



The Earth Charter and the Business Sector

How a Consensus on Global Values
Can Add Value

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Executive Summary

In the early Twenty-First Century, the "business of business" includes taking responsibility for a wide range of issues not traditionally associated with core business concerns. Lack of attention to social, ethical, and environmental aspects -- locally or globally -- has proven costly. Investment in best-practice performance in these areas is increasingly seen as essential to maintaining and building sustainable brand value.

Over the past decade, a plethora of guidelines, standards, compacts and initiatives has arisen to support the business sector's engagement with issues formerly seen as "externalities". However the multiplicity of tools and related expectations sometimes causes management fatigue or confusion, and often fails to satisfy either advocacy groups or shareholders. Frequently, too, these can seem bureaucratic and lacking the inspirational element necessary to engage and sustain all stakeholders in a longer-term process of cultural and operational transformation.

In this context, the Earth Charter occupies a special place. By providing an agreed statement of fundamental principles and values, it offers companies a clear global framework within which to test their corporate social responsibility (CSR)¹ policies and develop long-term business plans. It has been widely embraced and endorsed as a common global vision and agenda for a more sustainable, just and peaceful global society.

Earth Charter International (ECI) is the secretariat charged with promoting the Earth Charter worldwide and with supporting the broad-based Earth Charter Initiative (the "Initiative"). This comprises thousands of endorsing organisations, institutions, government agencies, and individuals.² With the support of the NCDO (a Dutch government-sponsored foundation)³ and GlobeScan, an international consultancy, ECI is currently assessing how the Earth Charter can be of optimal value to the business sector.

This paper summarises the findings of research to date, and invites further discussion and ideas. Specifically, it requests feedback, and attaches a questionnaire which readers are encouraged to complete and return.

Consultations with the business, government and civil society sectors in The Netherlands have highlighted a variety of roles -- current and potential -- for the Earth Charter in a business context. These include use of the Earth Charter as:

¹ 'CSR' is a standard abbreviation for Corporate Social Responsibility and refers both to the formal programs of large businesses to manage social and environmental concerns, and to the international movement to promote such engagement on the part of business. While some actors are switching to the phrase "Corporate Responsibility" and the initials 'CR,' we will use the more widely recognized abbreviation 'CSR' in this paper.

² For more details, see www.earthcharter.org

³ The National Committee for International Cooperation and Sustainable Development, www.ncdo.nl

1. A simplifying and unifying platform for the increasingly complex demands of meeting new standards, assessing progress, and reporting on results.

2. An inspirational and educational tool for informing and engaging employees and communicating a company's aspirations to its shareholders and stakeholders.

3. A stimulus to innovation and change as companies continue to evolve their products, services, and business models to meet the emerging realities of a globalized world facing numerous social, environmental, and ethical challenges.

To help frame our longer term strategy in the business sector, we invite your comments on the Earth Charter and the views outlined in this paper. Using the attached form, please send feedback to ECI Director Alan AtKisson at the address shown on the cover page.

Introduction

In some respects, the concepts of 'business as usual' or 'sustainable business' are comforting ones. The notion of a business environment that is stable and relatively predictable has a high level of appeal to investors, business leaders and employees alike.

The problem is -- as history has repeatedly shown -- that the only thing certain about the business environment is that change takes place constantly. Sometimes the change is gradual. Increasingly, it comes quickly, unpredictably and disruptively.

History also underlines how business, at its best, is pro-active or able to adapt to emerging changes. It sees a human need for a particular service and responds. By contrast, however, business can also resist change, although never permanently.

In many respects, good business has always been about understanding change, and turning its inherent risks into markets and opportunities.

... enter 'sustainable development'.

