



Report

# Making a difference

## Conference on Corporate Social Responsibility

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## A Symposium on Corporate Social Responsibility

What can companies do to make a difference in countries where living conditions are far from optimal and human rights are not always respected in a desirable way? What efforts are undertaken, and what dilemmas do they face doing so?

On April 23, 2002, a symposium on this subject was held in the former House of Representatives of the State General in The Hague. The initiative for this meeting was taken by the Dutch Democratic Party, D66. This report reflects the contributions of different speakers and the discussions that followed. First the context is pointed out, following the invitation letter. This report ends with a summary and conclusive remarks from the organisers.

### Making a difference

*Corporate Social Responsibility* (CSR) is all about the trade-off faced by producers between being responsible to the well-being of the people on the one hand, and making profits on the other hand. The challenge is to create 'win-win' situations where the interests of producers and consumers, employers and employees, private and public interests are served in a way that results in optimal societal welfare. Contributions can either be made in the short term (directly, to the companies' workers) or in the long term (indirectly, by improving the economy of the country), or both.

Companies and governments also realise that ethical issues are increasingly becoming more significant. Pressure from various interest groups can influence the results of policies. Therefore, the stakeholder approach, as opposed to the more traditional shareholder approach, is becoming part of strategic management. Governments are facing the challenge to support such strategic goals.

Corporate Social Responsibility differs from more classical business strategies not only because of its focus on moral values, but also in taking into account the different categories of stakeholders:

- Those who can influence the activities of the company (e.g. owners, banks, workers, labour unions, government)
- Those who bear the consequences of the activities and may *possibly* influence the policy (e.g. (inter) national environmental interest groups, human rights activists).

And yet there is third group of stakeholders: people that are not able to influence the activities of companies and who do not have a direct relation with companies: They are the voiceless poor. Nevertheless, it is a challenge to all stakeholders to involve the poor in an economy that also serves their interests. *This would be really making a difference...*

The conference focused on dilemmas that emerge when implementing a CSR-policy in practice:

- Should companies invest or not invest in a country which have a poor record on respecting basic human rights? This means choosing between whether or not to support the population by providing

work (and income) and at the same time giving support to a government that does not seem to be interested in guaranteeing basic human rights.

- How high should the wages be that are paid to workers in countries with low labour cost? Very low wages are bad for the company's reputation and the workers' motivation, very high is bad for profitability and thus employment.
- How much should a company invest in matters like educating the work force (which makes workers more productive), improving working conditions, or the local physical environment (which makes the company a better employer)?
- Should a company use child labour? And if so, should it impose maximum amounts of working hours, should it send the children to school (built by the company itself or local ones) and if yes for how many hours?
- If companies pay above-market level wages, which are not compensated for by higher productivity of workers, how should it appeal on rich-country consumers' desire to contribute to a better society?
- To which extent can company's "copy" Western values, such as a non-discriminatory policy with regard to wage-differences based on gender, to societies where actual societal norms and values differ from this "Western" ideal?

The speakers put forward their practical experience in a dialogue. They introduced possible steps to be taken and suggested how to make a difference to peoples, countries and their economies.

### The meeting

**Mr Huppers** opens the meeting, memorises the beautiful environment full of parliamentary history. He announced eight presentations about a theme that is very popular at the moment. Within ten days the subject of Dutch companies operating abroad was being discussed at four different conferences. The wish of this day is to get an insight into the dilemmas that companies, but also trade unions and other actors, are confronted with. In the first block of two hours will give an insight from different perspectives: from government, companies, banking institutions, NGO's and trade unions. The last 45 minutes are reserved for debating a few issues that came up during the presentations and the questions that followed. Mrs Jones-Bos, ambassador for Human Rights of the Dutch Ministry of Foreign Affairs will set the scene of the theme of today Corporate Social Responsibility, as first speaker.

**Mrs Jones-Bos** thanks the organisers, D66 and NCDO, for organising the event in this overwhelming surrounding. The theme Corporate Social Responsibility is indeed getting more and more attention, and is gaining in importance worldwide. It has increasingly become a part of the human rights debate. In the book 'Beyond Voluntarism', that was recently published, it is rightly stated that "Of course insisting that companies behave in an appropriate fashion is not new. What is new is the degree to which such expectations are being recast in human rights terms, and the degree to which new human rights claims are being advanced in relation to the private sector. The spotlight of human rights concern, traditionally focused on governments ... " (and we at the Ministry of Foreign affairs know all about that) "... is now increasingly turned on the conduct of the private actors, including business..".

There are many dilemmas, and we do not always have clear cut answers. Nor do we always have enforcement mechanisms. It is good that in this audience there are not only Dutch people: we have a tendency of discussing these things amongst ourselves. Thank you for this more global perspective.

Human rights and foreign policy. The Dutch minister of Foreign Affairs, Van Aartsen, has called human rights the Red Thread, that is supposed to go through all the areas of attention. Why is human rights part of our policy: who tells us to do that? For this we should go back to the period around the Second World War, when the charters of the United Nations came into being, and the Universal Declaration of Human Rights in 1948. A further six important covenants and treaties were developed in the 60ies, 70ies and 80ies, as well as countless following statements, declarations and resolutions. So we have a massive framework of human rights policies. This is an international legal framework, and it means that dealing with human rights and foreign policy is not just a hobby of the Dutch government, but it is a legal obligation we have.

What is the objective? It is a very ambitious goal: to promote and protect human rights all over the world, to contribute to freedom, justice and human dignity for all. A very tall order indeed. The underlying principles are:

- universality (Kofi Annan: "Doesn't an African mother cry when her son or daughter is being maimed or tortured by an agent of repressive rule?"),
- legitimacy (World Conference on Human Rights in Vienna 1993: "Dealing with human rights is a legitimate subject of concern for the international community, and differs from interference in the internal affairs."),
- equality of civil and political rights, as well as economic, social and cultural rights (this debate goes back to the Cold War when one part of the world stressed the civil and political rights, and the other part the economic, social and cultural rights. We are convinced that they are equally important: the one side actually strengthens the other), and finally
- effectiveness (what end does it reach?).

How do we bring them into practice? First of all, as governments do, by developing international norms and standards. For many decades colleagues of the Ministry, diplomats, but also lawyers from the universities politicians have actively contributed to the massive framework I mentioned. Not just for the UN, but also the Council of Europe with the European covenant on human rights, we have the Organisation for European Security Cooperation (OESC) with the final Act of Helsinki, and countless other statements, and recently the European Union that has grown from an economic community to a community of norms and values that has human rights as part of its policies.

What happens to these norms and standards? They need to be monitored and supervised. Many mechanisms have been called into being within the Geneva framework of the Human Rights Commission. Special rapporteurs on thematic issues, on country situations, treaty committees that see what governments do with the obligations, and also a country like the Netherlands is subject to the supervision of these treaty mechanisms. And then implementation, which is always the hardest part of any policy. In international relations we try to do this through cooperation, support, encouragement, dialogue, and mechanisms that actually help countries to evolve structures and develop their own mechanisms. Our Development Cooperation Programme, which is more than 3.5 billion Euros on a yearly basis, is one huge contribution to the realisation of economic, social and cultural and rights. But actually also to civil and political rights, because increasingly development cooperation is seen not as charity but as a right.

Who are the partners? Governments are the first ones that are responsible for the implementation of the human rights treaties that they have signed and ratified. But more and more other players become involved. NGO's have been active already for a long time, civil society, the churches, universities, thinktanks, the media (i.e. by denouncing human rights violations), and also increasingly the business community. And that brings us to the topic of today business and human rights.

