

Position paper

Corporate Social Responsibility (CSR) from the point of view of scienceindustries

scienceindustries

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Summary

- **The member companies of scienceindustries are aware of their social responsibility and take this seriously - for decades, they have voluntarily got involved in a wide range of fields in CSR activities related to issues such as protecting the environment, promoting education and fighting corruption.**
- **The international community has created a multi-faceted set of CSR regulations incorporating guidelines and conduct recommendations for multinational companies. Government commitments beyond this are not a productive approach. Solo action on the part of Switzerland would be ineffective and would put an unnecessary strain on our country as a business location.**
- **Greater juridification of CSR and particularly the broadening of public liability for multinational companies - as provided by the Responsible Business Initiative - would be counter-productive. Rather, it is a question of increasing the responsibility of the economy itself.**

Initial situation

There is no generally accepted definition of the term “Corporate Social Responsibility (CSR)”. In addition, companies exercise their social responsibility differently depending on their size and field of activity. However, scienceindustries and its member companies always see responsible behaviour as:

1. Complying with local laws, global inter-company or industry-wide standards that may go beyond local legal standards, as well as international agreements (Corporate Governance and Compliance).
2. Exercising social, environmental and economic responsibility in core business operations (Sustainable Management).
3. Taking on social commitments that go beyond core business operations (Corporate Citizenship).

In particular, the activities of global companies in emerging markets and developing countries are currently focal points of interest in the spheres of politics and media. This paper is primarily based on this focus.

Institutional and governmental CSR developments

At the moment, issues relating to CSR are being discussed intensively at an international and national level. Various CSR guidelines and conduct recommendations have been implemented internationally, establishing a widely recognised regulatory framework for global companies. Of particular note are OECD guidelines for multinational companies; these guidelines have the aim of promoting the social and environmental development of the countries in which the respective companies operate. Equally important is the global voluntary initiative “UN Global Compact”. The “Ruggie” principles of the UNO ultimately establish the frame of reference regarding corporate activities and the safeguarding of human rights.

At a national level, a “Corporate Social Responsibility position paper of the Federal Council” was published in April 2015. The council is also implementing the “Ruggie Guiding Principles” for Switzerland by means of a national action plan. Furthermore, with the “Green Economy Action Plan” the Federal Council intends to enhance the frame conditions in Switzerland in order to preserve natural resources. The Federal Assembly has also already discussed various CSR initiatives and requested, among other items, two comparative legal reports.

Under the slogan “Justice across borders” a Swiss initiative committee has called for the mandatory enforcement of very extensive corporate responsibility. In particular, Swiss courts are to then assume jurisdiction for lawsuits brought forward by foreigners in the event of incidents abroad. The “Responsible Business Initiative” was launched in April 2015 (see below).

Companies have long taken their social responsibility seriously

The member companies of scienceindustries comply with local statutory regulations on working conditions, safety standards, environmental protection etc. and adhere to internationally recognised social and environmental standards.

In addition, the companies voluntarily follow complementary CSR strategies where they consider this to be beneficial. As such, the companies often go beyond complying with local statutory regulations and strive to make their activities as far-sighted and sustainable as possible in the business itself, along the value chain, at the company’s headquarters and in the market.

Today, there are numerous CSR standards and measures around the world. The specific measures chosen by a company depends on its particular activities, its size, its products and services, as well as the countries in which it operates. As a result, the CSR measures adopted by different companies can vary considerably.

CSR measures are limited in a practical sense due to the fact that companies need to maintain their global competitiveness and thus their function of adding value. The primary function of companies with regard to society continues to be adding economic value, thereby enabling jobs to be created, taxes to be paid and the basis for the wellbeing of people and national economies to be established. If implementing CSR measures means that a company cannot maintain its competitiveness, then every CSR strategy fails.

Furthermore, corporate activities can never replace the responsibility of the relevant political organs - rather, it can only supplement it. Enforcing law and regulations, implementing fundamental environmental and social standards and offering public services are and continue to be core tasks of

states. This also entails companies receiving support from their home government with regard to exercising their responsibility in countries with weak governance structures.

Particular commitment to the fields of environmental protection and social sustainability

The member companies of scienceindustries consider the fields of environmental protection and sustainability to be particularly important. Over the last few decades, significant progress has been made. The most important communication channel for companies to report strategies, measures and the successes of their activities in the fields of the environment and social sustainability is their annual reports or rather their environmental or sustainability reports (“Non-Financial Reporting”).

