workforce is a serious threat to the future of the machine tool industry. A lack of workforce may put pressure on industry performance and wages in the long-term. Companies are therefore encouraged to invest in internship and training programmes for young engineers by establishing partnerships with technical schools and universities. Moreover, investment in vocational training is also emphasized to upgrade the skills of existing staff and to prepare them for new technological and market challenges.

While the diffusion of corporate social responsibility practices are still in the nascent stages of development and diffusion in the machine tools sector, a number of examples of good responsible business practices can already be seen within the sector. Furthermore, the sector can also contribute to tacking larger societal challenges due to its strategic place within the industry. Current examples of good practice include promoting fair labour practices (including workers' health and safety) and dealing with various environmental issues.

European regulations in the areas of health and safety are strict and they aim at guaranteeing a safe working environment for machine operators and other workers on the factory floor. European machine tool manufacturers have, in general, a good track-record in complying with health and safety regulations. They often go beyond compliance and engage in best practice to promote the safety, health and wellbeing of their workers. In case of the environment, specially, in the case of energy-efficiency, regulation is designed to be used as a leverage to help industry upgrade itself to more sustainable production patterns and to create a market for energy-efficient products. Today, machine tools are much more efficient than 10 years ago; some manufacturers confirm that they have recorded 70% improvement in productivity and 10% improvement in energy efficiency over the past decade. There is more room for improvement in the environmental performance of machine tools; however, this needs to be done without compromising the productivity of machines in order to remain competitive.

The machine tool industry is an important contributor to tackling grand societal challenges of the 21st century such as climate change, resource efficiency, ageing society and sustainable mobility. Both advances on the machine tools themselves (such as productivity, environmental performance) and advances in the processing technologies (such as higher precision and accuracy, processing new materials) have an impact on Europe's ability to live up to mega challenges of the 21st century. For example, machine tools which are operated in European factories help customer industries achieve greater resource efficiency. Advances in production technology are poised to provide downstream industries with significant gains in material and energy consumption. Moreover, machine tool builders are key suppliers of production technology for building renewable energy generation plants and for retrofitting the existing conventional energy plants. Solar, wind, geothermal, hydraulic energy

industries rely entirely on components produced by machine tools to build robust and safe power plants. Machine tools will play a key role in enabling Europe to build up the cutting edge infrastructure required for the transition to low carbon energy sources.

Machine tools are a key contributor to sustainable mobility. 21st century society needs faster and safer transport solutions with the lowest impact on environment. Aviation, aerospace, automotive and rail vehicle industries will need improve their environmental performance significantly to live up to this challenge. Machine tools are used on almost every stage of the manufacturing process of means of transportation, from the production of simplest parts to increasingly sophisticated and high precision components (engine turbines, bearings etc) which have a remarkable impact on the energy savings potential of transport vehicles. Railway vehicles, shipbuilding, aerospace industries achieve significant progress in weight reduction by replacing the materials they use in building vehicles and/or ships with new materials which are light and robust. They rely entirely on processing technologies provided by machine tools to process the new materials and use them in new products.

An ageing population will seriously challenge the European labour market and it will have important social and economic consequences in the future. Progress in the medical instruments industry will play an essential role in ensuring a better quality of life for European citizens. Implants and medical devices are produced thanks to advances in ultra-precision machining technologies. Machine tools contribute to raising standards of living and they help lower health-care costs. Moreover, advances in machine tools will facilitate work in factories for an ageing workforce. Cognitive capabilities, improved human-machine interaction and increased automation will play a key role to this end.

European Best Practices from the MTS Sector and its value chain

As discussed previously, MTS is a very strategic business sector from a CSR perspective having a potential multiplying impact on several sectors of its supply chain. Nonetheless, the sector has not developed yet an integrated and multi-stakeholder approach to CSR, which is necessary to deal with the complexity and multidimensionality of CSR, with the objective of spreading awareness of CSR, fruitfully implementing and expanding socially responsible practices and best cases, disseminating responsible business conduct, and enhancing the visibility of CSR. The DESIGN-MTS project – DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector funded under the European Commission CIP 2012 Work Programme seeks to encourage and enable more European enterprises in the machine tools sector across the EU to take a strategic approach to corporate social responsibility in cooperation with relevant stakeholders.

The following these aims are fundamental to the introduction and implementation of CSR in MTS:
1) Information and awareness-raising of CSR in MTS;
2) Conditions for the introduction of an integrated and strategic approach to CSR in MTS enterprises and their supply chains;
3) Coordinated approach to support the spreading of CSR in MTS.

To achieve these aims, the next section includes a review of examples of best practices from the the metal working sector along the value chain of machine tool industries. Each example/case includes a discussion of the *four major CSR-related issues* identified as particularly relevant to the machine tools sector, these include:

a) **Employability** and the need for not-only-technological **skills**: even if technological skills are very important in MTS, often the sector faces a lack of non-technological skills matching industry needs in the European market, especially green skills and horizontal skills, which are equally important: in fact, in the era of globalisation, EU manufacturing companies will be successful only if they can boost their brain force and technology and make global connections to suppliers' networks and customers. Therefore, besides engineers and technicians, the manufacturing industry needs managers with a global mind, marketing experts, economists and other non-technologically skilled employees, that have a thorough understanding of sustainable technology and its application to machine tools, that are aware of the environmental and social dimension of an enterprise, and able to communicate it.

b) **Demographic change** and **active ageing**: The European population is shrinking and ageing at the same time. The number of those older than 55 years is steadily growing, while all younger age groups are shrinking. Individuals aged 50 and over already represent 20%. The number of people over 60 will

increase by 2 million every year; Eurostat predicts a possible labour supply shortage of 15% by 2050, which represents an unemployment gap of 35 million people. These challenges are particularly crucial in MTS: here both formal and non-formal competencies are very important, since they allow to manage key-processes. However these competencies are mainly held by elderly people, while are lacking in younger generations, also because education does not always address the needs of the MTS industry. Therefore it is necessary to foster the permanence of elderly employees in MTS, and to set up at the same time the conditions for an intergenerational transmission of knowledge: older workers indeed, can transfer their knowledge to younger ones, and this could help younger people to increase their skills and open doors to better employment. All this ties in with CSR's role in promoting the objective of active ageing whilst at that same time dealing with the effects of demographic change in the job market, and fostering the integration of younger people in the MTS job market. Also, machine integrated IT is easier to operate for older workers. So, in a way, IT and relevant software facilitate the use of a machine, and this is a good solution for older people to stay active and employed. Last but not least, MTS offers a high contribution to health care. Indeed, health care products are produced thanks to the machine tools used during the production process. This helps older people stay active, and in this regard MTS can foster some objectives connected to active ageing, contributing to the well-being of elderly people in society.

c) **workplace challenges**: CSR can foster MTS employees' overall well-being: bringing advantages in terms of staff retention and recruitment, staff development and motivation, it can promote employees' sense of belonging to a "common" enterprise; CSR can help MTS enterprises to establish a working environment that is conducive to personal growth while at the same time increasing productivity, reducing absences and lowering costs, and can also offer opportunities for psychosocial risk management, an area that is currently among the top priorities in working environment and well-being at work debates. CSR can foster employees' health and safety too, in so far as machine tools increase their environmental performances not only with regard to the external environmental impact, but also and especially with regard to the "internal" workplace.

d) In addition, the focus on **environmental challenges** will be a cross-issue, because it is a key-topic in MTS: in fact, the machine tool industry needs to continuously innovate to meet customer demands of products that can produce more efficiently, more accurately, faster, more cheaply and more environment-friendly, that is, products that have extended life, provide improved performance, have high reliability, are safer to operate, are eco-efficient and provide an integrated solution to customers. To sum up, products that are able to address challenges also in terms of health, safety, and environment (HSE), and that therefore need to be HSE-friendly designed, in order to have a high HSE performance (also according to EU eco-design directives).

The best practices included in this report have been drawn from companies (see Table 4), which have initiatives in place in all or mosseveralt of the seven key subject areas of the ISO 26000. As most companies within MTS are SMEs there was a necessity to broaden the scope to the aforementioned metal working sector, along the value chain of the MTS. This was done to identify companies which would have the necessary resources to communicate CSR related behaviours, as smaller companies tend not to have the structure or resources to do so. The best practices are presented in Annex 1.

Table 4: The companies include in the review of best practices

Company	Country
3M	Germany/USA
Sulzer	Switzerland
Atlas Copco	Sweden
Grundfos	Denmark
ABB	Switzerland
Fives Cinetic	France
SACMI	Italy
DANOBATGROUP	Spain
Alta Group	Czech Republic

The lessons learnt from the literature review and examples of best practice will be used to identify how they can be operationalized for use more broadly within the sector. The results will be used to define a draft of a sector-wide joint set of commitments and responsibilities that will address the

identified CSR-related challenges facing MTS. The set of commitments will therefore constitute the first manifesto of CSR in MTS and will be the base for the platform's further activities (till the end of the project), aimed at encouraging an increasing number of enterprises in MTS to take a strategic approach to CSR in close cooperation with their stakeholders.

Analysis of Best Practices

The following section discusses the key practices of the organisations selected as case examples in relation to the areas of the ISO 26000. The areas are briefly introduced before trends in reporting, as well as needs based on this are discussed.

Organizational Governance

Organizational governance refers to the system by which an organization makes and implements decisions in pursuit of its objectives. The ISO 26000 standard recognizes it as one of the most crucial factors in enabling an organization to take responsibility for the impacts of its decisions and to integrate social responsibility throughout the organization. The area commonly understood to include the following five issues (Henriques, 2011):

- Legal compliance;

- Transparency;

- Accountability;

- Ethical conduct; and

- Recognition of stakeholders and their concerns.

Perhaps the most common element of reporting was codes of conduct in relation to standards of business. In many cases these were based on guidance or standards issued by international organizations. Some groups discussed legal compliance issues, such as Atlas Copco which noted that as an incorporated body in Sweden they are governed under the laws of Sweden. Accountability was also mentioned by a number of organizations. Several mechanisms were employed to achieve this including, independent directors, auditing committees, and supervisory structures. 3M offered the most comprehensive example of this with several layers of accountability.

A few companies also described dedicated groups to oversee sustainability functions, policies and programs of the group. For example ABB established in 2011, a sustainability board to execute sustainability policies and programs. A number of initiatives were designed to recognize and take into account stakeholder perceptions. These included dedicated email addresses, worker committees, staff surveys, etc. The most comprehensive example was the Mondragon group which operates as a cooperative. As such business decisions were taken using a participatory approach. Indeed, any employee could put forward a case for being CEO. Although transparency was often not explicitly referred to, the very process of documenting internal organizational governance procedures would relate to transparency.

The examples of practice would not suggest any consistent discrete needs. That is, across all the examples, all issues were referred to. However, there was no consistent reporting of holistic CSR strategies. In any one case there were certain gaps in what was reported. Thus, it appears, organizations appear to report on what is material to them. While this has traditionally been seen as a fundamental element of CSR, there is an appreciation that the ISO 26000 represents core agreed upon elements which should be the objective of a company committed to responsible practices (Henriques, 2011). Thus, a general need is to develop the case for CSR strategies that take into account all the elements of organizational governance. That way performance and reporting would be more uniform and reflect the importance of all these issues in a responsible company. As noted by Aras and Crowther (2009), organizational governance represents an important starting point for creating a responsible firm as several of the principles are fundamental to CSR itself (e.g. accountability and transparency).

Human Rights

Human rights are the basic rights to which all human beings are entitled. There are two broad categories of human rights. The first category concerns civil and political rights and includes such rights as the right to life and liberty, equality before the law and freedom of expression. The second category concerns economic, social and cultural rights and includes such rights as the right to work, the right to food, the right to the highest attainable standard of health, the right to education and the right to social security.

Various moral, legal and intellectual norms are based on the premise that human rights transcend laws or cultural traditions. The primacy of human rights has been emphasized by the international community in the International Bill of Human Rights and core human rights instruments. More broadly, organizations will benefit from a social and international order in which the rights and freedoms can be fully realized. While most human rights law relates to relationships between the state and individuals, it is widely acknowledged that non-state organizations can affect individuals' human rights, and hence have a responsibility to respect them.

The ISO 26000 highlights the following areas as relevant to organizational practices:
- Due diligence;

- Human rights risk situations;

- Avoidance of complicity;

- Resolving grievances;

- Discrimination and vulnerable groups;

- Civil and political rights;

- Economic, social and cultural rights; and

- Fundamental principles and rights at work.

Three companies did not explicitly refer to human rights issues in any capacity. Thus, an immediate need is the communication of the importance of this issue as an item for CSR. This finding resonates strongly with a report from the GRI (2011), identifying much room for improvement in human rights engagement and reporting of companies. The following comments consider reporting practices from the remaining five companies.

Most examples referred either directly or indirectly to due diligence. That is they mentioned an activity designed to identify, prevent or address real or potential, human rights impacts. This was often discussed in relation to either a policy (e.g. on inclusivity in the workplace), or relating to the second area, on high risk issues (e.g. prohibiting child labour through a minimum recruitment age). Similarly most companies referred to the fundamental principles and rights at work. Several of the larger organizations referred to standards or guidance established by international organizations including the United Nations Declaration of Human Rights; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and associated conventions on standards at work; the Organization for Economic Development and Cooperation's Guidelines for Multinational Enterprises; the Social Accountability 8000 standard; and finally the United Nations Global Compact.

Few organizations explicitly mentioned complicity, the notion of aiding and abetting an illegal act or omission. However, several companies mentioned initiatives or actions that were associated. This included for example declining to enter a relationship with partners that committed to human rights abuses. Similarly, there was often little recognition that resolving grievances was a human rights issue. A few organizations referred to associated initiatives such as whistleblower hotlines, but often there was no recognition of important characteristics of remedy mechanisms (legitimacy, accessibility, predictability, equity, rights-comparable, transparency, and based on mediation). Similarly, civil and political rights were rarely mentioned. The only exception was a recognition of the freedom to organize and freedom of association. Engagement with economic, social and cultural right was rarely

recognized as a human right and the groups often mentioned related initiatives under community involvement. For example, facilitating community education.

Alongside the above identified need, this varying reporting highlights the lack of consistency in what is considered material when considering human rights issues. This issue was also identified in the aforementioned GRI report (2011). Thus, a second potential need is the communication of the relevance of all the areas of human rights referred to under the ISO 26000. Furthermore, organizations often referred to relevant initiatives, but failed to associate them with human rights issues. Creating a respectful workplace and social and cultural rights remain the clearest example. Thus, a more specific need is explaining the relevance of certain issues to human rights.

Labour Practices

The labour practices of an organization encompass all policies and practices relating to work performed within, by or on behalf of the organization, including subcontracted work. Labour practices extend beyond the relationship of an organization with its direct employees or the responsibilities that an organization has at a workplace that it owns or directly controls.

Under the ISO 26000 the following areas are described as material:
- Employment and employment relationships;

- Conditions of work and social protection;

- Social dialogue;

- Health and safety at work; and

- Human development and training in the workplace.

Health and safety at work was the most commonly cited area under this broad theme, perhaps unsurprisingly given its material nature to the organization. Most companies referred to a management system, often aligned with OHSAS 18001, or a health and safety policy. More advanced activities also included risk assessments based on the working environment. However, what is not clear is the thoroughness of these initiatives as implementation activities can often leave much to be desired despite established policy (HSE, 2003). Human development initiatives were also a focus, with most organizations detailing training or performance related activities to develop the workforce. Such initiatives have also been identified as most prevalent in CSR reporting in other studies (e.g. Vuontisjärvi, 2006).

A few organizations mentioned social dialogue, mainly in the form of worker representatives involved in the decision making process of business decisions, including labour related issues like health and safety. Mondragon's initiatives serve as a good example through their cooperative structure. Conditions of work and social protection is one of the more diverse factors under labour practices. However, only a few organizations mentioned related initiatives and this often related to working time, compensation, and holidays. Other items such as drinking water, sanitation, access to medical service, as well as the legal nature of work were rarely mentioned. Furthermore, social protections such as legal guarantees to mitigate the loss of income were also rarely mentioned. This also applies to the area of employment relationships with very few organizations detailing the nature of the legal framework within which they employ workers. Only Atlas Copco and 3M referred explicitly to these issues, stating they comply with labour related legislation in the areas in which they work.

Labour practices remains a well-represented area in the case examples of CSR communications, a finding noted in previous research (Andreou and Leka, 2012). A minor need is the development of initiatives to emphasize the applicability of the full scope of the area envisaged within the ISO 26000 and beyond. For example health and safety initiatives should not purely focus on mitigation of harm, but also the promotion of positive health.

The Environment

The decisions and activities of organizations invariably have an impact on the environment no matter where the organizations are located. These impacts may be associated with the organization's use of resources, the location of the activities of the organization, the generation of pollution and wastes, and

the impacts of the organization's activities on natural habitats. To reduce their environmental impacts, organizations should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities.

The ISO 26000 includes the following areas as important environmental concerns:

- Prevention of pollution;

- Sustainable resource use;

- Climate change mitigation and adaptation; and

- Protection of the environment, biodiversity and restoration of natural habitats.

All organizations apart from Alta referred to the environment as an important element of their CSR strategy. Most of these included prevention of pollution and sustainable resource use as key elements. Initiatives to monitor and reduce waste emissions as well as recycling and efficiency improvements are common examples. A few organizations referred to these issues in line with climate change considerations (i.e. their contribution to a changing climate) however did not explicitly refer to the areas given in the ISO26000 which focus on adapting in a changing climate (e.g. take advantage of opportunities to adjust to changing conditions). Activities in relation to biodiversity and restoration were rarely mentioned and related mainly to use of resources sustainably which overlaps with a previous area. However, an example would be ABB's comprehensive monitoring of water use and wastage as well as initiatives to improve the way in which they affected the water cycle.

Many organizations referred to product life cycle assessments allowing these considerations to be taken into account both within their organization but throughout the value chain to consumers and even recycling or disposal of the product. For example Fives worked with industry to design products and services which would assist them in meeting their own targets for environmental impact.

As such, while most examples recognized the importance of the environment, there is a general need to raise awareness of the two last areas: climate change, and protection of environment, biodiversity, and restoration of natural habitats.

