



Models for ethics assessment and guidance in industry

Authors:

*Agata Gurzawska (University of Twente),
Andrea Porcari (Associazione Italiana per la Ricerca Industriale, AIRI)*

Contributors:

*Johanna Romare (Linköping University),
Rossella Cardone (Ericsson)*

October 2016

Annex 7

A reasoned proposal for a set of shared ethical values, principles and approaches for ethics assessment in the European context

Deliverable 4.1

This report and the work described in it is part of the project
Stakeholders Acting Together on the Ethical Impact Assessment of Research and Innovation - SATORI - which received funding from the European Commission's Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 612231



Table of Contents

1	Introduction	3
2	Ethics Assessment and Guidance by Industry: goals and criteria	5
2.1	Why businesses engage in ethics assessment.....	6
2.2	Common criteria in ethics guidance and assessment models.....	7
3	Common practices in ethical guidance and assessment in industry	9
3.1	Procedures (how ethics assessment is performed and disseminated)	10
3.2	Organisational governance (integration of ethics assessment in business).....	15
4	Implementation issues	20
4.1	Adoption.....	20
4.2	Organisational governance and procedures.....	21
4.3	Research and Innovation within existing CR models	22
4.4	Challenges and opportunitites	23
5	Conclusions and recommendations for SATORI work	28
6	Annexes	29
6.1	Key actors for ethics assessment and guidance of R&I in industry	29
6.2	Description of key social responsibility tools scope and principles.....	30
6.3	Methodologies for assessment of impacts.....	34

1 INTRODUCTION

Aim of this report is to investigate good practices¹ for developing ethics assessment and guidance of R&I in industry.

Companies are increasingly using structured approaches to monitor economic, environmental and social impacts of their activities, taking into account ethical principles and values acknowledged by stakeholders and society. In several cases, as shown by previous analysis of the SATORI project,² these approaches (or part of them) can be considered a form of ethical assessment. Ethics assessment by industry is closely related to the well established in the business world concept of corporate social responsibility (CSR).

From a conceptual point of view, we follow the perception of CSR by Moore and Matten (2008) that CSR is “an umbrella term overlapping with some, and being synonymous with other, conceptions of business-society relations concept”.³ These related concepts include *Corporate Shared Value (CSV)* (to highlight the concrete value perspective generated by the corporate in the society), *sustainability* or *sustainable development*; *business ethics*; *corporate social performance*; and *corporate citizenship*.⁴

While acknowledging the differences between definitions and approaches to CSR, for the purposes of this study focusing on the European perspective of R&I, we use the European Commission approach to CSR. The EC identify CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”⁵ Therefore, socially responsible companies should abide the law, but also go beyond compliance and invest “more” into human capital, the environment and the relations with stakeholders.⁶ In the latest Communication on CSR from 2011 (*A renewed EU strategy 2011-14 for Corporate Social Responsibility*⁷), the European Commission redefines CSR as “the responsibility of enterprises for their impacts on society”.⁸ In our previous reports on social responsibility and ethics assessment and guidance in industry, we discuss the expansion of the CSR concept into a broader *corporate responsibility (CR)*, taking account of social as well as economic and

¹ Note: We use the term “good practice” instead of “best practice.” Considering the heterogeneous nature of corporate responsibility and recognising the need for agreement on appropriate guidance, elevating a single “best practice” may not be feasible. Instead, praising a variety of commonly used “good practices” is more appropriate.

² See SATORI Project, Work Package 1 (WP1) deliverables - http://satoriproject.eu/work_packages/comparative-analysis-of-ethics-assessment-practices/

³ Matten, Dirk, and Jeremy Moon. ““Implicit” and “explicit” CSR: a conceptual framework for a comparative understanding of corporate social responsibility.”, pp. 404-424 in *Academy of management Review* 33.2 (2008), [p. 405].

⁴ Note: for the further discussion please see SATORI Deliverable 1.1, Annex 3.h Ethics assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other countries - Ethics assessment and Guidance in Different Types of Organisations: Industry; June 2015.

⁵ European Commission, Green Paper “Promoting a European framework for Corporate Social Responsibility”, Brussels, 18.7.2001

⁶ Ibid.

⁷ European Commission, 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,

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>

⁸ Ibid.

environmental responsibilities.⁹ Therefore, in this report we mainly refer to corporate responsibility (CR) in order to foster a wide array of companies' responsibilities. However, CSR terminology occurs as well, due to a common use of this term among scholars, companies, governments and non-governmental organisations (NGOs).

CR is broader than ethics assessment. It is therefore important to outline the relation between CR concept and ethics as such. In SATORI, we perceive CR primarily as a set of moral duties, and not only as a managerial tool.¹⁰ We follow the approach of Argandoña and von Weltzien Hoivik (2009) who emphasize the ethical roots of CSR. CSR is therefore:

The whole set of interrelated responsibilities and roles in society: CSR is not only business ethics, but also social ethics and even political ethics, and besides the corporate responsibilities there are also the responsibilities of government, public administration, trade unions, the media, consumers, etc.¹¹

Having this said, we in SATORI, perceive CR guidelines (e.g. OECD's Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, etc.), strategies and regulatory policies (e.g. EU policies on CSR, the new Non-Financial Reporting Directive, etc.) as the tools for determining and introducing the set of moral duties into practice. These CR tools provide (also) guidance on ethics assessment of economic, environmental and social impacts of corporate activities. CR is closely related and interwoven with the ethical discourse, as confirmed by the analysis presented in this report.

CR policy is intended to function as a self-regulating mechanism for business to ensure its compliance not just with laws, but also with the spirit of the law, with international norms and with ethical standards. They promote a common understanding and common means of performance evaluation globally.¹²

The beneficiaries of CR in companies include internal and external stakeholders:¹³

- The internal stakeholders are these actors that are a part of a company, such as the company's board of directors, shareholders, employees and managers;
- The external stakeholders are not a part of a company, however these actors are/can be affected, or affect/can affect a company's activities. The external stakeholders include e.g. suppliers, customers, creditors, competitors, governments and governmental organisations, non-governmental organisations (NGOs), activists, the media, communities, and the general public.

A snapshot of the role of the different stakeholders considered by the SATORI project in CR processes is reported in table 1 (annex).

⁹ SATORI, Deliverable 1.1 Ethical Assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other countries - Ethics assessment and Guidance in Different Types of Organisations: Industry; June 2015.

¹⁰ Argandoña, Antonio, and Heidi von Weltzien Hoivik. "Corporate social responsibility: One size does not fit all. Collecting evidence from Europe." Pp. 221-234 in *Journal of Business Ethics* 89.3, 2009, [p. 230].

¹¹ Ibid, [p. 231].

¹² Iatridis K., Schroeder D., "Responsible Research and Innovation in Industry: The Case for Corporate Responsibility Tools", Springer Briefs in Research and Innovation Governance, 2016, [p. 3].

¹³ The other division of stakeholders include primary and secondary stakeholders (The classic reference is R. Edward Freeman's *Strategic Management: A Stakeholder Approach*, Boston: Pitman, 1984).

As we discussed in our previous SATORI reports on social responsibility and ethics assessment and guidance in industry (June 2015),¹⁴ the emergence of the CR tools was a response to contemporary economic globalization. The cross-border activity of companies has destabilised the traditional Westphalian state-centred system and challenged national and international legal systems and value systems.¹⁵ The adoption of the CR tools reflects the struggle of national governments with monitoring and guiding corporate conduct and general frustration with the limits and failures of companies to live up to their CR commitments. Today, states and societal actors require companies to play an active role in addressing and responding to societal, environmental and economic problems.¹⁶

However, the CR framework is not accepted without a criticism by various stakeholders, in particular civil society organisations (CSOs).¹⁷ The objections regard four main arguments:

- the actual effectiveness of CR tools due to their voluntary/non-binding character;
- the motivation of companies for engaging in CR initiatives;
- the way companies define, understand, use and measure CR; and
- the real substance of what companies claim to do.

From the legal perspective, further steps are required to establish a stricter liability of companies in CR issues. These limitations of the CR tools have to be taken into consideration in our search for good practices for developing ethics assessment and guidance of R&I in industry (as further discussed in paragraph 4).

We also have to emphasize that CR tools and practices relate to all companies activities, and are generally not specific for R&I (as also further discussed in paragraph 4). This characteristic confines the scope to which CR tools can be used for extracting good practices of ethical assessment of R&I.

2 ETHICS ASSESSMENT AND GUIDANCE BY INDUSTRY: GOALS AND CRITERIA

References for ethics assessment and corporate responsibility in the business sector derive from existing normative frameworks and regulations, as well as various types of voluntary initiatives, ranging from codes of practices, frameworks for CR, general and sectorial standards, and company specific initiatives.