It is worth pointing out some important industry initiatives at this point (other initiatives can be found in the appendix):

- **Responsible Care Programme.** This initiative undertaken by the international chemical industry aims to improve the performances of companies in the areas of environmental and occupational safety, promote health and communicate with interest groups about products and processes.
- **Global Product Strategy (GPS).** The objective of the GPS initiative of the International Council of Chemical Associations (ICCA) is to consider the environmental impacts of products throughout the value chain.
- **Together for Sustainability.** This initiative - driven by leading chemical companies - promotes improving sustainability and quality standards throughout the supply chain.
- **Pharmaceutical Supply Chain Initiative (PSCI).** This Initiative was launched by leading pharmaceutical companies and has similar objectives to those of the “Together for Sustainability” initiative.
- **Carbon Disclosure Project.** This project aims to improve the transparency, comparability and assessment of the environmental performance of companies and thereby encourage the respective companies to provide information about their greenhouse gas emissions and water consumption.

Focus: Responsible Business Initiative

In April 2015, the “Responsible Business Initiative” was launched by a broad alliance of NGOs, trade unions and church groups. This initiative calls for the introduction of statutory obligations and responsibilities in the fields of human rights and the environment for business operations abroad. In practice, Swiss parent companies would have to take on a duty of care to all companies (subsidiaries and suppliers) “controlled” by the parent company. Moreover, victims of alleged violations of these duties should be able to file a suit in Switzerland and in accordance with Swiss law.

scienceindustries opposes the introduction of these statutory liability regulations for companies - liability regulations that are the most stringent in the world. Such regulations would place Switzerland at a disadvantage compared to its foreign competitors and considerably weaken Switzerland as a location for business.

Unnecessary and no legal standing: Violations of human rights and industrially-caused damage to the environment abroad are subject to the respective local law. Global companies are guided by internationally recognised standards that are also followed if local laws and implementation practices do not satisfy these standards. Furthermore, companies are bound to international obligations such as the OECD regulations and are already responsible for their actions. In addition, the respective board of directors is subject to a duty of care in accordance with company law (Art.

717 of the Swiss Code of Obligations), which incorporates checking compliance with the relevant CSR standards.

A threat to Switzerland as a business location: Switzerland would be alone in following regulations that have not been coordinated on an international level, which would negatively impact on Switzerland's competitiveness as a location for business. Both big corporations and their Swiss SME suppliers would be affected by the stipulated liability provisions.

Undesirable consequences: If Swiss companies are exposed to legal risks that foreign companies do not have to take into account, they will withdraw from critical countries and markets, resulting in a loss of jobs in the affected countries, the restriction or the discontinuation of expertise transfer, infrastructure projects and sponsorship activities - all of which would create the risk of competitors from countries that attach less importance to human rights and environmental standards entering the markets.

Compliance with environmental legislation and human rights cannot be enforced in Switzerland by means of comprehensive and legally regulated corporate responsibility. The matter is better served by the continuation of the internationally accepted CSR guiding principles as well as sector-specific standards that are tailored to precise problems and that can become accepted within the respective sector. Such standards are based on self-initiative, are far-reaching in practice and are generally applicable across borders, guaranteeing a level playing field for competitors.

Concluding remarks

scienceindustries expressly acknowledges the social responsibility of companies as a supplement to state and civil society responsibility. The member companies of scienceindustries are characterised by their tremendous commitment to environmental protection, social sustainability and protecting human rights. When carrying out their activities worldwide, they comply with recognised standards that go beyond legal requirements as doing so is in their own economic interest as well. Nevertheless, the social responsibility assigned to them has limits:

- **Each state defines the binding legal framework within its national territory and implements this.** Companies comply with these provisions, limiting their range of action to their immediate business area. Global companies are guided by internationally recognised standards that are also followed if local laws and implementation practices do not satisfy these standards.
- **International companies actively promote development of economy and society in developing and newly industrialised countries.** The member companies of scienceindustries take care of the environment, have created countless jobs in developing and emerging market countries and facilitate the transfer of expertise. Moreover, they make a significant contribution to social development in the countries in which they operate thanks to the CSR commitments that they voluntarily undertake.
- **Juridification of CSR entails numerous risks.** Rigid laws and excessively stringent liability provisions inhibit innovation, lead to laborious bureaucracy and undermine corporate self-initiative in the field of CSR. Independent legislative action on the part of Switzerland (if need be with "Swiss Finish") would not only be ineffective in actuality, but would negatively impact the companies based here compared to competitors abroad. The competitiveness of Swiss companies and thereby also the basis for voluntary CSR commitment would be at risk.
- **CSR needs to be the responsibility of companies themselves as a matter of principle.** Companies need to ensure long-term business success and are therefore also interested in a

stable and pro-business economic environment in the countries in which they operate. The practical implementation of a CSR strategy needs to remain the responsibility of companies. Mandatory elements, such as reporting obligations or extended liability provisions for violations committed by third parties, are counter-productive and result in voluntary CSR activities being at risk.

