



Fashion Business School
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Right Human

Technical note 2

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Main concepts:
Corporate Social Responsibility
Code of Conduct
Non-financial Report

From the Global Compact to the Code of Conduct.

Introduction

By the end of the Twentieth Century, many new terms arose evidencing the need to build a safer frame for developing people and companies, in balance with nature and the environment.

Those are the origin of what we know now as Corporate Social Responsibility (CSR). It is a management concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental, and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders (UNIDO, 2019).

But academic literature about Corporate Social Responsibility issues different concepts closely related among them, and to the Triple-Bottom-Line Approach (Elkington, 1994, 1997, 1998) that intends to rationalize the development that promotes economic growth while working on social inclusion and minimizing the environmental impact, but with several nuances.

The most common terms to name Social Corporate Responsibility are: Social Responsibility, if we want to emphasize the citizen's commitment; Sustainability, if we include the internal processes, management and operations of a company,

focusing on the creation of value in the mid and long term; Sustainable Development (according to Brundtland definition of 1987), if we centre in the satisfaction of present needs without compromising those of future generations; Social Action if we underline the philanthropic and charitable aspects; and Social Organization Responsibility when we cover all kind of stakeholders (NGO, Trade unions, Universities, Political parties, etc.) and not only companies, to cite only some (Bazán Cea, Morena Olías and Cortés Soria, 2016, p.31).

And even if we would focus only on one of them, Sustainability for instance, although there is a wide-ranging understanding of the concepts behind its definition, there are more than two hundred different definitions (Agudelo-Vera et al. 2011, p. 2296).

These ideas show the extent of the frame and the undefinition of its borders. We are talking of concepts that are growing with our times and acquiring new meanings day by day.

The Global Compact

Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another (UN Global Compact, 2014, p. 11).

By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and the planet but also setting the stage for long-term success (UN Global Compact, 2014).

The Ten Principles of the United Nations Global Compact were launched in 24th June 2004, during the first Summit of Global Compact, with the United Nations Code of Conduct for MNEs. The principles derived from the Universal Declaration on Human Rights, the International Labour Organization's Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption (UN Global Compact, 2021).

These policies have been the main tools, with OECD Guidelines for Multinational Enterprises (2011) and the Sustainable Development Goals (2015), in order to build the frame of Corporate Social Responsibility.

Code of Conduct and Non-financial Information

Fashion companies have voluntarily adopted their Code of Conduct establishing the values of the organization and providing a guide for decision-making and better professional performance. The Code of Conduct is supposed to be addressed to both members of the organization and stakeholders, to be

objective, to be coherent with the evaluation of risks and to establish measures of monitoring and control to assure compliance.

The Ten Principles of the United Nations Global Compact served as guidelines to the codes of conduct of fashion companies, thus shaping our current perspectives on human rights and working conditions.

The Global Compact □ Code of Conduct □ Non-financial information

In the meantime, disclosure of non-financial information has become crucial for leading change towards a sustainable global economy, as it combines long-term profitability with social justice and environmental protection. It also reflects the companies' policies of corporate social responsibility. In Europe, Directive 2014/95/EU sets the rules on the disclosure of non-financial and diverse information by large companies (public-interest companies with more than 500 employees). This information is mandatory in their annual reports from 2018 onwards, and it includes reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, diversity on company boards (in terms of age, gender, educational and professional background) (European Commission, 2014).

There is flexibility in the way of disclosing the relevant information, but there are international, European or national guidelines to do it: the ones afore mentioned in the UN Global Compact, the OECD guidelines for multinational enterprises, ISO 26000 about Social Responsibility, etc. In June 2019, the European Commission published guidelines on reporting climate-related information (European Commission, 2019).

The Ten Principles of the Global Compact of 2004 (UN Global Compact, 2021) have been adopted by the majority of companies in their Codes of Conduct.

Comparing the brand's Codes of Conduct, they are very similar. They tend to respect human rights, freedom of association and the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour and the elimination of discrimination. Related to the environment, businesses mainly support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. Only some of them have included the tenth principle: to work against anti-corruption in all its forms. The Ethical Trade Initiative's Code of Conduct doesn't include it, and some of the brands are using this model.

There are general statements that show that the brand is aligned with Global Compact, and detailed specifications that show the problems the brand usually faces in its value chain. To highlight only some:

Regarding working conditions, there is a point in Burberry's Code of Conduct that is very illustrative:

“Working conditions shall be safe and Hygienic: IV. Access to clean toilet facilities and to potable (safe drinking) water, and, if appropriate, clean sanitary facilities for food storage shall be provided”.

This is important if they are working in developing countries, as it means improving respect for the ordinary conditions of daily life. At the same time, they are disturbing when associated with a luxury brand. (Burberry’s Ethical Trading Code of Conduct)¹.

Regarding child labour, most companies have adopted the ILO Minimum Age convention of 1973, included in the Code of Conduct the Ethical Trade Initiative²:

“This Convention provides that the minimum working age should not be less than the age for completing compulsory schooling and in no event less than 15 (14 in limited circumstances in less developed countries).

More rigorous standards apply in the case of hazardous work where the minimum age may not be less than 18.”

This is interesting. At the same time, it opens doors to employ adults in these working conditions.

Puma establishes that vendors and their subcontractors may not employ anyone below 15 years of age, or the local legal minimum age, or the age for completing compulsory education, whichever of the three is higher³.

Stella McCartney and all the brands of Kering Group have adopted the ETI Code of Conduct.

We can see that the principles of the Global Compact have directly influenced the Code of Conduct of some brands.

Regarding the non-financial information, the topics covered are mainly the ones suggested by the European directive: the policies and practices implemented in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, diversity on company boards (in terms of age, gender, educational and professional background).

Some of them contained this information on the sustainability webpage, others on the homepage. In general, it is easy to find it. All of them show their concern about environmental issues, from the raw materials used through the whole

¹https://www.burberryplc.com/content/dam/burberry/corporate/Responsibility/Responsibility_docs/Policies_statements/Policies/Updated_Policies/Ethical-Trading-Code-of-Conduct-120517.pdf

² <https://www.ethicaltrade.org/eti-base-code/4-child-labour-shall-not-be-used>

³ <https://about.puma.com/en/sustainability/codes-and-handbooks>

value chain processes. Some of them not only speak of sustainability but of circularity, which is a step beyond achieving sustainability.

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