

Statement

Background and considerations

Since the publication in 2000 of the Social and Economic Council's advisory report *De Winst van Waarden* (the translation, *Corporate Social Responsibility: A Dutch Approach*, was published in 2001), there has been a steady stream of new CSR initiatives. A growing number of companies see CSR as a vital component of modern enterprise, both national and international, and report on their efforts in their annual report or in a separate document. A colourful array of voluntary private and public-private initiatives (including Global Compact) has arisen at all levels – industry national, European, and worldwide.¹

The Social and Economic Council of the Netherlands believes it is advisable to encourage and facilitate CSR at all levels. A particularly complex theme at international level is that of supply chain responsibility. This issue is drawing growing attention due to the increasingly fragmented nature of the production process, the result of foreign direct investment or outsourcing to such countries as China and India.

In its advisory report *On Sustainable Globalisation: A World to be won* (June 2008), the Social and Economic Council reasserted the approach to CSR that it had expounded in 2000, based on voluntary commitment and diversity. Like preceding Dutch Governments, the present administration supports this approach.²

On 10 December 2008, the Frijns Committee published a revised version of the 2003 Dutch Corporate Governance Code.³ One of its recommendations is that the management board should submit socially relevant aspects of the enterprise's activities to the supervisory board for approval and monitoring. The key issues should be described in the enterprise's annual report.

In its advisory report of June 2008, the Social and Economic Council makes a number of recommendations to government and industry concerning the international aspects of CSR in general and international supply chain responsibility in particular. Following on from this, the Council has joined the peak employers' associations and trade unions (hereafter referred to as "the parties") in drawing up this *Statement on International*

1 Appendix 1 to this document contains a list of initiatives for international CSR (this list is not exhaustive).

2 See the memorandum *Inspireren, innoveren, integreren; kabinetsvisie maatschappelijk verantwoord ondernemen 2008-2011* (13 December 2007); the Government's communication of 8 July 2008, which includes an initial response to the Council's advisory report; State Secretary Heemskerck's communication to the Lower Chamber of Parliament concerning CSR and corporate governance (7 November 2008); and his December 2008 communication to the Lower Chamber (entitled *Kansen door ketenverantwoordelijkheid*).

3 *De Nederlandse corporate governance code*. The code is also known as the Tabaksblat Code (for the chairman of the Corporate Governance Committee that produced the code).

Corporate Social Responsibility. In this way, the Council aims to promote good practices in this area.

Supply chain responsibility: definition

The Social and Economic Council defines supply chain responsibility as a commitment by enterprises to exert a positive influence on the social and environmental policy of their suppliers. That commitment is voluntary, but it is not free of obligation.⁴ Enterprises are not legally responsible for what their international suppliers do. An enterprise may have numerous suppliers, after all, and it cannot be held accountable for *everything* that happens in the supply chain. However, the closer the enterprise's relationship with a supplier, the more contact the two have, and the more familiar the enterprise is with the supplier's situation, the more commitment it can be expected to show.

The relevant measures will take this into account and will be tailored to the specific circumstances in each case. The fact that enterprises commit themselves to exercising supply chain responsibility does not release national governments from their duty to set and enforce social and environmental standards by means of legislation.

Statement

1 The parties agree that CSR should be encouraged and facilitated at all levels. This also applies to efforts to arrive at international CSR or supply chain responsibility.

In keeping with the views expressed in the Social and Economic Council's advisory reports *Corporate Social Responsibility* (2000) and *On Sustainable Globalisation: A World to be won* (2008), the parties believe that it is primarily up to enterprises themselves to develop national and international CSR and the associated supply chain responsibility, in dialogue with their social environments. With enterprises operating in such a wide range of circumstances, it would be very difficult and, indeed, undesirable to prescribe a precise and uniform set of rules for doing so. Enterprises can be expected to display the necessary transparency in this area, however. Transparency enables enterprises to win the trust of their stakeholders, build their reputations and command their employees' and customers' loyalty. The social context requires openness and transparent communication. That means that the enterprise must respond to legitimate questions and demands.

2 The parties advocate using the following normative framework to identify what can and should be expected of enterprises with respect to the international aspects of CSR and supply chain responsibility. This framework consists of the following:

⁴ For a definition of supply chain responsibility/responsible sourcing, see also Section 4.1 of the explanatory supplement to this Statement on ICC's guidance on supply chain responsibility and ICC's Guide to Responsible Sourcing.