Fair Operating Practices

Fair operating practices concern ethical conduct in an organization's dealings with other organizations. These include relationships between organizations and government agencies, as well as between organizations and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members.

The ISO 26000 identifies the following key areas:

- Anti-corruption;

- Responsible political involvement;

- Fair competition;

- Promoting social responsibility in the value chain (and supply chain); and

- Respect for property rights.

As a general theme, fair operating practices remained one of the poorest covered areas of the ISO 26000. Few organizations explicitly recognized this as an area of importance. Sacmi and the Alta group did not refer to any relevant initiatives. The other examples included some activities of relevance. Corruption was the most commonly referred to theme. This often included corruption auditing and training as well as appropriate action for discovered cases. For example Grundfos terminated all employees found to have been involved in corruption. This mirrors a report published by Transparency International where anti-corruption reporting existed for approximately half of companies surveyed however there was room for improvement in what was reported (Transparency

International, 2012). Apart from this, a few organizations referred to responsible engagement in public policy by publicly disclosing all donations and interactions with public bodies.

There is therefore a clear need to raise the profile of fair operation practices as a material element of corporate social responsibility. Within this, the areas outside anti-corruption and political involvement should also be highlighted to promote consistent performance across the different elements of this area.

Consumer Issues

Organizations that provide products and services to consumers, as well as other customers, have responsibilities to those consumers and customers. The issues that are mainly applicable for customers purchasing for commercial purposes are dealt with in the above area of the ISO 26000 (fair operating practices). Issues that are mainly appropriate for people who purchase for private purposes (consumers) are dealt with in this area.

The principles of this area of the ISO 26000 guidance apply to all organizations in their role of serving consumers; however, the issues may have very different relevance, according to the kind of organization (such as private organizations, public service, local welfare organizations or other types) and the circumstances. Organizations have significant opportunities to contribute to sustainable consumption and sustainable development through the products and services they offer and the information they provide, including information on use, repair and disposal.

The important factors according to the ISO 26000 standard under this area are:

- Fair marketing, factual and unbiased information and fair contractual practices;

- Protecting consumers' health and safety;

- Sustainable consumption;

- Consumer service, support, and complaint and dispute resolution;

- Consumer data protection and privacy;

- Access to essential services; and

- Education and awareness.

There is a slight caveat in this area in that these organizations may largely be business to business and therefore these areas do not relate to their operations. For example ABB stated that not supplying to the consumer product market, marketing regulations do not apply to them. Four organizations did not refer to these issues at all. Therefore the following comments are made tentatively.

As noted in the environment section many organizations referred to life cycle assessments regarding their products. This also tended to include health and safety considerations. Fair marketing and accurate representation of the organization and its products was also mentioned by a few organizations. Issues in relation to the other areas were scarcely mentioned. One exception was the standards implemented by AB to minimize the likelihood of consumer issues including: ISO/TR 14025 for Environmental Product Declarations and ISO 14040-45 for Life Cycle Assessments.

Bearing in mind the above caveat it remains difficult to identify needs, a detailed analysis of whether these issues relate to the organization would be required before suggesting potential commitments. Should these issues be material to the organization then a clear need would be raising awareness of these issues as a material part of CSR.

Community Involvement

It is widely accepted today that organizations have a relationship with the communities in which they operate. This relationship should be based on community involvement so as to contribute to community development. Community involvement – either individually or through associations seeking to enhance the public good – helps to strengthen civil society. Organizations that engage in a

respectful manner with the community and its institutions reflect and reinforce democratic and civic values.

Community involvement goes beyond identifying and engaging stakeholders in regard to the impacts of an organization's activities; it also encompasses support for and building a relationship with the community. Above all, it entails acknowledging the value of the community. An organization's community involvement should arise out of recognition that the organization is a stakeholder in the community, sharing common interests with the community.

The ISO 26000 recognizes the following areas as important to community involvement:

- Community involvement;

- Education and culture;

- Employment creation and skills development;

- Technology development and access;

- Wealth and income creation;

- Health; and

- Social investment.

It should be noted that most organizations considered philanthropy and adequate way to engage with this area. This differed slightly from the existing situation analysis where only 57% of organizations reported some form of community involvement. While this is an important contribution to the community, more can be garnered from a strategic perspective. That is, designing the operating practices of the organization to maximize benefit to the community and minimize potential harm. This is supported by the existing situation analysis which reports a mere 9% of organizations reported being actively engaged with an external CSR organization or initiative. Thus, an immediate need is to communicate this increased standard of engagement.

All the material areas were mentioned to some degree, relative to the organizations main area of activity. For example 3M targeted all of education, health and human service; arts and culture; and civic engagement. At the same time, Atlas Copco identified education and health care as fundamental pillars of community engagement. The least referred to items included technology development and wealth and income generation. Only Fives failed to mention any directly relevant initiative in the area suggesting that overall it is generally understood that this remains an important element of acting responsibly. However, as noted by a GRI report (2008), company reporting in this area remains focused on company activities rather than outcomes. Whereby, for example, in reporting reducing carbon emissions it is largely obvious what impact that has on the environment; the same is often not true for activities in this area. As such, it remains a further potential need.

Discussion on coverage of the four major CSR-related issues relevant to the MTS Sector

Four major CSR-related issues have been identified as of particular concern in the MTS Sector. These have been explained above and key practices from the example case studies are summarized and discussed here.

Employability

Development of employees was recognized as an important area of CSR for most organizations, a finding also reported in the existing situation analysis. The level and type of engagement varied depending on the activities of the organization. Relevant initiatives included: training for new employees, skill mapping and development assessment; accelerated leadership development; training (both technical and other skills); tuition reimbursement; mentoring; and outplacement assistance. An example is ABB's development program. The Talent Development Assessment helps employees identified as having strong potential, move into management positions. Mentoring projects help to facilitate this as half of the current mentees have been given new roles during their time in the

program. As was reported in the existing situation analysis, training initiatives were most commonly reported.

Apart from initiatives focusing on individual intervention, workplace design interventions were also referred to. For example in Alta flexible working plans were discussed as a way to maintain work-life balance and ensure that workers were able to make the most of their jobs. Internal recruitment policies were also a common option to promote internal development.

Two organizations failed to mention associated initiatives and so there is still a need to convey the importance of employability as an important item for CSR activities. Apart from this it would be useful to define key areas for employability, as the examples illustrate that there is no consistency in initiatives with different organizations approaching the subject in different ways. Without a normative ideal to compare to it remains difficult to assess what specific needs exist. However, it remains positive that most organizations understand the imperative for developing the workforce.

Demographic change and active ageing

This remains one of the least addressed issues in CSR strategies. This was also noted in the existing situation analysis, whereby companies rarely reported using a complete management cycle for this area. None of the organizations recognized this as an important issue and very few explicitly referred to an initiative to address it. Despite this, a few activities could be considered related. The most common was a policy on discrimination which included age. Going beyond this, Fives had signed an agreement in France which focused on persons over the age of 55, however, fails to discuss this initiative further. 3M also noted some activities targeted at improving the communication flow from the ageing workforce including learning networks; intranet knowledge platforms databases; best practice descriptions; company education facility; and idea management platforms. At the same time, such initiatives can also facilitate the exchange of ideas regarding how to design jobs for older workers which better suits their needs (e.g. the adaptation of work based on information technology. 3M also recognized that their products and services focus on the ageing population external to the organization. An example given was the health care organizations in the value chain which develop healthcare solutions for the ageing population.

Workplace challenges

The definition of workplace challenges relates to issues discussed under the ISO 26000 under human rights and labour practices, as such many of the practices and needs remain the same as identified above. As noted, engagement with this area was common and relatively thorough. This was also noted in the existing situation analysis whereby employee engagement was one of two areas where policies were regularly followed up by activities. Organizations should appreciate the importance of these areas and the specific issues which fall under the themes. A crucial step is moving beyond seeing this as an 'add on' to common organizational practices. Instead there needs to be a greater understanding of these principles in common everyday activities of the organization in relation to its workplace. Moreover, in addition to an approach which focuses on individuals, design of the workplace through primary intervention should also feature (WHO, 2010). That is the employer also holds responsibility for these issues.

Environmental challenges

Similarly to workplace challenges this challenge maps closely on to the environment element of the ISO 26000. As such the identified practices and needs remain as identified. Most companies recognized the importance of the area to CSR. Despite this, two of the material areas on the ISO 26000 were rarely discussed as described in the guidance. Greater awareness needs to be fostered of the importance of climate change, and protection of environment, biodiversity, and restoration of natural habitats.

Conclusions from review of best practices

Before any conclusions can be drawn from the review of best practices, two key issues relating to CSR in the MTS sector that must be considered. First, as discussed previously most companies in the MTS sector are SMEs, and as discussed in the section on CSR and SMEs, small and medium sized companies generally have less formalised CSR practices and rarely have well-designed social

accountability/ responsibility strategies (Besser and Miller, 2001). While large firms may have formalised CSR policies, codes of conduct, or publish their accomplishments in social responsibility and sustainability reports, SMEs tend to perceive responsible business practices as a much more intrinsic part of their everyday business and are therefore likely to remain informal and intuitive (Painter-Morland and Spence, 2009), therefore it is harder to find such examples of good practice. Secondly, requirements by large companies on their suppliers remain the main driver for CSR in MTS as is also generally true for most SMEs suppliers (as discussed in detail in the section on CSR and Supply Chain Management). However, there remains some debate as to whether these codes influence practice or are simply 'box ticking' exercises in order to secure contracts (Welford, 2005; Mamic, 2005).

To summarise the findings from the review, it is worth beginning with a comment of the remit of the methodology. Most enterprises solely within the MTS value chain did not report comprehensive CSR strategies and initiatives. This necessitated broadening the search to conglomerates or groups, which owned organizations involved in MTS as well as organizations in the metal working sector. As can be seen, all selected entities match this description. This reflects on the level of awareness of CSR in MTS, namely that smaller organisations, whose operations fall mainly under machine tools do not feel reporting on CSR related activities is material. This however does not mean that MTS companies do not engage in any CSR related activities rather that they do not report or share such good practice. This finding corresponds with the findings from the Existing Situation Analysis. It is also difficult to comment on whether this is because of an underlying issue that CSR in itself is not perceived as important, or that the reporting on such initiatives is unnecessary. Thus, even before analysis began, it became apparent that raising awareness of CSR, and especially its reporting, in MTS is a need for the future. This resonates with findings in the existing situation analysis which found that "CSR and sustainability are not high on the importance for most of the companies" (p.8).

For those organisations (included in the review) which did detail CSR activities, performance was very much mixed. That is, there was considerable variation in what was reported and the nature of initiatives reported. It appears that there is no broad understanding of the holistic nature of CSR. Moreover, whereas some organizations reported very surface level initiatives such as policies, others would add more comprehensive measures including audits to these policies. Thus, a second need (which closely mirrors the current project) is to define commitments for the sector relative to the level of engagement of the MTS sector with CSR. This would help performance of CSR converge towards accepted standards minimising this variance in performance (Chen and Bouvain, 2008).

Based on this, a related need is to illustrate how CSR can become integrated into strategic objectives (Porter and Kramer, 2006). The existing situation analysis also reports that there is a lack of understanding of CSR and sustainability and its relevance to business performance. A strategic approach is a more mature perspective on CSR which essentially seeks to create a 'win-win' scenario whereby fulfilling the ambitions of the organization also contributes to the sustainability of the organization. However, this remains a challenge for most organizations, regardless of their link to MTS.

References

Albareda, L., Lozano, J. M., & Ysa, T. (2007). Public Policies on Corporate Social Responsibility: The Role of Governments in Europe. *Journal of Business Ethics, 74 (4),* 391 - 407.

Amponsah-Tawiah, K. (2010). *Quality of Life, Safety Experience and Health and Well-being in the Ghanaian Mining Industry: A CSR Approach.* University of Nottingham: Unpublished Thesis.

Andersen, M., & Skjoett-Larsen, T. (2009). Corporate Social Responsibility in Global Supply Chains. *Supply Chain Management: An International Journal, 14*(2), 75-86.

Andreou, N.J.A, Leka, S., Jain, A., & Mari-Ripa, D. (2012). *What do Companies Tell us about their Occupational Health and Safety Practices: An Analysis of 100 FT 500 Company Corporate Social Responsibility Reports.* Paper presented at the 12th European Academy of Occupational Health Psychology Conference, Zurich.

Andreou, N.J.A., & Leka, S. (2012). The Role of Corporate Social Ressponsibility in Improving Occupational Safety and Health – Evidence from the field. In A. Jain, B.B. Puplampu, K. Amponsah-Tawiah, & N.J.A. Andreou**,** *Occupational Safety & Health and Corporate Social Responsibility in Africa: Repositioning Corporate Responsibility Towards National Development* (pp. 29-51). Bedfordshire: Cranfield Press.

Aragón, J., & Rocha, F. (2005). La Responsabilidad Social Empresarial en España: Una aproximación desde la perspectiva laboral. Madrid: Ministerio de Trabajo y Asuntos Sociales.

Aras, G., & Crowther, D. (2009). Global Perspectives on Corporate Governance and CSR. Surrey: Gower.

Arenas, D., & Rodrigo, P. (2008). Do Employees Care About CSR Programs? A Typology of Employees According to their Attitudes. *Journal of Business Ethics, 83*, 265–283.

Barth, R., & Wolff, F. (eds.) (2009). *Corporate Social Responsibility in Europe: Rhetoric and Realities (RARE PROJECT EU).* Cheltenham, UK: Edward Elgar Publishing Limited.

Baskin, J. (2006). Corporate Responsibility in Emerging Markets. *Journal of Corporate Citizenship*, 24, 29-47.

Basu, K., & Palazzo, G. (2008). Corporate Social Responsibility: A process model of sensemaking. *Academy of Management Review, 33(1),* 122–136.

Besser, T., & Miller, N. (2001). Is the good corporation dead? The community social responsibility of small business operators. *Journal of Socio-Economics*, 30(3), 221-241.

Blowfield, M., & Murray, A. (2008). *Corporate responsibility: a critical introduction.* New York: Oxford University Press.

Bondy, K., Matten, D., & Moon, J. (2004). The adoption of voluntary codes of conduct in MNCs: a three country comparative study. *Business and Society Review, 109*, 449-78.

Bowen, F.E., Cousins, P.D., Lamming, R.C. & Faruk, A.C. (2001). Horses for courses: explaining the gap between the theory and practice of green supply. *GMI,* 35, 41-60.

Bremer, J. A. (2008). How global is the Global Compact? *Business Ethics: A European Review, 17(3),* 227-244.

Brummer, J. J. (1991). *Corporate responsibility and legitimacy: An interdisciplinary analysis.* Wesport CT: Greenwood Press.

Business in the Community (BitC). (2003). *Responsibility: Driving Innovation, Inspiring Employees.* London: Business in the Community.

Carroll, A. B. (1979). A three dimensional conceptual model of corporate performance. *Academy of Management Review, 4*, 497-505.

Carroll, A. B. (1983).Corporate Social Responsibility: Will Industry Respond to Cut-backs in Social Program Funding? *Vital Speeches of the Day, 49*, 604-608.

Carroll, A. B., & Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews, 12(1),* 85-105.

Casado, F. (2006). *La RSE ante el espejo: Carencias, complejos & expectativas de la empresa responsable en el siglo XXI.* Zaragoza: Prensas Universitarias de Zaragoza.

Chen, S., & Bouvain, P. (2008). Is corporate responsibility converging? A comparison of corporate responsibility reporting in the USA, UK, Australia and Germany. *Journal of Business Ethics, 87*, 299-317.

Communities, Luxembourg.

Crane, A. & Matten, D. (19, December, 2010) *Business ethics more culturally significant than CSR but not everywhere.* In A. Crane & D. Matten retrieved November 14, 2012, from http://craneandmatten.blogspot.ch/2010/12/business-ethics-more-culturally.html

Dahlsrud, A. (2008). How Corporate Social Responsibility is defined: An analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management, 15*, 1-13.

Danish Institute for Human Rights. (2006). *Human Rights Compliance Assessment (HRCA): Quick Check*. Copenhagen: Danish Institute for Human Rights.

Dyllick, T. & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*,*11,*130-41.

Elkington, J. (1999). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Oxford: Capstone Publishing.

European Agency for Safety and Health at Work (EU-OSHA). (2004). Zwetsloot G. I. J. M. & Starren A. (editors), *Corporate Social Responsibility and Safety and Health at Work*. Report of the European Agency for Safety and Health at Work. Luxembourg: Office for Official Publications of the European Communities.

European Commision (EC) (2003). *Mapping Instruments for Corporate Social Responsibility*. Luxembourg: Office for Official Publications of the European Communities.

European Commision. Directorate- General for Employment and Social Affairs (2003). *Mapping Instruments for Corporate Social Responsibility*. Luxembourg: Office for Official Publications of the European Communities.

European Commission (EC) (2001). *European Social Agenda* - approved by the Nice European Council meeting on 7, 8 and 9 December 2000. C 157/02 - Official Journal of the European Communities. Luxembourg: Office for Official Publications of the European Communities.

European Commission (EC) (2001). *Green Paper - Promoting a European Framework for Corporate Social Responsibility.* Brussels: COM (2001) 366 final.

European Commission (EC) (2004). *ABC of the main Instruments of Corporate Social Responsibility [Electronic version].* Luxembourg: Office for Official Publications of the European Communities. Available at: http://www.bmsk.gv.at/cms/site/attachments/4/3/5/CH0113/CMS1218196434160/csr_abc%5B1%5D.pdf

European Commission (EC) (2009). *Commission staff working document: European Competitiveness Report 2008*.Luxembourg: Office for Official Publications of the European Communities.

European Commission (EC) DG for Employment and Social Affairs (2004). *ABC of the main Instruments of Corporate Social Responsibility [Electronic version]*. Luxembourg: Office for Official Publications of the European Communities. Retrieved June 1, 2010, from http://www.bmsk.gv.at/cms/site/attachments/4/3/5/CH0113/CMS1218196434160/csr_abc%5B1%5D.pdf

European Commission (EC). (2002). *Corporate Social Responsibility: A Business Contribution to Sustainability*. Communication from the European Commission, COM (2002) 347 final, Brussels.