Appendix: selection of CSR developments and activities from the point of view of the sectors chemistry pharma biotech

International level	
Institutional and multilateral CSR developments	Focus/core areas
OECD guidelines for multinational companies: government recommendations to multinational companies. Companies are requested to support the social and environmental development of the countries in which they operate. For the purpose of implementing and monitoring the guidelines, each state is to establish a "National Contact Point" (located at the SECO in Switzerland) where alleged misconduct on the part of companies can be reported.	<i>Human rights Environment/sustainability Employment/safety Fight against corruption</i>
UN Global Compact: A voluntary platform of companies and organisations initiated by the UNO that promotes self-commitment in the field of sustainability as well as CSR. The Global Compact defines specific social and environmental minimum standards that are summarised in ten principles. By participating in the Global Compact companies undertake to prepare a yearly report on CSR measures that have been put in place.	<i>Human rights Environment/sustainability Employment/safety Fight against corruption</i>
UNO guiding principles for the economy and human rights: The "Ruggie" Guiding Principles establish the frame of reference for states regarding corporate activities and violations of human rights. They put in concrete terms the human rights aspects of the UN Global Compact. Core issues include the protection of and respect for human rights as well as access to effective compensation for victims of human rights violations. UNO Member States are obliged to draw up national implementation strategies ("National Action Plan") for the "Ruggie" Guiding Principles.	<i>Human rights</i>
ILO mission statement: The tripartite mission statement regarding multinational companies and the social policy of the International Labour Organization (ILO) encompasses rules of conduct for the fields of education, working conditions, employment, living conditions and working relationships. Within the statement, companies, governments, employers' associations and employees' associations are asked to apply international work agreements and recommendations.	<i>Employment/safety</i>
Workplace Code of Conduct: A code of conduct established by the Fair Labor Association (FLA) that aims to promote the rights of workers through compliance with international standards and improve working conditions on the whole. By participating, companies undertake to comply with the provisions of the code along the supply chain.	<i>Employment/safety</i>
ISO standards: The International Organization for Standardization (ISO) consists of representatives of national standard organisations and is the largest developer of international standards. Its standards ISO 14001 for environmental management and ISO 40040 for life cycle assessments are prominent examples of standards in the field of environmental protection. Implementing ISO standards is optional.	<i>Environment/sustainability</i>
Eco-Management and Audit Scheme (EMAS): A set of rules developed by the European Commission that specifies the elements and processes for environmental management. It is based on the ISO 14001 standard but includes additional elements such as specified environmental indicators (Key Performance Indicators).	<i>Environment/sustainability</i>
National level	
State and parliamentary CSR developments	Focus/core areas
Federal Council strategy - corporate social responsibility: A position paper published by the Federal council in April 2015 on corporate responsibility for society and the environment. The paper defines strategic focus areas in the field of CSR and includes an action plan that details specific measures regarding CSR issues.	<i>Human rights Environment/sustainability Employment/safety Fight against corruption</i>
National Action Plan for Ruggie Guiding Principles: The "Ruggie Guiding Principles" adopted by the UNO are to be put in concrete terms in a National Action Plan (NAP) on a country by country basis. The federal government is currently working on a "Ruggie strategy" tailored to local needs. A draft was sent to selected parties in April 2015. The	<i>Human rights</i>