Several of these instruments have been analysed in previous SATORI work packages (in particular WP1 and WP3), with respect to ethics assessment in various disciplines and by different actors, including industry. This section is based on the analysis of the reports from

¹⁴ See SATORI, Deliverable 1.1 Ethical Assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other countries - Annex 1: Principles and Approaches in Ethics Assessment – Social Responsibility; and Annex 3: Ethics assessment and Guidance in Different Types of Organisations: Industry; June 2015.

¹⁵ Hristova, Mirela, “The Alien Tort Statute: A Vehicle for Implementing the United Nations Guiding Principles for Business and Human Rights and Promoting Corporate Social Responsibility”, pp. 89-108 in *University of San Francisco Law Review*, Vol. 47 U.S.F. L. Rev. 89, Summer 2012, p. 89.

¹⁶ See e.g. Porter, Michael E., and Mark Kramer. "Creating shared value: Redefining capitalism and the role of the corporation in society", *Harvard Business Review*, January (2011).

¹⁷ A recent article well representing criticism to CSR is by Chris Albin-Lackey, “Without Rules: A Failed Approach to Corporate Accountability” pp. 29-40 in Human Rights Watch *World Report 2013*.

these WPs, of the industry interviews (and references therein) undertaken by SATORI, and a limited number of essential resources (widely acknowledged CR tools).

The aim of the paragraph is to pinpoint relevant goals, reasons and criteria to understand and evaluate good practices in ethics assessment of R&I by industry.

2.1 WHY BUSINESSES ENGAGE IN ETHICS ASSESSMENT

The outcomes of SATORI WP1 activities, based on interviews with industry representatives and analysis of acknowledged sources on CR, underline both motivations and barriers for industry in performing assessment of ethical, social and environmental impacts of their activities.

The reasons to engage in ethics assessment are multifaceted, and relate to the following factors (non-exhaustive list):¹⁸

- Improve product sustainability, desirability and acceptability of products, product quality, safety and reliability, effect on quality of life and health of customers
- Create value, build corporate image and reputation, give competitive advantage
- Motivate workers, improve community relation, increase customer satisfaction and targets or needs
- Improve health and safety standards, reduce environmental impacts
- Reduce costs (e.g. use of resources, efficiency of the decision making process)
- market penetration, profit, compliance with regulatory requests, access to financial support, minimizes the risk of lower financial performances

Various barriers can thwart ethics assessment (non-exhaustive list):¹⁹

- Additional bureaucracy, eventual extra costs
- Heterogeneity in approaches & guideline implementation
- Lack of awareness of ethics issues & structured approaches
- Lack of resources (financial, human, time, knowledge, particularly for SMEs)
- Inability to implement non-binding/failures of self-regulation
- Problem accepting ethical criteria in the research community (beyond what is provided for by law)
- Possible slowdown of innovation
- Additional ethical constraints that might limit creativity
- Ethics is culture sensitive (requirement might change depending from context)

Nevertheless, the raising demand coming from the society, the strengthening of regulation and law, and the increasing awareness that CSR is not a cost and it generates value for the company, are pushing industry to embrace ever more social responsibility.²⁰

¹⁸ SATORI WP1 analyses and: ISO 26000:2010(E): Guidance on social responsibility; Global Reporting Initiative, G4- Sustainability Reporting Guidelines, Reporting Principles and Standard Disclosure, 2013; Responsible-Industry: A Framework for implementing Responsible Research and Innovation in ICT for an ageing society, a report of the Responsible Industry project, November 2015; 5.6; UN-SDGs: The United Nations Sustainable Development Goals.

¹⁹ Ibid. and SATORI Deliverable 1.1 Ethical Assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other Countries; June 2015 (Table pp. 75)

²⁰ Currents of change, The KPMG Survey of Corporate Responsibility Reporting 2015, KPMG, 2015,

2.2 COMMON CRITERIA IN ETHICS GUIDANCE AND ASSESSMENT MODELS

CR practices and models are being developed since decades across industries and countries worldwide, providing an interesting case for practical implementation of ethics guidance and assessment procedures. There are various aspects in common regarding the design and development of these practices/models. The ones emerged by our analysis, and considered relevant to inform the development of the SATORI framework for ethics assessment of R&I, are briefly outlined in this section.

CR themes and topics

Some of the most common topics related to CR include:²¹

- sustainability
- corporate governance, investments
- reporting, monitoring and integrated approach with financial results
- business ethics, professional ethics, responsibility towards shareholders and stakeholders
- legal compliance
- anti-corruption
- philanthropy and community engagement
- stakeholder engagement
- environmental impacts and environmental management
- social impacts
- respect for workers' rights and occupational health and safety, workers' welfare
- respect for human rights
- respect for animal rights, animal welfare

Interestingly, the SATORI analysis shows that some of these aspects (such as social responsibility, sustainability, professional ethics, human rights, protection of human subjects, animal welfare) are common not only amongst existing CR tools, but also within ethics assessment practices across other actors, disciplines and sectors in Europe.²²

The development phase

Most of CR tools strongly emphasise that both development and review of CR practices require engagement and consensus of stakeholders. Principles that should be respected include:²³

- Inclusiveness (multi-stakeholder processes)
- Openness and consensus (involvement of a wide and open community, convergence of opinions)
- Transparency
- Relevance: including stakeholders that will be directly impacted by the tool and could influence the implementation of the tool.
- Effectiveness: include ways of evaluating, measuring, reviewing application

²¹ See p. 73, SATORI Deliverable 1.1 Ethical Assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other Countries; June 2015.

²² SATORI Deliverable 1.1 Ethical Assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other Countries; June 2015 (chapter 4)

²³ The bullets refer to CR tools analysed in detail in section 3 of the report.

- Diversity

The purpose and potential users

Some of the strategic aspects underlined by existing CR experiences as critical for practical implementation of CR models include:²⁴

- Comprehensive: Including all relevant values and principles for ethics assessment
- Acknowledged: voluntary but widely accepted by the community of reference
- Flexible, adaptive and gradual: taking into account specific company focus and needs (different sectors, applications, size and resources of the company, etc.)
- Modular/supplementary: complementary to other initiatives (can be integrated with other social responsibility practices of the company)
- Taking into account cultural diversity
- Facilitating harmonization

²⁴ The bullets refer to CR tools analysed in the report, as well as outcomes of SATORI interviews to industry representatives (comments about the usefulness of a framework for ethics assessment of R&I).

3 COMMON PRACTICES IN ETHICAL GUIDANCE AND ASSESSMENT IN INDUSTRY

The level of institutionalization of ethics assessment in industry varies greatly across different countries and in particular companies. Over the past few decades, a number of international CR tools have been developed with the aim to persuade corporations to take responsibility for the social, environmental and economic consequences of their activities.²⁵ CR tools include global initiatives, principles, standards, codes of conduct, and reporting initiatives²⁶ to provide quantitative data on social responsibility performances.

These tools have been developed following a wide stakeholders' consultation, and are now being used since several years by thousands of companies and other organisations worldwide. Most of them have a general purpose (can be applied in different sectors, areas), and are structured in sections or modules that can be considered (and applied) separately. All of them recognize complementarity one with the other (the different tools can be used in conjunction, e.g. The OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights). All of them follow most of the aspects underlined in the previous section.

For the purpose of this report, we identified five CR tools that are further analysed:

1. ISO26000: The International Organisation for Standardization, International Standard for social responsibility
2. GRI: Global Reporting Initiative, Sustainability Reporting Standards)
3. OECD Guidelines: The Organisation for Economic Co-operation and Development (OECD), Guidelines for Multinational Enterprises
4. UNGPs: UN Guiding Principles on Business and Human Rights
5. UNGC: The United Nations Global Compact (the Communication on Progress)

We selected these tools deliberately. Firstly, ISO 26000, OECD Guidelines, UN Global Compact together with the United Nations Guiding Principles on Business and Human Rights are often referred as the 'core set of internationally recognised principles and guidelines regarding Corporate Social Responsibility (CSR)'.²⁷ For instance, the European Commission perceives these instruments as "an evolving and recently strengthened global framework for CSR." Secondly, we identified these CR tools on the basis of interviews with business experts conducted for the purposes of the SATORI project (WP1).²⁸ The respondents representing companies (both large corporations and SMSs) declare that their organisations adhere to one or more of the tools mentioned above. In addition, the list takes account of an additional instrument that many companies refer to – GRI.²⁹ The selected CR tools are widely

²⁵ Martje Theuws & Mariette van Huijstee, SOMO, "Corporate Responsibility Instruments: A Comparison of the OECD Guidelines, ISO 26000 & the UN Global Compact", December 2013, [p. 4].

²⁶ Note: We provide a broader list of CR tools in SATORI Deliverable 1.1, Annex 3.h Ethics assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other countries - Ethics assessment and Guidance in Different Types of Organisations: Industry; June 2015.