A business leader told her that for a long time conventional wisdom amongst business leaders might have been stated as follows: "Human rights are an issue for governments and NGO's, not for business whose primary responsibility is to earn economic returns for the benefit of their employees and shareholders." This assumption has been challenged by a variety of interested parties, including NGO's, the international press, elements of the investment community, and indeed increasingly also by business leaders themselves. However, what is difficult is to find amongst these partners an agreed understanding, a theoretical framework for a new understanding of business role in promoting and protecting human rights. So let us see if there is such a framework.

Are all the documents and treaties as mentioned before applicable to business as well as governments? The key document is the Universal Declaration of Human Rights. It consists of a preamble, some nice introductory paragraphs, and 30 articles dealing with civil and political rights, but also economic, social and cultural rights. With the latter you should think of the right to just conditions of work, the right to education, to health. Civil and political rights include the right to fair trial, freedom from torture, freedom of religion etc.. The preamble calls for its provisions to be supported and promoted by: "... every individual and every organ in society." So this must be taken to include business community as well. The same we could say of the many other documents and codes of conduct, including the ILO Conventions.

We have the tripartite declaration of principles concerning multinational enterprises and social policy: a declaration in the creation of which businesses have participated together with governments and trade unions. They are dealing with issues like child labour, forced labour, labour conditions, equal pay for equal work, and these are directly applicable to business. Then we have the recently upgraded and updated guidelines for multinational enterprises of the OECD. They are not obligatory, but they play an important role in the opinion of the Dutch government. The conventions as mentioned have been translated into national law, to which companies are subject to like anybody else.

So there is an emerging body of standards for companies regarding human rights. But what is lacking is clarity on what it means in practice. What does it mean if NGO's say that companies violate the Universal Declaration of Human Rights? What case do they have in the court of law? Here, further research is needed, and several universities in the Netherlands as well as abroad are working out the legal aspects of these obligations.

Then we come to voluntary approaches, on which a lot of progress has been made in recent years. Many companies have adopted codes of conduct. Some of these go beyond minimum standards, and they are adapted to the specific circumstances of particular industries and countries. So they can be effective and have a beneficial effect. The Dutch government welcomes these voluntary activities because it contributes to the realisation of human rights as a common standard of achievement.

Monitoring mechanisms there are for the various human rights treaties: do countries actually do what they have promised? For the OECD guidelines there are national contact points, where complaints can be lodged and are being lodged already at the moment.

What else can a government do, apart from participating in setting international standard, rules and regulations, and being involved in monitoring? The Dutch government supports international initiatives. We have the global contact of UN secretary general Kofi Annan. The World Bank has set up a similar initiative called 'Business Partners for Development'. The idea is that companies commit themselves to 9 principles related to human rights, the environment and labour rights. After doing so, companies share regular information on measures they have taken, best practices, etc.. We provide funding for activities in developing countries. When the Minister of Development Cooperation gives subsidies to companies, she requires them to commit themselves to the OECD guidelines. Funding is not provided to countries that are subject to sanctionary measures of the international community. Also the resolution of the ILO comes to mind calling upon companies not to invest in Burma. The Ministry of Foreign Affairs provides information to companies on a regular basis and on request on the human rights situation in countries where businesses consider to invest.

Furthermore we invest in strengthening national capacity. Particularly in developing countries, but also in Eastern Europe, often the problem is that governments lack capacity to make decent laws, to have a properly functioning jurisdictionary, to have a system where complaints can be addressed. We also invest in strengthening local civil society, the checks and balances that are necessary in every government. Then there are initiatives such as the voluntary principles on security and human rights. The Dutch government has joined the UK and the US there. These are recommendations to oil, gas and mining companies, and they deal with human rights violations that potentially can be committed by security personnel. The Dutch embassies form a big network abroad, and the issue of corporate social responsibility is being put on their agenda. Child labour in particular is a subject very close to the heart of the Minister Herfkens of Development Cooperation. She has been very active in this field, in the framework of the development cooperation program, in policies, but also in practical initiatives such as a partnership with UNICEF, with the ILO (the IPAC programme, attacking the worst cases of child labour).

Now we come to the dilemmas. In countries with a terrible human rights record like Iraq or Burma it is not so difficult to decide not to invest. But what about the many in between countries, where it is maybe not so bad, but a lot of things remain to be desired? Do you choose for isolation or for engagement? What is the most effective way to improve the human rights situation? In the paper some points are mentioned. Does a company's responsibility extend beyond the workplace? In some ways: yes. But there could also be a danger. Should companies provide roads, health care, education, or is that a task of the government?

Who decides what the standards and norms of that education, health care, and roads should be? What happens if the company leaves the country, and suddenly that part of the country is left without these facilities? Immediate answers are lacking, and should be discussed. Should large companies use their influence to reform oppressive laws or bad practices of governments? On one hand: yes, because they are in the position to do so and to improve the situation. But then remember Chile in the 60ies when this influence of companies were seen as a very negative impulse. Should companies apply the same standards to places where they operate, i.e. for health or safety at the workplace? Or is it sufficient to comply with national law? What if that national law in Bangladesh or in Surinam is of much lower standard than in the Netherlands? Who should monitor to what degree companies live up to their undertakings with respect to human rights. And what should business do in war situations. This is the issue of failed states, the conflict diamonds. And for all these issues government asks itself how much it can do on its own. How effective is it if we in the Netherlands decide to do something while the rest of the world does not go along?

The Dutch government is convinced that companies can make an important contribution to the respect of human rights, by applying internationally recognised norms and standards in practice, by leading through example. Mrs Jones-Bos is convinced that in the long term also commercial interests benefit from good governance and respect for human rights. It is crucial that governments, business, and companies, NGO's, international organisations universities, work together, as you have brought everybody here, and works out in further detail what it takes to we need to do give 'hand and feet' to the human rights principles. A meeting like this is a good start.

**Mr Homé, Heineken beer brewery, director Africa** regretted that he did not bring some products along. Heineken is present in 13 African countries, among them Sierra Leone, Angola, Rwanda, Burundi, Congo Kinshasa. So Heineken has some experience in very unusual environments. I have been in charge of this department for 10 years. I apologise for going a bit beyond the theme of human rights. I consider CSR to go beyond human rights. Amongst the dilemmas we face is corruption. At Heineken people are fully aware of their responsibility towards their employees and the cultures in which they operate. I think ours roots as a family business based on family values provide for a special kind of compassion, that constitutes a fertile soil for what nowadays are defined as corporate social responsibility. For Heineken the question is not if it wants to engage in it, but how?

There are two models. One is of a strict and uniform code of conduct. Although in many companies good results are being booked, Heineken does not believe that in our companies this would work. Heineken employs some 40.000 people in over 50 countries, out of which 8.000 in 13 countries in Africa. All these people have their own peculiarities, their own culture and their own values. It is practically impossible to impose the same set of values in all these countries. If we look at the way western values were transposed by missionaries in the first 80 years of the last century, maybe we have to look for alternatives.

In searching for alternatives we have developed a programme called: 'Responsibility Management'. This programme stimulates local, internal and external dialogue on the establishments of behavioural guidelines for a company on the basis of centrally determined policy. The cultural translation of our company values and principles is thus achieved. It is good to let the local company assess which problems occur in their society and give local content to central policies. Responsibility Management and the policies that derive from it to us is not an endgame: it is a phase in the establishment of our place and role in the societies in which we operate. It is a journey rather than a reaching our destination, and as both the company and societies continue to evolve, I am sure we will never reach the final destination. It is a moving target.