- The ILO Declaration on Fundamental Principles and Rights at Work (1998). This concerns the freedom of association, the right to collective bargaining, and the ban on forced labour, child labour and discrimination. The 1998 ILO Declaration was reaffirmed in the ILO Declaration on Social Justice for A Fair Globalisation, dated June 2008.
- The ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, which makes recommendations on employment, training, conditions of work and life, and industrial relations (2000).
- The OECD Guidelines for Multinational Enterprises (2000), which make recommendations on reporting, employment and industrial relations, the environment, anti-corruption, consumer affairs, science and technology, competition and taxes, and advise enterprises to encourage business partners, including suppliers and sub-contractors, to adhere to the Guidelines.
- The recommendations of the International Chamber of Commerce (ICC) on supply chain responsibility (2007) and the guide to responsible sourcing based on these recommendations, developed in 2008.⁵ This involves integrating responsible sourcing into the enterprise's buying practices, making expectations clear to suppliers, helping suppliers set their own business standards, tracking supplier compliance, and, finally, developing a policy for dealing with non-performance.

The parties believe that taken together, these elements offer a suitable framework for deliberately gearing business activities to value creation in three dimensions – People, Planet, Profit – and for identifying what enterprises can and should be expected to do in terms of international CSR in general, and supply chain responsibility in particular.

The explanatory supplement to this Statement explains and describes the various separate elements.

3 The parties agree that international enterprises should use this normative framework in their international operations, thereby promoting good practices in this area. Transparency, verification and internal complaints procedures are important in this regard.⁶

The enterprises concerned will report on such matters in their regular annual report or in a separate report.⁷ Sectors may also publish reports on this subject.

5 *ICC Policy Statement; Guidance on Supply Chain Responsibility (2007) and the ICC Guide to Responsible Sourcing; Integrating Social and Environmental Considerations into the Supply Chain (2008)*. The latter document concludes with a list of other responsible sourcing initiatives.

6 See Social and Economic Council advisory report *Duurzame globalisering: een wereld te winnen*, section 5.4.5.

7 According to the KPMG *International Survey on Corporate Responsibility Accounting 2008* (2008), which covers the 250 largest enterprises in the world and the 100 largest enterprises in 22 countries, 80% reported in one of the two ways (in 2005 that was 50%). Of the 100 largest enterprises in the Netherlands, 63% reported in this manner (in 2005 that was 29%).

See also the *Transparantiebenchmark 2007; maatschappelijke verslaggeving* (Dutch Ministry of Economic Affairs and PricewaterhouseCoopers, December 2007), which reveals that the 171 enterprises surveyed (98 of which were listed), 150 published a financial report, 48 a separate CSR report and 8 a separate annual social report.

The reporting standards will be based on Guideline 400 and the Guide to Sustainability Reporting (2003) issued by the Dutch Accounting Standards Board.⁸ The Board will supplement its Guideline by 1 July 2009 with recommendations for international supply chain responsibility.⁹

The explanatory memorandum to this Statement looks in detail at the meaning, content and scope of this Guideline and Guide.

Enterprises and sectors can also communicate (for example on their website) about their approach in other manners (e.g. via mission statements, codes of conduct, special reports, public meetings, etc.).¹⁰

The Statement will be signed by all central employers' associations and trade unions represented on the Council on behalf of their respective members. These organisations will explicitly draw their members' attention to this document. The Social and Economic Council calls on enterprises and sectors to actively support this Statement in this way.

Monitoring

Based in part on the reports referred to in point 3 of the Statement, the Social and Economic Council will draw up an annual progress report starting in 2009. The report will review the number of companies reporting along the lines described above, the various subjects that they cover in their reports, good practices, and any problems and challenges encountered.

This annual progress report will be discussed by a special committee set up by the Social and Economic Council. The committee will meet twice a year, the first meeting being scheduled for June 2009. Besides discussion of the progress report, the committee will not have a pre-determined agenda.

The Social and Economic Council undertakes to organise a conference on the normative framework (and its application) in early 2009.

8 These are based in part on the *Global Reporting Initiative* guidelines (see also Appendix 1 to this Statement).

9 Letter from the Dutch Accounting Standards Board to the chairman of the Social and Economic Council (16 September 2008). In this letter, the Board is responding to a request by the Council in its advisory report of June 2008.

10 Of the 200 largest enterprises in the world, 86% had a corporate code of conduct in 2008. Of the 100 largest enterprises in the Netherlands, 54% had a code and 10% were busy developing one in 2003 (see Social and Economic Council advisory report *On Sustainable Globalisation: A World to be won*, p. 105). See also *Openheid van zaken; 7 ondernemingen over communicatie met het publiek over MVO* (VNO-NCW, 2005).

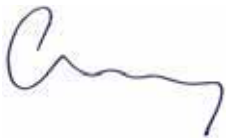
Evaluation

The Social and Economic Council will commence an evaluation of the Statement in the second half of 2011 and will complete this evaluation by 1 July 2012, based on the outcomes of monitoring from 2009 onward.

Confident that the necessary progress will be made between now and that date, the Council does not believe there is a need to propose legislation in this area during that period.

The Hague, 19 December 2008

On behalf of the Council



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