Dante Pesce
Executive Director of Vincular Center for Corporate Social Responsibility and Sustainable Development and Special Advisor on Latin American Public Policy to United Nations Global Compact

Toronto, May 27, 2014
Crisis in Leadership – Trust in Ethics and Morality Very Low

How much do you trust business and government leaders to do the following?

**Business Leaders**
- Solve social or societal issues: 26%
- Correct issues within industries that are experiencing problems: 20%
- Make ethical and moral decisions: 19%
- Tell you the truth, regardless of how complex or unpopular it is: 18%

**Government Leaders**
- Solve social or societal issues: 15%
- Correct issues within industries that are experiencing problems: 15%
- Make ethical and moral decisions: 14%
- Tell you the truth, regardless of how complex or unpopular it is: 13%

Source: Edelman Annual Trust Barometer, Jan 2011
Changes in expectations.....including the role of government

Corporations should create shareholder value in a way that aligns with society’s interests, even if that means sacrificing shareholder value.

Government should regulate corporations’ activities to ensure business behaves responsibly.

Source: Edelman Annual Trust Barometer, Jan 2011
Business attitude to challenges

The UN Global Compact–Accenture CEO Study on Sustainability 2013

A survey of 1000 CEOs across 103 countries and 27 industries gives a unique insight into business leaders’ views on the pathway towards a sustainable economy

September, 2013
Some of the results

Essential elements on the agenda:

- Active intervention by governments and responsible politicians, in collaboration with business to align public policies with sustainability in global, national and local plans
- The need to learn from leading companies, to make the most of sustainability as an opportunity for growth and innovation
Latin America’s main challenges........scaling up

- Sustainability remains at a pioneer level, and in some cases still far from a holistic approach based on the management of negative impacts
- Integration of sustainability (responsible behaviors) into strategy and operations (based on due diligence)
- Dissemination of responsible practices within the sphere of influence, especially the supply chain
- Improve transparency and accountability for companies and industries
- Development of public policies with the aim of addressing the “scaling up challenge” of responsible business behavior
EU CSR Strategy 2011-2014


A renewed EU strategy 2011-14 for Corporate Social Responsibility

Brussels, 25.10.2011
COM(2011) 681 final
SOURCES: INTERNATIONAL INSTRUMENTS

ILO
Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

UN
Guiding Principles on Business and Human Rights

UN
Global Compact

OECD
Guidelines for Multinational Enterprises

ISO26000
Guideline for Social Responsibility

other:

Global Reporting Initiative™
42. ...We reaffirm the key role of all levels of government and legislative bodies in promoting sustainable development...

46. ...We support national regulatory and policy frameworks that enable business and industry to advance sustainable development initiatives, taking into account the importance of corporate social responsibility...

47. We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle...
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Carrots and sticks

Public policy developments on reporting

Sustainability reporting requirements/recommendations on the rise
Market regulators: Sustainability reporting listing requirements/recommendations/guidance for certain companies in place
Governments: Sustainability reporting policy/regulation for certain companies and/or certain KPIs in place
Market regulators & Governments: Sustainability reporting requirements/recommendations in place

Source: Carrots & Sticks, Global Reporting Initiative, 2013
Public policy developments on reporting

Trends in mandatory and voluntary sustainability reporting

<table>
<thead>
<tr>
<th>Year</th>
<th>19 countries &amp; regions</th>
<th>32 countries &amp; regions</th>
<th>45 countries &amp; regions</th>
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<tbody>
<tr>
<td>2006</td>
<td>58%</td>
<td>42%</td>
<td>38%</td>
</tr>
<tr>
<td>2010</td>
<td>62%</td>
<td>57%</td>
<td>38%</td>
</tr>
<tr>
<td>2013</td>
<td>72%</td>
<td>60%</td>
<td>28%</td>
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**Carrots and Sticks Publications**

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>2006</th>
<th>2010</th>
<th>2013</th>
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<tbody>
<tr>
<td>Mandatory</td>
<td>35</td>
<td>94</td>
<td>134</td>
</tr>
<tr>
<td>Voluntary</td>
<td>25</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>151</td>
<td>180</td>
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<table>
<thead>
<tr>
<th>Countries &amp; Regions</th>
<th>2006</th>
<th>2010</th>
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<tbody>
<tr>
<td>19</td>
<td>32</td>
<td>45</td>
<td></td>
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</tbody>
</table>
Figure 9: Reporting rates by country