Let me briefly discuss some issues and dilemmas that our people are confronted with on a nearly daily basis. It is larger than human rights.

Firstly, the issue of corruption. Many of the developing countries are high on the list of Transparency International. Fortunately, in most cases this is not the reflection of the political will in a country, but unfortunately, it is a way of life that governments seem unable to tackle, despite many good programmes that have been put into place.

In my experience, the cases of companies offering large sums of money to government officials or politicians in order to obtain a certain competitive advantage are very limited and decreasing. At Heineken we have a strict policy not to engage in this form of corruption already for a long time. However, the cases of lower government officials asking money as a condition to do what they are supposed to do anyway - this form of corruption is called facilitation payments - are numerous.

The facilitation payments are nearly in all cases extorted. Let me give you an example of a dilemma. A bottling line brakes down and a spare part is flown in by courier. Here, in Western Europe, you would explain to customs that this is a vital part that needs to be cleared quickly and the customs official would meet your request. In many countries he would do so only after settling a price. The dilemma between paying a small extorted facilitation payment or temporarily closing down a brewery with all the adverse effects for the employees and your customers. In order to safeguard us from breaking the rules set out in the OECD anti-corruption convention we have designed a structure that we are currently implementing and which allows under very strict conditions to pay facilitation payments. Are we happy with this, off course not, but in some countries it is dealing with reality. Perhaps for the new Dutch government there is a task set out tot assist developing countries in abandoning corruption by re-enforcing the system of political responsibility, increasing the salaries of civil servants where necessary, training programmes for civil servants in risk areas and developing s sound legal structure where the companies can complain.

Like with civil servants, in the case of our own employees often entire families depend on the one pay check. We have adopted a policy to be among the best paying employers in the country. Apart form the pay check we offer outs employees and their families access to the medical care. In Africa this has implied that we have had to set up our own medical facilities. I am proud to mention that we currently have some 30 doctors employed full time on the continent that cater tot the needs of around 60.000 persons. This system has enabled us to develop a proactive approach in combating the HIV/AIDs virus. In this regard, we are also starting a therapy program for workers and their family.

As an employer we believe in the development of human talent. We are engaged in training local employees in management skills. For our local managers a management development programme is in place. It is our policy to gradually replace expat, management by local management. Besides this policy, together with other international companies we are engaged in knowledge transfer programmes aimed at training external local people in order to stimulate the establishment of small and medium size enterprises.

One of the themes of today is the issue of human rights. In many cases companies are asked to withdraw their activities from the countries with poor human rights record or to postpone investments. Also Heineken has faced criticism in the past when our joint venture APB announced plans to invest in Myanmar. After close investigation of this investment and pressure form external stakeholders, we cancelled this investment. In case of new investments or entering a market, it is easier to take human rights issues into consideration than when you have already an established company. In our existing operations our prime concern is and will always be with our own employees and our customers. As an employer we are committed to safeguarding the human rights and dignity of our employees. This means that when we believe an infringement of their rights is likely to take place, we will in principle take action. In principle, as our involvement can also have an adverse effect. Let me give you an example, one of our employees is in jail awaiting trial for his capital offence. Being in jail too long a time without a trial is an infringement of his rights. An intervention from our side to speed up his trial could however lead to a verdict where he is likely to get the death penalty. Your see our dilemma. Besides from providing an safe working environment for our employees and safeguarding their human rights when meaningful we have a policy of political neutrality. This is very difficult to implement. We can be a political factor but not a political actor. For example, we were accused of being part of the conflict in 1996 in Burundi. It is not easy to have the objective to be in a country for 50 years and then see the political environment change very few years. In many countries where human rights infringements take place in a large scale, the political arena is characterised by volatility.

At Heineken we take our social responsibilities seriously. In defining our behaviour we leave room for local considerations. We already do many things and we are committed to do more, al long as it is in line with our business objectives. Our people face social dilemmas on a daily basis. It is our responsibility as a

company to provide them with sufficient guidance to make the right decisions in the interests of the sustainable continuity of the Company. The prime responsibility for changing the political environment lies with politicians. We are always willing to engage in discussions and programmes aimed at improving the business environment and to form partnerships with governmental agencies and other companies for this purpose. This external dialogue is important as we want to share our experiences but also experience your comments.

**Mr de Heer, Holland Colours (HCA)** took the subject much broader as well, including environment. First some facts about Holland Colours. It was founded by 15 employees in BASF in 1979 who wished a better harmony between capital and labour. Yet, the company is market oriented, and listed at the Euronext Stock Exchanges. 45% of the stocks are employee owned. The founding principles are still the principles of today: entrepreneurship, independence, employee – shareholders, respect and social responsibility. The turnover is € 60 million, there are 450 employees, 8 production plants, 6 wholly owned sales offices, customers in more than 70 countries, and over 2 billion kilograms of plastic products are coloured by HCA each year. The head office is in Apeldoorn, The Netherlands, and the main production units are in The Netherlands, Indonesia, Hungary and the USA.

All the basic principles, as stated them every time in the yearly report, have something to do with Corporate Social Responsibility. Their business is providing environmental friendly solutions for plastic colouring. The people focus, the strong culture of the company, includes respect, openness, personal growth, trust, responsibility, and involvement. Independence is to guarantee the basic principles. Sustainability means that personnel and society is being treated in a socially responsible and ethical manner. Corporate governance includes that the company is accountable for its actions. In sum: good entrepreneurship means more than just maximizing profits. By the way: ASN is one of the shareholders.

Putting it on paper is one thing, but you have to do it. What did we concretely do over the last 12 months? Some examples:

1. Projects for the *voiceless poor* (to use the words of today's programme) in Indonesia, Mexico and Hungary. The company supports a leprosy village in Indonesia: houses are being built for employees, and also for nurses of a hospital. In Mexico an orphanage is being financed. Apart from financing such projects the local management makes also sure that the money goes where it should go.
2. In Indonesia a pension fund has been created, since such provisions are lacking.
3. All 140 employees of the head office have one day to do practical work for a volunteer organisation in Apeldoorn.
4. A pilot project "Ethics" was started, as an initiative of the foundation "Maatschappelijk Verantwoord Ondernemen (MVO)", that could be translated as Corporate Social Responsibility. This projects tries to develop a kind of ISO certification for the ethical way businesses are operating.
5. There are more examples like in Indonesia there is the ISO 14001 project, involving environmental issues, air quality, trying to improve the local working conditions in our plant in the USA, etc..

Dilemma's

1. *Reporting*. There are only 5 people in the holding organisation, having all kinds of responsibilities. Now there is this Global Reporting Initiative, asking 400 questions on what you do for Corporate Social Responsibility. Maybe for a large company like Heineken this is possible, but not for a small one like HCA.
2. *Raw materials*. Sometimes raw materials can have a harmful effect on the environment. On the other hand, consumers and businesses should be prepared to pay a higher price for a more environmental friendly alternative. If they are not, what do you do as a company?
3. *Polder approach*. The company has a very Dutch culture based on harmony and consensus. How do you translate this to other countries? His experience while living in de USA was that people looked at him as coming form a different planet when he tried to explain the polder model. When he invited them to be involved in de companies strategy they answered: "You're the boss: if you say we go right we go right, say we go left we go left." In practice HCA does its best, but it does not just copy the Polder. De speaker disagrees with the almost negative connotation the poldermodel has these days: it is better for the company and for the employees if they feel involved in the strategy and if decisions are being taken in harmony.