economy as a whole has expressed its view through its representative economiesuisse; a final Swiss NAP is still pending.	
Comparative legal report on due diligence: A report requested by parliament on due diligence with reference to human rights and the environment regarding activities carried out abroad by Swiss companies. The Swiss Institute of Comparative Law (SICL) has drawn up a report on the matter and thereby investigated existing measures in countries comparable to Switzerland. The report suggests possible solutions for Switzerland.	<i>Human rights</i>
Comparative legal report on compensation: Another report requested by parliament that sets out to analyse which measures are implemented in other states that enable people whose human rights have been violated by a company to access compensation. The report is still pending.	<i>Human rights</i>
Sustainable Development Strategy 2012–2015: A general summary put together by the Federal Council on sustainable development that is published every four years. The Sustainable Development Strategy entails coordinating the activities of the federal government as well as its collaboration with cantons, the economy and civil society. The federal government views CSR as companies' contribution to sustainable development. The strategy for 2016–2019 has been adopted by the Federal Council in January 2016.	<i>Environment/sustainability</i>
Justice across borders: A committee made up of various non-governmental organisations that essentially calls for urgent implementation of comprehensive corporate responsibility. Beyond local legislation, Swiss courts should assume jurisdiction for lawsuits brought forward by foreigners in the event of incidents abroad. After a petition of the same name was rejected by parliament, the committee launched the "Responsible Business Initiative" in April 2015, which calls for parent companies in Switzerland to take on a far-reaching duty of care regarding all suppliers and distribution partners (see "Focus"). <i>Comment: scienceindustries considers the Responsible Business Initiative as damaging to Switzerland as a business location and is therefore opposed to it (see "Focus").</i>	<i>Human rights Environment/sustainability</i>
Counterproposal of the Federal Council to the popular initiative "green economy": The revision of environment protection law aims to bring environmental policy more in line with the concept of using natural resources in a responsible manner. The Federal Council referred the draft law to parliament on 12 February 2014. <i>Comment: scienceindustries criticised the counterproposal. In the 2015 winter session, parliament rejected the counterproposal as well as the initiative. The Green Economy Action Plan put forward by the Federal Council will continue - a plan the council wants to abide by despite the absence of a legal mandate.</i>	<i>Environment/sustainability</i>
Reporting on raw materials and products in Switzerland: The Federal Council advocates reporting on products and raw materials and has commissioned the Federal Office for the Environment to improve basic information concerning selected raw materials with regard to the respective material's relevance, market share and the relevant current standards.	<i>Environment/sustainability</i>
Sector level	
Industry-driven CSR initiatives and measures	Focus/core areas
Responsible Care Programme: A global initiative undertaken by the chemical industry to improve environmental and occupational safety performance, as well as promote health and communication with interest groups about products and processes. The associated Global Product Strategy (GPS) aims to enhance the performance of individual companies with regard to responsibility for their respective products.	<i>Environment/sustainability Employment/safety</i>
Together for Sustainability: An initiative driven by the world's leading chemical companies to improve sustainability and quality standards in the supply chain. The objective is to firmly establish sustainability as an integrated component of corporate strategy.	<i>Environment/sustainability</i>
EcoVadis: An initiative with the goal of improving environmental and social practices through consistent use of global supply chains. EcoVadis runs a platform that enables companies to assess the performance of its suppliers with regard to sustainability.	<i>Environment/sustainability Employment/safety</i>

<p>Pharmaceutical industry codes of conduct: National codes put into concrete terms worldwide the respective superordinate codes of the international or regional associations of the pharmaceutical industry. By signing the respective code, pharmaceutical companies undertake to comply with specific ethical rules of conduct, particularly in relation to cooperation with doctor and patient organisations. In Switzerland, scienceindustries is responsible for the national codes.</p>	<p><i>Fight against corruption</i></p>
<p>SusChem: A Europe-wide technology platform in the chemical sector that advocates sustainable solutions, resource efficiency and clean technology. SusChem connects players from industry, the economy and the public sector and supports innovative projects at a local, national and international level.</p>	<p><i>Environment/sustainability</i></p>
<p>Pharmaceutical Supply Chain Initiative (PSCI): A code of conduct created by a group of leading pharmaceutical companies. It plays a role in helping pharmaceutical suppliers to implement industry standards in the fields of employment rights, health, occupational safety, the protection of animals, environmental protection, ethics etc.</p>	<p><i>Environment/sustainability Employment/safety</i></p>
<p>Behaviour-Based Safety (BBS): A management programme initiated by the European chemical association CEFIC to increase occupational safety by means of behaviour training. The focus is on increasing the level of safety in the workplace throughout the chemical industry as well as in the transport sector.</p>	<p><i>Employment/safety</i></p>
<p>Chemie³ The “sustainability guidelines for the chemical industry in Germany” are at the heart of the sustainability initiative undertaken by the German chemical industry. The guidelines serve as an overall concept, thereby helping companies and employees to develop their contributions to the issue of sustainability.</p>	<p><i>Environment/sustainability</i></p>
<p>Planet Possible: A campaign established by AkzoNobel that aims to reduce pollutant emissions in all areas of the value chain - resource extraction, processing, transport, application and disposal.</p>	<p><i>Environment/sustainability</i></p>