For the purposes of this paper, we adopt the original Brundtland Commission 1987 definition of sustainable development -- "[development that meets] the needs of the present without compromising the ability of future generations to meet their own needs" This definition is further elaborated by the text of Earth Charter itself, with its sixteen major Principles and 61 Supporting Principles. The Principles rest in turn on four cornerstone values: "respect for nature, universal human rights, economic justice, and a culture of peace." (Earth Charter Preamble)

The recognition that humankind might be running out of raw materials, or places to put its waste, is no longer new. Over the last decade, public opinion appears to have generally aligned with scientific opinion on the conclusion that the dramatic changes in our patterns of production and consumption lie ahead. This challenge has been highlighted in a series of high-level international meetings and conferences, most recently the 2002 Johannesburg UN World Summit on Sustainable Development.

Security and human rights issues are also high on the agenda. Development – economic or any other – cannot take place in a world where the fruits of growth are not shared more evenly. Wars, terrorism and human rights abuses often accompany uneven development.

The sustainable development challenge “raises the bar” in terms of the rates and magnitudes of required change, to levels unparalleled in history. Its unique characteristics include its global scope, and the need to address social, ethical, and environmental issues at the same time as economic issues, and in an integrated way.

The Earth Charter arose partly out of a concern -- shared by representatives of government, business, and civil society -- that the sustainable development debate was too narrow in three specific respects.

- It does not address crucial issues such as peace and democracy.
- While the law-making role of governments is essential, there is a need for a document that synthesizes the many issues involved in a way that most people and organisations can understand and apply.
- Finally, laws, CSR instruments and codes of conduct often lack an explicit ethical dimension that reflects universally-held human values.

The Earth Charter can be seen as a response to these concerns. Developed in an international consultative process that engaged actors from all sectors and corners of the globe, it is a comprehensive but concise articulation of these interlocking global challenges, and the kinds of change that sustainable development requires, in all sectors and institutions.

The Business Sector's Response

Sustainable development poses special problems for the business sector. These include its dependence on an economic model that does not encourage internalization of 'externalities', and society's reliance on the jobs and economic growth that business creates. Other problems include: the absence of clear and consistent government policies to encourage change; low levels of public trust in the business sector; and a tendency to blame 'big business' rather than to acknowledge the shared responsibility of voters, consumers, investors, small and medium size enterprises (SMEs), and other actors.

In many respects, the business sector has shown great leadership in responding to the challenge. Creative new products and services have been developed. A number of global corporate social responsibility initiatives have successfully promoted greater awareness, responsibility and transparency.

It remains a fact, however, that too many critical global trends continue to go in the wrong direction. While many leading companies have made significant progress, the majority of companies have not yet put in place policies that reduce their adverse impacts. A significant increase in business's level of commitment, engagement, ambition, and action in the area of sustainable development is urgently required.

Business practices have the potential to either accelerate or reverse the trend towards unsustainability, to a dramatic degree. The current mix of regulatory and private voluntary instruments seems unlikely to be able to deliver the scale and pace of change required. Indeed, even the overall positive changes now happening in business appear to be outpaced by accelerating negative change in key global trends such as climate change, access to water, and social and economic progress in some parts of the developing world.

In short, capitalism is at a crossroads. The challenge is how to break out of the current 'business-as-usual' model, while maintaining the best of the private sector's entrepreneurial, technological and financial skills and innovative capacity.

The Missing Elements?

What are the main obstacles to change? No analysis can hope to be exhaustive. From Earth Charter International's perspective, however, there are several prerequisites to securing broader, deeper, and more rapid change.

- a) **A shared level of awareness:** There is evidence that governmental and other approaches have not yet produced a shared level of public (including investor and consumer) concern about the urgency of taking remedial action. *A simple yet powerful method is needed to raise awareness.*
- b) **A source of inspiration:** Negative global trends can create an atmosphere of denial or depression. Regulations and codes can be complex and confusing. Experience suggests that traditional approaches have not inspired the rapid, fundamental changes that our times require. *A shared vision that can inspire people to act is needed, at both the individual and the institutional level.*
- c) **A common value system:** In spite of globalization, the world remains a richly diverse set of cultures, faiths and behaviours. "One size fits all " approaches have their limits. *An ethical framework based on shared values and needs is required to stimulate human creativity and support collaboration across boundaries of difference.*
- d) **A citizen-based approach:** Traditional regulatory-based approaches leave implementation to governments, whose capacity to enact and implement laws varies greatly. Change cannot always await government action. *A guiding motivational framework is needed to harness the power of civil society and accelerate change.*
- e) **A framework that sets clear goals, but offers flexibility as how to achieve them.** Human rights, security and environmental goals are scattered across a maze of national and international laws. *A common framework that can provide a meaningful sense of unity and understanding is needed.*

The Earth Charter was designed to fill many of these gaps. The table below shows how it might be seen as relating to government normative instruments and to CSR instruments.