²⁷ For example: European Commission, "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 October 2011, [pp. 6-7];

²⁸ Note: for the further discussion please see SATORI Deliverable 1.1, Annex 3.h Ethics assessment of Research and Innovation: A Comparative Analysis of Practices and Institutions in the EU and selected other countries - Ethics assessment and Guidance in Different Types of Organisations: Industry; June 2015.

²⁹ GRI was also identified as one of the internationally recognised CSR guidelines and principles in the study prepared by Caroline Schimanski for the European Commission (Directorate-General for Enterprise and

accepted among both companies and the public; the strongest choices of firms for their corporate responsibility management; and therefore in our understanding represent common practices.

A description of the scope, principles and relationship with R&I of these CR tools is provided in the annex. In the following sub-sections we briefly analyse the models in terms of:

- Procedures (how ethics assessment is performed and disseminated)
- Organisational governance (integration of ethics assessment in business)

Key words used for the analysis include: impact assessment (risk, environmental, social, ethics, human rights assessment) and research and innovation.

3.1 PROCEDURES (HOW ETHICS ASSESSMENT IS PERFORMED AND DISSEMINATED)

ISO International Standard for social responsibility (ISO 26000)

ISO 26000 provides procedures to assess and manage impacts related to the wide range of principles and core subjects addressed by the document. Organisations are expected to select significant issues for their activities and focus procedures only on them. Key aspects/steps for the assessment of social, environmental and economic impacts include³⁰:

- **Understanding relationships**
 - a. Identify core subjects and principles for the organisation
 - b. Relate social responsibility issues with key characteristics of the company and of the social, legal, economic and environmental context in which the company operates
- **Understanding core issues**
 - a. identify areas of actions with respect to actual and potential impacts (due diligence process)
 - b. determine relevance and significance of core subjects and issue; identify stakeholders
 - c. Assessing the sphere of influence of the organisation, determine responsibilities.
 - d. Establishing priorities for addressing issues
- **Practices for integrating social responsibility** throughout an organisation
 - a. Raising awareness and building competency (culture of responsibility)
 - b. Setting a vision and strategy for social responsibility
 - c. Integrate social responsibility in the governance structure and decision making process of the organisation
- **Communicating**
 - a. Setting a strategy to communicate social responsibility both within and outside of the organisation, including principles, target and methods
 - b. Report regularly to stakeholders sustainability performance of the organisation
- **Reviewing and improving**

Industry), “An Analysis of Policy References made by large EU Companies to Internationally Recognised CSR Guidelines and Principles”, March 2013.

³⁰ Elaboration from the ISO26000, in particular clause 7

- a. Monitoring activities, reviewing progress and performance, enhancing the reliability of data and information, improving performances

Stakeholder engagement is paramount in all phases above. The review process, the engagement of stakeholders and communication are essential steps to ensure credibility of the organisation.

Global Reporting Initiative (GRI)

GRI clearly identifies a specific procedure to guide the organisation through the reporting process, including indications for understanding, assessment, monitoring and communication of the impacts of an organisation. Key steps include³¹:

- **Prepare:** determine the sustainability context: identifying issues critical to the company business and stakeholders (“material aspects”), most obvious economic, environmental and social impacts, boundaries of the analysis; plan the full reporting processes, considering benefit & challenges of reporting and, accordingly, setting actions to be taken
- **Connect:** identify & prioritize stakeholders; involve relevant stakeholders to identify aspects and impacts that need to be included in the assessment
- **Define:** select issues for action & report; define report contents; check internal procedures & make changes; set performance goals
- **Monitor:** collect and analyse data; ensure quality and reliability of data; follow up and introduce changes, if necessary
- **Report:** verify value of information, choose best way to communicate results of the reports; plan next reporting cycles.

The document provides detailed guidance for all phases above, including criteria and indicators for the assessment. Adherence to principles related to reports contents and quality is requested. Different levels of adoption of GRI guidelines are foreseen, depending from type of contents and principles adopted.

OECD Guidelines for Multinational Enterprises

Key aspects and practical steps that an organisation should perform in order to assess social and environmental impacts of its activities, as considered in the General Policies and the Science and Technology sections of the Guidelines, are provided in the following list:

General Policies³²:

- put in place self-regulatory practices and management systems addressing social and environmental implications;
- promote employee awareness of company policies; safeguards to protect bona fide “whistle-blowing” activities;

³¹ GRI Learning Series, GRI Sustainability Reporting: How valuable is the journey?,

<https://www.globalreporting.org/resourcelibrary/Starting-Points-2-G3.1.pdf>

³² Bullet points refer to OECD Guidelines, Commentary on General Policies Number 12,13,14,18,19,23,24

- Perform due diligence processes, going beyond material risks to the enterprise itself, to include the risks of adverse impacts related to matters covered by the Guidelines (e.g. human rights due diligence);
- prioritise suppliers for their due diligence, basing on risk assessment;
- take the necessary steps to cease or prevent an adverse impact; and use the company leverage to mitigate any remaining impacts to the greatest extent possible (influence behaviour of suppliers);
- engage with suppliers and other entities in the supply chain to improve their performance on responsibility (e.g. personnel training, capacity building);
- participate in private or multi-stakeholder initiatives and social dialogue on responsible supply chain management;
- perform stakeholder engagement with relevant stakeholders, in particular in the planning and decision-making phase.

Science and Technology:³³

- ensure activities are compatible with the science and technology (S&T) policies and plans of the countries in which the company operates;
- contribute to the development of local and national innovative capacity;
- favour transfer and rapid diffusion of technologies and know-how, with due regard to the protection of intellectual property rights;
- perform science and technology development work in host countries to address local needs;
- use licensing and intellectual property rights in a manner that contributes to the long term sustainable development prospects of the host country;
- develop ties with local universities, public research institutions, and participate in co-operative research projects with local industry or industry associations.

UN Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs focus on human rights due diligence and assessment of human rights impacts. The UNGPs suggest that ‘human rights due diligence can be included within broader enterprise risk management systems, provided that it goes beyond simply identifying and managing material risks to the company itself, to include risks to rights-holders.’³⁴

Business enterprises are required to meet the human rights requirements, through establishing policies and processes appropriate to their size and circumstances, including:³⁵

- a) A policy commitment to meet their responsibility to respect human rights
- b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights
- c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

For the purposes of this research we analyse the UNGPs approach to the assessment of human rights impacts as the most relevant for our study on ethics assessment.

³³ OECD Guidelines, Science and Technology recommendations 1-5, [p. 55].

³⁴ UNGPs, Commentary to Principle 17.

³⁵ UNGPs, Principle 15.

The steps that a company should take, specified in principle 18, include the identification and assessment of any actual or potential adverse human rights impacts with which a company may be involved either through its own activities or as a result of its business relationships.³⁶ As the UNGPs state, this process should:³⁷

- a) Draw on internal and/or independent external human rights expertise
- b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.

As a result, a company should:³⁸

- integrate the findings from the impact assessments across relevant internal functions and processes, and take appropriate action
- track the effectiveness of its response
- communicate its actions and responses to stakeholders and the public, also including formal reporting
- In case a company causes or contributes to adverse human rights impacts, it should provide a remediation by itself or in cooperation with other actors.

The guidelines emphasise the importance of integrated financial and non-financial reports.³⁹

The United Nations Global Compact (UNGC)

This subsection presents the key aspects and practical steps that an organisation should perform in order to assess social and environmental impacts of its activities, as considered in the UN Global Compact, in the context of the four areas of the guideline (human rights, labour, environment, anti-corruption). Key recommendations related to all four areas include:

- integrate into existing (and core) business processes and procedures issues related to human rights, and UN goals
- Perform strategic social investment and philanthropy
- Put in place advocacy and public policy engagement practices (on human rights issues)
- promote partnership and collective action on human rights issues⁴⁰
- respect all relevant local and national laws regarding labour
- use a precautionary approach on environmental issues, through systematic application of risk assessment, risk management and risk communication⁴¹
- avoid bribery, extortion and other forms of corruption, but also proactively developing policies and concrete programmes to address corruption internally and within their supply chains.⁴²

³⁶ UNGPs, Principle 18.

³⁷ UNGPs, Principle 18.

³⁸ Bullet points refer to UNGPs Principles 19,20,21,22

³⁹ Ibid.