* 2011 reporting rate restated for New Zealand.
Rate of corporate responsibility reporting across 41 countries - 2011 and 2013
(\% of companies reporting on CR)

Corporate Social Responsibility AND THE LAW

Mandatory Social and Financial Reporting: Coming Soon to the European Union

Posted on March 3rd, 2014 by Vivek Krishnamurthy

Corporate social responsibility (“CSR”) may have its roots in voluntary efforts by businesses to address their broader impacts on society, but the trend towards CSR becoming mandatory advanced significantly this week under a deal that will soon require all large European companies to begin issuing annual social and environmental performance reports.

On February 26, the European Council and the European Commission reached an agreement that all but guarantees that the forthcoming European directive on corporate social responsibility will require all publicly traded companies with more than 500 employees to issue annual reports on their social and environmental performance.
“Alliance for Sustainable Development: Promotion of Quality Social and Environmental Investments”

- Include the internationally recognized CSR guidelines and principles in the definition of national policies and plans to promote good corporate behaviour.

- Promote public policies that encourage transparency by companies in social, environmental and human rights aspects.

- Invitation to countries to consider presenting their national action plans on CSR at the next CELAC-EU Summit in 2015.
Brazil, Colombia and Chile are full members of Group of Friends of Paragraph 47 from Rio+20

Chilean Council on Social Responsibility for Sustainable Development.
  - Mandate to propose National Action Plan

SIECA-INTEGRARSE (WBCSD+UNGC) public policy on CSR initiative.
  - 400 companies already using ISO26000
  - SIECA taking the lead from public sector
COUNCIL ON SOCIAL RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT
BACKGROUND
OF THE ESTABLISHMENT OF
THE COUNCIL
42. ...We reaffirm the key role of all levels of government and legislative bodies in promoting sustainable development...

46. ...We support national regulatory and policy frameworks that enable business and industry to advance sustainable development initiatives, taking into account the importance of corporate social responsibility...
We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle...
Corporate Social responsibility (CSR), as one of the pillars of a sustainable economy, is an ethical concept which refers to the **impacts of companies on society and the environment**. This concept is increasingly important in a globalized economy and its consideration by companies has become a **strategic condition for development**.
Include the **internationally recognized guidelines and principles** on CSR in the definition of national policies and plans to promote good corporate behaviours.

**Promote public policies** that encourage transparency by companies in social, environmental and human rights aspects.

**Invitation to countries to consider submitting a report of national action plans on CSR** in the next CELAC-EU Summit in 2015.
FUNCTIONING OF THE COUNCIL

CREA CONSEJO DE RESPONSABILIDAD SOCIAL PARA EL DESARROLLO SOSTENIBLE.

DECRETO N° 60

SANTIAGO, 23 ABR. 2013

VISTOS.: Lo dispuesto en los artículos 1º inciso tercero, 24 y 32 N° 6, de la Constitución Política de la República de Chile, en el Decreto Supremo N°19, de 2001, del Ministerio Secretaría General de la Presidencia, y en la resolución N° 1.600, de 2008, de la Contraloría General de la República; y
«Development that meets the needs of the present without compromising the ability of future generations to meet their own needs».

Bruntlandt Report, United Nations, 1987
Responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- Contributes to **sustainable development**, including the health and wellbeing of society;
- Takes into consideration the **expectations** of stakeholders;
- Comply with **applicable legislation** and be consistent with international norms of behaviour; and
- Is integrated throughout the organisation and put into practice in all relationships.

**Note 1** Activities include products, services and processes

**Note 2** Relationships refer to the activities of an organisation within its sphere of influence.
OBJECTIVES AND FUNCTIONS

ADVISE the Minister of Economy on the development of public policies related to SR.

BUILD a proposed strategy for the National Policy on Social Responsibility.

COORDINATE the various State organisms, the private sector and civil society.

IDENTIFY AND REPORT to the Minister on policies, best practices and initiatives generated in this area.

