

# **Principles on CSR and CSV**

## **—A Proposal based on ISO 26000—**

### **Preamble (Our Concern)**

#### **1. CSR Today**

It has been ten years since Japan's "First year of CSR" in 2003. CSR (Corporate Social Responsibility) is now a widely recognized and respected concept with many large companies incorporating CSR into their business operations. Many companies have begun accepting and practicing ISO 26000 (Guidance on Social Responsibility), thus the philosophy is gradually penetrating into the Japanese society.

ISO 26000 was developed through an international multi-stakeholder process and its goal is to contribute to a sustainable society by offering behavioral standards for businesses and other organizations as well as providing guidance on the "relationship between businesses and society" which serves as the framework for behavioral standards. We believe that the concepts and philosophy of ISO 26000 are extremely important.

In the international world, CSR has seen some new movements since ISO 26000 was launched in 2010; i.e., EU (European Union)'s new CSR strategy, GRI (Global Reporting Initiative)'s G4, and IIRC (International Integrated Reporting Council)'s Integrated Reporting. These movements, intertwined with the United Nations' "Guiding Principles on Business and Human Rights," are raising people's awareness for corporate responsibility for the respect for human rights more than ever before.

#### **2. The Role of CSR in CSV**

CSV (Creating Shared Value) is a concept put forth by Professor Michael Porter of Harvard University. It is a business strategy which seeks to create economic value in a way that creates social value at the same time, mainly through development of products and services that address social needs. As professionals concerned with the unmet needs in society, we understand the significance of CSV and have high hopes that it will, as one form of relationship between the business world and society, contribute to the creation of new value for a better and sustainable society.

However, we fear that CSV is being misinterpreted in Japan. We have heard people say, "From CSR to CSV"—but if these words are taken literally, others may begin to think that CSR is outdated, or that the age of CSR is over and the future is in CSV. It would not be desirable for the Japanese society to move in this direction.

According to ISO 26000 and other international statements, CSR aims to promote

social responsibility by taking into account the impacts of businesses' decision making and actions on society and the environment, and preventing/decreasing negative impacts, to shape a more sustainable society. Businesses that carry out this responsibility gain trust. It is important that as they consider their impacts on society, they monitor every aspect of their activities, including the value chain; CSR needs to be integrated into the business as a whole.

CSV, on the other hand, is a competitive strategy for the business. Therefore, as with all its other activities, CSR is essential when a business implements CSV—it needs to consider the impacts on society and the environment.

### **3. The Future of CSR**

In this age where sustainability of the global society is being questioned, CSR has been and will continue to be a global task. For Japanese companies also, CSR is a challenge they must tackle with or without CSV.

This is why, in view of various movements regarding CSV, we are concerned about the society's approach toward CSV, and feel the need to re-establish the fundamental concepts of CSR for the Japanese society to share the same understanding and awareness.

We hereby propose the "Principles on CSR and CSV" in hopes that it will serve in helping all sectors of society to search together for solutions to the mounting social challenges of today.

## **Principles on CSR and CSV**

### **1. CSR is essential for every business activity**

CSR aims to promote social responsibility to shape a more sustainable society by taking into account the impacts of the business' decision-making and actions on society and the environment, and by preventing/improving on negative impacts. "The responsibilities of an organization for its impacts on society" is clearly stated in ISO 26000 as well as in other global initiatives, and should never be left out from a business' operational process or its products.

### **2. CSV cannot replace CSR**

CSV is a business strategy that aims to strengthen the business' competitiveness while tackling social problems. CSV and CSR are essentially different; thus CSV is not a replacement for CSR, and businesses that address CSV are not exempt from their CSR. Naturally, CSR continues to be vital to all activities for businesses that do not pursue CSV.

### **3. CSR should precede CSV**

The "responsibility of an organization for its impacts on society" applies also to CSV which is a business strategy, and the social justice and sustainability of a business' operational processes and products ought to be examined and evaluated. The business' CSV needs to follow the principles of social responsibility (i.e., accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights) as with any other business strategy.

### **4. Examine and evaluate the "social value" created by CSV**

As with CSR, businesses must always examine, evaluate, and be accountable for the "social value" they try to create through CSV, making sure that the social needs are really being met. In doing so, businesses must take stakeholder engagement, an important element of CSR, into serious consideration, as well as being highly sensitive to the situation that their CSV addresses.

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## **About “Principles on CSR and CSV”**

### **Background**

Ever since the concept of CSV (Creating Shared Value) introduced by Professor Michael Porter (2011) reached Japan, there have been calls to “turn from CSR to CSV” and comments that “CSR is outdated, and the future is in CSV.” Members from various sectors—businesses, NPO/NGOs, consumer groups, think tanks, etc.—who were concerned about the direction the general opinion on CSV was moving in, and the impact on the functions of CSR in Japan, formed a “CSR and CSV study group” and met together for discussion four times since Summer 2013. The “Principle on CSR and CSV” was developed by this group as a compilation of conceptual standards based on ISO 26000 (Guidance on Social Responsibility) and the United Nations’ “Guiding Principles on Business and Human Rights.”

The Asia-Pacific Human Rights Information Center (HURIGHTS OSAKA) and CSO Network Japan took on the role of administration for the “CSR and CSV study group” discussions.

### **Promoters**

Comprised mainly of members of the “CSR and CSV study group”, the promoters of the “Principles on CSR and CSV” are as follows:

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