⁴⁰ <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-1>

⁴¹ <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-7>

⁴² <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-10>

Despite the UN Global Compact Ten Principles, the UN Global Compact has developed the “UN Global Compact Management Model - Framework for Implementation” that provides a tool to help companies evolve their sustainability efforts to maximize corporate sustainability performance.⁴³ This model is addressed to companies that already made a commitment to the UN Global Compact. The framework consists of six management steps and is designed to guide companies of all sizes through the process of formally committing to, assessing, defining, implementing, measuring and communicating a corporate sustainability strategy.⁴⁴ The model provides a guidance on assessing the impacts of companies most recent actions on the issues related to their commitment, as well as suggestions about how to identify risks and opportunities.⁴⁵

These steps are as follows:⁴⁶

- Step 1: Commit
- Step 2: Assess
- Step 3: Define
- Step 4: Implement
- Step 5: Measure
- Step 6: Communicate corporate sustainability strategy

Table 2 presents each step of the model in greater detail. It is important to emphasize that the model is a dynamic and continuous process.

COMMIT	Leadership commitment to mainstream the Global Compact principles into strategies and operations and to take action in support of broader UN goals, in a transparent way	During this step, company leadership publicly signals its commitment to stakeholders. Specifically, leadership commits to supporting the Global Compact and making the ten principles part of the strategy, culture, and day-to-day operations of the company, with oversight provided by transparent governance structures.
ASSESS	Assess risks, opportunities, and impacts across Global Compact issue areas	Equipped with a commitment to the Global Compact and in support of UN goals, the company assesses its risks and opportunities—in financial and extra-financial terms—as well as the impact of its operations and activities on the issue areas, on an ongoing basis in order to develop and refine its goals, strategies, and policies.
DEFINE	Define goals, strategies, and policies	Based on its assessment of risks, opportunities, and impacts, the company develops and refines goals and metrics specific to its operating context, and creates a roadmap to carry out its program.
IMPLEMENT	Implement strategies and policies through the company and across the company’s value chain	The company establishes and ensures ongoing adjustments to core processes, engages and educates employees, builds capacity and resources, and works with supply chain partners to address and implement its strategy.
MEASURE	Measure and monitor impacts and progress toward goals	The organization adjusts its performance management systems to capture, analyze, and monitor the performance metrics established in the Assess and Define steps. Progress is monitored against goals and adjustments are made to improve performance.
COMMUNICATE	Communicate progress and strategies and engage with stakeholders for continuous improvement	During this step, the company communicates its progress and forward-looking strategies for implementing its commitment by developing a Communication on Progress, and engages with stakeholders to identify ways to improve performance continuously.

43 []
 44 []
 45 []
 46 []

Table 2. UN Global Compact Management Model Steps (Source: UN Global Compact, “UN Global Compact Management Model - Framework for Implementation”, 2010, [p. 9])

3.2 ORGANISATIONAL GOVERNANCE (INTEGRATION OF ETHICS ASSESSMENT IN BUSINESS)

ISO26000:

Integration of social responsibility in the governance and decision-making process of an organisation is considered fundamental by ISO26000. Key aspects with respect principles and core subjects of the document include⁴⁷:

- develop strategies, objectives, and targets for SR, and demonstrate leadership commitment and accountability to them
- create a culture and environment about SR
- create incentives related to performance on SR
- promote fair job and career opportunity for underrepresented groups
- balance/consider immediate needs and those of future generations in the decisions of the organisation
- establish two-way communication processes with stakeholders
- encourage participation of all employees in SR activities
- monitor commitment, activities, performances on SR
- review and evaluate the governance processes and, if needed, improve the process

These are considered by ISO 26000 general aspects that could be taken into consideration in any type of organisation, of any size. Larger organisations generally have structured and complex governance structures, the spectrum of actors on which they have an of influence and their impacts are likely wider than small organisations. Integration of SR could therefore imply relevant changes in the structure and decision making process.

SMEs are likely concerned only with few of the principles and core subject of SR, and could be more flexible and informal in integration of SR practices. On the other hand, they might have limited resources compared to large.

Careful analysis of significant issues and prioritization is indicated as fundamental for practical implementation. Collective actions, assistance from professional organisations, support from public bodies are some of the initiatives suggested to simplify the process and save resources, in particular for SMEs.

For both large and SMEs commitment from the leadership (the board, CEO, director of the organisation) is considered paramount. The definition and review of the SR principles and strategy (either in a formal or informal way) should be in charge of the management function of the company.

If appropriate, specific functions within the organisation (departments, groups, individuals) should be established to conduct and follow SR initiatives.

⁴⁷ Synthesis and extracts from ISO26000, par. 6.2 “Organisational governance”

GRI

GRI general standard disclosures provide procedures regarding organisational governance of a company, in order to realize an effective and valuable reporting of economic, social, and environmental impacts.

Criteria included in the strategy and analysis area require that the overall sustainability strategy and vision of the company is disclosed, including information on key impacts, risks, and opportunities, priorities in the short and medium term, key achievements and main challenges and targets for the future. Indications about respect of standards adopted by the company, including ethics codes and principles must also be given. A criteria⁴⁸ is specifically devoted to report on how and whether the precautionary principles is considered by the company.

Reporting on stakeholder engagement include reference to approach chosen for stakeholders identification and selection, description of engagement activities (type, frequency), key topics and concerns discussed and how these have been addressed by the organisation.

The governance area provides guidance regarding the decision making process of the company. A hierarchical approach is used, focusing on structure and commitment of the highest management functions. Areas of disclosure include:

- governance structure and composition
- competencies and performance evaluation, remuneration and incentives of the highest governance body
- role of the highest governance body in
 - setting the organisation's purpose, values, and strategy
 - risk management
 - sustainability reporting
 - evaluating economic, environmental and social performance

Criteria in these areas are intended to ensure that impacts are taking into account throughout the organisation, via a well-defined, open and transparent, decision making process; that specific functions are established (from highest management function to executives and employees) to address sustainability topics, and that mechanism are in place to ensure their accountability; that a regular and effective process is defined to allow consultation between stakeholders, the highest governance body and other relevant functions; that sustainability actions and performance are evaluated and reviewed on a regular basis, and the assessment approach is disclosed (self-assessment or from an independent party) and whether and how results of the assessment are taken into account in the company practices.

Specific criteria are also set regarding the composition and remuneration of the highest governance body, in order to take into account issues such as competence, independence, conflict of interest, stakeholder representation, interest of stakeholders and shareholders, motivation of the staff.

In the ethics and integrity area, three main criteria are included: *“organisation's values, principles, standards and norms, internal and external mechanisms for seeking advice on ethical and lawful behaviour and for reporting concerns about unethical or unlawful behaviour and integrity issues.”*

⁴⁸ GRI, General Standard Disclosure, commitment to external initiatives, G4-14

Guidance on organisational governance is then complemented by GRI specific standard disclosure, providing indication on management approaches and indicators to assess impacts and performances on a number of economic, environmental and social areas. Due diligence is considered essential in the identification and analyses of impacts.

GRI reporting is generally seen as a management tool for assessment and continuous improvement of the organisation, to help the organisation improving (?) its social, environmental and economical results and performances.

OECD

The OECD Guidelines are designed for large multinational enterprises (parent companies and/or local entities). However, the OECD Guidelines reflect good practice for both multinational and domestic enterprises.⁴⁹ In terms of the key factors that should be implemented in the organisation's decision-making processes and structures the General Policies chapter of the OECD Guidelines contain specific recommendations to enterprises⁵⁰:

- encouraged cooperation with governments in the development and implementation of policies and laws; and with other stakeholders in society including the local community.
- encouraged application of good corporate governance practices: protection of shareholder rights; recognition of the rights of stakeholders established by law or through mutual agreements; and active co-operation with stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises).
- the board of the parent entity should ensure the strategic guidance of the enterprise, the effective monitoring of management and be accountable to the enterprise and to the shareholders, while taking into account the interests of stakeholders. Independent audit, appropriate control systems, in particular, risk management, and financial and operational control have to be considered.
- the common fundamental principles of the OECD Guidelines extend to enterprise groups, however boards of subsidiary enterprises might have obligations under the law of their jurisdiction of incorporation. In this case, compliance and control systems should extend where possible to these subsidiaries. Furthermore, the board's monitoring of governance includes continuous review of internal structures to ensure clear lines of management accountability throughout the group.

UNGPs

The UNGPs do not provide very detailed guidelines in terms of the organisational governance. Nevertheless, some guidance can be found regarding specific situations. For instance, in case of state owned enterprises or when a state controls business, a state has greatest means within its powers to ensure that relevant policies, legislation and regulations regarding respect for human rights are implemented.⁵¹ The UNGPs note that:

Senior management typically reports to State agencies, and associated government departments have greater scope for scrutiny and oversight, including ensuring that effective human rights due diligence is implemented. A range of agencies linked formally or informally to the State may provide support and services to business

⁴⁹ OECD Guidelines, [p. 18].

⁵⁰ Bullet points refer to OECD Guidelines, Commentary on General Policies 2,7,8,9

⁵¹ UNGPs, Commentary to Principle 4.

activities. These include export credit agencies, official investment insurance or guarantee agencies, development agencies and development finance institutions.