4. *Medical insurance.* HCA tries to take care of their people along with their families. But in the USA the medical insurance system is very expensive, and based on annual contracts. You should not call that insurance anymore. If your consumption of medical services goes up, so do your costs. Recently a baby of an employee appears to have leukaemia. Treatment would cost \$ 200.000. The insurance company refused to insure it. Then what do you do as a company? This amount is roughly 50% of the yearly profit in America.
5. *Pension fund.* What is poor? Should the company also create a pension fund for Mexicans of Hungarians? To Dutch standards 95% of the population is poor. Do you make a division within the company: not the management but yes for the rest?
6. *Recycling.* The best way to recycle plastics is to leave them colourless. But that's no good for the company. HCA found a practical solution by designing the colorants that are used to colour recycled plastics. So, the company is in it twice now.

The chairman opened the floor for questions about the first three presentations.

**Question:** When mr de Heer told that the company decided to put up a pension fund for Indonesian employees, that sounded as a top down decision. How does that relate to the poldermodel approach of shared responsibility?

**Mr De Heer:** The idea came from the management. The management makes the company. If the local management is not involved in the strategy, nothing will happen. So, when the management came up with the idea to create a pension fund, the HCA staff found it a good idea. Of course the employees like it, because otherwise they have nothing when they reach 55 years of age.

**Question:** All dilemma's mentioned come down to cost against principles. This is even harder for a small company like HCA than for Heineken. Now, how did you finally decide in concrete issues? And, more importantly, why can you compete with companies that don't follow principles?

**Mr De Heer:** In the case of the child, the company decided to take the risk. The company can compete because it tries to provide better products and services. But also because the company believes that by doing these things the people are highly motivated to make these products and services better. Of course making a profit is number one, because 25 years from now the company still wants to exist. But beyond that the company wants to be a responsible member of society, and that also gives a motivation to the people. He admits however that the leukaemia case in de USA was a very tough decision, because it created a precedent. Two or three more of these cases would create enormous troubles.

**Question:** Could we hear more on the way decisions are being taken: top down or bottom up?

**Mr Homé** likes the poldermodel, although as a French he had to adapt to it.

**Chairman:** Was it difficult?

**Mr Homé:** After ten years in Holland I really enjoy it now.

**Chairman:** Now?

**Mr Homé:** My wife says: you are more Dutch than the Dutch. It is interactive. If you have 8000 people working for you in a continent, you cannot run the company from here. The local operations are many, many times at the beginning of the stories. The management teams are largely composed of local managers, and with the quality there is, most of the initiatives are starting locally.

**Chairman:** The question refers not only to the local management but also to the local employees. Are they involved in this kind of decision taking?

**Mr Homé:** This is about dealing with cultural models. The way of working with employees here is slightly different from Nigeria, where the hierarchy is far more important. We try to adapt to the local culture. What we try to do in sharing the policy making process is very much polder model which comes from here, while in some countries implementing it is difficult because their cultural model is not dealing with these kind of things. In Nigeria a chief is a chief (a little bit like in France).

**Question:** Some dilemmas brought up here come from the tension between the minimum requirements according to the legal body of standards and rules as Mrs Jones explained, whereas another type of dilemma's appear when companies try to do more than is legally required. Wouldn't the three speakers agree that there is some kind of minimum requirement that all companies should abide by, and show to the public that they are doing so? So far, in practice companies make their efforts on a voluntary basis.

Especially to Mrs Jones: what is the perspective of the Dutch government? In future you should have mechanisms to keep companies to their rules. How can that be done?

**Mr Homé:** Yes, we should have a legal minimum requirement. To put it in a bit provocative way: the new guidelines of the OECD on corruption are rather drastic. It helps us in certain countries. If the danger is to be sent to jail if you don't behave properly in some African or Asian country, it helps the companies to set the right tune.

**Chairman:** Mrs Jones mentioned a long list of treaties and conventions etc, do you use them as a starting point?

**Mr Homé:** Yes of course. When we started our approach for Corporate Social Responsibility 2 or 3 years ago, the first point was to make an inventory of the basic principles and legislation. It is not discussable if we are complying to the law. The only thing is that it should be applicable. We try to take the local situation into account. If you don't, you are just writing words.

**Mr De Heer:** We try to stick to the laws, and try to do better than that. But I really feel that it should be an initiative from the company staff. They can make the difference. Don't just give the money but make your managers be involved in what you try to do in society. Giving money alone is like buying off your consciousness. We are a very democratic business, but the reality is that the managers should give the example.

**Chairman:** Mrs Jones, do you think there should be a binding minimum requirement?

**Mrs Jones:** There are already a lot of legally minimum required treaties. Those should be translated into international law, and then companies should stick to it. The problem is that in the Netherlands this is elaborated very well while in many other countries this is not the case. That is why we help local governments to strengthen their own capacity. There is an international supervisory system, but not an international enforcement system. This is the problem with all human rights laws and conventions. They are legally binding, but there is no World government and no World police force that can punish governments and put them in jail. The international criminal court that is going to be established here in The Hague is a step into that direction, but the tension is always there. What works best so far are the voluntary approaches. There are those minimum requirements and companies know them. It is important to make them accessible, because they are often very complicated. That is why the knowledge centre that is going to be established is very important, especially to help smaller companies who do not have all the expertise themselves with questions like: What are the standards, and how can you use them? The same goes for reporting requirements: the bigger a company, the easier it is to meet those obligations. The Dutch government has chosen to let companies develop their own strategies, because then it sticks more. If you now would put up a system from above that is not multilaterally supported (that support is probably a growth process) it would not stick anyway. There is an initiative in the sub commission of the UN Human Rights Commission to work out a world wide system, but this is still in a very early stage.

**Chairman:** Does the Dutch government support this initiative?

**Mrs Jones:** Yes, but it is not yet at the Government level. This is a professional academic network. Once they have come up with a model, then the governments will start to discuss it. But I have to tell you that a lot of governments are not yet so keen and willing to go on this path.

**Question:** Since Heineken has such a large workforce in Africa, how does Mr Homé feel about the AIDS problem in relation to health care of the employees and their families?

**Mr Homé:** It is a very big problem for everybody working in Africa, and also in some Asian countries. Heineken has a medical programme for many years. For more than 10 years we have clinics everywhere, and we started prevention programmes against AIDS 5 years ago. This programme is working everywhere Heineken is present. We have started to treat therapy opportunity for workers and their families in Rwanda and Burundi last September, and I can assure you it is quite something to implement. It is not only a matter of money. Money is not the problem, to put it a bit provocatively. The treatment of one person is now  $\square$  2000 per person. Even in countries where the prevalence rate is around 25% it could be affordable. For the company it is even economical to do so. On top of that I do believe (and not only me: we are part of a group of companies we have founded 2 years ago) that the private sector can make a step against AIDS in Africa.

is yes. Not only for our employees and their families. We are also setting a reference, and puts some pressure to other companies active in the same countries. If one company starts with it, I can assure you that it is not something easy to manage by the others.

**Chairman:** You are setting a new standard?

**Mr Homé:** Without being too arrogant, yes. There are many countries in which governments are not in the position to do things, and the private sector, and in the beginning especially the international private sector could demonstrate that it really can do things. If you look at the numbers of people working for international companies, and we are able to federate them, I think we are able to make a breakthrough. It sounds maybe a bit idealistic, but I do believe in it.

**Question:** This is for both companies: are you reactive or proactive? Our experience in the last 10-20 years is that a lot of companies are a bit annoyed when it comes to signals about human rights violence. In Central Asia governments try to keep those violations away from the public. You need the Human Rights Watch or another organisation to say what is happening, and then finally the company will admit there is a problem.

