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on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery
(2012/2097(INI))

Rapporteur: Richard Howitt

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT	10

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery

(2012/2097(INI))

The European Parliament,

- having regard to Articles 5, 12, 14, 15, 16, 21, 23, 26, 27, 28, 29, 31, 32, 33, 34 and 36 of the Charter of Fundamental Rights of the European Union,
- having regard to the European Social Charter, in particular Articles 5, 6 and 19 thereof,
- having regard to the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, adopted in 1998, and to the ILO conventions establishing universal core labour standards with regard to: the abolition of forced labour (Nos 29 (1930) and 105 (1957)); freedom of association and the right to bargain collectively (Nos 87 (1948) and 98 (1949)); the abolition of child labour (Nos 138 (1973) and 182 (1999)); and non-discrimination in employment (Nos 100 (1951) and 111 (1958)),
- having regard also to the ILO conventions on labour clauses (public contracts) (No 94) and on collective bargaining (No 154),
- having regard to the ILO's Decent Work Agenda and Global Jobs Pact, adopted by a worldwide consensus on 19 June 2009 at the International Labour Conference,
- having regard to the Declaration on Social Justice for a Fair Globalisation, adopted by consensus of the ILO's 183 member states on 10 June 2008,
- having regard to the Universal Declaration of Human Rights (1948) and to other United Nations instruments in the field of human rights, in particular the International Covenants on Civil and Political Rights (1966) and on Economic, Social and Cultural Rights (1966), the International Convention on the Elimination of All Forms of Racial Discrimination (1965), the Convention on the Elimination of all Forms of Discrimination against Women (1979), the Convention on the Rights of the Child (1989), the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990) and the Convention on the Rights of Persons with Disabilities (2006),
- having regard to the UN Guiding Principles on Business and Human Rights and to the Foreign Affairs Council Conclusions of 8 December 2009¹,
- having regard to the OECD Guidelines for Multinational Enterprises updated in May 2011,

¹ <http://www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework> and http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/111819.pdf

- having regard to the OECD’s 1997 Anti-Bribery Convention,
- having regard to the Global Reporting Initiative,
- having regard to the formation of the International Integrated Reporting Council (IIRC),
- having regard to the Danish Financial Statements Act (2008),
- having regard to the UN Global Compact,
- having regard to the October 2010 study produced for the Commission on governance gaps between international corporate social responsibility instruments and standards and existing European legislation (known as the ‘Edinburgh Study’), the findings of which were reported in the 2011 Annual Human Rights Report,
- having regard to paragraphs 46 and 47 of the outcome document of the 2012 Rio+20 World Summit on Sustainable Development,
- having regard to the UN Principles for Responsible Investment (UNPRI),
- having regard to International Standard ISO 26000, providing guidelines for social responsibility, which was released on 1 November 2010,
- having regard to ‘Green Winners’, a 2009 study of 99 companies,
- having regard to the formation of the European Multi-stakeholder Forum on Corporate Social Responsibility, launched on 16 October 2002,
- having regard to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts¹,
- having regard to Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters², which superseded the 1968 Brussels Convention save as regards relations between Denmark and other Member States,
- having regard to the Council Resolution of 3 December 2001 on the follow-up to the Green Paper on corporate social responsibility³,
- having regard to the Council Resolution of 6 February 2003 on corporate social responsibility⁴,
- having regard to the Commission communication entitled ‘Promoting decent work for all – The EU contribution to the implementation of the decent work agenda in the world’

¹ OJ L 134, 30.4.2004, p. 114.

² OJ L 12, 16.1.2001, p. 1.

³ OJ C 86, 10.4.2002, p. 3.

⁴ OJ C 39, 18.2.2003.

(COM(2006)0249) (the Commission communication on decent work),

- having regard to the Commission communication entitled ‘Modernising Company Law and Enhancing Corporate Governance in the European Union – A Plan to Move Forward’ (COM(2003)0284) (the Corporate Governance Action Plan),
- having regard to the Commission communication entitled ‘Trade, Growth and World Affairs – Trade Policy as a core component of the EU’s 2020 strategy’ (COM(2010)0612),
- having regard to the Commission communication entitled ‘“Responsible Businesses” package’ (COM(2011)0685),
- having regard to the Commission communication entitled ‘Towards a job-rich recovery’ (COM(2012)0173),
- having regard to the Commission communication entitled ‘Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation’ (COM(2011)0682),
- having regard to the Commission communication entitled ‘Europe 2020 – A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to its resolution of 30 May 2002 on the Commission Green Paper on promoting a European framework for corporate social responsibility¹,
- having regard to its resolution of 13 May 2003 on ‘the Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development’²,
- having regard to its resolution of 13 March 2007 on ‘corporate social responsibility: a new partnership’³,
- having regard to its resolution of 25 November 2010 on corporate social responsibility in international trade agreements⁴,
- having regard to its resolution of 16 June 2010 on EU 2020, which stated that there is an inextricable link between corporate responsibility and corporate governance⁵,
- having regard to its resolution of on ‘a Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation’ (2012/2004(INI))⁶,
- having regard to the opinion of the European Economic and Social Committee of

¹ OJ C 187 E, 7.8.2003, p. 180.

² OJ C 67 E, 17.3.2004, p. 73.

³ OJ C 301 E, 13.12.2007, p. 45.

⁴ OJ C 99 E, 3.4.2012, p. 101.

⁵ OJ C 236 E, 12.8.2011, p. 57.

⁶ Texts adopted, P7_TA(2012).....