European Commission (EC). (2009). *Towards greater corporate responsibility: Conclusions of EU-funded research [Electronic version].* Available at: http://ec.europa.eu/research/social-sciences/pdf/policy-review-corporate-social-responsibility_en.pdf

European Commission (EC). (2011). *A Renewed EU Strategy 2011-14 for Corporate Social Responsibility.* Communication from the European Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions. COM (2011), 681 final, Brussels.

European Commission (EC). (2011). *Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions A renewed EU strategy 2011-14 for Corporate Social Responsibility.* Brussels, 25.10.2011 COM(2011) 681 final. Available at: http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010

European Parliament (2007) European Parliament Resolution of 13 March 2007 on Corporate Social

Fair-Trade Labelling Organization (FLO-CERT). (2011). *Public Compliance Criteria List - Hired Labour.* Retrieved November 15, 2012, from http://www.flo-cert.net/flo-cert/fileadmin/user_upload/certification/requirements/en/Current_CC/PC_PublicComplianceCriteriaHL_ED_5.0_en.pdf

Financial Times Stock Exchange (FTSE) Group. (2006). *FTSE4Good Index Series: Inclusion Criteria [Electronic version].* London: FTSE International Limited. Retrieved on May, 25, 2010 from http://ftse.com/Indices/FTSE4Good_Index_Series/Downloads/FTSE4Good_Inclusion_Criteria.pdf

Frederick, W. (2008). Corporate Social Responsibility: Deep Roots, Flourishing Growth, Promising Future. In A. Crane, A. McMilliams, D. Matten, J. Moon & D. S. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility, pp. 522-531.* New York: Oxford University Press.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach.* Boston: Pitman.

Freeman, R. E., Wicks, A. C., & Parmar, B. (2004). Stakeholder Theory and "The Corporate Objective Revisited". *Organization Science, 15(3),* 364–369

Friedman, M. (13 September, 1970). *The Social Responsibility of Business is to Increase its Profits.* The New York Times Magazine.

Friedman, M. (1962). *Capitalism and Freedom.* Chicago: University of Chicago Press.

Frost, S. & Burnett, M. (2007). *Case study: the Apple iPod in China", Corporate Social Responsibility and Environmental Management, 14*, 103-13.

Fuentes-García, F. J., Nuñez-Tabales, J. M., & Veroz-Herradón, R. (2008). Applicability of Corporate Social Responsibility to Human Resources Management: Perspective From Spain. *Journal of Business Ethics, 82(1),* 27-44.

Garriga, E. & Melé, D. (2004). Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics, 53*, 51–71.

Global Reporting Imitative (GRI). (2008). *Reporting on Community Impacts.* Amsterdam: GRI.

Global Reporting Imitative (GRI). (2011). *Corporate Human Rights Reporting: An Analysis of Current Trends.* Amsterdam: GRI.

Global Reporting Initiative (GRI) (2006). *Sustainability Reporting Guidelines.* Amsterdam: Global Reporting Initiative.

Global Reporting Initiative (GRI). (2010). *GRI Sustainability Reporting Statistics.* Retrieved October 21, 2012, from https://www.globalreporting.org/resourcelibrary/GRI-Reporting-Trends-2011.pdf

Global Reporting Initiative (GRI). (2011). *Sustainability Reporting Guidelines.* Amsterdam: Global Reporting Initiative.

Goel, R., & Cragg, W. (2005). *Guide to Instruments of Corporate Responsibility: An overview of 16 tool*s. Victoriaville: Schulich School of Business.

Gond, J. P., & Crane, A. (2010). Corporate Social Performance Disoriented: Saving the Lost Paradigm? *Business & Society 49(4),* 677– 703.

Handfield, R., Sroufe, S. & Walton, S. (2005). Integrating environmental management and supply chain strategies. *Business Strategy and the Environment,14*(1), 1-19.

Health and Safety Executive (HSE). (2003). *Good Practice and Pitfalls in Risk Assessment.* Sudbury: HSE Books.

Health and Safety Executive (HSE). (2005). *Promoting Health and Safety as a Key Goal of the Corporate Social Responsibility Agenda.* Research Report 339. Sudbury, UK: HSE Books

Henriques, A. (eds.). (2011). Understanding ISO 26000: a practical approach to social responsibility. London: BSi.

Hopkins, M. (1999). *The Planetary Bargain. Corporate Social Responsibility Comes of Age.* London: Macmillan.

Institute of Social and Ethical Accountability (ISEA). (2003). *AA1000 Assurance Standard.* London: Institute of Social and Ethical Accountability.

Instituto Ethos de Empresas e Responsabilidade Social. (2009). Indicadores Ethos de Responsabilidad Social [Electronic version]. Sao Paulo: Instituto Ethos de Empresas e Responsabilidade Social. Retrieved on March, 20, 2010 from http://www.ethos .org.br/_Uniethos/documents/INDICADORESETHOS2008-ESPANHOL.pdf

International Finance Corporation (IFC) (2012). *IFC Performance Standards on Environmental and Social Sustainability*.

International Labour Office (ILO). (2003). *Corporate social responsibility: Myth or reality?* Labour Education 2003/1, No. 130. Geneva: International Labour Office.

International Labour Office (ILO). (2007). *Promotion of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*. Geneva: International Labour Office.

International Labour Office (ILO). (2012). *Working towards sustainable development: Opportunities for decent work and social inclusion in a green economy*. Geneva: International Labour Office.

International Labour Organization (ILO). (2006). *Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration), 4th Edition*. Geneva: International Labour Office.

International Labour Organization (ILO). (2012*). Decent Work Indicators: Concepts and definitions*. Geneva: International Labour Office.

International Organization for Standardization (ISO) (2010). ISO 26000:2010 Guidance on social responsibility. Geneva: International organization for Standardization.

Jamali, D. & Neville, B. (2011). Convergence Versus Divergence of CSR in Developing Countries: An Embedded Multi-Layered Institutional Lens. *Journal of Business Ethics*, *102*(4), 599-621.

Jamali, D., & Mirshak, R. (2007). Corporate Social Responsibility (CSR): Theory and Practice in a Developing Country Context. *Journal of Business Ethics, 72*(3), 243-262.

Jenkins, R. (2001). *Corporate Codes of Conduct. Self-Regulation in a Global Economy*. Geneva: United Nations Research Institute for Social Development.

Jenkins, W. I. (1978). *Policy Analysis: A political and organizational perspective.* London, UK: Martin Robertson & Company.

Josendal K. & Ennals R. (2009). A postmodern approach to knowledge generation: Beyond the myth of Corporate Social Responsibility. In R. Normann & K. Josendal (Eds.) *National Pilot for Regional Development*. Kingston Business School Working Paper.

Koplin, J., Seuring, S. & Mesterharm, M. (2007). Incorporating sustainability into supply management in the automotive industry – the case of the Volkswagen AG. *Journal of Cleaner Production, 15 (11/12),* 1053-62.

KPMG. (2011), *KPMG International Survey of Corporate Responsibility Reporting*. Retrieved November 15, 2012, from http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/2011-survey.pdf.

Laufer, W.S. (2003). Social Accountability and Corporate Greenwashing. *Journal of Business Ethics 43(3),* 253-261.

Lee, P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews, 10(1),* 53-73.

Leka, S., & Churchill, J. (2007). The Responsible Business Agenda: Healthy Workers and Healthy Organizations. Paper presented at the 13th European Congress of Work and Organizational Psychology, Stockholm, May 9-12, 2007.

Little, A. D. (2003). *The Business Case for Corporate Social Responsibility*. Retrieved October 21, 2012, from http://www.bitc.org.uk/resources/publications/cr_ business_case.html

Mamic, I. (2005). Managing global supply chain: the sports footwear, apparel and retail sectors. *Journal of Business Ethics, 59*, 81-100.

Maon, F., Lindgreen, A., & Swaen, V. (2010). Organizational Stages and Cultural Phases: A critical review and a consolidative model of Corporate Social Responsibility development. *International Journal of Management Reviews, 12(1),* 20-38.

Margolis, J. D., & Walsh, J. P. (2003). Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Science Quarterly, 48,* 268–305

Mari-Ripa, D., Jain, A., Herrero, J., & Leka, S. (2012). Good psychosocial practices at work: A thematic analysis of Corporate Social Responsibility tools and instruments. Paper presented at the 30th Congress of the International Commission on Occupational Health, ICOH, Cancun, Mexico.

Matten, D. & Moon, J. (2008). Implicit and Explicit CSR: A Conceptual Framework for a Comparative

Matten, D., & Crane, A. (2005) Corporate Citizenship: Toward An Extended Theoretical Conceptualization. *Academy of Management Review, 30(1),* 166-179

Mazurkiewicz, P. (2004). *Corporate Environmental Responsibility: is a common CSR framework possible?* Retrieved July 23, 2005, from http://siteresources.world bank.org/EXTDEVCOMMENG/Resources/csrframework.pdf

McBarnet, D. (2009). *Corporate Social Responsibility Beyond Law Through Law for Law.* University of Edinburgh School of Law Working Paper No. 2009/03.

McKague, K., & Cragg, W. (2007). *Compendium of Ethics Codes and Instruments of Corporate Responsibility [Electronic version*]. Retrieved July 8, 2011, from http://www.yorku.ca/csr/_files/file.php?fileid=fileCDOICwJiei&filename=file_Codes_Compendium_Jan_2007.pdf

McWilliams, A., Siegel, D. S., & Wright, P.M. (2006). Corporate Social Responsibility: Strategic Implications. *Journal of Management Studies, 43(1),* 1-18.

Montero, M. J., Araque, R. A., & Rey, J. M. (2009). Occupational Health and Safety in the Framework of Corporate Social Responsibility. *Safety Science, 47(10),* 1440-1445.

Moore, G., & Spence, L. J. (2006). Responsibility and small business. *Journal of Business Ethics,* 67(3), 219-226.

Murillo, D., & Lozano, J. (2006). SMEs and CSR: An approach to CSR in their own words. *Journal of Business Ethics,* 67(3), 227-240.

Mwaura, K. (2004). *Corporate Citizenship: The Changing Legal Perspective in Kenya*. Interdisciplinary CSR Research Conference, Nottingham, International Centre for Corporate Social Responsibility (ICCSR).

National institute for Occupational Safety and Health (NIOSH). (2012). *What is Total Worker Health?* Retrieved August 15, 2010, from http://www.cdc.gov/niosh/ twh/totalhealth.html

Organization for Economic Co-operation and Development (OECD). (2009). Overview of Selected Initiatives and Instruments Relevant to Corporate Social Responsibility. In OECD (Ed.) *Annual Report on the OECD Guidelines for Multinational Enterprises 2008 Employment and Industrial Relations.* Paris: OCDE Publishing

Organization for Economic Co-operation and Development (OECD). (2011). *OECD Guidelines for Multinational Enterprise.* Paris: OECD Publishing.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate Social and Financial Performance: A Meta-analysis. *Organization Studies, 24,* 403-441.

Painter-Morland, M., & Spence, L. J. (2009). Introduction: Business ethics in small and medium enterprises. *African Journal of Business Ethics, 4*, 1-6.

Pedersen, E.R. & Neergaard, P. (2004), Virksomhedens Samfundsmæssige Ansvar (CSR) – en ny ledelsesudfordring, *Økonomistyring & Informatik, 19*(5), 555-91.

Perrini, F. & Russo, A. (2010). Investigating Stakeholder Theory and Social Capital: CSR in Large Firms and SMEs. *Journal of Business Ethics, 91,* 207–221

Phillips, R, Freeman R. E., & Wicks, A. C. (2003). What Stakeholder Theory Is Not. *Business Ethics Quarterly, 13(4), 479-502.*

Porter, M. E. & Kramer, M. R. (2006). Strategy & society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review, 84,* 78-92.

Preuss, L. (2005). Rhetoric and reality of corporate greening: a view from the supply chain management function*. Business Strategy and the Environment, 15,* 123-39.

Rasche, A. (2009). Toward a Model to Compare and Analyze Accountability Standards – The Case of the UN Global Compact. *Corporate Social Responsibility and Environmental Management, 16,* 192–205.

Rasche, A. (2010). The limits of corporate responsibility standards*. Business Ethics: A European Review 19(3),* 280-291.

Responsibility: A New Partnership' [2006/2133(INI)]. Office for Official Publications of the European

Ripa, D.M., & Olaizola, J.H. (2012). Corporate Social Responsibility: Standards and Instruments. In A. Jain, B.B. Puplampu, K. Amponsah-Tawiah, & N.J.A. Andreou, *Occupational Safety & Health and Corporate Social Responsibility in Africa: Repositioning Corporate Responsibility Towards National Development* (pp. 29-51). Bedfordshire: Cranfield Press.

Robinson, M., Kleffner, A., & Bertels ,S. (2011). Signalling Sustainability Leadership: Empirical Evidence of the Value of DJSI Membership. *Journal of Business Ethics, 101,* 493-505.

SAM Research. (2009). Corporate Sustainability Assessment Questionnaire [Electronic version]. Zurich: SAM Research AG. Retrieved May 25, 2010, from http://www.sustainability-index.com/07_htmle/assessment/infosources.html

Sarkis, J. (2003). A strategic decision framework for green supply chain management. *Journal of Cleaner Production*,*11*, 397-409.

Sánchez-Toledo, A. Fernández, B., Montes, J.M. & Vázquez, C.J. (2009). Spanish survey reveals motivations, obstacles and benefits of OHSAS 18001 certification. *ISO Management Systems July-August*, pp. 35-40.

Schwartz, M. S., & Carroll, A. B. (2003). Corporate Social Responsibility. A Three-Domain-Approach. *Business Ethics Quarterly, 13(4),* 503-530.

Skjøtt-Larsen, T., Schary, P.B., Mikkola, J.H. & Kotzab, K. (2007). *Managing the Global Supply Chain, 3rd ed*, Copenhagen: Copenhagen Business School Press.

Social Accountability International (SAI). (2008). *Social Accountability 8000: International Standard SA8000:2008 [Electronic version].* New York: SAI. Retrieved on November, 15, 2012, from http://www.saintl.org/_data/n_0001/resources/live/2008StdEnglishFinal.pdf

Spence, L., & Bourlakis, M. (2009). The evolution from corporate social responsibility to supply chain responsibility: the case of Waitrose. *Supply Chain Management: An International Journal, 14*(4), 291-302.

Spence, L. J., & Rutherford, R. (2001). Social responsibility, profit maximisation and the small firm owner-manager. *Small Business and Enterprise Development, 8*(2), 126-139.

Tate, W. L., Ellram, L. M., & Kirchoff, J. F. (2010). Corporate social responsibility reports: a thematic analysis related to supply chain management. *Journal of Supply Chain Management, 46(1),* 19-44.

Transparency International. (2008). *Business principles for countering bribery: Small and medium sized enterprise edition*. Berlin: Transparency International

Transparency International. (2012). Transparency in Corporate Reporting: Assessing the World's Largest Companies. Berlin: Transparency International

Trialogue. (2004). *The Good Corporate Citizen*. Johannesburg: Trialogue.

Understanding of Corporate Social Responsibility. *Academy of Management Review*, 33(2), 404–424.

United Nations (UN) (2000). *The Ten Principles of the United Nations Global Compact*. Retrieved November 15, 2012 from http://www.unglobalcompact.org/aboutthegc/thetenprinciples/index.html

United Nations (UN) (2011). *UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*. New York and Geneva: United Nations.

Van Oosterhout, J. V. & Heugens, P. P. (2008). Much Ado about Nothing. A conceptual critique of CSR. In A. Crane, A. McMilliams, D. Matten, J. Moon & D. S. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility, pp. 197-223*. New York: Oxford University Press.

Virta, H., Liisanantti, E., & Aaltonen, M. (2009). Nolla tapaturmaa -foorumin vaikutukset ja kokemukset. Loppuraportti Työsuojelurahastolle. Helsinki: Työterveyslaitos.

Visser, W. (2005). Corporate Citizenship in South Africa: A Review of Progress since Democracy. *Journal of Corporate Citizenship*, *18*, 29-38.

Vogel, D. (2005). *The Market for Virtue: The Potential Limits of Corporate Social Responsibility*. Washington D.C.: The Brookings Institution.

Vuontisjärvi, T. (2006). Corporate Social Reporting in the European Context and Human Resource Disclosures: An Analysis of Finnish Companies. *Journal of Business Ethics, 69,* 331-354.

Waddock, S. (2008). Building a New Institutional Infrastructure for Corporate Responsibility. *Academy of Management Perspectives, 22(3)*, 87-108.

Webley, S., & More, E. (2003). *Does Business Ethics Pay? Ethics and Financial Performance*. Retrieved October 21, 2012, from *www.ibe.org.uk/userfiles/doesbus ethicpaysumm.pdf*.

Welford, R. & Frost, S. (2006). Corporate social responsibility in Asian supply chains. *Corporate Social Responsibility and Environmental Management, 13,* 66-76.

Welford, R. (2005). Corporate social responsibility in Europe. North America and Asia. 2004 survey results. *Journal of Corporate Citizenship, 17,* 33-52.

Werhane, P. H. (2010). From the founding Editor: Principles and Practices for Corporate Responsibility. *Business Ethics Quarterly, 20(4),* 695-701.

Werre, M. (2003). Implementing Corporate Social Responsibility – The Chiquita Case, *Journal of Business Ethics, 44*, 247-260.

Wood, D. J. (1991). Corporate Social Performance Revisited. *Academy of Management Review, 16 (4),* 691-718.

Wood, D. J. (2010). Measuring Corporate Social Performance: A Review. *International Journal of Management Reviews, 12,* 50-84.

World Business Council for Sustainable Development & International Finance Corporation (WBCSD and IFC). (2008). *Measuring Impact Framework Methodology: Understanding the business contribution to society*. Retrieved November 15, 2012, from http://www.wbcsd.org/work-program/development/measuring-impact.aspx

World Business Council for Sustainable Development (WBCSD). (2000). *Corporate Social Responsibility*: *Making Good Business Sense.* Geneva: World Business Council for Sustainable Development.

World Commission on Environment & Development (1987). *Our common Future: Report of the World Commission on Environment and Development*. Oxford: Oxford University Press.

World Health Organization (WHO). (2010). *WHO Health Workplaces Framework and Model.* Geneva: WHO.