**Chairman:** What is your experience in this?

**Questioner:** My experience is that companies are not very willing to see it. They rather look the other way until there is a massive public action going on. So are you proactive in searching for violations, or are you reacting to the public or on reports?

**Chairman:** Reactive or proactive? That might be very short answers?

**Mr De Heer:** Very much proactive.

**Mr Homé:** Same answer.

**Chairman:** So they are pioneers.

**Question:** How?

**Mr De Heer:** If you want to be a responsible member of society I think you can only be proactive. Reaction is listening to others and trying to what other people think is best.

**Mr Homé:** We are proactive in setting standards, policies and practice. You might have the feeling that companies are reactive because you speak of those companies only if they are on the front page of the newspaper. Of course then they are reactive by definition.

**Mr Krouwel, Rabobank:** I would like to make a personal statement: the financial sector in my opinion has to play a key role in changing the world into a sustainable society. There is one dilemma however: many of my own colleagues do not agree with me. They say financial institutions are followers not trend setters. The problems of the return on investment, risks, etc. it is not our role. They say it is the role of government to change the society. I believe we should take a lead and not be a follower but an initiative taker in changing the world. Changing the mind of my colleagues is very difficult.

Societies change, people change, customers are changing and are expressing different opinions, the question is what do we have to do? We have nice instruments and tools for changing the human rights situation. If you look at the financial sector for example, there is green money, maybe we will have social ethical money later. We have to look for international partners because we cannot do it alone. We have to start improving the economic situation and as a result human rights will improve. We have to start and seek partnerships with governments, NGO's, the business sector and the financial sector. I think most of the other organisations do not make enough appeal to the financial sector to point out their duty in taking the lead in changing society.

What is wrong though? In Johannesburg e.g. very many projects have been set up related to this issue and the issue of sustainability. All these projects look at how can they change and what is their responsibility. But what strikes me is that there are different organisations, with the same members in different projects making different statements. Let us sit together in partnerships to solve the situation, to improve the situation. Let us change the financial and tax rules in making nice tools for people in developing countries. Because in my opinion one of the most difficult things is that tax rules sometimes make problems for those who otherwise have other instruments in changing the situation. Let us ask OECD and other organisations to solve this problem. Partnerships are necessary to see what we can do in solving the poverty. My conclusion is therefore, please let us work together because bilaterally we will not be able to solve the problems.

**Mr Ybema, Minister of Foreign Trade** had to squeeze in his contribution between his obligations in the Second and the First Chamber in the same afternoon. Nevertheless he wished to be here, because of the importance of this subject. He is minister and member of D66, and this topic is typically social and liberal, precisely the profile of the Democrats. The party has an excellent group of people supporting his policy development, taking also initiatives like this meeting. He would like to share his experience in promoting social corporate responsibility, which he considered as one of his key responsibilities. In his opinion a lot has changed in the past period. The topic is not anymore something trendy for the happy few. It has become part of the core business of every company. However, for most companies it is not always easy to meet the standards.

Reports are necessary to bring social dilemma's to the surface. This is being done together with other ministries, but also with NGO's, human right watch groups, etc.. It is important to bring worst practices to the surface.

During a visit to Brazil he had an enlightening discussion with the two main trade unions in that country. Their vision on foreign investors was that they were essential to the development of the country, but foreign governments should keep on exerting their influence to remember them to their responsibilities. The role of the minister of foreign trade is not only instrumental to create contacts for the business community, but also to put Corporate Social Responsibility on the agenda.

There have been numerous examples in which he has done so. In Nigeria it was the topic of dealing with corruption, in China he asked attention for labour rights, and in Brazil, two month ago, street children were put on the agenda. Often also the labour union joined his trade missions. Before these missions he used to have briefings with NGO's to be informed about the situation in the country to visit.

He has seen many times how companies were dealing with dilemmas, and he has seen more good than bad examples. He saw efforts in education, health care, higher salaries than those commonly paid, respect for ecological standards. Most companies understand the principles of corporate social responsibility very well. Sometimes, however, they do not know how to deal with it. Then the minister sees it as his task to show them the good examples.

What are the dilemmas for the Dutch government? First of all: how far should you go in supporting countries with a poor reputation? There is no absolute good or wrong. Where to draw the line? He strongly believes that developing countries should be given a fair chance on the world market. That means that also the Netherlands should open up its markets for their products. Dutch companies can be encouraged to start businesses over there. He has stimulated foreign investments, because they can help. It is no guarantee, though. Nevertheless he believes in the sense of responsibility of companies, for the individuals working for them, but also for the people that surround them.

This is how social liberal policy can make a difference.

**The chairman** opens up the discussion between public and minister since he has to leave soon again.

**Question:** If a company pays salaries that are four times higher than usual, doesn't that create problems?

**Mr Ybema** did not mean four times higher. He has seen a company in horticulture in Sub Saharan Africa that combined its activities with food production for the workers, and provided health care and education. The salaries were also a bit higher than usual, but not so much. The point is that such a company sets a standard, and shows others how to do it.

**Question:** What is the responsibility of government? Only talking and paperwork is not enough. Shouldn't governments do a little bit more?

**Mr Ybema:** Take Calland as an example. A discussion at the Ministry was sufficient to make the people from Calland decide to end their activities in Myanmar (Burma). That costs them money, so you should appreciate that. Not fulfilling a contract costs money and damages reputation.

**Question:** What is the effect of your trade missions? Shouldn't you require companies that join such missions to comply with the OECD guidelines on human rights?

**Mr Ybema:** The effect of talking is always difficult to measure. Take for instance Cuba. After some time you hear that a dissident has been released. Was it because his case was brought up during the trade

mission, of was it because of other factors? It is important that it is not only The Netherlands, drawing attention for these issues. Therefore he is also active in discussing these things with colleagues from other countries. By doing so it is possible to build up pressure. It is important that organisations like NGO's and labour unions observe and send signals of what is going wrong to the Dutch government that has a better position to put it on the agenda.

**Question:** What is your opinion about the slogan: "Trade, not aid", as theme for the Johannesburg conference in relation to assistance to developing countries?

**Mr Ybema:** This is also a matter of building up pressure. The pledge within the EU for free access of the market for the least developed countries (except for arms) was difficult, but it has been won in the end. Now we should continue with the next WTO round.

**Mr Goudzwaard, ASN Bank** finds himself in a more comfortable position than mr Krouwel from the Rabobank. He does not have to convince his colleagues: corporate social responsibility is at the very core of the bank. When ASN started its activities, many people believed its mission to be impossible. However it proves to be possible to have an economic activity embedded in a social and ecological sound environment. Today ASN bank is the market leader in socially and ecologically responsible investments. The bank has over 170,000 customers, and assets in the form of savings and investment funds of approximately 1.7 billion Euros.

The sustainability criteria for investments of the ASN bank are:

- environment
- no genetic engineering
- social justice
- human rights

For the environmental criterion we examine whether companies have a long term strategy on the consumption of raw materials, energy consumption in manufacturing, and the nature and quantity of emissions and waste. We do not only look at the current situation, but above all to the approach of the company in developing new business processes that are more socially responsible.

Human rights is a second example. When a company is active in a country where human rights are being violated, the bank wants to know whether the company is being informed about these violations, and whether it keeps itself to a code of conduct. Does it offer its employees protection against violations, does it support labour union activities, and does it have a policy to prevent child labour?