In terms of the business responsibility to respect human rights, the UNGPs emphasize the importance of coherence between companies' responsibility to respect human rights and policies and procedures that govern their wider business activities and relationships.⁵² This refers for instance to policies and procedures that set financial and other performance incentives for personnel; procurement practices; and lobbying activities where human rights are at stake.⁵³ The coherency requires therefore, that the policy statement is embedded from the top of the business enterprise through all its functions.⁵⁴

Regarding human rights due diligence, the UNGPs provide that the process should be initiated as early as possible. This however may be a challenge for companies with a complex supply chain or with a large numbers of entities in their value chains. Therefore, due diligence process can be initiated already at the stage of structuring contracts or other agreements, and may be inherited through mergers or acquisitions.⁵⁵

The UNGPs suggest also consultation with potentially affected stakeholders. If this solution is not feasible, a company could also consult credible, independent expert resources, including human rights defenders and others from civil society.⁵⁶

UNGC

The UN Global Compact Management Model provides a guidance on the efforts a company has to undertake to align policies and operations with the initiative. These efforts include governance, transparency, and engagement on each step of the Model.

Governance is about 'a continuous effort to ensure the company behaves in shareholders' and increasingly stakeholders' best interests.'⁵⁷ According to the Model, depending on the size and scale of the organisation, governance is carried out by an operating context-appropriate combination of the company's Board (or similar body), C-suite officers, cross-company corporate sustainability steering committee, and/or an external stakeholder committee.⁵⁸ The main responsibility of the company's governance structure is to ensure the company adheres to compliance requirements. and to guide and support to the rest of the organisation throughout its corporate sustainability journey.⁵⁹

As far as transparency is concerned, according to the Model, transparency is 'a continuous effort to operate as openly as possible in the eyes of shareholders and other stakeholders alike.'⁶⁰ Documentation and communication on corporate sustainability progress enables shareholders and other stakeholders to make well-informed decisions about investments in or relationships with the company.⁶¹

⁵² UNGPs, Commentary to Principle 16.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ UNGPs, Commentary to Principle 17.

⁵⁶ UNGPs, Commentary to Principle 18.

⁵⁷ UN Global Compact, "UN Global Compact Management Model - Framework for Implementation", 2010, [p. 7].

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Ibid.

The last crosscutting effort to embrace corporate sustainability is engagement with stakeholders, both through ongoing internal relations with employees, and through external relations e.g. dialogue with governments, local communities, trade unions, and nongovernmental organisations (NGOs).⁶²

⁶² Ibid.

4 IMPLEMENTATION ISSUES

Based on the analysis of five CR tools presented in the previous section, the outcomes of the interviews with business experts and further research, we provide indications on both opportunities and challenges for CR, and potential approach and suggestions on features of the model(s) for ethics assessment and guidance in industry. Furthermore, a table on methodologies for assessment of impacts, resulting from the analysed tools, is provided in the annex.

4.1 ADOPTION

The interest in CR tools by companies, governments and other stakeholders is increasing. This statement can be justified with a proliferation of instruments of international business governance including non-state market regulatory initiatives, business led initiatives and multi-stakeholder initiatives. These instruments, such as the UNGPs, are supported by the international community as well as national states. For instance, the European Commission recognises the UNGPs as a “the authoritative policy framework” in addressing corporate social responsibility.⁶³ Therefore, the European Commission developed the Strategy on Corporate Social Responsibility (CSR). The Commission works towards the implementation of the UNGPs in the EU emphasising that better implementation of the UNGPs would contribute to EU objectives, namely human rights.⁶⁴

According to a public consultation on the Commission's CSR Strategy in 2014:

- 78% of industry representatives,
- 83% of SMEs and
- 91% of civil society organisations

support and finds it important or very important to foster the implementation of the UNGPs at EU level by the Commission.⁶⁵ The Commission also encourages EU Member States to develop national action plans (NAPs) in relation to UNGPs.⁶⁶ Several EU Member States have adopted NAPs, including Denmark, Finland, Italy, Lithuania, the Netherlands, Norway, Spain and Sweden.⁶⁷

Furthermore, the raising awareness of CR is also reflexed in the number of participating companies and non-business actors in CR initiatives analysed in the previous section of this report, as well as other CR initiatives:

- The UN Global Compact has approximately 8.000 companies and more than 4.000 non-businesses among its signatories;⁶⁸
- ISO26000 is adopted by 64 countries as a national CR standard (2013);⁶⁹

⁶³ European Commission, *COMMISSION STAFF WORKING DOCUMENT on Implementing the UN Guiding Principles on Business and Human Rights - State of Play*, Brussels, 14 July 2015, SWD(2015) 144 final, [p. 2].

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ United Nation Human Rights Office of The High Commissioner, “State national action plans”, <http://www.ohchr.org/EN/Issues/Business/Pages/NationalActionPlans.aspx>

⁶⁸ United Nations Global Compact, “Our Participants”, <https://www.unglobalcompact.org/what-is-gc/participants>

- In 2014, 324,148 firms were certified with ISO14001 standard dealing with environmental management; and with ISO9001 standard on quality management – 1,138,155 firms;⁷⁰
- No accurate information on the number of certificates of AA1000ES standard on stakeholders engagement and AA1000AS on credibility and quality of sustainability reporting. Nevertheless, up to date (March 2016) 13,160 companies have published and registered their CR reports at the CorporateRegister.com, the website created and edited by the drafting entity of the AA1000 series – AccountAbility (Institute of Social and Ethical Accountability, ISEA).⁷¹

Lastly, we observe a growing number of CR focused international, regional and national forums, such as the UN Business and Human Rights Annual Forum established to “discuss trends and challenges in the implementation of the Guiding Principles [on Business and Human Rights] and promote dialogue and cooperation on issues linked to business and human rights”.⁷²

4.2 ORGANISATIONAL GOVERNANCE AND PROCEDURES

The definition of the CR strategy and vision (commitment) is in charge of the management of the company (e.g. the board of directors/the CR unit), as part of the general policies of the organisation. In some case the commitment to CR principles is informal (no public statements or procedures), nevertheless there is a concrete impact on the strategic decisions of the company. This would be the case of, for example, the decision not to operate in specific fields of applications with high risk of misuse/dual use of innovation; the practice to regularly review behaviours of employees and suppliers to ensure professional and business integrity.

In others cases, ad-hoc tools, such codes of practice and ethical frameworks, are set by the management and applied at all levels of the company. The principles set in these codes regulate both internal organisations and the relationship with business partners (e.g. suppliers) and public authorities and bodies.

Companies formally adopting CR tools (such as the ones analysed in this report) and providing regular public reporting on CR performances, generally have a specific unit in charge of deploying and monitoring the company sustainability strategy and programs. The unit supervises application of CR throughout the organisation, interact with the various functions (country or business areas, sites, departments) in order to collect, analyse and review CSR initiatives and information.

Besides the management and CR, human resources, legal and marketing, as well as R&D for companies with relevant activities in this area, are the department generally most concerned with CR issues.

Most of information, in particular quantitative data (e.g. on environmental indicators) are generally produced within each specific function in the company (e.g. the production sites). Some companies might have external and/or internal audit procedures, in order to regularly review information from each function. Internal procedures might refer to an Audit Committee (generally composed of members of the board and/or executives of the company).

⁷⁰ ISO, The ISO Survey of Management System Standard Certifications – 2014.

⁷¹ <http://www.corporateregister.com/>, Accessed: March 2016.

⁷² United Nations Human Rights Office of The High Commissioner, “United Nations Forum on Business and Human Rights”, <http://www.ohchr.org/EN/Issues/Business/Forum/Pages/ForumonBusinessandHumanRights.aspx>

Large companies might set an autonomous supervisory board to ensure independent oversight and monitoring of the sustainability strategy, including any revisions that may be needed due to changes in business context (e.g. shareholders) and the normative framework.

Some companies, in particular in the biomedical field, are used to interact with ethical committees (e.g. research ethics committees, national ethics committees) on research and products.

There are various factors that could help increasing reliability and credibility of social responsibility activities of the company. From the analysis, two key aspects are including in the reporting both success and failure, and feedback from stakeholders (e.g. multi-stakeholder approach) and areas for improvement⁷³ and, as mentioned in some interviews, introducing performance targets for the management (defining remuneration) including also sustainability aspects.