The Earth Charter: How It Relates to Existing Legal and CSR Frameworks

Instrument & Role	Examples	Value for Business
<p>International Conventions and Declarations</p> <p>- establish normative standards and priorities</p>	<p>Universal Declaration of Human Rights</p> <p>UN Frame Convention on Climate Change & Kyoto Protocol</p> <p>ILO Conventions</p> <p>The UN Millennium Development Goals</p>	<p>Strengths: provide guidance on evolving government priorities and expectations. Source of future legislation.</p> <p>Weaknesses: confusion arises from their large number, complexity, and inconsistent national application.</p>
<p>'People's Charter'</p> <p>- represent the priorities, values and commitments of individuals and organisations around the world</p>	<p>Earth Charter</p>	<p>Strengths: offers accessible, comprehensive and inspirational synthesis of key issues, values and principles; can help link normative (above) and CSR (below) instruments. Voluntary, flexible.</p> <p>Weaknesses: not designed as a stand-alone management tool.</p>
<p>Officially-developed or recognised CSR instruments</p> <p>- offer respected and credible guidance on governmental and/or social expectations of behaviour</p>	<p>OECD MNE Guidelines</p> <p>UN Global Compact</p> <p>Global Reporting Initiative</p> <p>ISO Social Responsibility Standard (proposed)</p>	<p>Strengths: provide guidance on aspects of corporate responsibility and/or mechanisms for assessing, measuring or reporting on related performance. Voluntary, flexible. Developed with governmental support or endorsement.</p> <p>Weaknesses: Not always comprehensive; lack ethical or values dimension; links and synergies between instruments often unclear.</p>
<p>Own-sector or organisation CSR instruments</p> <p>- set industry or sector specific guidance on expectations of behaviour of staff (and sometimes also suppliers)</p>	<p>Responsible Care</p> <p>ICMM Sustainable Development Principles</p> <p>Electronic Industry Code of Conduct</p>	<p>Strengths: Provide industry-specific guidance on performance expectations and/or commitments.</p> <p>Weaknesses: Scope; credibility issues may arise where robust stakeholder inputs are missing.</p>

Despite its widespread uptake, however, important questions remain about how the Charter might be better used to address users' needs, and how the Initiative might best direct its energies to promote such use. The remainder of the paper is directed to this challenge.

Possible Roles for the Earth Charter in Business Practice

Consultations held in The Netherlands during the first half of 2006 were helpful in shaping the Initiative's understanding of current usage practices and attitudes towards the Charter. These consultations, facilitated by the Dutch NCDO organisation with the assistance of the GlobeScan consultancy, sought the inputs of organisations and individuals who have endorsed the Earth Charter, as well as those that haven't.

Although all major stakeholder communities were involved -- government, business, and civil society (including representatives from faith and youth groups) -- a central focus was on how the business community might derive more benefit from the Charter.

On the whole, participants in the consultation process saw three distinctive and valuable roles for the Earth Charter. These were as:

1. A *simplifying and unifying platform* for the increasingly complex demands of meeting new standards, assessing progress, and reporting on results. *Using its potential convening role, bringing together both endorsers and others, the Earth Charter can provide a shared basis for discourse on how best to move ahead on the different issues and initiatives.*

2. An *inspirational and educational tool* for informing and engaging employees and communicating a company's aspirations to its shareholders and stakeholders. *In a crowded CSR field, the Earth Charter stands virtually alone in providing a comprehensive but flexible tool for informing the training, brain-storming, risk evaluation and strategic planning processes.*