Child labour poses a real dilemma. You don't improve their situation by just taking away their source of income. The bank looks for companies that are alert to the dangers of exploitation, and the bank also wants to know in particular whether they monitor this risk in the case of their suppliers. ASN invests in companies that are willing to offer education and health care to those children, and also make it clear to their suppliers that their selection depends on whether they offer decent working conditions and terms of employment.

Until shortly it was clear which countries were good and wrong. The bank simply did not invest in companies with bases in wrong countries like South Africa, Indonesia and many countries in Latin America or Asia. About five years ago, however, the bank asked itself whether this policy would help in pursuing an improvement in human rights and the employment situation of groups of people in the long run. In consultation with Amnesty International, amongst others, ASN Bank decided not to make only the country the decisive factor, but the contribution of the company to the situation of social and human rights. In short, the Bank takes into account the interests of all the stakeholders. The currently much quoted Triple Bottom Line, the balance between People, Planet and Profit, has always been the guiding principle of the bank, and will always continue to be so.

For ASN, socially responsible business practice means that the adverse effects of economic activity must not be passed on to the environment, future generations or the poor. Fortunately we see that companies are pioneering more and more in social processes whereas in the past this was chiefly the domain of governments or NGO's. Responsible business is not a purely ideological decision. It is increasingly seen as

a sensible long term strategy that is important for continuity, because a socially embedded business will secure itself a better position at the market.

Socially responsible business practice is an ongoing process, and we are pleased to see that industry, social organisations and governments are increasingly working together, exchanging information and entering into partnerships. ASN will continue to play a key role in the banking world in this field, and act as a catalyst between these partners.

**The chairman** opens up the next round of discussions.

**Question:** What is the view of mr Krouwel on corporate responsible investments?

**Mr Krouwel:** The Rabobank now finances qualified projects in which NGO's and companies are working together. For the first time an instrument has been developed for cooperation between governments and the financial sector. The big question is how to translate small scale operations to large scale. You have to start at a small scale, otherwise too much resistance will be created.

**Question:** Extreme poverty of the voiceless poor usually remains outside the economic areas. Do businesses have a task in combating extreme poverty, or is this still the domain of governments and NGO's?

**Mr Krouwel:** Businesses do have role. The Rabobank has funds to help NGO's in getting started at the local level.

**Mr Homé:** Businesses can set examples. We want to get rid of the strict distinction with NGO's. Also IMF, and the World Bank are changing their policies into this direction.

**Question (mr van Oyen):** You cannot ignore the discipline of the stock exchange. Look at the example of Price Waterhouse and Coopers. Research shows that half of the managers admits that sanctions were just. The first concern of managers is to please the financiers. What can we do against short term shareholder values?

**Mr Goudzwaard:** Running a company requires a long term view on sustainability.

**Opponent:** But the dominant culture is not yours. Are you a kind of Don Quichotte?

**Mr Krouwel:** I would like to get rid of the stock exchange.

**Opponent:** If you meet your international colleagues, do they still listen to you if you say so?

**Mr Krouwel:** Some of them walk away, but most of them keep on listening. Look at the performance of the ethical investment funds worldwide: they are doing better than the mainstream investment funds. Furthermore we have to develop a new kind of products and services so that you can work without stock exchanges. I fully believe it is possible. It would one hour more, but it is possible to explain to financial experts that it is possible to it in a quite different way than these crazy stock exchanges.

**Chairman:** So you do agree with mr van Oyen that these stock exchanges are not a good solution?

**Mr Krouwel:** People should take the stock exchange less seriously.

Consciously operating companies generally are doing well.

**Opponent:** Still the stock exchange is the dominant power. The companies that are represented here are all family or employee owned, or cooperative, and not by the stockholders. Should we then focus on these smaller scale and family owned companies to implement this structure? The others can't change because of the way they are behaving.

**Mr Goudzwaard:** Yes.

**Chairman:** That is a very wise remark.

**Mr Goudzwaard:** 95% of the employment in Holland is provided by non-multinational companies that do not reach the financial papers. There is a list of 20 companies, providing maybe 4% of the employment, that determines the picture of the economical climate.

**Question:** What mechanisms are there to make that profits made in a country also stay in that country?

**Mr Goudzwaard:** This is not something the bank can determine, although we would like the profit to stay in the country of course. You should leave that kind of decisions to the companies themselves.

**Chairman:** What about the profit of the Rabobank in -let us say- Sao Paulo?

**Mr Krouwel:** The Rabobank is a cooperative. Rabobank Brazil is part of Rabobank International. Profits of Rabobank International go to the Rabobank Netherlands. But we do not have shareholders who have to be paid out, so it stays within the company. And then look what we do with it. A lot of the profit of our local offices in the Netherlands goes to the Rabobank Foundation, out of which we pay projects in Brazil.

**Chairman:** A kind of recycling of money? What about Heineken?

**Mr Homé:** First of all we have shareholders and we pay them. That is the name of the game. The worst thing we can do is to say that we cannot apply the same rules in developing countries as we are applying elsewhere. Second: last year we have invested in Africa € 218 million. This year it will be € 320 million, and these are for Heineken by far the most important investments all over the world in these years. The dividend has to be paid to the shareholders, but in the over-all picture the money goes back to Africa.

**Comment from the audience:** Money goes to the shareholders. It is important that these shareholders want to invest that money again in developing countries. There is a role for financial institutions in convincing people to do so, and there is a role for the government in the form of guarantee funds, fiscal arrangements, etc.. Private money has to flow to these countries. In a way, the shareholders are financing the corporate social responsibility of the companies.

**Mr De Heer** prefers a stakeholders approach rather than a stockholders approach. Shareholders are providing the risk capital for going i.e. to Africa or Indonesia, so they should be rewarded for it.

**Chairman** to the person who posed the question: You are not yet convinced?

**Comment:** It is one thing to say that they take the risk, but if you have a company in Africa and it costs you € 200 million and you make over a period of ten years € 400 million: does all that money come back to the western company, or are there means or procedures to make sure that it is reinvested in the developing country?

**Mr Homé:** It is a very serious issue, referring to trust and understanding. We are operating in a system, and money is provided by shareholders. If you do not respect that system you will not get private money anymore. You cannot rely on the Worldbank or IMF to develop Africa. The direct foreign investment level is a disaster in Africa, because the risk is so high. From time to time you cannot get your dividend back. We have to promote direct investments, which means that we have to follow the rules of rewarding the shareholders. At the same time I agree with you that on the long term the funds that are being invested in the country are more than those flowing back.

**Mr de Waal, FNV Trade Union:** I have made an observation today. There are well meaning people in the room. Well meaning government, well meaning NGO's, well meaning businesses, well meaning employers, an very optimistic Minister of International Trade. They are all very optimistic. You might almost believe we are living in an ideal world, where the employers will take care of us, where the government will do whatever they can. Let me tell you ESA Carland invest knowingly in a facility in Burma which has been constructed by forced labour and yet there is gladness that the contract, which will end in 2013, will not be renewed. Over the last ten years 1360 of our colleagues have been killed in Columbia. This is also the international trade union world. Next time maybe you should invite the bad guys to such a discussion, the discussion will be more interesting. But I know they will not come. I will tell you something from the perspective of trade unions. Trade unions have by nature a bottom up approach. By nature we are an international movement. My federation in Holland is a member of the International Federation of Free Trade Unions, the ICFTU, which has 157 million members all around the world. Now this sounds very powerful, but we are tiny in comparison to the power of multinationals or the power of the World Bank or IMF. I have chosen the case of China to explain some dilemma's. Within this Confederation of Trade Unions we have a human rights and Trade Union department, I am happy to share this with you and within that group there is a China working party. We try to have a trade union strategy for China, this is full of dilemma's. Fundamental rights are a set of rights and they all reinforce each other, there is freedom of speech, for example which is very important. But for us is pivotal the right to organise, the fundamental basis of the Trade Union. We have 150 years of experience, we had to push employers to do the right thing and be socially responsible. It is at the basis of our existence. It is at the basis of the situation in which the employers do not take care of us. For us, this right of association of collective bargaining is very problematic in the case of China. We have a big discussion on this in the China working party. There are some which say boycott China, we should have the employers not invest in China because this fundamental right of association cannot be granted in China. The old China Federation of Trade Unions (ACFTU), which is a government institution which does not represent the people towards the government and the employers, but the government towards the people. This is not