Zwetsloot, G. I. J. M. (2003). From Management Systems to Corporate Social Responsibility, *Journal of Business Ethics, 44*, 201-207.

Zwetsloot, G. I. J. M., & Pot F. D. (2004). The Business Value of Health. *Journal of Business Ethics, 55,* 115-124.

Zwetsloot, G. I. J. M., Aaltonen, M., Saari, J., Kines, P., Op De Beeck, R., & Roskams, N. (in press). The case for research into the zero accident vision. *Safety Science.*

ANNEX 1 – Examples/Cases of European Best Practice

Name of Company: 3M						
Country: Germany/USA						
Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)	**Yes**	No		*Specify*: DJSI (2010)		
Is the company on the GRI Sustainability Disclosure Database	**Yes**	No		*Specify rating*: C+ (2012)		
Region of operation	**Global**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:

3M is a global conglomerate. The five business groups include: consumer; electronics and energy; health care; industrial; and safety and graphics. Their product portfolio includes products from health care and highway safety to office products and abrasives and adhesives. In 2012 the company reached $30 billion global sales, operated in over 70 countries, had customers in over 200 countries, and employed approximately 88,000 employees.

Key policies and initiatives/practices in relation to: *Organizational Governance*

3M's bases its behaviour as an organisation around key corporate values which are stated as:

- Act with uncompromising honesty and integrity in everything we do.

- Satisfy our customers with innovative technology and superior quality, value and service.

- Provide our investors an attractive return through sustainable, global growth.

- Respect our social and physical environment around the world.

- Value and develop our employees' diverse talents, initiative and leadership.

- Earn the admiration of all those associated with 3M worldwide

To help deliver this vision the group has an organizational structure with several levels of accountability. The members of 3M's Board of Directors are all independent from the company and have been selected to cover a broad range of risks. The Chairman of the Board is the only exception, as the CEO also serves this position. It was felt that as the individual with primary responsibility for managing the Company's day to day operations and with in-depth knowledge and understanding of the Company, the chairman is best positioned to chair regular Board meetings as the directors discuss key business and strategic issues. The Board receives input from shareholders and stakeholders via a dedicated mailing address.

Corporate governance guidelines detail certain requirements for the board: that (i) independent directors comprise a substantial majority of the Board; (ii) directors are elected annually with majority vote standard in uncontested director elections; (iii) only independent directors serve on the Audit, Compensation, Finance, and Nominating and Governance Committees; (iv) the committee chairs establish their respective agenda; (v) the Board and committees may retain their own advisors; (vi) the independent directors have complete access to management and employees (vii) the independent meet in executive session without the CEO or other employees during each regular Board meeting; and (viii) the Board and each committee regularly conduct a self-evaluation to determine whether it and its committees function effectively. The Board has also designated one of its members to serve as Lead Director, with responsibilities that are similar to those typically performed by an independent chairman.

The Board has delegated to an Audit Committee, the primary responsibility for managing the risks faced by the company. Accordingly the Audit Committee shall "discuss policies and procedures with respect to risk assessment and risk management, the Company's major risk exposures and the steps management has taken to monitor and mitigate such exposures." Specific risks can be

delegated to specific committees. For example, the Compensation Committee oversees the risks associated with the Company's compensation practices, including an annual review of the Company's risk assessment of its compensation policies and practices for its employees. 3M conducts extensive interviews, group assessments, and reviews by senior management for completion of risk analysis assessments to provide more customized and useful prioritized results.

In relation to sustainability policy, the Corporate Operating Committee, which is comprised of the CEO and his direct reports, approves 3M-wide sustainability principles, strategy, and goals, and any associated major changes. Executive committees associated with the strategic sustainability functions (comprised of cross functional members) help set and approve relevant policies and provide direction on executing the developed sustainability strategies.

Key policies and initiatives/practices in relation to: *Human Rights*

In 2013, 3M adopted a Global Human Rights Policy. 3M respects international human rights principles including the United Nations Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and states a dedication to enriching the workplace, engaging with stakeholders and continuously improving the communities in which they operate. 3M has reviewed internal corporate policies, management systems, and external frameworks, principles, standards and affiliated organizations related to Human Rights in 2012. In 2013-2014 the group aims to enhance existing training, communications to applicable employees, and verification and auditing processes to align with their Global Human Rights Policy and external expectations.

3M human rights activities can be grouped under the following key themes, as conceptualised by the group:

Safe and Healthy Workplace: One of 3M's primary goals is to ensure that all employees are provided a safe and healthy workplace. 3M has environmental, health and safety policies and practices that comply with and in many cases, exceed applicable laws and regulations.

Respectful Workplace: 3M is committed to attracting and retaining a diverse workforce. Their Equal Employment Opportunity (EEO) policies prohibit all forms of illegal discrimination or harassment against applicants, employees, vendors, contractors, or customers on the basis of race, colour, creed, religion, sex, national origin, age, disability, veteran's status, pregnancy, genetic information, sexual orientation, marital status, citizenship status, status with regards to public assistance, gender identity/expression, or any other reason prohibited by law. Affirmative action policies and programs are designed to ensure equal opportunities for qualified minorities, women, covered veterans, and individuals with disabilities, and also to provide reasonable accommodation to individuals with disabilities.

Working Hours and Compensation: 3M complies with minimum wage legislation globally. In most countries where 3M does business, compensation exceeds legal minimum wage requirements. The group's compensation rate is established based on actual pay data from benchmark companies. 3M also complies with all applicable laws relating to working hours, overtime, and breaks.

Freedom of Association and Collective Bargaining: 3M aims to create a work culture that affords all employees the opportunity to work without fear of intimidation, reprisal or harassment, in an environment where employees are able to get their questions addressed in a fair and timely manner. In all locations, the company's relationship with employees, whether union or non-union, is a key responsibility of all leaders, assisted by human resources representatives. Human resources professionals work with all employees to maintain positive employee relations. 3M recognizes and respects the ability of employees to choose whether or not to join unions and engage in collective bargaining, as permitted by applicable laws in the countries where 3M does business.

Child Labour/Minimum Hiring Age: 3M complies with all applicable laws relating to hiring minors, and applies a global minimum hiring age of 16. 3M has those same expectations for all vendors doing business with 3M.

Forced and Compulsory Labour: 3M complies with all applicable laws and employment regulations and does not engage or participate in forced labour. 3M has those same expectations for all vendors doing business with 3M.

Human Rights Remediation/Grievance Resolution: 3M has several means by which an individual can report their concerns. An employee (or any third party) may report an issue online or by phone, and may do so anonymously through 3M's Compliance and Business Conduct independent third party vendor, Ethics Point. Employees have several additional ways to report issues, such as talking to a manager, supervisor, or any human resources professional. Whichever way concerns are reported, 3M assigns an individual to investigate the issues raised, and report back to the party expressing the

concern. 3M prohibits retaliation against anyone reporting a business conduct concern in good faith, or who cooperates in a company investigation.

Human Rights Awareness and Training: To ensure that employees are aware of 3M policies related to Human Rights, 3M provides regular training to employees regarding their Business Conduct Policies. Current training includes direction on how employees can raise issues for investigation and response. All 3M locations also post information on how employees can report any concerns. Finally, 3M's website also has information on 3M's policies, as well as links and information on how to report any concerns. 3M will be providing additional training and awareness in 2014-2015 on the Global Human Rights Policy and affiliated project work.

Human Rights Performance and Assessment: 3M's employee relations staff conduct site assessments of workplace practices on a bi-annual basis. Various data is tracked through this process to identify potential gaps and opportunities for improvement. In addition corporate audits are also conducted of site workplace and human resource related practices. Both the assessment and audit processes will be enhanced in 2013-2014 to include additional elements related to human rights. Assessment and auditing of suppliers is also conducted to assure compliance with 3M's expectations related to labour practices.

Key policies and initiatives/practices in relation to: *Labour Practices*

3M notes the importance of its people to its sustainable performance. 3M states dedication to the following human resource principles:

- Respect the dignity and worth of individuals

- Provide equal opportunity

- Encourage the initiative of each employee

- Challenge individual capabilities.

3M strives for 100 percent compliance with government regulations globally concerning human rights, employees and employment laws, and expects ethical behaviour from employees in accordance with Business Conduct Policies. This goes beyond legal obligations and includes policies that help support a "challenging, productive and enjoyable work culture".

Several areas of activity contribute to this vision:

Diversity: One of the new company-wide strategies championed by 3M CEO was *Build High Performing and Diverse Global Talent.* Diversity and inclusion is a 3M business strategy in which they are working to embed cultural competence in all talent and business processes. 3M's Employee Resource Networks (ERNs) are integral parts of 3M's business. The networks drive networking, engagement, and development of diverse populations, provide insight and education to the company and employee specific to diverse populations, provide leadership opportunities, influence change, and sponsor and participate in community outreach on behalf of 3M. All ERNs align their strategies with 3M's visions, strategy and human resource principles.

Remuneration: 3M's Total Compensation for employees includes a variety of components for sustainable employment and the ability to build a strong financial future. 3M's Total Compensation program includes the following for all eligible employees worldwide: compensation; vacation; life insurance; health care; health savings account; flexible spending account; parental leave; retirement programs; stock ownership programs; dependent care; adoption assistance employee assistance program; corporate-supported employee groups; flexible work arrangements; and health living.

Education, Learning and Career Growth: Between 2007 and 2012, 3M invested $3.4 million in education and learning programs. This included induction training for new employees, skill mapping and development assessment; accelerated leadership development; tuition reimbursement; mentoring; and outplacement assistance.

Communication and Technology Networks: 3M has numerous pathways to support organizational communication learning and knowledge management: learning networks; intranet knowledge platforms databases; best practice descriptions; company education facility; and idea management platforms.

Measuring And Recognizing Employee Engagement: 3M administers an opinion survey once every two years. The information received is used to address employee concerns and identify opportunities for improvement. In addition, custom or "mini" surveys can be used by business units to gather additional information either as a follow up to the standard opinion survey or to go more in-depth on a particular topic. A variety of other 360 feedback tools are also available upon demand.

3M's multi-faceted approach to engaging employees focuses on key drivers of engagement, such as career development and providing roles that are meaningful and aligned with company goals and values. 3M leaders –including supervisors and managers – play a critical role in fostering engagement through daily interactions and special-purpose conversations – such as Employment Value Discussions that focus on individual employee development. 3M requires leaders to foster engagement actively – this expectation is included in the Leadership Attributes listing, which applies to all 3M leaders and links to their annual performance assessment. 3M supports leaders in these efforts via formal training (engagement is embedded in leadership classes), videos and on-demand tools.

A distinct area of labour related initiatives is in global safety and health:

3M's Safety and Health Policy applies to all 3M operations, including new acquisitions. It is based on the core business values and stems from our Environmental, Health, and Safety vision for "Safe and Healthy People, Products and Planet." Corporate Safety and Industrial Hygiene operations execute the vision, strategies and policy by partnering with each of the five business units worldwide to develop and implement practical preventive and risk based solutions. All visitors, vendors, and contract workers at 3M locations are held to the same safety and health requirements as 3M employees.

Safety and Health Management System & Performance: In 1996, a Global Safety & Health Plan (GSHP) tool was initiated for all 3M locations worldwide. It is a self-assessment tool with multiple elements addressing various areas and standards related to safety and health. The GSHP tool is an integral part of 3M's global safety and health management systems, which allow locations and the corporation as a whole to assess the current status versus various safety and health systems requirements. Using a standardized assessment approach allows for meaningful performance results to be shared throughout the company. Through implementation of this tool, each 3M location develops applicable safety and health management systems, identifies gaps in their safety and health programs/performance, and develops plans to close gaps and drive continuous improvement in their own safety and performance.

Safety and Health Committees: 3M seeks employee participation at all levels to assure involvement and ownership of safety and health programs and systems.

Objectives of Safety and Health Committees:

- Review current safety and health issues and document goals for making steady progress toward achieving their safety and health objectives,

- Develop action plans and assign responsibilities for completing goals and objectives to resolve safety and health issues,

- Provide input into the development of safety and health policies and rules for the facility,

- Identify and promote opportunities for management recognition of employee contributions to safety and health performance,

- Review incidents, safety/health suggestions and results of both self and external surveys,

- Review safety and health suggestions and results of safety and health self-evaluations and inspections.

Setting Goals and Measuring Safety and Health Performance: Measuring leading indicators of Safety and Health performance is a key focus for 3M. Aggregated data from all Global Safety and Health Plan Assessments, Audits, and Incident reporting are evaluated to identify performance status and corporate wide opportunities. Metrics are tracked and reported for continuous improvement at the facility, business unit, regional, and corporate levels.

Key policies and initiatives/practices in relation to: *The Environment*

Like labour related issues, 3M details maintain the environment as a key priority and highlights several initiatives in place to deliver performance in this area:

Environmental Management system: 3M has extensive global environmental management systems in place to identify, track, and manage relevant information indicative of corporate-wide environmental performance. These include management systems covering a full range of environmental compliance and performance metrics relevant to 3M operations, including the following critical elements and further described below:

- Environmental compliance management

- Climate change management

- Energy management

- Air quality management

- Waste management

- Water management

- Biodiversity management

- Product life cycle management

- Sustainable Packaging

Information and performance data on a majority of these program elements is tracked and reported on through corporate electronic reporting systems. 3M Environmental, Health, and Safety scorecards published quarterly include environmental performance data at the facility, division, business unit, and corporate levels and are reviewed by executive management for performance. This enables 3M to monitor and identify successes, risks, and opportunities for improvements and reductions worldwide.

Environmental Compliance Metrics: All global 3M owned facilities that are within 3M's operational control are required to report environmental exceedences, spills, agency notices, and fines through 3M's Worldwide Incident Management System (WIMS). These are defined as follows:

- Exceedences: Emissions or other environmental parameters above permitted or allowable regulatory levels

- Reportable Spills: Spills required to be reported to a regulatory agency or government organization

- Agency Notices: Notices received by 3M for allegations from an environmental regulatory or permitting requirement

- Fines: Compensation paid by 3M to discharge an administrative fine or penalty imposed by an environmental regulatory agency.

Climate Change: 3M has taken voluntary, responsible action to reduce and control greenhouse gas (GHG) emissions. In addition to managing direct emissions from 3M operations, 3M has a decades-long track record of improving energy efficiency at facilities and offers a wide range of innovative products to help customers improve energy efficiency and reduce carbon footprints The Corporate Environmental Health and Safety (EHS) Committee is responsible for all final decisions on climate change strategy and GHG emissions. This includes setting Corporate GHG emission reduction goals and policies. For climate change strategy and GHG emission advice the Corporate EHS committee has appointed the corporate Climate Change Steering Team. Complementing the efforts of the Climate Change Steering Team, 3M's business continuity planning process and crisis management program review and manage risks posed to the company's physical operations and supply chains that may be affected, for example, by severe weather events and longer term trends.

3M's approach to global climate change is based on several stated principles:

- 3M supports the long-term goal of sustainable development; the company is committed to continuous and measurable improvement in environmental performance as a means of achieving that goal.

- 3M believes that sufficient information exists to take voluntary, responsible action to reduce its greenhouse gas footprint.

- 3M recognizes the activities of the United Nations Framework Convention on Climate Change, and intends to participate in the on-going dialog over strategies to address potential global climate change issues.

- 3M endorses a voluntary approach that involves all nations. If reductions are mandated by regulation or legislation, 3M endorses a uniform market-based approach that includes all nations; this approach should also include provisions for emissions trading, and credit for

early action.

- 3M supports continued research to assess the scientific and economic impacts of strategies to address climate change, while considering the interrelationship to other environmental regulations and issues.

- 3M applies its environmental goals and standards, including those pertaining to greenhouse gas reductions, consistently around the world.

Key policies and initiatives/practices in relation to: *Fair Operating Practices*

Although not grouped under a specific theme, 3M engages in several practices which related to fair operating practices. The three main areas are detailed below.

Engaging in Public Policy: 3M details a list of priorities for public policy issues, which serve as a roadmap for company activities in relation to lobbying, trade association work, executive involvement, political contributions, grassroots communications and advocacy involving employees and retirees, as well as meetings with federal and state government officials. In selecting which priority issues make 3M's list, the company uses a number of screens. Chief among these screens are issues with the potential to significantly affect 3M's financial performance and/or corporate reputation. Other screens are immediacy of impact on the company; situations in which 3M may be uniquely advantaged or disadvantaged; importance based on instinct and/or history; or employee/retiree satisfaction.

Corruption: Operating with uncompromising honesty and integrity is one of 3M's core values and includes avoiding bribery or corruption in any form. One hundred percent (100%) of 3M's businesses perform a business conduct self-assessment every other year which includes an assessment of risks related to corruption. Calibrated based on transaction, geography and other risk factors, all business partners are subjected to reputational due diligence reviews. Depending on the outcome, this process may also include training, inclusion of relevant contractual terms, and other mitigating controls. 3M's businesses and subsidiaries undergo an array of audits on a regular schedule. In addition, the Compliance and Business Conduct department collaborates with the Legal Affairs department on pre- and post-acquisition due diligence efforts and on extensive compliance reviews of selected businesses, based on a variety of risk factors.

Compliance: 3M's global compliance program is managed and administered by the Compliance and Business Conduct department, led by the vice president, Compliance and Business Conduct, who is also the corporation's Chief Compliance Officer ("CCO"). The department is staffed with compliance professionals stationed at company headquarters and around the world. The CCO reports to the Audit Committee of the 3M Board of Directors, which assists the Board in oversight of 3M's legal and regulatory compliance efforts. The Compliance and Business Conduct department oversees and administers strategic, systematic and operational components of 3M's compliance program design and implementation. The compliance program is based on the U.S. Federal Sentencing Guidelines. Its elements include:

- A core set of business conduct policies;

- education and training materials and a schedule upon which compliance training is conducted;

- periodic evaluations, audits and measurements of the compliance program's effectiveness;

- a 24-hour helpline and website through which employees and others can report concerns and ask questions;

- programs to conduct appropriate due diligence on business partners, potential and new acquisitions, and candidates for hiring and promotion;

- investigative expertise; and

- incentives and discipline to address compliance successes and failures.

3M's Business Conduct Policies apply to all employees of the parent company, subsidiaries, joint ventures and other business affiliates in which 3M has a controlling interest.