4.3 RESEARCH AND INNOVATION WITHIN EXISTING CR MODELS

CR tools are meant for application to all companies' activities and business, and therefore also to research and innovation processes. However, as emerged by our analysis, CR tools or actions are generally not designed specifically for R&I. Ethics assessment of R&I in companies is explicitly mentioned/addressed only with respect to a limited number of specific areas and issues (see also annex 6.2). In particular:

In specific research areas where extensive regulation and guidance are already in place, such as:

- Research on humans and animals (e.g. clinical trials, stem cell research)
- Research having impacts on data protection and privacy of individuals (e.g. ICT)

In areas where research and innovation directly contribute to improve social, economic and environmental aspects, such as:

- Research on human health and welfare (e.g. pharma)
- Research to reduce environmental impacts, improve use of resources and resource efficiency (e.g. life cycle analysis)
- Research on products desirability, quality, reliability

In some areas related to business ethics and management, which are particularly relevant with respect to research and innovation:

- Human rights (e.g. in biomedical research)
- Scientific and professional integrity
- Excellence⁷⁴
- Innovation aiming to tangible benefits for society
- Innovation management, promote a culture of innovation

⁷³ Currents of change: The KPMG Survey of Corporate Responsibility Reporting 2015, KPMG International, 2015

⁷⁴ Excellence might refer to various aspects of the research and innovation process: scientific and technological excellence, encouraging innovation, develop competencies, quality, customer satisfaction, etc. (source: SATORI interviews to industry representatives)

- Products stewardship, products responsibility

For companies that focus heavily on R&D activities, CR will likely focus to a significant extent on the company's R&D activities, and will normally consider ethical aspects of this activity, such as the one reported above.

4.4 CHALLENGES AND OPPORTUNITIES

In this section, we address challenges and opportunities related to the implementation of corporate responsibility (and ethics assessment), basing on our analysis.

Lack of integration of CR tools

The vast number of CR tools including CR standards, global initiatives and assessment tools not only reflect the growing interest in corporate responsibility, but also give companies the opportunity to adhere to general CR principles (UNGPs, UNGC) and additionally choose among a variety of tools these that are the most relevant for the company's profile and activity. Nevertheless, this diversity of choices has also a strong disadvantage strongly emphasized by SATORI interviewees. This variety of CR tools lead to a confusion, which principles, standards and initiatives are core, on which CR aspects a company should focus on. Participation in CR tools causes costs both direct (e.g. ISO standards) as well as indirect (additional bureaucracy, internal audits).

Our respondents strongly emphasize that we do not need new CR tools, we need to start integrating currently existing CR tools in order to avoid an overlap and provide a clear, fully compatible and flexible CR framework. This CR framework should be multi-layered, providing general principles applicable to all types of actors as well as specific provisions suitable for different types and categories of actors (e.g. branches of industry).

Let us give an example of Sedex and B Corporation (B-Corp) that via the self-assessment they allow a company to "customise" a model that suits its features while not compromising the general CR requirements. Sedex is a not for profit membership organisation working with buyers and suppliers around the world to deliver improvements in responsible and ethical business practices in global supply chains.⁷⁵ Sedex on-line member only Self-Assessment Questionnaire (SAQ) – Through the questionnaire, Sedex asks members common questions regarding internationally accepted Labour Standards, Health & Safety, The Environment and Business Ethics requirements. Members also provide input through addressing key indicators of risk and maturity in terms of managing social, governance and environmental issues. Sedex is a cross-sector/multi-sector organisation, therefore while there is only one SAQ, depending on the suppliers profile the questionnaire filters questions that are relevant for that specific profile. Currently, Sedex is working on introducing a new modular functionality to provide greater specification for certain customers or sectors.⁷⁶ B-Corp Certification is a private certification for B Corps – for-profit companies certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.⁷⁷ The B-Corp community consists of more than 1,400 Certified B Corps from 42 countries and over 120 industries working together toward 1 unifying goal: to redefine success in business.⁷⁸ The B Impact Assessment is an assessment tool that builds upon the

⁷⁵ <http://www.sedexglobal.com/about-sedex/>

⁷⁶ Based on SATORI interview with Sedex.

⁷⁷ B-Corp, <http://bcorporation.eu/>

⁷⁸ Ibid.

work of other organisations and industry groups to define and measure impact, e.g. GRI.⁷⁹ Furthermore, it is tailored to the size (number of employees) and type (sector) of business when an organisation registers on the B Impact Assessment.⁸⁰

We also observe a tendency that CR tools are being updated, so they refer to each other. This change ensures that the standards are aligned and that fulfilling the requirements of one framework helps to comply with the others, e.g. OECD Guidelines refer to UNGPs, and the UNGC cooperates with GRI. This seems to be a positive change that improves the integration of various CR tools.

Voluntary character of CR tools and lack of transparency

Despite the growing awareness and the number of companies declaring their commitment to CR standards, the actual adherence to CR principles and guidelines remain unclear. The participation in the majority of CR tools is voluntary, and therefore they lack “teeth” – legal consequences. The CR tools provide the verification procedures of the fulfilment with their requirements. The supervisory institutions oblige companies to submit reports, which however are internal reports not available for the general public. Individual reports on the actual performance are hardly accessible. Therefore, although CR tools promote transparency, it is up to a company to decide what information and in which way should be communicated to the public. Furthermore, the participation/certification should not be granted indefinitely. The adherence to the CR tool’s requirements should be verified regularly. A relevant example of a good practice is provided by the UNGP, which introduced the annual Communication on Progress (COP). COPs are made publicly available on the Global Compact website at the moment they are submitted by the participant.⁸¹ Nevertheless, the UNGC also categorizes COPs into three differentiation level based on the depth of their disclosure.⁸²

CR and financial reporting

For large, multinational companies adoption of social responsibility approaches is becoming a conventional business practice. An increasing trend, at least for large corporations as noted SATORI respondents, is to integrate social responsibility reporting into financial reporting. This is also due to normative requirements for reporting of sustainability data by company introduced by different countries in the world,⁸³ including the recent EU Directive 2014/95/EU on disclosure of non-financial and diversity information. The Directive requires large companies with more than 500 employees, and other public-interest entities, such as banks and insurance companies “to disclose in their management report, information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors.”⁸⁴ The scope includes approx. 6 000 large companies and groups across the EU.⁸⁵

⁷⁹ B-Corp, <http://bimpactassessment.net/how-it-works/frequently-asked-questions/top-10#how-does-this-relate-to-other-impact-measurement-systems>

⁸⁰ Ibid.

⁸¹ UNGC, The Communication on Progress (COP) in Brief, <https://www.unglobalcompact.org/participation/report/cop>

⁸² Ibid.

⁸³ Countries such as France, Norway, Denmark, UK have mechanism in place requiring companies, generally public companies or companies listed in the stock market, to report on SR. Obligations could be related to specific issues (e.g. carbon emission) or general reporting on SR. See: KPMG International “Currents of change: The KPMG Survey of Corporate Responsibility Reporting 2015”, 2015.

⁸⁴ http://ec.europa.eu/finance/accounting/non-financial_reporting/index_en.htm

This way social and environmental responsibilities are fully integrated in the decision-making process and core business of the company. Integrated reporting is also a way to better monitor the broad and longer-term consequences of the organisation decisions and results. The effectiveness of the Directive depends however on its transposition to the national legal systems. In the opinion of a number of companies interviewed for SATORI purposes, the Directive may have a negative impact on companies' innovativeness. The main concern regards additional bureaucracy and therefore increased costs. This is particularly challenging for SMEs. On the other hand, non-corporate respondents, such as human rights institutions, consider the Directive as a useful tool, particularly regarding transparency. Although, they feel the Directive itself is not strict enough, and therefore there is a risk that the EU Member States will not be ambitious when transposing it into the national laws.

Lack of a strategic approach

CR tools in the form of CR principles require organisations to focus on particular topics, such as anticorruption (e.g. Business Principles for Countering Bribery Although), labour rights (e.g. Ethical Trading Initiative (ETI) Base Code) or responsible supply chain (e.g. Conflict Free Sourcing Initiative related to conflict-free minerals). Furthermore, the majority of large multinational corporations have CR strategies. Nevertheless, our research shows that in practice, these strategies focus on a limited number of activities or issues (e.g. supply chain, the environment, gender equality, animal rights).

This strategy (prioritising) might be perceived as a too pragmatic approach. Regardless of greatly advertised CR tools, many companies lack a real strategic approach to CR, which would entail a “business strategy that is integrated with core business objective and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in a day-to-day business culture and operations.”⁸⁶

Lack of a strategic approach to Research and Innovation

As shown in the previous section, R&I is poorly addressed by corporate responsibility research ethics. It is not without a reason. A great majority of research ethics topics in this area is already comprehensively addressed at national, EU and international level (e.g. human embryonic stem cell (hESC) research, clinical trials, children, animals, bioethics, dual use, biosafety). Despite this variety of initiatives, we face the absence of strategic CR tools explicitly devoted to R&I activities (e.g. Responsible Research and Innovation tools⁸⁷) that would be integrated within a broader CR framework. Taking into consideration the expectations of the SATORI respondents emphasizing the need of efficiency, a models for ethics assessment and guidance in industry should be integrated within already existing CR framework. Therefore, at the general level it should refer to CR global initiatives, standards and principles. At the same time it should be specific for the R&I field. Additionally, the model should be flexible in order to provide an opportunity to “tailor” the model as an individual approach well-suited for the needs of an individual company.