3. A *stimulus to innovation and change* as companies continue to evolve their products, services, and business models to meet the emerging realities of a globalized world facing numerous social, environmental, and ethical challenges. In general companies pride themselves in being pro-active rather than reactive. *The Earth Charter's principles offer a rich menu of ideas for new approaches and progress, and have been used successfully in this way.*

Earth Charter: From Inspiration to Integration

To achieve its mission, the Earth Charter needs to increase awareness and use by an ever widening circle of individuals and organisations, including companies. There are, however, a range of challenges ahead. Feedback from the Dutch consultation process has helped us identify some of these, which are set out below. We now seek *your* views and ideas on how they could be addressed.

Branding

The CSR landscape is rich in initiatives aspiring to provide guidance on one other aspect of business responsibility. Many CSR instruments have a level of brand appeal that comes from their governmental status (e.g. the UN Global Compact), widespread industry use (e.g. ISO), or specific functionality (e.g. the GRI Guidelines) in the business sector. While the Earth Charter enjoys a high level of recognition and use, its brand value has yet to be optimally established.

Should this be done by seeking wider:

- governmental recognition? ⁴
- use by civil society?
- uptake in the market place (i.e. by companies)?

Roadmap or Road Rules?

The Charter positions itself as a map of the wider sustainability and peace landscape, covering the central issues and shared values. Inevitably, there is pressure for it to be at once a comprehensive and general framework, as well as providing an active 'navigation system' — in short, to be a sort of CSR 'all-in-one'. The main risk of any generic framework such as the Charter, however, is that implementation systems should remain flexible and non-prescriptive.

One way the Charter could balance these often conflicting demands would be as an internal policy check-list. Organisations could regularly check their mission statements, policies and performance reports against the Charter, to signal issues, risks and opportunities. The Charter would help the organisation understand *what* the key issues were, and *why* they are important, but not *how* to address them. Other CSR tools, such as the GRI, could be used for that function.

If a mission statement or specific practices are in conflict with the Charter, would this not be important information for Boards and CEOs? There may be no business case to address certain issues. On the other hand, however, there may be a good business case for being part of the solution to pressing development, environmental and human rights issues

Flexibility versus Functionality

The Charter was designed to operate as an overarching set of principles, values and guidelines that could be used independently, or in association with other instruments. For example, in considering its use of renewable energy, an organisation might simply reference the Charter's paragraph 7.b and develop its own policies to 'rely increasingly on renewable energy sources', and mechanisms to measure them.

⁴ The Earth Charter has already been formally recognised by UNESCO, by The World Conservation Union (IUCN – which includes national governments), by a number of ministries at the national level, and by over 400 city and town governments.

Another option would be to use the Charter to check whether it has a policy on renewable energy, and then use the relevant GRI indicator to measure and (if desired) report on its increased use.

From the perspective of ECI, the Earth Charter is a complementary instrument to initiatives such as the UN Global Compact, the GRI and the proposed ISO 26000 Social Responsibility Guidance Standard. Users of those instruments can draw on the Earth Charter in two main ways:

- to ensure that the list of issues and values they address is comprehensive and inclusive (i.e. are they material to both the organisation, and to the wider stakeholder community); and
- as an overarching inspirational framework for long term planning and staff engagement.

In this respect, the Earth Charter does not compete directly with such initiatives, even though many of its users might chose not to use other instruments.

Does Business have any business using a non-business tool?

The Earth Charter is intended to "guide and assess"⁵ decision making generally, but it was not developed with the specific needs of managers in mind. It is not designed as a business tool, nor can it make any claims to increase an organisation's profits or competitive position. And yet it can be used to achieve these and other business goals. It can do this by providing:

