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This speech is on behalf of the European Coalition for Corporate Justice (ECCJ) and has been developed in its contents within the coalition. The Italian coalition is also part of ECCJ.

ECCJ is a European alliance of 16 NGOs, civil society groups and European National level Coalitions working on CSR and CA committed to a vision of CSR that refers to a sustainable world in which corporations' drive for profit is balanced by the interest of society at large and respects human, social and environmental rights.

Sharing this vision we would like to make some proposals which we hope can be endorsed by the Parliament in its process of giving its opinion on the Communication adopted by the Commission in March 2006: we do believe in the crucial role of the Parliament also with respect to this issue, as it represents EU citizens and appreciate the work carried out by Mr. Richard Howitt in response to the Communication.

With reference to this and taking into consideration the Working Document prepared by Richard Howitt, we first of all believe that this Communication doesn't bring any added value to what is already existing on the issue, in many points almost ignoring some important proposals either made by the EU Parliament (see Richard Howitt Working Paper page 2 for instance), or reached by the civil society.

The voluntary vs. regulatory approach

The first point which we would like to raise, and for which we hope the Parliament can play a proactive role, is the voluntary approach confirmed in the Communication: the Commission has stated that it is not going to pursue a regulatory approach to CSR. The communication states that "*a common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*". Nevertheless this position seems to ignore the work and proposals of part of the civil society engaged on the issue.

The communication states that CSR is voluntary and represents only what is beyond legislation. This leads to two consequences:

- Enterprises have no obligation to be responsible
- There is no particular rule for a company to follow if it declares itself responsible and obviously no independent way to verify its responsibility.

We do believe, and this is part of our mission, that The European Commission should recognize that a definition of CSR as a voluntary concept is only credible if effective legal safeguards exist to ensure European companies respect minimum internationally agreed social, human and environmental rights within their spheres of influence, wherever they operate and through all the production chain. Although voluntary initiatives can be successful in some cases, regulatory measures are necessary to ensure all corporations abide by national and internationally agreed standards, whichever provides the higher standard.

For instance, the European Parliament, in its recent report on child labour, has also recommended that the Commission investigate the creation of appropriate EU-level legal safeguards and mechanisms which identify and prosecute EU-based importers who import products which allow the violation of the core ILO conventions,

including the use of child labour, in any part of the supply chain (See recommendation in EP Report on the exploitation of children in developing countries, with a special focus on child labour (2005/2004(INI)), Committee on Development Rapporteur: Manolis Mavrommatis, 15-06-2005, paragraph 46:)

On this we also stress the need of new standards and regulations: social and environmental duties, home country liability as well as foreign direct liability. We call especially on the development of systems referring to directors' and companies' duties.

If the commission wants to contribute to effective multi-stakeholder dialogue at the European level it should take into account the views of the civil society on this and open the debate depolarizing it from merely voluntary versus mandatory approaches to CSR, and explore voluntary as well as regulatory measures to enhance the contribution of CSR to the respect for human rights, environmental protection, labour standards and poverty reduction.

➤ **Credible and effective multistakeholder initiatives** (point 7 of Working Document)

The multistakeholder approach is mentioned several times within the Communication and a new Multistakeholder Forum is actually on the way to be developed.

This approach does actually enhance the effectiveness of CSR initiatives but only as far as it is really multistakeholder based and inclusive of all the actors involved.

We do believe that The European Commission should **recognize and encourage credible and effective multi-stakeholder initiatives** at sectoral and European wide level, based on internationally agreed CSR standards and guidelines and operational CSR principles.

We therefore ask the Parliament to support a vision of credible multistakeholder initiatives on CSR that:

- Are based on instruments adopted at international level, such as the ILO Conventions and OECD Guidelines.
- Ensure that NGOs, trade unions, including from developing countries are represented in the governance structure of the initiative
- Include transparent, accessible and independent verification mechanisms as part of the initiative's implementation procedures.
- Is accessible for smallholders.
- Takes into account the opportunity to implement the code of conduct without putting excessive financial burdens on suppliers and producers in developing countries

The Commission should be also urged to take into consideration the successful, effective and credible multi-stakeholder initiatives that can be identified within Europe and develop a European wide approach on sectoral level, also analysing in which sectors multi-stakeholders initiatives haven't been developed yet.

➤ **European initiatives in the context of international action on CSR (point 5 of the Working Document)**

With this Communication we believe that the Commission is missing the chance of integrating more effectively with the evolving international scenario on CSR, from the OECD Guidelines, to the new rules of the Global Compact as well as to the appointment by the new human rights council of the Special Rapporteur on Business and Human Rights. This really risks to impair the leadership that the EU could undertake in the international debate on CSR and goes in the opposite way of making it a true pole of excellence on CSR.

Especially with reference to the OECD Guidelines, we believe that the Commission should play a strong role in harmonising the implementation of OECD guidelines by European National Contact Points. In fact, while most EU member states have set up NCPs, there's a large divergence in the implementation of the Guidelines and in the actual functioning of the NCPs, particularly regarding institutional set up, procedures and the handling of recurring issues in specific instances. This was the conclusion of the UN Secretary-General's Special Representative on human rights and transnational corporations in his February 2006 Interim Report, which stated that the "*performance of NCPs is very uneven, especially when it comes to human rights. More uniform practices and greater public accountability would enhance the NCPs' currently modest contribution*".

As a minimum, the Commission should play a leadership role in ensuring that European ECAs should require adherence to the OECD Guidelines as a condition of support in addition to existing safeguard policies.. Furthermore, the application of the OECD Guidelines should be extended from investment to trade, which is again in line with the European Parliament's report on child labour. (2005/2004(INI)),

➤ **Research and education on CSR. As a way to promote effectiveness of CSR strategies and promote a moving from process to outcomes (point 6 of the Working Document)**

A positive point in the communication is the mentioning of the need for research into the effectiveness of CSR in reaching social and environmental objectives and the need to educate managers through the right knowledge on CSR amongst others. However, the communication lacks concrete research areas that need to be covered in order to gather such information. Research into the impact of current CSR initiatives is essential. Such research should include both the quality as well as the quantity of the CSR initiatives. The quality of CSR initiatives include the level of the standards and principles that the initiative aims to comply with or strives to comply with, as well as the inclusiveness and acceptance by stakeholders, and whether the initiatives brings meaningful and structural improvements on the ground. Research into the quantity should include research into the scope and market coverage of CSR initiatives, and lead to recommendations for to upscale and mainstream CSR initiatives.

The Commission should also investigate and identify companies which continuously and persistently violate internationally accepted standards and principles (OECD Guidelines, ILO Conventions, Rio Principles) *in any part of the production and supply chain* and calls for such a list to be made available to EU importers; this can also contribute in mainstreaming the role of the EU within the international scenario on CSR.

Conclusions

Generally speaking, NGOs requirements haven't been taken into account by the Commission in this communication and we are afraid that they will be almost ignored also in the future strategies on CSR that will be developed on the basis of this document.

What we focussed on above is actually referring to general issues - as "implemeting international standards and principles" , "social and environmental reporting, as well as monitoring", "ensuring accountability of companies to their stakeholders" – that have not been included in the Communication which looks like an anachronistic tool.

We do hope that this Hearing and the steps that the Parliament will undertake after this, will contribute to the promotion of a more effective EU strategy on CSR that can make EU really a crucial and inclusive actor in International scenario on the issue.