⁸⁵ Ibid.

⁸⁶ Kellie McElhane, A Strategic Approach to Corporate Social Responsibility, pp. 30-36, [p. 31], Available online, accessed March 2016: [http://responsiblebusiness.haas.berkeley.edu/documents/Strategic%20CSR%20\(Leader%20to%20Leader,%20McElhane\).pdf](http://responsiblebusiness.haas.berkeley.edu/documents/Strategic%20CSR%20(Leader%20to%20Leader,%20McElhane).pdf)

Implementation drivers and obstacles among SMEs

Though the majority of users of CR tools are large. Normative and competitive requirements, including performance and efficiency considerations, are acting as drivers for large companies to adopt CR. Nevertheless, the interest of SMEs is also increasing. Drivers for SMEs participation include increase of reputation of the company (and thus marketing opportunities), access to capital markets, supply chain requirements from multinational companies.⁸⁸

The majority of the CR tools are designed for multinational companies, for instance the OECD Guidelines and the GRI reporting framework. Nevertheless, some of these standards and guidelines can be tailored to address the needs of SMEs.⁸⁹ Particularly, ISO26000 could serve as a practical tool for SMEs.

In terms of reporting, small and micro-enterprises might face difficulties in doing it individually.⁹⁰ For this reason, business is exploring alternative approaches for smaller actors, such as a cluster approach – a group of SMEs.⁹¹ For example, the GRI is exploring a cluster approach to sustainability reporting through collaborating either to report as a group or receiving training as a group of SMEs of the same sector and location.⁹²

In the case of the UNGPs, they require business enterprises to respect human rights. This responsibility applies to all enterprises regardless of their size, sector, operational context, ownership and structure. However, Principle 14 recognizes that ‘the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise’s adverse human rights impacts’. It is particularly important for SMEs, which may have less capacity as well as more informal processes and management structures than larger companies. Hence, SMEs’ policies and processes will take on different forms. Severity of impacts will be judged by their scale, scope, irremediable character, and depending on whether, and the extent to which, it conducts business through a corporate group or individually.

For instance, data and information needed for reporting for smaller and less complex organisations, as SMEs, is much lower than for large and the reporting process is generally easier. However, SATORI research based on interviews with SMEs representatives for WP1 shows that resources (human, financial, information, and physical) to develop and maintain CR activities, in particular the initial setting of the process and systems to gather information required for reporting, remains a main bottleneck for adoption of CSR procedures in SMEs.

When looking at the experience of the SMEs interviewed by SATORI, all of them consider social responsibility principles as relevant for their business. They would be in favour of adopting CSR tools, or other approaches providing ethical guidance, nevertheless they often lack resources to do it. Therefore, for most of them implementation is realized through informal procedures. All of them emphasise that the regulatory context in which the

⁸⁸ GRI Learning Series, GRI Sustainability Reporting: How valuable is the journey?, <https://www.globalreporting.org/resource/library/Starting-Points-2-G3.1.pdf>

⁸⁹ Heidi von Weltzien; Høivik Deepthi Shankar; “How Can SMEs in a Cluster Respond to Global Demands for Corporate Responsibility?” 101:175–195 in *Journal of Business Ethics* (2011); [p. 185].

⁹⁰ Heidi von Weltzien; Høivik Deepthi Shankar; “How Can SMEs in a Cluster Respond to Global Demands for Corporate Responsibility?” 101:175–195 in *Journal of Business Ethics* (2011); [p. 185].

⁹¹ See e.g. Heidi von Weltzien; Høivik Deepthi Shankar; “How Can SMEs in a Cluster Respond to Global Demands for Corporate Responsibility?” 101:175–195 in *Journal of Business Ethics* (2011).

⁹² GRI, “Starting Points: GRI Sustainability Reporting: How valuable is the journey?”; 2011; [p. 57].

company operates is an essential reference for the company with respect to ethical and social issues.

5 CONCLUSIONS AND RECOMMENDATIONS FOR SATORI WORK

This report analyses good practices in ethics assessment and guidance, with a focus on R&I processes and Corporate Social Responsibility. The scope is to identify ideas and approaches to inform the development of the SATORI framework for ethics assessment of R&I.

While the study shows there are several drivers for industry to undertake ethics assessment, including key business factors such as improving competitiveness, branding and costs, it also pinpoints important challenges and bottlenecks, including additional costs, bureaucracy, failures of self-regulation mechanisms.

The activity and work done in the last decades on social responsibility in the business sector has been huge. Initiatives at all level (regional, national, multi-national, from companies, government, social actors, etc.) have been established and implemented in the daily business of thousands of companies around the worlds. Wide multi-stakeholders approaches are already in place to maintain and update these tools.

Interestingly, the specific concept of R&I is not addressed by these tools in comprehensive manner, with few or no actions designed explicitly for this issue. Therefore, the work of SATORI could provide an added value to these tools by introducing a strategic ethics assessment model explicitly devoted to R&I activities that would be integrated within a broader CR framework.

Approaches might be different in terms of the scope and themes considered, but there are several common procedures, tools and experiences emerging by the report analysis. We want to emphasize the following common procedures, tools and experiences as good practices:

- Define the domains of influence and responsibility of an organisation over its impacts
- Identify what are the relevant topics and prioritize the most important ones for the organisation
- Apply due diligence process in the evaluation of impacts
- Ensure commitment of executives to ethics assessment
- Set a strategy for ethics assessment, based on a structured, step-by-step, procedure (e.g. Plan, Do, Check, Act cycle).
- Ensure a flexible, modular, incremental process (tailored to the organisation type and needs)
- Define responsibility for ethics assessment along all the hierarchy of the organisation
- Ensure credibility of actions:
 - ensure transparency and accountability of the ethics assessment process
 - engage with stakeholders to evaluate and review impacts and actions; adopt multi-stakeholder approaches
 - regularly communicate results on ethics assessment
 - provide ways for third part evaluation, external assurance of ethics assessment
- promote training and capacity-building on ethics assessment

6 ANNEXES

6.1 KEY ACTORS FOR ETHICS ASSESSMENT AND GUIDANCE OF R&I IN INDUSTRY

Role/involvement of key actors for ethics assessment identified by the SATORI project, in ethics assessment and guidance of R&I in industry

Organisation	Role/involvement in ethics assessment and guidance of R&I in industry
Research ethics committees (RECs), National Ethics Committees (NECs)	Might perform ethics assessment of R&I activities of industry (e.g. basing on regulatory requirement, in cooperative research projects, upon request of industry)
Governmental organisations	Develop, evaluate, monitor, and promote ethical procedures within the existing regulatory framework;
Universities & research institutes, Associations of universities & research Institutes	Stakeholders in the R&I process (e.g. cooperative research projects)
Research funding organisations	Develop and promote ethical procedures (e.g. for specific research funding mechanisms)
Academic, professional organisations in R&I	develop ethical guidance (e.g. codes of practice), and support members to comply with existing ethical & professional standards. Focus on professional conducts
Companies	Develop, apply, and perform ethics assessment
Business & industry associations	Develop ethical guidance (e.g. codes of practice), and support members to comply with existing ethical & professional standards. Focus on business ethics.
Civil Society Organisations (CSOs) e.g. consumer and users organisations	Stakeholders in the R&I process (end-users of R&I results). Encourage moral behaviour
Standards organisations	Develop ethical guidance
Certification & accreditation organisations	Evaluate and monitor ethics assessment of industry
Individuals	Stakeholders in the R&I process (end-users of R&I results). Individual researchers, practitioners, experts provide consultancy and advise to industry

6.2 DESCRIPTION OF KEY SOCIAL RESPONSIBILITY TOOLS SCOPE AND PRINCIPLES

ISO26000:

The ISO 26000 norm has been published in 2010, and it is one of the most comprehensive framework for social responsibility. The work for the development of the document involved more than 400 experts, 200 observers from 99 countries and 40 international organisations. A wide stakeholder, regional and gender balance was achieved during the process). Since 2010, more than 75 countries have adopted ISO 26000 as a national standard⁹³.

ISO 26000 contains voluntary guidance and requirements, it is not a management system and thus cannot be used for audits and third-party certification. It is meant as a tool for self-analysis and self-improvement.

ISO 26000 is structured in seven overarching principles, and seven core subjects with 37 underlying issues.

Vision: provide guidance to all types of organisations, regardless of their size or location, in integrating, implementing and promoting social responsibility within the organisation and its sphere of influence and contributing to sustainable development.