- A flexible framework to unify and complement many existing codes and initiatives. The Earth Charter can add principles and dimensions that supplement other instruments, while at the same time giving an overarching framework that better links them. For example, the Charter reinforces the Global Compact's ten principles, but provides a wider context and reason for integrating those principles into everyday operations. As noted above, Earth Charter users can then use the GRI indicators to report on both the Global Compact principles and other issues covered in the Earth Charter.
- While by no means exhaustive, the Earth Charter provides a compact, comprehensive and accessible list of current issues facing humankind. This could be used by business to identify new market opportunities (e.g. for technologies that 'fosters reproductive health and responsible reproduction'), or emerging risks (e.g. enabling 'consumers to identify products that meet the highest social and environmental standards').
- A framework, at once both aspirational and inspirational, that could be used by businesses to motivate staff, and even suppliers, to be continually on the look-out for new ways of doing business that produce both private 'goods' (i.e. increased

⁵ The closing sentence of the Preamble to the Earth Charter summarises a principal use envisioned for the document: "Therefore, together in hope we affirm the following interdependent principles for a sustainable way of life as a common standard by which the conduct of all individuals, organizations, businesses, governments, and transnational institutions is to be **guided and assessed**." [Emphasis added.]

market share, profits) and public 'goods' (e.g. provision of renewable energy to developing countries; reduced greenhouse gas emissions).

- The last decade has seen a proliferation of general and sectoral CSR instruments and initiatives. Often the general instruments are often too general to be of use, while the sectorally or regionally specific ones can raise issues for businesses that operate globally. The Earth Charter envisages a future where general instruments, such as the Charter, can be used to provide broad guidance on general directions (where to go, and why), while business-specific instruments are used to define how to get there, in a way that is unique to the specific business.

Support and Endorsement

The Earth Charter is not a membership organisation, in the sense of having fee-paying members or subscribers. Rather, its approach is to encourage "engaged endorsement". In practice, this means that individuals and organisations that see the value of the Charter are encouraged to do three things:

- a) strive to implement the principles of the Charter in their everyday operations and activities, and to regularly review progress;
- b) promote the Charter, through their contacts with third parties; and
- c) contribute to the Charter's mission, whether with their time, money or in-kind.

At the same time, the ECI requires regular financial support to promote its mission more widely. This raises the issue of how best to shape the Charter's business model to ensure its own long-term sustainability.

In our assessment, the appetite for 'another CSR code' is limited at best. Businesses already find the lengthy menu of existing instruments sometimes confusing. There are also cost issues, both in terms of implementation processes and often membership/participation costs. Many businesses have expressed a desire to see greater alignment between existing instruments and initiatives. At the same time, there is no framework for discussing how such alignment might work, and the competition between some approaches can be seen as healthy.

Could the Earth Charter be a possible framework to encourage greater alignment between existing codes and CSR initiatives? For example, would an annual Earth Charter meeting involving all the leading CSR instruments and user groups be a useful way of identifying what is working, and what could work better?

Conclusion

We believe the Earth Charter has an important niche to fill in the complex, emerging "ecosystem" of business practice for sustainable development. We are particularly interested in "adding global value with global values" -- that is, helping businesses do well by doing even more good, guided by this broadly-embraced consensus of what sustainable development requires.

Business cannot flourish in a world where peace and security, social cohesion and environmental services are being progressively or differentially degraded. We believe that by recognizing this fundamental challenge, and offering a shared vision of the underpinnings of a more just, sustainable and peaceful global society, the Earth Charter fills a major gap.

We look forward to your reactions and recommendations.

Please see the "Feedback Form" that begins on the following page.

Feedback Form: The Earth Charter and the Business Sector

1. Which of the Earth Charter's roles described in this paper do you consider would be most attractive to the business sector? As:

- a simplifying and unifying platform?*
- an inspirational and educational tool?*
- a stimulus to innovation and change?*

Please note your thoughts about the added value the Earth Charter offers in this regard.

2. Are there other roles not covered in the paper that you consider the Earth Charter could play? If so, what are these and what specific values could they offer?

3. In your view, what steps should the Earth Charter Initiative take to increase awareness and uptake of the Earth Charter by the business sector? Specifically, what comments do you have on the issues raised in the section above entitled 'From Inspiration to Integration'?

4. Do you currently use the Earth Charter? If not, what more information would you need to have before making a decision to use it?

Please complete and return this sheet to:

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