Key policies and initiatives/practices in relation to: *Consumer Issues*

3M's commitment to consumer issues is largely based on delivering high quality products and services. 3M's global Life Cycle Management (LCM) process is used to identify opportunities associated with environmental, health, and safety (EHS) performance, and to characterize and manage EHS risks and regulatory compliance throughout a product's life cycle (raw material acquisition, development, manufacture, use, and disposal). LCM is qualitative in evaluation and applies globally to all 3M products and internal transfers regardless of their source. All 3M products - whether 3M-developed, developed jointly with another company, or acquired from a third party may be subject to review. Any product purchased from an outside supplier for sale as a 3M product receives the same product life cycle consideration as an internally developed and manufactured product. LCM evaluations are a required component of a 3M's New Product Introduction process.
A more detailed, quantitative Life Cycle Assessment (LCA) is completed on selected products and analyses the environmental impacts of material acquisition, manufacturing, and distribution. Individual LCAs may be conducted on specific life cycle stages to evaluate risk in more detail during the new product introduction process as needed. 3M has global strategy for conducting consistent LCAs, led by the Corporate Environmental Laboratory, which has adopted the ISO 14040 series standards, World Resource Institute, and World Business Council for Sustainable Development standards as guidance.
3M also ensures that products are truthfully, fairly and accurately represented in all sales, advertising, packaging and promotional efforts. Management of every 3M business unit is responsible for ensuring appropriate review of advertising and claims regarding respective business products and services.
All Environmental Product claims must be substantiated and technically accurate to the end user as specified by the Advertising and Product Representation Policy. 3M's environmental claims support team assists businesses in determining the appropriate product claims and is comprised of laboratory scientists, legal staff, life cycle management professionals, and other environmental marketing and business expertise. Extensive environmental marketing claim information and guidance is provided in 3M's internal Environmental Claims Guide.

Key policies and initiatives/practices in relation to: *Community Involvement and Development*
Community engagement has a long history in 3M. The community volunteering program was established in 1949. In 1953 to formalize 3M corporate philanthropy the 3M foundation was established. Since then, the total investment (through cash and products) to the community has been over $1.3 billion.
3M state their mission is "improving every life through support of education, health and human services, the arts, and the environment". This helps guide priorities with the following areas of emphasis:

- Education: Science, Technology, Engineering and Math (STEM); and Economics/Business education to prepare students for postsecondary education and future careers

- Health and Human Services: Support of United Way in 3M communities, disaster relief; and programs that promote youth development through quality out-of-school programs and early childhood education

- Arts and Culture: Premier arts organizations with educational outreach and diverse programming

- Environment: Make a lasting positive impact on the Earth's ecosystems and promote science based environmental and conservation education

- Volunteer and Civic: Engage, recognize and support 3M volunteers

Global community giving and involvement is decentralized with 3M subsidiaries in each country developing and administering programs that are consistent with the local culture, community needs, and the environment in which they operate.

Innovative aspects *(including any examples of specific problems/issues the company sought to resolve/had to deal with - the level of innovation, financial/human resources devoted, actions taken and lessons learnt)*

3M identifies priorities for sustainability based on stakeholder engagement. In 2005, 3M developed a new, more systematic local and regional stakeholder engagement process. This new method was developed as a formalized process to help facilities establish a consistent, documented, and proactive system to drive engagement. As part of 3M's 2015 Sustainability Goals, facilities selected on a risk-prioritized basis are to complete and document the following activities:

- Identify critical stakeholders;

- Analyze and evaluate their current stakeholder engagement activities;

- Identify communications opportunities;

- Identify local community needs and align with 3M's giving priorities;

- Develop and implement a stakeholder engagement plan; and

- Measure the plan's effectiveness through charitable giving results and engagement activities.

3M maps sustainability performance onto the metrics of the Global Reporting Initiative (GRI) guidance. The GRI guidance is the most comprehensive and detailed guidance on sustainability reporting. Performance on the indicators measured has been externally assured by the ISOS Group.

Name of Company: ABB							
Country: Switzerland							
Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)		**<u>Yes</u>**	No	*Specify*: DJSI			
Is the company on the GRI Sustainability Disclosure Database		**<u>Yes</u>**	No	*Specify rating*: B			
Region of operation	**<u>Global</u>**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:

ABB is a leader in power and automation (robotics) technologies that enable utility and industry customers to improve their performance while lowering environmental impact. The ABB Group of companies operates in approximately 100 countries and employees about 145,000 people.

Key policies and initiatives/practices in relation to: *Organizational Governance*
In 2011 the company created an ABB Sustainability Board made up of an executive committee to oversee sustainability policies and programs. This Board reports to the Board of Directors and supplements existing non-financial reporting such as health and safety reporting. An ABB Sustainability Affairs organization is responsible for the development and coordination of policies and programs covering health and safety, environment, corporate responsibility, and security and crisis management.
Twelve goals were highlighted as objectives for the 2010/2011 year:

1. All sites to reduce use of energy by 2.5% annually;

2. Develop guidelines to monitor the environmental impact of transport goods;

3. Monitor and reduce environmental impact from business air travel;

4. Phase out the use of hazardous substances in ABB's products and processes;

5. Ensure that environmental and health and safety aspects are considered in product development;

6. Early assessment of social, security, OHS and environment risk in ABB's project risk management process, to better manage sensitive projects;

7. Due diligence on all security companies according to ABB standards;

8. Ensure rapid response capability and enable ABB in risk-related countries to prepare and respond to potential threats;

9. Develop ABB travel security system into a more supportive system for ABB;

10. Occupational Health and Safety Plan 2008-2011 continues, as approved by Executive Committee;

11. Increase monitoring of key potential and existing suppliers so that ABB is not complicit in any social, environment, human rights or health and safety abuses;

12. Extend social, environmental, human rights, and health, safety and security risk assessment in mergers and acquisitions (M&A) processes. ;

ABB has established standards of business conduct (The ABB Code of Conduct) which apply to all employees. A systematic approach supported by tools and processes support these standards and there is a zero tolerance policy for violations. All current and new employees are required to take e-learning to familiarise themselves with the Code. A multilingual Business Ethics Hotline is available 24 hours a day seven days a week for internal employees to make confidential calls regarding any breaches. A Stakeholder Hotline is available to external business partners.

Key policies and initiatives/practices in relation to: *Human Rights*

ABB was a founding member of the United Nations Global Compact, and strives to maintain high standards in relation to human rights issues. Human rights policies are based on Universal Declaration of Human Rights, the International Labour Organization Core Conventions on Labour Standards, United Nations Global Compact, the Organization for Economic Development and Cooperation Guidelines for Multinational Enterprises, and the Social Accountability 8000 standard. Several new internal standards have been introduced including the United Nations-approved Guiding Principles for Business and Human Rights.

Auditing forms a key element of human rights activities. Due diligence helps to ascertain if there are inherent human rights risks in new projects helping to prevent ABB being exposed to these risks. Similar human rights risk assessments are part of the assessment as to whether ABB should establish new business in a given country.

In existing businesses and the supply chain, the group makes similar checks and has developed a series of initiatives including the supplier codes of conduct, and supplier qualification requirements. In 2011, 11 cases of supply side child labour cases were identified. Immediate corrective measures were introduced to safeguard the rights of the children.

ABB monitors several indicators of human rights violations. Where these are found, the necessary measures are taken. For example in the case of non-discrimination violations, 32 violations were found resulting in six terminations, three resignations, and a range of other measures, including warnings, counselling and further training. In on-going efforts to prevent this, ABB trains security personnel as well as country and regional managers on human rights.

ABB considers management of human rights issues relevant to being a 'force for good', as well as financial, legal and reputational outcomes. A global human rights training program, designed to raise awareness of risks has been undertaken to support these efforts. Similarly human rights specialists are being set up in different parts of the world to advice local management.

In assessing ABB's progress in relation to the United Nations Global Compact the following are documented under human rights issues:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human right.
- Human rights policy and public statement adopted by ABB Group in 2007;

- Further work to embed human rights into business decision-making processes, including risk review for projects. Human rights considerations integrated in supply chain questionnaire, new Supplier Code of Conduct, and mergers and acquisitions process;

- Human rights considerations embedded in internal protocol for deciding where ABB should have business activities;

- Global human rights training workshops started in ABB in 2010 with sessions in three countries, and continued in 2011 in four other countries. A formal sustainability objective has been set to conduct training in ABB's top 12 manufacturing and exporting countries by the end of 2012. Training is aimed at business managers, and key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability;

- Active participation in international organizations and work-shops seeking to promote business awareness and support for human rights. These include UN Global Compact and the Global Business Initiative on Human Rights.

Principle 2: Make sure they are not complicit in human rights abuses.
- Human rights policy adopted in 2007 is designed to raise performance and avoid complicity;

- Global human rights training workshops continued in ABB in 2011 with internal training in four countries. Training includes issue of complicity. Target group as above in Principle 1;

- Further work with ABB's two systems divisions in 2011 to monitor projects at very early stage of pursuit to check for possible complicity issues;

- In-depth due diligence carried out on several potential projects to avoid contributing to abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

- Embedded in Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 6 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2011;

- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern.

Principle 4: The elimination of all forms of forced and compulsory labour.

- Covered by ABB Group Code of Conduct. Principle 1 of ABB Human Rights Policy and Principle 4 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2011;

- The principle of "no forced or compulsory labour" is included in ABB's new Supplier Code of Conduct, and protocol for supplier audits.

Principle 5: The effective abolition of child labour.

- Included in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 3 of ABB Social Policy;

- All countries were asked to formally report on this principle. Eleven cases of child labour at two suppliers were reported in 2011. Immediate and appropriate corrective action was taken;

- The principle of "no child labour" is included in ABB's Supplier Code of Conduct as well as protocol for supplier audits.

Key policies and initiatives/practices in relation to: *Labour Practices*

ABB is committed to provide a safe working environment. As such, it has incorporated the principles of OHSAS 18001, the International Labour Organization guidelines on occupational health and safety management systems, and the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases into its health and safety program.

Building on this policy, an Occupational Safety and Health committee chaired by an executive committee member covering all employees, helps to identify priority issues as well as include employees in key health and safety issues. 2011 saw no fatalities occur, but the number of serious injuries increased. This prompted a series of initiatives across the group's companies. These included partnering with established experts in the field; developing material for management on safety leadership; employee based innovation to improve safety; establishing safety awards; and awareness raising for specific issues like road risk.

ABB has also developed a group wide occupational health strategy to ensure robust and active management of occupational hygiene issues such as exposure to hazardous substances, carcinogens, physical agents, musculoskeletal disorders, noise and vibration. The strategy was set to be rolled out in 2012 and included training programs. ABB has launched a number of programs to target the promotion and maintenance of high calibre people throughout the group. A new global competence framework and new organizational structure for recruitment were implemented. Similarly, a group-wide diversity and inclusion statement was adopted in 2010 to reaffirm the group's commitment to inclusivity. This commitment has seen many successes including the first time a female was elected to the Board of Directors, as well as the first females recruited to senior positions within the company, including head of corporate strategy and investor relations. A diversity council in North America and a diversity working group for the Mediterranean area assist in setting the strategic priorities for diversity and address areas including recruitment, talent management, communication, flexibility, and KPIs.

The management of internal talent is another priority with approximately 90,000 personal performance and development assessments conducted throughout 77 countries. Assessment centres have been introduced for those wishing to become first line managers and a global competence framework was established to assist in the process of developing and selecting line managers. The Talent Development Assessment helps employees identified as having strong

potential, to move into first line management positions and takes them through a series of exercises to identify their current strengths and development areas. These initiatives are complimented by mentoring projects such as Global Mentoring which is based on a 'leaders developing future leaders' model. 130 mentors have assisted 180 mentees with 50 percent of these taking on new roles either during or after the mentoring program.

To facilitate leadership development, there are a series of internal mobility initiatives. International assignments have been increasing with over 800 employees taking on an international assignment in 2011 (15% increase on 2010). Recruitment policies also specify that the group should hire internally before seeking other candidates. ABB also offers a series of training programmes and leadership development courses to 'fast track' leadership development. Other development opportunities also exist, such as the opportunity to enrol in an online English language course. Over 22,000 workers have obtained licences to take part in this training. Health and safety training was a particular focus in 2011. A program was launched to involve country managers and local business unit and division managers to highlight safety leadership as a management priority. The ABB CEO launched a global communications campaign to highlight personal leadership and responsibility.

Diversity management is also an important issues as ABB maps initiatives onto the United Nations Global Compact:

Principle 6: Eliminate discrimination in respect of employment and occupation.
- Contained in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 7 of ABB Social Policy. All countries were asked to formally report on this principle.

- Five substantiated cases of discrimination and 32 of harassment were reported in 2011, resulting in six terminations, three resignations and a range of other measures, including warnings, counselling and further training.

- ABB also has country-specific procedures and programs to ensure that policies are fully observed.

Key policies and initiatives/practices in relation to: *The Environment*

Protecting the environment is a key priority for ABB illustrated by their adoption of the ISO 14001 for their environmental management systems. The company has set an overall target of reducing energy by 2.5 percent per employee for 2010 and 2011. The most energy intensive sites underwent energy audits and all sites were required to develop an energy saving program.

Under this several initiatives are detailed. ABB in Italy is targeting a 'green fleet' for company personal cars and service cars, targeting a reduction of 1,000 tons of CO_2 per year. This included an overhaul of the company's policy, and for the first time offering hybrid cars.

In 2011 the development of KPIs to monitor the environmental impact of transport goods was finalised and piloted. Draft guidelines for the application of these indicators have been developed and are still in a testing phase, due to be released in 2012.

ABB is working to phase out the use of hazardous substances in products and processes where feasible. Lists of prohibited and restricted substances to guide this process have been developed. For example organic lead in polymers have been recently completely eliminated in certain plants. Alongside this global Business Unit focus programs target the elimination of hazardous substances throughout a business unit. For example the Volatile Organic Compounds (VOC) reduction program in the Transformers Business Unit of the Power Products division has been progressing towards a target of 80% reduction within Transformers.

ABB manufacturing processes do not use significant amounts of water, with water mainly used for cooling purposes. However, the group still tries to manage its water use in a sustainable manner. Approximately 60% of the total water is used for cooling which returns to local sources uncontaminated. Of the locations which discharge water, 81 percent do so to public sewers, with 27 percent of those processing the water first. Of the remaining 19 percent of water discharged to local sources, 50 percent of sites treat the water first. The group have used tools developed by the World

Business Council for Sustainable Development, and Food and Agriculture Organization to identified countries of operation which are water stressed. Action plans will be developed in these regions to better the water consumption.

ABB also focuses on recycling the majority of their products. These are mainly made of steel, copper, aluminium, oil and plastics, 90 percent of which is reclaimable after the products useful life. To assist in recycling, ABB designs products which can be easily dismantled and provide instructions on how to do so. In 2011 72 percent of internal waste was sent for recycling.

To protect biodiversity, ABB screens locations for manufacturing facilities based on biodiversity, as defined in internationally recognized listings such as the International Union for Conservation of Nature Protected Areas Categories. As part of this, ABB contributes to existing initiatives to preserve the environment in areas which it operates. Engagement with preserving the environment is also captured under ABB's program for addressing the United Nations Global Compact:

Principle 7: Business should support a precautionary approach to environmental challenges.
- Environmental considerations mandatory in the GATE model for product and process development. Based on interviews conducted during 2010, supporting tools and training materials developed and released to further improve application of checklist.

- Standardized Life Cycle Assessment procedures used to assess new products' environmental impact throughout their life cycle.

- Ongoing program to phase out use of hazardous substances in manufacturing and products.

- ABB continuing its internal energy efficiency program, with target to reduce energy use by 2.5 percent per year.

Principle 8: Undertake initiatives to promote greater environmental responsibility.
- Work with international organizations and initiatives, such as World Business Council for Sustainable Development, German Climate Service Centre, ISO and Chalmers University's Swedish Life Cycle Centre.

- ABB has implemented new and strengthened protocol for auditing of suppliers' environmental performance.

- ABB's ongoing Access to Electricity rural electrification programs in India and Tanzania.

- ABB is investing environmental impact of logistics and business air travel, as part of sustainability objectives.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

- Covered by the Code of Conduct and Principle 5 of ABB Environmental Policy.

- Energy-efficient products and renewable energy equipment identified as key driver for ABB's business opportunities. More than 50 percent of research efforts are aimed at increasing energy efficiency.

- Transfer of technologies and best practices between countries to ensure same level of environmental performance throughout Group.

- Group wide list of prohibited substances for products and processes strengthened in 2007. The phasing out of hazardous substances is part of ABB sustainability objectives.

- ABB GATE model for product and process development contains defined steps for considering improvement in environmental and safety performance.

Key policies and initiatives/practices in relation to: *Fair Operating Practices*

ABB is a signatory to the World Economic Forum's "Partnering Against Corruption Initiative" signed by 170 companies committed to strengthening efforts to counter corruption and bribery. Approximately 95% of employees have received training on anti-corruption procedures. ABB's internal auditors carry out an annual risk assessment for corruption risks. In 2011 ABB identified three incidents of corruption. One employee in relation to one of the cases has been dismissed while

the other two cases are pending.

ABB is actively involved in public policy, contributing to the policy process on several issues such as smart grid technologies. ABB also affects policy through involvement in business associations such as BusinessEurope. However, all relevant involvement in public policy and lobbying is disclosed.

Once again, key initiatives are documented under ABB's engagement with the United Nations Global Compact.

Principle 10: Business should work against corruption in all its forms, including extortion and bribery.

- Covered by principle 4 of ABB Human Rights Policy, ABB Group Code of Conduct and Principle 13 of Social Policy, and Supplier Code of Conduct.

- Underpinned by zero tolerance policy on non-compliance.

- ABB offers a number of different reporting channels, including a third party held Business Ethics hotline available 24/7 and an Ombuds program where employees can report concerns confidentially. Ombuds program was introduced mid-2009 to complement existing ways of raising compliance issues. Program now numbers more than 40 Ombudspersons in 29 countries further training and extension of geographical spread expected in 2012.

- ABB rolled out new e-learning model on FCPA and Anti-bribery to nearly 90,000 employees; the e-learning is available in 32 different languages.

- As part of ABB's anti-corruption program, in 2011 ABB also conducted several other trainings, as well as additional proactive initiatives such as anti-bribery compliance reviews of ABB units around the world.