Key principles: accountability, transparency, ethical behaviour, respect of stakeholders' interests, respect for the rule of law, respect for international norms of behaviour, and respect for human rights.

Core subjects: human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development

Explicit reference to R&I⁹⁴: Ethical behaviour when conducting research with human subjects and with animals (respecting the welfare of animals). Respect and recognition of property rights, including intellectual ones. General indication to promote innovation in tools and procedures to reduce impacts (e.g. innovations improving the environmental performance of the organisation).

Global Reporting Initiative

GRI is a multi-stakeholder organisation that develops a sustainability reporting framework aiming to provide guidance on how to present (“disclose”) environmental, social and economical performances of any kind of organisations, but in particular companies, in a transparent, consistent, useful and credible way to market and society. The work of GRI started in 1997, the last (4th) version of the GRI has been launched in 2013. It is one of the most widely used sustainability reporting guideline in the world, with the majority of largest world corporations applying CSR adopting it⁹⁵.

⁹³ <http://www.iso.org/iso/news.htm?refid=Ref1691>; ISO Focus, Volume 2, No. 3, March 2011, ISSN 1729-8709

⁹⁴ Basing on key words search in the document

⁹⁵ Currents of change: The KPMG Survey of Corporate Responsibility Reporting 2015, KPMG International, 2015 - www.kpmg.com/crreporting

GRI includes specific requirements and indicators, allowing for both self-assessment and auditing/certification by a third party of sustainability performances. GRI has a modular structure, including principles, areas of disclosure of impacts, management procedures and indicators. Overall, GRI includes hundreds of assessment criteria (or areas/standards of disclosure).

Vision: support a sustainable global economy where organisations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently

Principles for defining report contents and boundaries: materiality⁹⁶, stakeholder inclusiveness, sustainability, context and completeness

Principles for defining report quality: balance, comparability, accuracy, timeliness, clarity and reliability

General standard disclosures, providing recommendations for actions in the following areas: strategy and analysis, organisational profile, report parameters (material aspects and boundaries), governance, stakeholder engagement, commitments to external initiatives, ethics and integrity

Specific standard disclosure, providing assessment criteria and performance indicators related to the following aspects: economic, environmental and social (labour practices and decent work, human rights, society and product responsibility)

Explicit reference to R&I: disclose information on: funding received by research and development grants; contributions given to research institutes; investments in research and innovation (with reference to environmental protection); provide information on assessment of health and safety impacts during R&D activities.

Interesting for the assessment of impacts are the basic concepts of report boundaries⁹⁷ and value chain⁹⁸, including actors along the supply chain of the company, as well all other subjects influenced by the company activity (e.g. customers). These provide a framework for describing impacts that occur both within and outside of an organisation, and help to ensure the principle of completeness is addressed.

OECD

The first version of the OECD Guidelines for Multinational Enterprises (OECD Guidelines)⁹⁹ was adopted in 1976, and has been revised over the time including the latest revision from 2011. The OECD Guidelines provide “recommendations addressed by governments to multinational enterprises operating in or from adhering countries.”¹⁰⁰ The document serves as

⁹⁶ material aspects covering relevant economic, environmental and social impacts of the organisation

⁹⁷ In GRI report boundaries refer to all entities “over which the reporting company exercises control or significant influence both in and through its relationships with various stakeholder groups including suppliers and customers

⁹⁸ GRI defines the value chain as: “it consists of the parties that are linked by the organisation’s activities, products, services, and relationships and may therefore impact and be impacted by the organisation.”

⁹⁹ OECD, “OECD Guidelines for Multinational Enterprises”, 2008, at: <http://www.oecd.org/investment/mne/1922428.pdf> updated edition 2011, at:

<http://www.oecd.org/investment/mne/48004323.pdf>

¹⁰⁰ Ibid., [p.3].

a comprehensive code of responsible business conduct determining “non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.”¹⁰¹

The OECD Guidelines are commonly used by the business community, who refers to this soft law instrument in many codes of conduct and CSR frameworks. The document evolved and developed significantly over time, from a system of norms to a substantially complete principles-based rule code.¹⁰²

Vision: The OECD Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide; and to minimize the difficulties to which their various operations may give rise.

Key principles: responsible business conduct; good corporate governance; due diligence; responsible supply chain management; sustainable development; local capacity building

Core subjects: Disclosure; Human Rights; Employment and Industrial Relations; Environment; Combating Bribery, Bribe Solicitation and Extortion; Consumer Interests; Science and Technology; Competition; Taxation

Relevance for R&I¹⁰³: encourage innovation capacity, cooperative research at local and national level), licensing of innovation , exploitation of R&I results and impact at national level, R&I to improve environmental performances

UNGPs

The UN Guiding Principles on Human Rights and Business (UNGPs) were developed by John Ruggie, the Special Representative of the Secretary-General (SRSG) on the issue of human rights and transnational corporations and other business enterprise. Over the time, the UNGPs have become an authoritative global reference point for business and human rights since their publication in March 2011. The Guiding Principles apply to all States and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure (UNGP 14).¹⁰⁴ The guidelines have been drawn upon by ISO (26000), GRI and the OECD in the development of their own guidelines. The UNGPs consist of foundational principles and operational principles.

Vision: Guidance on preventing and addressing the risk of adverse impacts on human rights linked to business activity.

Key principles: human rights, fundamental freedoms, obligations toward applicable laws

¹⁰¹ Ibid., [p.3].

¹⁰² Backer, Larry Catá, “From Institutional Misalignment to Socially Sustainable Governance: The Guiding Principles for the Implementation of the United Nation’s ‘Protect, Respect and Remedy’ and the Construction of Inter-Systemic Global Governance” *Pacific McGeorge Global Business & Development Law Journal*, 2011, 5 September 2011; and pp. 69-171 in *Scholarly Works. Paper 36*, 2012, p. 73, at: http://elibrary.law.psu.edu/fac_works/36

¹⁰³ R&I is dealt with in two chapters: Science and Technology (Chapter IX) and Environment (Chapter VI).

¹⁰⁴ <http://www.humanrightsatwork.nl/en/un-guiding-principles-for-business-and-human-rights/>

Core subjects: human rights, business, regulation, remediation of breaches (in human rights)

Explicit relevance for R&I: innovative and practical approaches of companies to avoid contributing to human rights harm in conflict-affected areas.¹⁰⁵

UNGC

The United Nation Global Compact (UN Global Compact) was launched in 2000 and is the platform for business to act on global goals,¹⁰⁶ and a call to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.¹⁰⁷ The initiative brings together approx. 8,000 signatories and stakeholders in more than 135 countries.¹⁰⁸

Vision: The UN Global Compact aims at creating a sustainable and inclusive global economy that delivers lasting benefits to people, communities and markets.^{109, 110}

Key Principles: sustainability; shared responsibility; responsible business; collaboration and innovation, UN Sustainable Development Goals,

Core subjects: Human rights; Labour standards; Environmental principles; Anti-corruption Principles

Relevance for R&I: Research to improve knowledge base for environmental responsibility (including application of the precautionary principle), R&I to develop environmentally friendly technologies and

¹⁰⁵ UNGPs, Commentary to Principle 7, 2011, [p. 9].

¹⁰⁶ <https://www.unglobalcompact.org/>

¹⁰⁷ <https://www.unglobalcompact.org/what-is-gc>

¹⁰⁸ <https://www.unglobalcompact.org/what-is-gc/participants>

¹⁰⁹ <https://www.unglobalcompact.org/what-is-gc/mission>

¹¹⁰ Ibid.

6.3 METHODOLOGIES FOR ASSESSMENT OF IMPACTS

The analysis of the CR tools in paragraph 3 shows that there are a number of methodologies for the assessment of impacts (ethical, social, environmental impacts) that are explicitly mentioned by these initiatives. These are summarized in the table below. No further methodologies emerged from SATORI interviews with industry representatives.

CSR tools- Assessment method	ISO 26000	GRI	OECD guidelines	UNGPs	UNGC
Environmental impact assessment	X	X	X	X	X
Supplier environmental assessment		X			
Life cycle assessment	X	X			X
Impact assessments for labour practices; Supplier assessment for labour practices		X			
Social impact assessments		X		X	
Human rights impact assessment (HRIA)	X	X	X	X	X
Human rights due diligence			X	X	X
Risk assessment, risk management and risk communication					X
Risk assessment (health risks)	X	X		X	
Risk assessment (preventing and detecting bribery)			X		
Due diligence (risk-based)	X	X	X	X	
Multi-stakeholder initiatives and social dialogue on responsible supply chain management			X		
Precautionary approach					X
Technology assessment (e.g. environmental technology assessment enTA)					X
Corporate environmental footprinting, eco-design					X

Table 1: Methodologies to perform impact assessment explicitly mentioned in the CSR tools analysed in paragraph 3 and the SATORI interviews.