PROPOSE policies, practices and concrete actions in public policies.
SOURCES:
INTERNATIONAL INSTRUMENTS

ILO
Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

UN
Guiding Principles on Business and Human Rights

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ISO26000
Guideline for Social Responsibility
<table>
<thead>
<tr>
<th>Member Decree</th>
<th>Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Director of Environment of the Renewable Energy Ministry Waldemar Coutts</td>
</tr>
<tr>
<td>2</td>
<td>Director General of International Economic Relations Álvaro Jana</td>
</tr>
<tr>
<td>3</td>
<td>Head of the Natural Resources, Waste and Risk Evaluation Division of the Ministry of Environment Leonel Sierralta</td>
</tr>
<tr>
<td>4</td>
<td>Representative of the Ministry of Labour Rodrigo Zegers</td>
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<tr>
<td>5</td>
<td>Director of ChileCompra. Roberto Pinedo</td>
</tr>
<tr>
<td>6</td>
<td>Director of the Institute of Human Rights Lorena Fríes</td>
</tr>
<tr>
<td>7</td>
<td>National Contact Point for the OECD Guidelines for Multinational Enterprises Raimundo González.</td>
</tr>
<tr>
<td>8</td>
<td>A representative of the Ministry of Economy, Development and Tourism Macarena Letelier</td>
</tr>
<tr>
<td>9</td>
<td>Executive Director Global Compact Chile Margarita Ducci</td>
</tr>
<tr>
<td>10</td>
<td>Three representatives from business associations Hermann Von Mühlenbrock (SOFOFA) Juan Carlos Corvalán (CCS) Andrés Santa Cruz (CPC)</td>
</tr>
<tr>
<td>13</td>
<td>Two representatives from associations bringing together smaller enterprises and entrepreneurs Juan Araya (CONAPYME) Cristián López (ASECH)</td>
</tr>
<tr>
<td>15</td>
<td>Two representatives from non-governmental organizations Miguel Santibáñez (Acción ) Eduardo Mizón (Acción RSE)</td>
</tr>
<tr>
<td>17</td>
<td>A representatives from workers unions Claudio Urrutia (CUT)</td>
</tr>
<tr>
<td>18</td>
<td>Two representatives from the academic sector Dieter Linneberg (UChile) Dante Pesce (PUCV)</td>
</tr>
<tr>
<td>20</td>
<td>Executive Secretary of the Council designated in concordance with article 8° of this decree Katherine Lama</td>
</tr>
</tbody>
</table>
FIRST SESSION OF THE COUNCIL
Los miembros del Consejo de Responsabilidad Social para el Desarrollo Sostenible, recomiendan al Ministro de Economía, Fomento y Turismo, la adopción de acciones conducentes a lograr que las empresas pertenecientes al Estado de Chile elaboren anualmente un Reporte o Memoria de Sostenibilidad, en la que se expresen las políticas, compromisos y prácticas socialmente responsables de este grupo de empresas. Se propone recomendar el uso de metodologías internacionalmente reconocidas, de preferencia la del Global Reporting Initiative (GRI). Esta sugerencia se basa en la experiencia comparada y servirá para que el Estado tenga un rol ejemplificador en esta materia.

Asimismo, recomiendan hacer gestiones conducentes a la generación de incentivos para que las grandes empresas privadas y, especialmente aquellas que cotizan en la Bolsa de Valores, también transparenten de manera voluntaria su gestión de sostenibilidad y prácticas responsables, a través de un reporte o memoria de sostenibilidad, tal como sugiere el párrafo 47 de la declaración de Río + 20 de Desarrollo Sostenible.

El mecanismo recomendado es el denominado "reporte o explique", que se materializa a través de la elaboración anual de un reporte de sostenibilidad, o bien a través de la explicitación formal ante la autoridad respectiva, de los motivos por los cuales una empresa carece de una política de responsabilidad social. Las empresas estarán en libertad de adoptar la metodología o formato que mejor les acomode, dependiendo del nivel de madurez de su gestión.
Final remarks

The key tools and political agreements already exist, but still have limited roll out and uptake.

- Instruments are not well harmonized.
- Awareness raising and capacity building are urgent, mostly in mainstream business associations and governments.
- For the most part, national actions on CSR plans are not being put in place.
- Transparency, accountability and stakeholder engagement (including NGO’s and Unions) are key to gain legitimacy in developing actions plans on CSR.

The opportunity for playing a leadership role is open.
- Pioneer companies and local networks (UNGC, WBCSD) already exist, but their relation to public policy is very limited.
- There is no regional forum to discuss and share vision, peer learning and best practices