Key policies and initiatives/practices in relation to: *Consumer Issues*

ABB has adopted a range of standards to minimise the likelihood of consumer issues including: ISO/TR 14025 for Environmental Product Declarations; ISO 14040-45 for Life Cycle Assessments; and ISO 19011 for environmental auditing of organizations.

ABB products generally target the improvement of health and safety issues. In particular the products aim to improve the industrial environment, reducing exposure to aggressive, repetitive or hazardous operations, and reducing potential explosions, fire risks and oil pollution.

ABB notes that fair marketing regulations are not applicable which does not supply to the consumer product market.

Key policies and initiatives/practices in relation to: *Community Involvement and Development*

ABB's community engagement focuses on two core areas: education and health care. Total donations in these were approximately $6.5 million, and 4,000 man-days in volunteering. The largest volunteering effort was backed by 1,000 worker days in India, middle east, and Africa. 5,000 ABB employees took part in a week of activities to promote greater health and safety awareness and performance in the workplace, at home and on the roads.

Some of the more impressive initiatives include partnering with an NGO in Rajasthan, India to provide solar power to a dessert community. Some 8,000 people benefit from increased earnings because of the ability to extend working activities after dark. The number of children attending school has also doubled.

The group also engages local communities based on earning a social licence to operate philosophy. It engages with educational institutions through for example scholarship schemes. A number of engineering university students fees were funded by the group, thus also helping to ensure that the group has a well skilled candidate base from which to recruit.

ABB is currently developing a group wide method of measuring the impact of community projects.

Innovative aspects *(including any examples of specific problems/issues the company sought to resolve/had to deal with - the level of innovation, financial/human resources devoted, actions taken and lessons learnt)*

The Sustainability Strategy is devised alongside the ABB Group Strategy Review enabling sustainability to be an integrated element to the strategic priorities of the organization. This way, the Sustainability Strategy 2015+, helps the company achieve its strategic goals.

To understand key priorities for CSR the group conducted a stakeholder survey which garnered input from approximately 600 people. This included employees and executives, and external stakeholders commenting on a range of different priorities.

Work was carried out to incorporate sustainability criteria in key business decision making processes, including the review of proposed projects, supply chain and mergers and acquisitions. Sustainability experts now systematically review potential acquisition targets; suppliers are made aware of environmental, social, human rights, and health and safety standards and requirements; and sustainability considerations are part of discussions with the two systems business divisions prior to tendering for projects.

ABB seeks to manage environmental impact throughout the lifecycle of a product using life cycle assessments – assessing impact from manufacture and transportation, to customer use, and final recycling and disposal. Checklists which give guidance on how to reduce the use of hazardous substances, avoid other environmental and health risks, minimize consumption of resources, and design for recycling and easy end-of-life treatment. Training has also been developed to embed this in product development.

ABB is targeting the development of Environmental Product Declarations (EPDs) for core products. These describe and quantify the environmental impact and performance of ABB products through their life cycle. They also contain recovery, recycling and disposal instructions for when the product has completed its useful life. The EPDs are published on ABB's website and help customers select products which will improve their own environmental performance.

Stakeholder engagement is a fundamental part of CSR. Utilising this to identify solutions as well as needs is a mature step, one which has been taken by ABB. Employee knowledge was used to create a solution for designing covers to pressurized porcelain insulators. When cracked or defective these could explode if moved or pressurized. Kevlar insulator covers were designed by employees and tested in safe environments. These have also been added to the company's product portfolio.

Name of Company: Atlas Copco						
Country: Sweden						

Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)	**<u>Yes</u>**	No	*Specify*: DJSI/FTSE4Good/Global100/STOXX Global ESG Leaders/GS Sustain/ MSCI World ESG Index/World Socially Responsible Index/Folksam Environmental and Human Rights Index
Is the company on the GRI Sustainability Disclosure Database	**<u>Yes</u>**	No	*Specify rating*: B+

Region of operation	**<u>Global</u>**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:

Atlas Copco is an industrial group with world-leading positions in compressors, expanders and air treatment systems, construction and mining equipment, power tools and assembly systems. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 170 countries, with approximately 40,000 employees.

Key policies and initiatives/practices in relation to: *Organizational Governance*

Atlas Copco AB is incorporated under the laws of Sweden with a public listing at NASDAQ OMX Stockholm AB (OMX Stockholm). Reflecting this, the corporate governance of Atlas Copco is based on Swedish legislation and regulations: primarily the Swedish Companies Act, but also the rules of OMX Stockholm, the Swedish Corporate Governance Code, the Articles of Association and other relevant rules.

At the AGM shareholders may exercise their voting rights in a number of important issues, such as election of Board members, approval of financial statements, discharge of liability for the President and CEO and the Board, and adoption of the proposed distribution of profits. At the AGM, an independent audit firm is also nominated to provide assurance of the organisations risks and metrics. The Board of Directors is overall responsible for the organization, administration and management of Atlas Copco's operations. A Nomination Committee puts together a proposal for remuneration of Board members. During the year, the Board has continuously addressed the strategic direction, the financial performance, and the methods to maintain sustainable profitability of the Atlas Copco Group. Corporate responsibility issues were covered, with a special focus on safety and health.

An Audit Committee exists to support the Board in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and risk management as well as to supervise the financial structure and operations of the Group and approve financial guarantees, delegated by the Board.

The internal policy documents related to business ethics and social and environmental performance are summarized in the Atlas Copco Business Code of Practice. All employees and managers in Group companies, as well as business partners, are expected to adhere to these policies. The Business Code of Practice is based on the United Nations Bill of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the Organization for Economic Cooperation and Development's Guidelines for Multinational Enterprises. Since 2008, Atlas Copco has been a signatory to the United Nations Global Compact principles on human rights, labour, the environment and anti-corruption. In 2011, the Group began the process to adopt the United Nations Guiding Principles on Business and Human Rights. Atlas Copco follows both local and international rules and regulations regarding trading in high-risk countries. To make it accessible to all employees, the Business Code of Practice has been translated into 26 languages. Through its annual training and compliance process, Atlas

Copco ensures that all managers will act in accordance with high ethical standards outlined in the Business Code of Practice. It also means that the managers can provide support and guidance to their organizations and to local external stakeholders.

Key policies and initiatives/practices in relation to: *Human Rights*

Atlas Copco displays its commitment to protecting fundamental human rights at work through several initiatives. The Group's Human Rights Statement is published on the Atlas Copco website. Work is ongoing to integrate the United Nations Guiding Principles on Business and Human Rights and Children Rights. During the year the Business Code of Practice and internal guidelines were updated accordingly.

Atlas Copco will ensure that its products and components are free from conflict minerals and also ask the same from its suppliers. Human rights' awareness training for employees and managers will be launched during 2013.

Through internal control processes Atlas Copco ensures that Group companies have internal processes in place to inform customers and business partners about its human rights policies and to assess possible reputational risks. To date, approximately 70% of Atlas Copco's companies have established these processes.

Atlas Copco's business partners are expected to observe the same high standards regarding human rights as Atlas Copco does. A process to assess and manage the social impact of operations on communities and human rights was developed and tested in Ghana and Kazakhstan in 2011. During 2012 the focus has been to further develop the process.

Key policies and initiatives/practices in relation to: *Labour Practices*
Atlas Copco highlighted the following issues related to labour practices as material to the organisation.
Employee experience: Atlas Copco conducts a Group employee survey at least every second year. Local management follows up on areas needing attention and improvement and holds employee workshops on how to improve where there are weaknesses and capitalize on strengths.
Employer/employee relations: A non-discrimination policy covers all employees. Labour practices such as the right to collective bargaining are included in the Business Code of Practice, which is updated regularly. In 2012, 41% of all employees were covered by collective bargaining agreements. The Business Code of Practice also covers employee rights. In countries where no independent labour union may exist, Atlas Copco has taken measures to establish forums for employer/employee relations, as in China for example, through environment and safety committees.
Wages and benefits: A fair salary structure is determined through a classification system based on a specific compensation level for each position, and is benchmarked against similar companies using the same system. For temporary employees, benefits provided are in line with national laws and regulations. This is also valid regarding minimum wages and the minimum notice period in cases of operational changes.
Equality, fairness and diversity: Atlas Copco companies establish local diversity policies and guidelines in alignment with Group policy, local laws and regulations, and local ambitions. This can include options regarding reduction of working time for childcare or educational leave. Diversity remains a challenge and is addressed through initiatives such as the launch of a program with short-term assignments abroad to increase competence development and diversity, mentorship programs, a global network and policies. The Group mainly recruits employees from the local communities where it operates.
The proportion of women in management positions increased to 15.1 percent (from 14.6 percent the previous year). To increase the proportion, Group policy states that when recruiting managers to positions where a university degree is required there must always be at least one female candidate. Atlas Copco's high-level women's mentorship program runs in its fourth consecutive year. The global Atlas Copco women's network supports women's development in the Group.
Management resourcing and recruitment: Atlas Copco promotes internal mobility throughout the organization to promote employee engagement. When a manager has fulfilled his/her mission, he/she will seek a new mission either in the existing position or in a new position. The target is to have 85% of managers internally recruited, and the outcome in 2012 was 86%.Competence mapping is done extensively to establish resource needs, particularly in core areas. External recruitment of young high-potential employees is focused through active promotion of the Atlas Copco employer brand.
Competence development: Workshops and seminars help implement Group policies and processes.

All employees receive training in The Way We Do Things, the Group's single most important management tool. All employees should also receive training in the Business Code of Practice.

Safety and health: The Group has established global Safety, Health and Environmental (SHE) policy to guide the organization towards its goal of no work-related accidents and to have a sick leave level below 2.5%. The ambition is that all employees will work in a company with a SHE management system and that major Group companies are certified in accordance with the international standard OHSAS 18001 by 2013. In 2012, 72% of the product companies and major customer centres were certified according to OHSAS 18001, which corresponds to 69% of all employees.

To highlight the significance of safety, an interactive e-learning module is available to all employees. An important part of product and application trainings is related to safety and there have been several dedicated training sessions. In addition, the business areas have been running 'Safety First' campaigns globally in their areas of responsibility. To further stress the importance, safety and health is the first point on the agenda of company review meetings.

During the year the number of accidents increased to 391 (from 370 the previous year). The Group takes the increase seriously and promptly began a process to address the issue. In relative terms there was a decrease to 5.4 (5.7 the previous year) accidents per one million working hours. Sadly, Atlas Copco had three fatalities during the year. Safety awareness training and safety communication increased even further after these tragic incidents. Sick leave was at 2.1 percent (down from 2.0 percent the previous year).

Key policies and initiatives/practices in relation to: *The Environment*

The following initiatives and areas related to the environment were described as material by Atlas Copco.

Environmental management systems: To help minimize the environmental impact and to ensure that the precautionary approach is applied, Atlas Copco has a target to implement environmental management systems (EMS) in all operations. All product companies must eventually be certified according to ISO 14001. Acquired product companies are normally certified within a two-year period. In 2012, the proportion of product companies with ISO 14001-certification represents 94% of cost of sales and 88% of their employees.

Sustainable construction: Atlas Copco has a goal to construct its buildings according to a sustainable building standard, such as LEED. This regards both new and reconstructed buildings over 2,000 m^2. There are Atlas Copco buildings built according to LEED; two in China, one in India and one in the United States. The expected results of the sustainable buildings are reduced environmental impact, reduced maintenance cost and improved working environment for employees.

Resource use: Group companies invest in increasing energy efficiency, for example, through maintenance of buildings and by improving the manufacturing process. As a result, the total energy used in production decreased by 9% in relation to cost of sales. The decrease was due to implementation of more efficient production processes. In 2012, 22% of the energy consumed came from renewable resources such as wind energy and solar panels. Atlas Copco has started to use water indices to identify operations located in water-risk areas. Group companies in these areas will implement a water risk management plan, from physical, legislative or cost perspectives. Innovative product design also aims to reduce water use when drilling to explore for minerals, for example. The water withdrawal is disclosed as a total figure. Water consumption decreased by 9% in relation to cost of sales. The relative decrease is partly explained by improved water management.

Emissions and waste: The Group's goal is to reduce the CO_2 emissions from the energy used in production by 20% by 2020 in relation to cost of sales. In 2012, CO_2 emissions from energy at production sites decreased by 24% in relation to cost of sales. The decrease is primarily due to increased use of renewable energy. The major production site in Belgium uses energy from renewable sources, such as hydroelectricity with lower CO_2 emissions. Atlas Copco uses cooling agents in some products (air dryers) and processes (cooling installations). For products, all cooling agents used have a zero ozone-depleting impact, and the aim is to continue to introduce cooling agents with lower global warming potential. The majority of the cooling agents is in closed loop systems in the products and therefore not released during the operational life of the products.

Product lifecycle: Relevant aspects of ergonomics, safety and health are assessed both in the product development process and in all lifecycle stages of the product or a service. Seen over the entire product lifecycle, from product development, manufacturing, usage to discards, the largest portion of Atlas Copco's environmental footprint is in the use of its products, with energy consumption making the most significant environmental impact. Therefore each product development project has ambitious targets to reduce energy consumption. The objective is to

increase customer energy efficiency by 20% by 2020, measured as weighted total energy consumption of the total number of products sold per year. The Group has started to measure customer energy efficiency. There is, however, a large number of products with different characteristics and to consolidate the figures is difficult. Therefore, no Group figure is presented for 2012. As a minimum, products comply with laws and regulations regarding the environmental impact of the products. Atlas Copco has taken several initiatives to reduce its use of resources and does its utmost, for example, to optimize packing material. Products such as stationary compressors, drill rigs, hydraulic breakers and industrial tools can be returned, refurbished and resold as used equipment. Used equipment meets the same high standards as when it was new in terms of quality, performance and energy efficiency.

Key policies and initiatives/practices in relation to: *Fair Operating Practices*

Atlas Copco briefly lists a series of initiatives to combat corruption:

- Zero tolerance policy on bribery and corruption, including facilitation payments;

- Internal control routines in place aimed at preventing and detecting deviations. The Internal Audit and Assurance function was established to ensure compliance with the Group's corporate governance, internal control, and risk management policies;

- A control Self-Assessment tool to analyse internal control processes and reduce the risk of corruption;

- Training in the Business Code of Practice and in fraud awareness as well as workshops held to cover business integrity and ethical dilemmas. Transparency International's Corruption Perception Indices are used in trainings;

- The Group has established interactive online training modules based on the tools provided by the United Nations Global Compact;

- The Group hotline is established globally to allow employees to report violations confidentially and with no penalties for reporting;

- The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.

Key policies and initiatives/practices in relation to: *Consumer Issues*

Three main areas made up the majority of Atlas Copco's engagement with consumer issues.
<u>Product responsibility:</u> During the design stage, products are evaluated from a safety and health perspective, including ergonomics. Further, all Atlas Copco products and services come with relevant product, service and safety information. The product and service information required by the Group's procedures for product and service information and labelling covers aspects such as sourcing of components, content such as substances of concern, safe use and disposal of the product. Customer training is included when relevant, to secure safe handling of the products. In general, Atlas Copco is not directly covered by the EU Waste Electrical and Electronic Equipment (WEEE) Directive. However, handheld electric tools and monitoring control instruments are defined to be within the scope. Atlas Copco has a responsibility for the disposal of these products. The Group handles the EU WEEE Directive globally. Atlas Copco strives to follow laws and regulations regarding safety, health and environmental aspects, product information and labelling. No fines have been paid in 2012 for non-compliance with laws and regulations concerning the provision and use of products and services.
<u>Sales and market communication:</u> Atlas Copco's products and services are marketed and sold on the basis of their quality, productivity, price and service level and other legitimate attributes. The individual divisions are responsible for marketing and communication as well as training of personnel in features and benefits, customer safety and health, product and service labelling and customer privacy and compliance.

Key policies and initiatives/practices in relation to: *Community Involvement and Development*

Atlas Copco has engaged in the societies where it operates. The Group's community and charity initiatives selected and supported by local companies, focus on providing education, a safe upbringing for children, and fighting diseases such as HIV/AIDS and malaria. The Group's Community Engagement and Charity Policy also encourages companies to give support following natural and humanitarian disasters. The support can be products, time or money. Employee-led initiatives are supported by a financial 'matching' principle. Group companies match employee financial donations with company funds. Water for All is recognized as the main initiative of this type of engagement. The community engagement and charity spend during 2012 was distributed accordingly: cash donations 82%, in kind 4%, and time value 14%.

Name of Company: Grundfos Holding A/S							
Country: Denmark							
Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)			Yes	**No**	*Specify*:		
Is the company on the GRI Sustainability Disclosure Database			**Yes**	No	*C+*		
Region of operation	**Global**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:
Grundfos Holding A/S is a pump manufacturer which offers sustainable pump solutions to the market. Grundfos is a one of the world's leading pump manufacturers with an annual production of more than 16 million pump units. Furthermore, Grundfos is the largest manufacturer of circulator pumps covering approximately 50 percent of the world market.
Their main products include circulator pumps for heating and air-conditioning as well as other centrifugal pumps for industry use, water supply, sewage and dosing. In addition to pumps and pump systems, Grundfos develops, produces, and sells, energy-efficient motors and advanced electronics.
Grundfos is a global company with almost 18,000 employees, working in more than 80 companies. Headquartered in Bjerringbro, Denmark, production and sales companies exist in all regions of the world in more than 50 countries.

Key policies and initiatives/practices in relation to: *Organizational Governance*
Grundfos' major initiative in promoting sustainable organizational governance is its Code of Conduct. "Grundfos operates in many countries and across numerous cultures, traditions and local laws and regulations. This is why we need common principles that apply to all employees in Grundfos owned companies. The Code of Conduct will help us to ensure that we all comply with relevant laws and guidelines and that we live up to our high ethical standards", says Business Ethics Consultant Marie Enemark Olsen. The code has existed for years and it is displayed on posters throughout Grundfos offices and on Grundfos production sites all over the world.
A handbook containing the code was published in 10 different languages in all Grundfos companies world-wide in June 2012. Shortly after, local training sessions and workshops were held all over the world, where challenging Code of Conduct dilemmas were discussed and training was given on how to use the handbook.
Grundfos Corporate Internal Control (CIC) visits a selected amount of the Grundfos companies every year. The purpose is to review and rate the internal control environment and to submit observations, risk descriptions and recommendations for improving the business processes and controls, in relation to the Grundfos Code of Conduct. During 2012, CIC audited 37 group entities, with 6 of the visits unannounced.
During 2012, the Ethics Committee received 6 contacts, corresponding to 10 issues, which concerned: conflict of interest (2), labour rights (4) and unacceptable accounting (1), whereas 3 were not Ethics-related. Six of those issues have been investigated by e.g. Corporate Internal Control. The Ethics Committee assessed the content of one of the above-mentioned claims to have been a breach of Grundfos Code of Conduct, concerning unacceptable accounting.