classical trade union thing. So there is some discussion. Some say do not invest in China and talking with multinationals is useless if you do not have the right to organise. This is a very difficult strategy. I once talked to a former president of the employers federation of Holland who told me if we sold one paperclip to each person in China we would be very rich. This is the attitude. It is big business in China. And it is so big that multinationals are there. Of course we cannot have a strategy in which we have codes of conduct of companies in India and leave them alone in China because it is not ethical. The strategy to accept that there is no investment in China is not a good thing in my view. We accept that there is business in China and we discuss as many ILO rights as possible. But we talk with multinationals, for example that they should pay living wages or about labour conditions and try to discuss representation of workers in the company. We do want to discuss trade union code of conduct with those companies which are there. We try to negotiate and discuss behaviours. We are especially interested in the behaviour of the Dutch companies which in China. In Hong Kong there is a legitimised trade union which we support. There is a liaison office over ICFTU. We support the dissident Hong Dong Fang with his radio station and labour bulletin. This is a different situation to Burma where the international community has said to boycott Burma or the example of South Africa, where we were asked by legitimate trade unions to boycott South Africa. If I look carefully at companies which are active in China the problems do not lie with the Dutch companies. Dutch companies in China have adequate standards. To give you an example of how the China trade union works: when the Philips management tried to negotiate with them on wages, they were warned that there would be unrest in the labour market if there was a pay rise. The problems therefore are not within the Dutch companies, but in the chain in front of the production, e.g. cables for TV's for Philips. Where do these cables come from? Probably they do not know. So companies should look at the chains of production, to look at where all their products come from. Here lies a responsibility for Dutch companies.

**Questions:** Are the problems of subcontractors effecting CSR? Big companies use subcontractors and have the face of doing the right thing of acting in socially responsible, whereas they have the subcontractors do the bad things. Do multinationals feel the chain as their responsibility?

**De Waal:** Yes, sometimes they do, sometimes they are forced to do it. There is a difference between consumer oriented companies and non-consumer oriented companies. The former is more vulnerable to sentiments. For example Heineken is a good company and I admire what they do in Africa on HIV. But what is important here is that a consumer can react to their product. Back to the chain. Take the case of Ikea. It is very difficult to see where the products come. But they do try to do this. There is a sense of awareness but sometimes they do not want to see it.

**Mr Venkateswaran, Indian NGO Partners in Change:**

I am honoured to be asked to speak today on the topic of the impact of CSR. We are a non-profit organisation set up 7 years ago to look at the impact of business on poor people. We are unique in the developing world as we look at CSR from the perspective of the poor. When talking about this issue, there are several dilemma's to it:

- how do you make profit? What is the impact of this? While you as a company are making a profit it is important to look at the impact on the small because they are the ones which are marginalised.
- What do you do with the profit? This is important in the South because in the West you do not have these levels of poverty we have. Are the returns given to the community? What about the costs the communities bare when a factory is being set up when whole lifestyles change as a result of this. I believe communities bare the costs for the putting up of a factory.
- How do companies influence public policy? It is a crucial point. This power is huge. Who uses that power responsibly is acting in a socially responsible manner.

We have to realise a few things. I might be provocative here. We need to recognise some things. Do we realise that more than half of the top 100 economies of the world are non democratic? Sanctions are posed on non-democratic countries, but what do we do to non-democratic companies? It is not my belief that companies should be democratic. I think profit is a good thing. But there is a difference between profit making and profiteering.

When we look at the way companies behave, there are some myths I wish to address:

- Companies voluntarily do good. The reality is that companies only do good when this is beneficial to them. They act upon a bottom line and will violate principles if it adversely affects that bottom line when this is in their benefit. We can look at consumer products or non consumer products. We can also take the example of the tackling of pollution in Delhi which was realised only after a court order. It was in a sense people power which made the companies change, not the companies themselves.
- Companies will behave the same way in their own country as they do in other countries. Reality is that if a company can get away with something, they will. For example a lot of bribery was given by Enron because they could get away with it.
- Market forces will force companies to behave. Reality is that other forces make companies behave, such as public opinion. There is evidence of this. But what happens to companies who do not have a consumer base. And if you have anti-monopoly regulation this tells you that companies do not always behave. How much pressure do you think consumers can have? In India the pressure is not very strong.
- Civil society is strong. In reality we are weak and not powerful enough to make a difference. Participation of civil society can and should be improved.

Therefore the pressures to make companies behave are not strong. That is where the role of the government becomes important.

- Therefore the dilemma is should we mandate CSR as an activity or should we mandate the reporting. Companies should necessarily report.
- Should there be global standards or global principles? Standards do not always work. Do we have international principles or standards. Are they implemented? I think we need universally defined principles that work and which are implemented.
- Who bears the costs? If there is an additional cost, should the principle companies bear the costs?

There has to be a way to get the suppliers in the South get into a different kind of thinking. I say this because we believe in a way of looking at life. I end with a quote from one of the most forgotten politicians of the last century. "Recall the face of the most helpless man you've seen and ask yourself whether the step you contemplate will be of any use to him". This is a quote from Mahatma Gandhi. Thank you.

#### Reactions from the audience:

**Mr Home:** I would like to comment that we are in business and not in moral. That should be emphasised. Support the companies which are doing well in CSR.

**Mrs Jones-Bos:** we should strengthen government and civil societies and see to the empowerment of communities. Embassies can play a role in getting the connections and bringing parties together.

**Question to Mr Venkateswaran,** is there a difference between Indian companies and foreign companies in India?

**Mr Venkateswaran:** Companies acting on pure profit are acting in a non CSR manner. Companies who have been in India for a long time are embedded in that society and therefore enjoy more trust from the society.

**Question:** What can Novib do?

**Novib representative:** A lot. They can link up partners and companies. Some partners are stronger in speaking out. It is a joint responsibility between NGO's, companies, governments.

**Question:** How is the dialogue with stakeholders?

**Mr De Heer:** as an example I can tell you we have contacts with a local hospital which provides services to the company in Surabaya. So we have dialogue with them.

**Question to D66:** Is there a need for mandatory reporting since it is not very clear whether mandatory reporting is advocated by the D66. Would it be a good idea?

**D66 member:** as an individual, yes, but I cannot answer what the policy is of D66.

**Mr. B. van Hengel:** making a difference: standards of industrial development opposed to extreme poverty. Extreme poverty is a matter of human rights itself. The standards of economic growth should be raised, industry and private sector should play a part in that. There should be a stimulation of economic growth. Who will take care of that? Special attention should be there in a differentiated form. World bank, NGO's have not found an answer to this problem. What can business do? Solutions can be to share their experience where they do not have an interest. There should be public-private partnerships and the participation of businesses in this issue.

**Mr Home:** Heineken has a partnership with Unilever, there are business partnerships in Ghana where general managers talk with the World Bank and governments to share experience. We have business partner initiatives in many countries. There is a transfer of knowledge.