Key policies and initiatives/practices in relation to: *Human Rights*
Grundfos supports and respects internationally proclaimed human rights as well as the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Human rights and labour rights are considered in purchasing decisions and in establishing sustainable suppliers. This means, among other things, that these rights form part of the supplier screening audit and a general audit of suppliers. In addition, Grundfos performs special social audits as a supplement to the other audits. These are followed up by concrete action plans. 2012 also saw the publication of a revised version of their Supplier Code of Conduct, which is based on the UN Global Compact principles,

international human rights conventions and the ILO Declaration on Fundamental Principles and Rights at Work.

Key policies and initiatives/practices in relation to: *Labour Practices*

Grundfos highlights people as a central part of the organisation; as such creating a positive working environment is regarded as an important priority. Several labour related issues are monitored, such as the number of full time employees it hires; gender metrics throughout different levels of the organization, foreign employees, employees with disabilities, training, employee development meetings, injuries per million working hours, and lost working hours due to lost time injuries.

One example of an initiative designed to target in particular career development is the Talent Management program. So far, Grundfos has nominated 135 talents; talents being employees who demonstrate the potential to develop more quickly than the average employee as well as contribute to creating extraordinary results. Currently, new Talent Management initiatives are being developed and implemented in a project called Talent Engine. An important element of the Talent Engine is Match Making, in which talents are offered important strategic assignments for the Group, regions or companies. Alongside this a detailed personal development plan is drawn up which identifies current and future priorities for the individual and how Grundfos can contribute to this plan.

Grundfos reports monitoring several health and safety metrics, suggesting this to be a material issue. It also reports that 56% of Grundfos production companies are OHSAS 18001 certified, meaning health and safety issues are prioritised through this management system.

Key policies and initiatives/practices in relation to: *The Environment*

Grundfos cites a commitment to preserving the environment. As part of this commitment, Grundfos monitors several environmental performance metrics including; hazardous/non-hazardous waste, water usage, energy consumption, CO_2 emissions, and energy savings through the value chain (through selling more efficient pumps). Moreover 76% of the companies under the group are certified ISO 14001 production facilities (a 3% increase on the previous year). One of the ambitious goals detailed by the group is to never exceed 2008 CO_2 emissions, despite aiming for annual economic growth of over 10%.

An example of Grundfos' activities in environmental standards is its initiative to reduce water consumption in India. This initiative has three areas of focus: harvesting groundwater and effectively draining it into the ground; reducing water usage in irrigation of gardens by treating sewage water for this purpose and delivering it through a drib irrigation system; and reducing the water used in washrooms through the installation of water efficient fittings.

Grundfos' commitment to the environment extends beyond its own practices. It views climate change as a business opportunity looking to establish technologies in its products which can help consumers meet their own targets for environmental performance. For example, built-in electronics make their pumps 'intelligent' meaning that they can determine the need for water and adapt their performance accordingly. This leads to significant reductions in energy and water consumption.

Key policies and initiatives/practices in relation to: *Fair Operating Practices*
Grundfos audits its companies and suppliers for corruption offences. During 2012, three incidents of corruption were discovered and investigated. All incidents were followed up by employee termination.

Key policies and initiatives/practices in relation to: *Consumer Issues*

Faulty products can be a safety risk to customers as well as damaging to Grundfo's reputation. As such, Grundfos sets ambitious targets for minimising fault rate. The fault rate for 2012 was 0.39% which has been set as the target for 2014.

Key policies and initiatives/practices in relation to: *Community Involvement and Development*

Grundfos aims to contribute to community development in the areas in which it works. This is achieved through engagement with local stakeholders and forms part of the maintenance of their social licence to operate. Philanthropic donations also make up part of their community engagement. One example of engagement is in Thailand where a Grundfos company donated a pump system to a village bringing clean water to inhabitants. This has reduced the number of illnesses caused by contaminated water used for hydration and sanitation. The pump also frees up a considerable amount of time for villagers who otherwise would have had to trek a long distance to fetch water. This time is used more productively now.

Innovative aspects *(including any examples of specific problems/issues the company sought to resolve/had to deal with - the level of innovation, financial/human resources devoted, actions taken and lessons learnt)*

Measurement is at the heart of driving improvement at Grundfos as noted in the CSR report: "What gets measured gets done". Setting targets and monitoring performance drives innovation under each of the objectives and goals. Data is obtained from several functions throughout the group to ensure valid measurement of progress.

Name of Company: Fives							
Country: France							

Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)	Yes	**No**	*Specify*:				

Is the company on the GRI Sustainability Disclosure Database	Yes	**No**	*Specify rating*:

Region of operation	**Global**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:
As an industrial engineering group, Fives designs and supplies process equipment, production lines and turnkey plants for the world's largest industrial groups in the aluminium, steel, glass, automotive & logistics, cement, energy and sugar sectors.
Located in nearly thirty countries and with more than 6,500 employees across six continents, the Group is known for its technological expertise and competence in executing large-scale international projects.

Key policies and initiatives/practices in relation to: *Organizational Governance*
Fives recognises the role of organizational governance as a central element of sustainability; the group has recently overhauled its organizational structure in order to make it more competitive. Management structures, at both the intermediate management level, and within group companies have been strengthened. Furthermore, country departments have been established that will be supported by local offices. The aim of these is to improve the consistency of management of cross-regional issues. The existing Fives governance structure is as follows. The Supervisory Board exercises permanent control over the management of the company by the Executive Board. It meets to consider the quarterly report to be submitted by the Executive Board, and inspects and verifies the documents associated with the corporate and consolidated financial statements of the Group.
Fives is headed by an Executive Board overseen by the Supervisory Board; the number of Executive Board members is established by the Supervisory Board, which has set a minimum of two members and a maximum of five. The Executive Board currently has four members and is responsible for the management of the company. It has the most extensive powers to act on behalf of Fives under all circumstances, limited only by the company purpose and powers expressly vested by the Supervisory Board and shareholder meetings. Every member of the Executive Board also have personal responsibility for supervising one or more of the Group's Operational Divisions and one or several functional Fives departments.
To support it in its decision-making, the Executive Board has introduced an Executive Committee whose members include the Group's key operational and functional managers. As the body responsible for consultation, recommendation and implementation, the Executive Committee meets to consider issues submitted to it, and to support the Executive Board in reaching those decisions that fall within its scope of competence. It also examines the proposals for improvement put forward by the Steering and Coordination committees. Its tasks include coordinating and monitoring the implementation of Group policies.
In relation to sustainability policies Fives recognises its importance by incorporating relevant concepts in its value statements. For example "Ethics: In the DNA of the Group". Moreover to increase the tangibility of ethics to employees Fives will begin an initiative designed to highlight the practical nature of ethics (see below innovative aspects).
Since 2011, working meetings are held in all Group companies at the management level to identify priority challenges, monitor progress towards achieving those challenges and supervise the associated CSR action plan. This "CSR Coaching" program enables the specific features of each organizational structure and market to be integrated into the Group-wide policy.
CSR policy is integrated into group governance. The Group Corporate Social Responsibility Department reports directly to the Chairman of the Executive Board. The Department is headed by a member of the Group Executive Committee. The members of the Group Executive Board meet quarterly to validate program content, take decisions on which projects to implement, and monitor

the progress of initiatives already in place. The Executive Committee is consulted on a case-by-case basis, provides input for annual action programs, and monitors their progress.

Key policies and initiatives/practices in relation to: *Human Rights*

The group undertook a review at the end of 2012 to identify areas which needed further engagement based on a comparison with the United Nations Global Compact. Human rights issues were scarcely mentioned and targeted as an area of focus for the future.

Key policies and initiatives/practices in relation to: *Labour Practices*

Health and safety is one of the pillars of the Fives CSR policy. A Group-wide coordination structure helps to maintain health and safety as a priority and establishes a coordinated response to any challenges. It is made up of four fundamental building blocks. The first relates to the benchmark standard implemented: a health and safety directive that provides an essential guide to practices and organizational structures. The second is the introduction of cross-referenced internal audits, which have contributed to improving practices by enabling more advanced companies to identify the areas in which they could improve, and the least advanced companies to pinpoint priority action areas. At the same time, the introduction of a network of Health, Safety and Environmental Coordinators covering all affiliates led at the Group-level has encouraged and accelerated the sharing of feedback and good practices. The network of health, safety and environment, coordinators has been expanded and consolidated over the last three years in every Group operating region, and in all types of business activity (project sites and workshops). In 2012, safety target achievement has also been reflected in the portion of variable compensation received by Group company CEOs.

The human resources policy is also designed to respond to many of the Group's social responsibility goals. The programs and resources implemented for skills and career management, compliance with international employee welfare protection standards, and diversity in the workplace are led and coordinated by the Fives human resources teams. This policy, which contributes to dialogue, personal development, and diversity, enables the Group to capitalize on its people, at the same time as securing their loyalty to the company:

Dialogue: The process of dialogue begins as soon as new employees join the company as part of the induction process that provides every new recruit with a fast-track understanding of the company, its organizational structure and operating methods through face-to-face meetings with various contacts. It continues with the 'starter' meeting that assesses the integration period held between six and eighteen months of employment. Dialogue then continues throughout the working relationship using other resources that address career development more specifically.

With full involvement from employee representative organizations, this process reflects an open social relationship and trust between the employer and employee, and is designed to maintain a positive and constructive atmosphere.

Development: To encourage and support individual career development, the Group Human Resources Department has put in place a series of resources that allow management teams to create employment terms and conditions to achieve the goals of the Group, and offer everyone the career development opportunities needed to express their fullest potential and talent for the benefit of the company. The annual appraisal, career management committee, CEDRE and the fast-track Career Booster initiatives all allow employees to discuss their careers directly with their managers or the Group Human Resources Department. They are supported by in-service training and personal development opportunities, as well as skills-focused training programs adapted to the personal development stage of each individual.

Diversity: Operating in a wide-range of geographical locations and countries around the world, Fives naturally gives way to diversity. In a Group where most employees are men, the first and most important priority is to introduce more women into all teams. Other priorities include gender equality, multiculturalism, fair treatment and equal opportunity. In 2012, the Group completed an internal awareness campaign addressing the workplace integration of disabled people, and in 2013 will conduct an appraisal of all the resulting initiatives. The Group signed two agreements in France, the first on the prevention of discrimination and equal treatment, and the second relating to employment of persons over the age of 55.

The agreements reflect the commitment of Fives to combat every form of discrimination. This commitment is supported by training programs addressing the issues surrounding discrimination prevention and diversity promotion for management teams, supervisory staff and employee representatives.

In September 2012, Fives conducted an internal opinion survey amongst all its employees, giving them the opportunity to express their vision of their company and the Group. Designed as a questionnaire (44 questions), the survey gave every Group employee the chance to express their views freely and anonymously on: working conditions, daily working life and the company, which covered internal organization, interdepartmental collaboration and commitment to the company and Group. Not only was this an effective way of measuring employee satisfaction and its trend over time, but also identifying areas for improvement as the basis for preparing action plans.

Key policies and initiatives/practices in relation to: *The Environment*

Minimizing the environmental footprint of the Group and its customers Fives has deployed two programs in response to this commitment. The first program is known as Engineered Sustainability®, and focuses on eco-design and machine safety. As a designer of key process equipment for industrial customers - most of which impose a significant environmental impact - Fives has introduced this program as part of its aim to lead by example in terms of the energy efficiency and environmental aspects of its equipment. This program sets out a structured and meticulous methodology for evaluating the environmental impacts of the product throughout its lifecycle. The result is the ability to identify and select those improvement opportunities that will optimize the technical, financial and environmental performance of its equipment most effectively. By involving risk analysis, it also evaluates whether equipment requires adjustments or modifications to improve operator safety. Engineered Sustainability® involves Fives' affiliates in a demanding eco-design process designed for long-term implementation and application.

By introducing this eco-design program, Fives expects not only to anticipate regulatory constraints, but above all to offer its customers solutions that respond effectively to their own environmental footprint reduction targets. The Engineered Sustainability® label will enable customers to identify eco-designed equipment that combines industrial performance with environmental performance.

The second program addresses the Group's own environmental management aimed at improving coordination issues with the objective to achieve ISO 14001 certification for all Group industrial sites by the end of 2014. Although the core business of Fives is concentrated on designing equipment and supervising its construction and installation, a third of all Group locations are industrial sites carrying out both assembly and production. The Group supports its sites in implementing their own environmental management systems.

The environmental footprint imposed by Fives itself remains relatively small compared with the industrial installations supplied to its customers. Nevertheless, the Group has launched a coordinated improvement initiative to address this issue by consistently leading by example in the environmental aspects of its equipment, and through a commitment to involve all Fives employees via a Group-wide program. The program launched by Fives in 2012 is structured around three priorities:

- mapping environmental impacts and risks on Fives sites

- requiring ISO 14001 certification for all Group industrial sites by the end of 2014

- conducting diagnostic analyses and/or environmental audits of Group companies

Key policies and initiatives/practices in relation to: *Fair Operating Practices*

Fives has been operating a wide-ranging policy of corruption prevention, as well as providing information about the fight against corruption and ethical market behavior. This information is delivered verbally through awareness meetings, which have been led by head office over several years to establish and expand dialog with local managers, more formally through the Code of Conduct issued to every Group employee and via the Directives and Guidelines Manual. This final document is provided to all Group company managers, who are required to implement its contents and adapt them to their own internal processes and systems. It also sets out all the management rules applied by the Group: ethical rules, purchasing procedures, relationships with suppliers and subcontractors, agent management, and so on. In terms of preventive measures, the Group also supports its affiliates in implementing risk analysis procedures and the development of associated risk prevention plans. Every employee also has a duty to alert the Group management team of any infringement in complete confidentiality.

The code of conduct is introduced at the recruitment stage and all employees are asked to sign it

upon joining the group.

To ensure that the same rules of business ethics are shared by all its companies and all its people, Fives has built a corruption prevention policy around the provisions of its Code of Conduct. This policy will be further strengthened from 2013 onwards following the introduction of a network of ambassadors, as well as training programs for all Group managers.

Key policies and initiatives/practices in relation to: *Consumer Issues*

Fives shares its perspective of the industry with customers as part of its continual process designed to identify new solutions that combine technology with safety and profitability. This way, Fives ensures that its products closely meet market needs. As part of this commitment the group maintains offices in central operating locations to have as close a physical relationship to customers as possible. A representative office is set up in the different regions Fives operates, tasked with gaining a detailed understanding of local conditions including industry, experience in local markets, relationships with official bodies, regulatory activity etc.

In addition to the close physical presence Fives has to its customers in their own countries, the organizational structure is one of short management reporting lines and hands-on philosophy. This result guarantees that every customer will have easy access to points of contact with high levels of responsibility; people who are fully informed of projects in progress and are personally involved in their delivery.

Innovative aspects *(including any examples of specific problems/issues the company sought to resolve/had to deal with - the level of innovation, financial/human resources devoted, actions taken and lessons learnt)*

In 2013, the Group's management will establish a plan of action to promote dialogue and exchange, beyond the rules underlying the subject of ethics. A biannual program has been defined to include prolonged grassroots actions and decentralize leadership continuously at the Group company level. To achieve this, the Group will appoint and train 15 ambassadors in 2013 to provide coverage of all Fives operating locations around the world. These ambassadors will contribute to preparing a toolbox containing a large number of case histories to illustrate the reality of ethical issues and make them more practically relevant.

Name of Company: Mondragon Corporation (Danobat Group)						
Country: Spain						

Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)	Yes	**No**	*Specify*:			
Is the company on the GRI Sustainability Disclosure Database	Yes	**No**	*Specify rating*:			

Region of operation	**Global**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:
The Corporation's Mission combines the core goals of a business organisation competing on international markets with the use of democratic methods in its business organisation, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment.

In terms of organisation, it is divided into four areas: Finance, Industry, Distribution and Knowledge, and is today the foremost Basque business group and the seventh largest in Spain. Approximately 85,000 employees work around the world although approximately 70,000 are based in Spain.

Key policies and initiatives/practices in relation to: *Organizational Governance*
MONDRAGON's business approach is contained in its corporate values:

- Cooperation, "Owners and protagonists".
- Participation, "Management commitment".
- Social Responsibility, "Fair distribution of wealth and involvement in the community".
- Innovation, "Continual renewal".

The corporation is structured on a participative and democratic basis, with a governance structure that is similar to a grassroots cooperative:

- Congress. Akin to a General Assembly, it is the forum in which the most important decisions are discussed and approved.
- Standing Committee. It approves overall corporate strategies and goals, major decisions and the more far-reaching business initiatives.
- General Council. It is the Corporation's executive body for management and coordination.

Key policies and initiatives/practices in relation to: *Human Rights*
Mondragon refers to human rights in its business ethics values stating: "The management of our business is always to uphold strict compliance with the principles contained in the Universal Declaration of Human Rights and sundry recommendations of the International Labour Organization." A second principle includes "no use is to be made of child labour, forced labour, abusive working conditions, inhuman wages or unlawful hiring."

Key policies and initiatives/practices in relation to: *Labour Practices*
MONDRAGON's business policy favours people's involvement in, and engagement with, the management, results and ownership of the companies, pursuing a common project that seamlessly combines social, business and personal advancement. In 2009, the stake in the Share Capital held by worker-members amounted to 92.6%.
The earnings on the trading account are allocated to various items, two of which involve members: the interest on capital contributions and dividends (or negative dividends in the event of losses). The first item is paid out in cash and the second one is capitalised. The Corporation's cooperatives

reward salaried workers with a profit bonus that is at least 25% of the amount received by a member as the share in profits. In the event that members are not entitled to a share in profits or even if they are liable for losses, such workers will not be affected by these circumstances.

The democratic nature of the cooperative means more than simply becoming a member. Membership entails involvement in corporate management. This principle requires a progressive development of self-management and, therefore, of members' involvement in the business's management.

The MONDRAGON cooperatives have set up a Social Council, whose duties involve the drafting of proposals and briefing on the decisions to be taken by the governing bodies, the relaying to its members of the information received and the channelling of suggestions made by members to the governing and management bodies.

The first level of participation renders all members equal with the right to attend the General Assembly, in which the cooperatives full sovereignty resides. This right has been embodied in the adage: "one person, one vote". Any member may sit on the governing bodies, provided he or she receives sufficient support from all the other members of the General Assembly, holding office with no financial reward whatsoever. Likewise, any member may become a CEO, provided they meet the professional requirements and have the leadership skills to fulfil their duties, as adjudged by the Governing Council, which is responsible for their appointment.

Employment at MONDRAGON is considered a standalone General Policy with a three pronged approach:

- Promoting cooperative employment

   o Generate cooperative and competitive employment arising from the pursuit of current businesses and the introduction of new preferential sectors.

   o Incorporate new cooperatives into the Corporation that contribute to strategic convergence.

   o Use corporate image and communication to attract the business projects of other groups and corporations.

   o Foster relationships with public promotion bodies for attracting new joint development projects.

- Promoting the quality of employment

   o Apply the guidelines of the Congress's Standing Committee on the make-up of the corporate job structure for workers.

   o Provide the right number of jobs for temporary workers according to criteria of rationality and sectorial competitiveness.

   o Manage the corporate job status of temporary workers according to criteria of equal treatment, solidarity and fair wages.

   o Adopt a commitment whereby the employment generated abroad will be informed by ethical criteria and based on personal dignity.

   o Apply ever greater mechanisms for the participation of salaried workers in management, results and ownership, both at home and abroad.

- Promoting individual employability

   o Foster the development of skills in people consistently and in response to the major changes foreseeable that will occur in the management of organisations.

These values have resulted in a number of initiatives. In accordance with the Principle of Wage Solidarity, a framework of solidarity is established for the remuneration of labour and for the overall number of hours worked per year, which is applicable to all the Corporation's cooperatives. Likewise, Wage Policy provides for salary scales that ensure there is no major disparity between the highest and lowest salaries, with remuneration on a par with the salaries paid by the cooperatives' sectorial and regional competitors.

Lagun-Aro, a Voluntary Social Welfare Entity, set up by the cooperatives themselves, is the organisation within MONDRAGON that provides healthcare and social welfare benefits for its members and beneficiaries (children and spouses), much like the state-run Social Security system.

The number of members at 31 December 2009 amounted to 30,757, distributed among 142 cooperatives. Since 2002, Osarten has provided a group prevention service, specialising in the design and implementation of corporate tools and strategies in matters of occupational health and safety, such as ERAIKIZ, its proprietary management model.

Training is a strategic value due to the major role it plays in the future of each company and of the Corporation itself. Furthermore, it is a right to which workers are entitled as a factor that opens the doors to equal opportunities and personal development. MONDRAGON has a Cooperative and Business Training Centre (OTALORA) that organises training schemes in cooperative and business subjects with a view to improving skills performance among the workforce. In cooperative matters, training courses have once again been held for the new members of Governing and Corporate Councils, in addition to the induction course for new cooperative members.

Respect for diversity is referred to in Mondragon's business ethics values: "Staff recruitment processes are to be free of any discrimination for reasons of race, colour, nationality, religion, disability, sex, sexuality, or membership of a trade union or political party."

Key policies and initiatives/practices in relation to: *The Environment*

In 1997, MONDRAGON's General Council formulated for the first time a Corporate Policy on Environmental Management based on the following lines of action:

- Fostering prevention: removing hazards at source, or otherwise keeping them within acceptable levels.

- Committing to unwavering compliance with environmental legislation.

- Driving continuous improvement in environmental protection in each and every one of the cooperatives' operations, products and services.

- Furthering Management Systems, integrated within the Corporation's overall management systems, so that all the above points are upheld in a tangible and measurable manner.

Within these common lines of action, each company or cooperative has to decide upon its own achievable level of development in its environmental policy, taking into account its degree of impact, its risks and its options for concrete action.

Nonetheless, the aim is to uphold a minimum level of self-control imposed by the Corporation. This commitment encompasses both compliance with current and applicable legislation and the implementation of environmental management systems.

Once this minimum level of self-control has been attained, it is left up to each company to decide upon the rate and manner in which they will attain levels of excellence that can be certified by third parties or pursue their adherence to the Eco-Management and Audit Scheme (EMAS).

These principles have led to initiatives which have been effective in improving performance on several key metrics:

- Energy consumptions was down 3.66% on the previous reporting period.

- Water consumption per employees decreased from $92.81m^3$ to $89.51m^3$

- Total amount of materials consumed has recorded a slight drop

- The total flow of wastewater generated in 2009 was 21 percent lower then 2008.

- CO_2 emissions have increased from 355,011 tonnes, to 358,080 tonnes

Key policies and initiatives/practices in relation to: *Fair Operating Practices*

Mondragon refers to several principles in their business ethics values:
- "We are to comply with current legislation wherever we pursue our business."

- "The organisation is to avail itself of systems to ensure the confidentiality of the information people provide and its protection against disclosure to third parties."

- "It is not sufficient to report internally on our performance, so we must ensure that the data we report to society are consistent with the company's results and operations."

Key policies and initiatives/practices in relation to: *Community Involvement and Development*

One of the cooperatives' differentiating traits is the way in which they distribute profits. Accordingly between 5 and 10% of MONDRAGON's net earnings are allocated to a Cooperative Education and Promotion Fund (FEPC), through which activities of a social nature are channelled. Over the past four years, 2006-2009, the investment in community schemes has amounted to €131m.

Discussion on coverage of the four major CSR-related issues relevant to the MTS Sector

Employability: MONDRAGON states training to be a key strategic objective of the organization. An induction program is provided for all employees upon joining the organisation. Furthermore, the cooperative and business training centre (OTALORA) organises training schemes to up-skill the workforce.

Demographic change and active ageing: Ageing is not explicitly referred to by MONDRAGON.
Workplace challenges: Participation by the workforce in business issues is a fundamental challenge. MONDRAGON's participative structure puts participation at the heart of the operational model. By giving all employees a vote in the general assembly, the group ensures that the workforces' priorities are considered at an organisational level. In operationalizing several common organisational practices, such as pay, these values shine through. One example is the policy that there can be no major disparity between the highest and lowest salary. Other initiatives to target workplace challenges include the establishment of healthcare and social welfare benefits for employees and their families. The group also refers to a health and safety prevention service although does not elaborate on the initiatives that have been implemented.

Environmental challenges: MONDRAGON's environmental policy details a preventative approach combined with continuous improvement in environmental hazards that cannot be eliminated from the production process. These principles are implemented at a local level with each cooperative or company responsible for designing initiatives it feels are most necessary.
While MONDRAGON refers to several principles, communication regarding specific initiatives is limited. Promoting guidance for sustainability reporting is likely to be a need in this case.

Name of Company: Sacmi						
Country: Italy						
Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)		Yes	**No**		*Specify*:	
Is the company on the GRI Sustainability Disclosure Database		Yes	**No**		*Specify rating*:	
Region of operation	**Global**	Europe	North America	South America	Asia	Africa	Australia /Pacific

Overview of company and key business activities:

The Group consists of more than 70 companies, has production plants and support companies in 26 countries and employs about 3,500 people. Thousands of Sacmi machine are in use all over the world and exports account for around 89% of total business. The core business is designing and building machines and complete plants for the ceramics industry. In recent years this has been supplemented by businesses which also serve the packaging, food, and plastics industry.

Key policies and initiatives/practices in relation to: *Organizational Governance*

Sacmi has a code of ethics (published in Italian), which represents the formal statement of the organization's values, beliefs and professional conduct. This applies to all individuals within the group and any activities which the group or one of its companies is involved in.

Key policies and initiatives/practices in relation to: *Labour Practices and The Environment*

Sacmi sees health and safety, and environment issues as an integrated challenge. As such, their policy is an integrated health, safety, and environment management system. This complies with OHSAS 18001, (Health and Safety) ISO 140001 (Environment) and ISO 9001 (Quality) in order to prevent accidents and work-related illnesses; minimise all forms of environmental impact; manage emergency situations; and ensure compliance with all legal requirements.

The system has the following elements and aims to achieve the following goals.

- The drawing up of Work-Related Risk Evaluation Sheets so as to summarise the specific risks for each job and provide an immediate, concise source of job-related information that makes risk evaluation information more readily available. This goal is part of a wider integrated health, safety and environment system implementation project involving the purchase and use of specific software.

- Devise a training/information plan. New procedures designed to smooth the training and information process via the review of safety manuals, organisation of training courses as per new legislative requirements (e.g. Italian Legislative Decree 123/2007, Legislative Decree 257/2007, consolidated safety laws) and, especially as regards newly hired staff: organisation of company induction courses with rapid illustration of specific job-related risks and fosterage of newly hired workers by supervisors with the drawing up of final evaluation reports to assess worker's learning/understanding of health, safety and environment-related aspects.

- A call center to respond to all calls addressed to SPPA so as to: improve the tools used to identify the work to be carried out and identify priority tasks, to provide users with a single, clear-cut means of contacting SPPA.

- Reorganisation of corporate lay-out in compliance with the following criteria: the creation of workstations that meet workplace health/hygiene standards with reference to company development plans and the annual budgets of relevant services, solutions that optimise routing and logistics between office areas and departmental areas working in close

collaboration, assessment of future company development in order to identify long-lasting solutions and reduce costs and inefficiencies with reference to company development plans and annual budgets of relevant services.

- Procedures for the implementation of health monitoring for personnel working abroad who may be exposed to infective illnesses via: agreement with the Infective Illnesses Department of the Sant'Orsola Hospital of Bologna for the provision of preventive information, examinations, specific prophylaxis, post-transfer check-ups, informative seminars and the provision of written information for those going abroad.

- A monthly corporate newsletter focussing on health, safety and environment, illustrating: relevant standards, company policies implemented to tackle health, safety and environmental issues.

- Completion of the removal of old roofing containing asbestos cement from factory buildings.

- Replacement and/or upgrade of extraction systems in Heavy Duty Machine Tool department and confinement/treatment of the air used for fettling and washing operations.

- Verification of compliance with Health and Safety Standards following publication of Consolidated Safety Law (Testo Unico Sicurezza) especially as regards training, prevention and health monitoring.

- Periodic workplace inspections allow us to ensure that machines, systems, substances and products are all being used correctly. In general all risk factors, the use of electricity, mechanical dangers, workplace layouts, electromagnetic fields, thermal risks, noise-related risks, emergency/evacuation procedures, artificial optical radiation, vibration, manual handling of loads, explosive atmospheres, pressurised equipment and all lifting gear/tools/accessories are constantly monitored and improved.

Sacmi also strives to keep up to date with developments in legislation and associated requirements. Italian Law Decree 81/06 and subsequent amendments identifies employee training as the prime instrument for promoting the culture of safety and prevention in the workplace. Sacmi reports that the provision of safety-related training and information represents a considerable group commitment in terms of both the total number of hours dedicated to such activities and the number of personnel involved. Moreover, during the last three years an annual meeting with various corporate stakeholders (customers, suppliers, monitoring bodies, consultants, Ministerial functionaries) was held to discuss a wide range of topics such as changes in law, the organisation of workshops on specific themes, round tables and seminars aimed at ensuring everyone has complete and up-to-date information on standards and legal requirements and a full understanding of their legal position, procedures for implementation of compulsory requisites, critical aspects requiring careful attention and the simple sharing of worries, doubts and observations on mutual problems.

Sacmi's commitment to health and safety of employees was recognised by the "AIRC Active Company Award 2000", delivered by the President of Italy. This award recognizes Sacmi's Prevention and Protection program, which involves periodic check-ups of current and retired employees since 1971.

Sacmi anecdotally reports on their website that several health and safety initiatives have "reduced accident rates and worker absence considerably".

Key policies and initiatives/practices in relation to: *Community Involvement and Development*

Sacmi targets being an active member of the community and targets projects which it states are of 'high humanitarian and social value'. These tend to target to main areas: healthcare, and education. Some of these are detailed below.

Healthcare

- The group donated funds towards the construction of a day care centre in Sao Bernardo, which was part of the mission of the Cappuccini friars in Ethiopia. As part of the same initiative, three medical centres were also built in Togo.

- In 2005 Sacmi sponsored AVSI towards the construction of a hospital in Paraguay.

- Not less important the engagements taken in 2008 with the sponsorship to the association

"Peace Now Onlus" for a desalination plant at the secondary school of Massau Eritrea and in 2009 the contribution to the "Istituto Saveriano Missioni Estere" to supply the children of the Bintaro district of Jakarta Indonesia with the food integration like proteins necessary for their correct growth.

- Particular attention is paid also to cultural events, such as the organization of concerts and to restorations, as for example the Imola San Domenico Museum one.

- Worth to be underlined are also the contributions to the Imola hospital for the purchase of important medical equipment, such as the MRI (magnetic resonance instrument) and outfitting a 4th operating room.

Education

- Every summer Sacmi hosts several high school students to provide practical work experience. Students attend a six- week "training course" granting them educational credit towards their school marks.

- At the end of every school year, Sacmi awards scholarships to students specializing in Traditional Ceramic Technology (that have usually completed their experimental thesis in Sacmi's ceramics laboratory) as well as to students who excel in Arts.

- During the academic year Sacmi accepts students from different secondary schools for a placement stage (one to four weeks) which is built into their educational program.

- Sacmi's employees regularly contribute to educational programmes to provide their technical and practical perspective from the world of work.

- Every year Sacmi gives students the possibility to visit its premises.

- Sacmi has an agreement with the University of Bologna to allow graduate students to perform training at the company.

- Sacmi usually welcomes undergraduate students (usually technical students) who wish to conduct elements of their research within the company. Students are able to use company resources including a company tutor and Sacmi's technicians.

- Over the years Sacmi has established and is still promoting important co-operation with Italian universities for scientific purposes (research projects, teaching etc.).

Discussion on coverage of the four major CSR-related issues relevant to the MTS Sector

Employability, demographic change and active ageing, workplace challenges, and environmental challenges: There is little coverage of related initiatives in Sacmi's responsibility communications. Only health and safety training relates to employability. Issues surrounding demographic change and ageing are not mentioned. Workplace challenges largely target health and safety related issues however there is not enough information provided to evaluate these initiatives. Environmental challenges are largely referred to in the same light as targeting health and safety, and a similar critique applies here.

It is unclear whether what has been presented above is the extent of CSR related activities, or whether this is the extent of *reported* activities. In either case there is more that can be done to build on the existing practices.

Name of Company: Alta Group							
Country: Czech Republic							

Is the company listed on any sustainability index (e.g. DJSI, FTSE4Good)		Yes	**No**	*Specify*:			
Is the company on the GRI Sustainability Disclosure Database		Yes	**No**	*Specify rating*:			

Region of operation	Global	**Europe**	North America	South America	**Asia**	Africa	Australia /Pacific

Overview of company and key business activities:
The ALTA Group offers and supplies a wide range of commercial, design, engineering and financial services. They design and produce machine tools and equipment for underground and surface mining. The Group also provides scientific, engineering and logistic services in the nuclear energy sector.

Key policies and initiatives/practices in relation to: *Organizational Governance*
The corporate administration and management of the Group includes an internal control system and internal audit. The purpose of the internal control system is to ensure that the set business goals are achieved together with protection of the company assets, effectiveness of in-house processes and protection of the interests of the Group's shareholders and creditors. The purpose of the internal audit is to assess the internal control system in an independent and impartial manner. The results of the executed audits were provided to the Board of Directors and the Supervisory Board of the parent company. Based on the discovered facts, recommendations were issued with a view to improving the Group performance and to minimize the identified risks. On the basis of the aforementioned recommendations, a plan to settle the discovered deficiencies was elaborated. To ensure the efficiency of the internal audit, the Group continually monitors the implementation of corrective measures. Depending on the results of monitoring, corrective measures were taken according to the approved plan to the full extent.

Key policies and initiatives/practices in relation to: *Labour Practices*
The ALTA Group focuses on creating a high-quality working environment, supporting employees' personal development and respecting diversity. Individual training plans for employees are prepared with a view to extend and improve their qualifications including language skills. Employees have the opportunity to participate in either individual or group tuition given by educators and lecturers.
Attention is paid to the principle of equal opportunity. Employees are given space for personal self-fulfilment and for contributing to innovating existing processes as well. Flexible working plans help create conditions for maintaining the balance between personal and professional life and the career development of female employees is particularly focussed upon. In 2012, ALTA contracted a new partner providing healthcare, the SurGal private clinic, which is a unique medical facility of its type in the Czech Republic.

Key policies and initiatives/practices in relation to: *Community Involvement and Development*
ALTA mostly contributes to the community through philanthropy and donations. Since 2002, ALTA has been a partner to the cultural project Days of Russian Culture in South Moravia and in Prague. The festival is focused primarily on theatre, ballet, film and music. ALTA is also regular supporter of the Russian Cultural and Educational Association in Moravia.
The ALTA Group offers its employees and their families a wide range of year-round social, cultural and sports activities and a number of social benefits. Among the popular events, there is a Christmas Party, celebration of International Women's Day, a Summer Party for families with children or the sports-focused event titled Střelecké odpoledne (shooting afternoon). The year 2012 also marked the first year of the all-Group bowling tournament.

Discussion on coverage of the four major CSR-related issues relevant to the MTS Sector

Employability, demographic change and active ageing, workplace challenges, and environmental challenges: Very few initiatives are mentioned by Alta. One of the more details is the initiative establishing individual training plans for employees to broaden their qualifications and skills. Employees are also offered the opportunity to participate in individual or group tuition by educators. Equal opportunity is also discussed with the Group suggesting that employees are given space for personal self-fulfilment and for contributing to innovating existing processes. Flexible working plans, in particular for female employees, are a central part of this helping to maintain work-life balance. The Group also recently made private healthcare available to employees as part of their health and wellbeing initiatives.