**Question:** is it possible to combat poverty with private investment?

Mr Venkateswaran: it is possible to combat poverty. It is the state's responsibility. It is a very complex issue. States nor NGO's, nor companies have the skills to do it on their own. We have to form tri-sector partnerships and share competences.

**Mrs. Jones-Bos:** good governance and good policy is important, and be very clear on responsibilities.

**Mr Bouwmeester:** I am a representative of a Dutch company. We are forced to go to developing countries otherwise we will go bankrupt. We do try to comply to standards but it is not always possible. We do not check companies whether they have standards.

#### **Resume and Conclusions by the chairman:**

Thank you to the speakers for the speeches. The objective of this meeting was to try to give as much information from different perspectives. This meeting will be used for input for an on-going debate on the issue of Corporate Social Responsibility. I thank you all and invite you to have some drinks.

### **Summary and concluding remarks from the organisers**

#### Can companies be responsible?

The business sector has a responsibility in human rights and sustainable development, and it appears to be possible to bear it.

1. This statement is widely accepted. Once companies were supposed to make money, while human rights and sustainable development were the exclusive domain of governments and NGO's. This time has passed.
2. There is a substantial body of treaties, covenants, and international law that provides accepted standards for human rights. Questions on what is allowed or not are not the main issue.
3. Implementation of these treaties do create problems. Much remains to be translated into international law, and the world lacks an international authority or police force to maintain law.
4. Even in obvious cases of human rights violations by companies, the outcome of a case that is brought to justice is uncertain. More research on this issue is necessary.
5. Nevertheless, supply of information can make a difference. Companies are sensitive to reports on worst practices, country assessments that inform companies about the human rights situation in certain areas, and reports on the implementation of voluntary codes of conduct to which companies have committed themselves.
6. External pressure makes a difference. Consumer oriented companies (Shell, Nike) are more sensitive to public opinion than others. Also labour unions can be influential, as could be seen in the case of South Africa before abandoning apartheid.
7. Yet, the belief that companies always need external force to behave in a responsible manner is not correct. There are numerous innovators that go much further than they would be expected to do. These are the trendsetters that show in practice how companies can well function in a socially and ecologically responsible manner.
8. According to them this is the only feasible long term strategy. In doing so they create a responsible and capable local staff and acceptance in the social environment: two conditions for continuity.

9. The financial sector observes that companies that operate in a socially and ecologically responsible are usually also successful economically.

#### Choices in a grey area

Some dilemmas ask for choices between desirability and feasibility. There is a grey area where choices have to be made while consequences cannot accurately be predicted.

10. *To isolate or to participate?* Is it better to withdraw from a country because any investment will support the oppressive regime? Or should a company invest and create hope amongst people that will gradually improve their living conditions in spite of the regime? An objective benchmark cannot be given. According to the audience of the symposium there are only a few regimes (Burma, Irak) where isolation is the only option left. A serious problem is that isolation makes it more difficult for the opposition within the country to survive, making it easier for the regime to stay into power and ignore its population. On the other hand, reality shows that companies can make substantial profits in countries with a dubious reputation concerning human rights. The temptation to do business while being too tolerant concerning human rights and pollution is real.
11. *How far does corporate responsibility reach beyond the gate of the plant?* For the participants of the symposium it was obvious that health care, retirement funds, education and training belong to the companies responsibilities. Not only for the employees, but also for their families, and sometimes even for the village (e.g. support to a village hospital). But where should the line be drawn? Should the company also provide for roads and other infrastructure, that belongs to the public domain? Who will maintain them once the company is gone? And how far goes corporate responsibility when treatment of a seriously ill child of an employee costs half of the yearly profit of the enterprise in that country? What can reasonably be expected from a company that usually does not have all the necessary means to really improve the local situation. The audience concluded that collaboration between companies, NGOs and governments works best.
12. *To what extent should companies exert political power?* A multinational that provides a large proportion of the national income in a certain country possesses a position of power, that should be taken seriously by politicians. Can companies use this power to remind political authorities to matters of human rights and environment? From the discussion the conclusion emerges that companies cannot openly involve themselves into politics. ("We are a political factor, but not a political actor"). Nevertheless they can use their influence in the informal circuit, usually assisted by intermediaries such as the Corps Diplomatique.
13. *How far can a company go in setting a new trend?* The companies that presented themselves at the symposium were trend setters. By showing possible solutions and discussing these practices with others, they are creating an atmosphere in which it becomes more difficult to ignore social and ecological values. Should they take too many risks in deviating from common practice, and their experiments fail, then they harvest the opposite effect. Some have promoted the idea that the financial sector should take the lead in setting new standards, but until now it appears to be hard to find support within the banking community.

#### Trade-offs

Other dilemmas refer to the balance between costs and the benefits that are often hard to predict.

14. *Corporate Social Responsibility is a profitable long term strategy, but within certain limits.* The one who cares about employees will have responsible and loyal workers. The one who cares about environment can be assured of clean water, and a steady supply of raw materials and energy also in the long run. Furthermore the image of a responsible company usually contributes to a good position in a market with critical consumers. Most responsible companies are doing well economically. The question remains how much more a company can invest in social conditions and quality production processes before the product becomes too expensive in relation to the competitors in the market. In this respect large companies are in a better position to experiment than small ones.
15. *The carrot works better than the stick, but we can't do away with the stick.* Instruments that stimulate companies to invest in social and ecological measures (e.g. better financing conditions, tax measures, positive publicity) work better than restrictive rules that force companies to do so. On the other hand, there should be juridical instruments to stop free riders: unscrupulous companies that profit from the

fact that other companies restrict themselves to certain measures, by taking their social and ecological responsibility less serious. Sometimes it helps companies in their negotiations with dubious local authorities if they can say that they will be punished in their country of origin if they would allow certain practices (e.g. corruption). Although most people are well willing, we should not forget that some are not.

## Conclusions

16. *Corporate Social Responsibility starts as a personal choice of people.* Also in companies there are people who want to take their social responsibility. Many of them see themselves as frontrunner, and usually go further than what is being expected by international treaties and conventions. They are the leaders and carriers of Corporate Social Responsibility movement.
17. *The threshold for such leadership can be higher or lower.* In some cases it is more risky to take initiatives than it is in others. Several stakeholders can influence these thresholds: NGO's, governments, labour unions, press. When thresholds become lower, it is more likely that companies will behave in a socially and ecologically responsible manner. Some factors that could have this effect are:
  - positive examples, that show the possibilities;
  - common opinion: once the trend has been established, it becomes more difficult to ignore it, while those who wish to promote this movement find support and legitimacy;
  - international treaties and conventions legitimise responsible behaviour;
  - information supply (NGO's, journalists, official reports) makes it more difficult to escape.
18. *Tripartite arrangements create the best conditions for CSR.* Companies, NGO's and government services each have their specific roles, including their qualities and their pitfalls related to their position in society. If they acknowledge the importance of the role of each other, and if they create sufficient interfaces for mutual contacts in which they can approach the others on wishes and practices, then they will create a climate that is favourable for corporate social responsibility. Tripartite partnerships are essential in order to become effective, by making use of the core competences of each stakeholder.
19. *Structure follows contents, and not the other way around.* Contents refers to what responsible stakeholders wish to realise together. Structure includes all measures they take to make it possible. People do not take their responsibility because of rules, but rules should help them to support their ambitions. Rules do not contribute if these are hindering them in taking their responsibility, as was stated in the case of mandatory reports on human rights. Containing evil by rules and obligations is less effective than stimulating people with initiatives to use their positive power.

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