24 May 2012 on the Commission communication entitled ‘A renewed EU strategy 2011-14 for Corporate Social Responsibility’ (SOC/440),

- having regard to the Commission communication entitled ‘A renewed EU strategy 2011-14 for Corporate Social Responsibility’ (COM(2011)0681),
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committees on Legal Affairs, on Foreign Affairs, on Development, on International Trade and on Culture and Education,
- A. whereas corporate social responsibility (CSR) must not be used to redefine internationally agreed minimum applicable standards but to seek better to understand and implement the way in which these are directly applicable to business;
1. Recognises that the Commission communication is part of a series of policy statements thanks to which CSR is now embedded in EU policies and action;
 2. Agrees, nevertheless, with the analysis set out in the communication to the effect that CSR practices are still largely confined to a minority of big companies;
 3. Believes that future key drivers for ‘scaling up’ CSR will include an emphasis on global CSR instruments, fresh momentum from leading businesses among their peers, the use of appropriate regulation, a robust impact analysis of existing CSR initiatives, and increasing recognition within both the business community and wider society of the scale of global social and environmental challenges;
 4. Welcomes the fact that the definition of CSR set out in the Commission communication, which reflects the new approach first adopted by the Commission in the Multi-stakeholder Forum in 2009, provides an indispensable opportunity for inclusivity and consensus-building, and properly reflects the new consensus reached between business and other stakeholders on this issue thanks to the unanimous agreement of the UN Guiding Principles;
 5. Restates its belief in the ‘business case’ for CSR, but reiterates that, where such a case does not apply in the short term in any given situation or company, it can never be used as an excuse for choosing irresponsibility;
 6. Recognises that a deep flaw in CSR initiatives arises when companies avoid critical interest groups or sensitive issues relevant to their business; calls on the Commission, working with financial authorities, to build on the previous work of CSR ‘laboratories’ in order better to identify how companies and their stakeholders can objectively pinpoint social and environmental issues which are ‘material’ to the business in question;

Sustainable recovery

7. Strongly supports the recognition, in the Commission communication, that ‘helping to mitigate the social effects of the current crisis’ is part of the social responsibility of

enterprises; calls on businesses to undertake initiatives for youth job creation as a practical example of their commitment;

8. Invites the Multi-stakeholder Forum to consider possible courses of action in response to the growing casualisation of employment, enforced part-time working in place of full-time employment, the rise in exploitative work through increased sub-contracting and the resurgence of the informal sector, all of which are a result of the economic crisis;
9. Recognises that business closures and retrenchment are jeopardising some of the gains made through CSR in terms of the employment of marginalised groups in society; calls on the Commission to undertake a major analysis of the social impact of the crisis on such initiatives;
10. Believes the financial crisis has shaken employee confidence in company obligations to meet long-term private pension entitlements; calls on companies to take action to redress the imbalance in the eyes of many employees, who believe that their pension entitlements have been disproportionately cut;

International organisation and multi-stakeholder approaches

11. Endorses the emphasis given in the Commission communication to strengthening and implementing international standards, and – in view of the 2011 update of the OECD Guidelines and agreement of the UN Guiding Principles – believes that a major emphasis of EU action must now be on the full implementation of those guidelines and principles;
12. Insists that all ‘finance for trade and development’ offered to private-sector actors by EU investment facilities, the European Investment Bank and the European Bank for Reconstruction and Development should include contractual clauses requiring compliance with the OECD Guidelines and the UN Guiding Principles;
13. Welcomes the Commission’s initiative on national action plans for the implementation of the UN Guiding Principles; calls on the European External Action Service (EEAS) to play a far greater role in helping to lead implementation at a senior level; calls for a ‘peer review process’ between Member States in order to advance implementation;
14. Calls on the Commission, in particular its DG Justice, to put forward proposals for better facilitating extraterritorial jurisdiction in EU courts for egregious cases of human rights violation by EU-based businesses or their subsidiaries or business partners;
15. Calls on the Commission, in particular its DG Trade, to move to an ‘active’ approach to the OECD Guidelines, ensuring the promotion of, and continuous support for, those guidelines through the EU’s Delegations;
16. Believes that CSR is an important tool in helping the EU to support the implementation of ILO conventions; supports the provision of funding to enable European trade unions to undertake pilot projects on the OECD Guidelines and other international CSR standards with a view to building capacity in third countries;
17. Welcomes business use of the UN Rio+20 summit to advocate a new global convention

on corporate responsibility;

Public policies for CSR

18. Endorses the view, dating from the June 2004 report of the Multi-stakeholder Forum, that public authorities can make a significant contribution by using convening, incentivising and regulatory roles to advance CSR, and calls on the Member States to give major new impetus to these efforts;
19. Commends many Member States for their efforts to develop and implement national action plans on CSR in consultation with national multi-stakeholder forums; expresses concern, however, that the number of public policy measures is not yet matched by their impact in advancing CSR;
20. Calls on the Commission to accelerate its efforts to put forward new proposals for meeting governance gaps with regard to international CSR standards, as recommended in the 'Edinburgh Study' it commissioned;

Linking socially responsible investment to disclosure

21. Notes that a key driver of the socially responsible investment market remains institutional investor demand; notes, in this vein, that disclosure is a key driver of CSR and must be principles-based;
22. Fully supports the Commission's intention to put forward a legislative proposal on 'non-financial disclosure' by businesses; warns that use of the term 'non-financial' should not disguise the very real financial consequences for business of social, environmental and human-rights-related impact; calls for an ambitious proposal which places the EU right among the many current international initiatives on mandatory corporate sustainability reporting and squarely within the objective of making Integrated Reporting, as being developed by the IIRC, the global norm by the end of the decade;

Taking CSR forward

23. Endorses a continuing leading role for the European Multi-stakeholder Forum in supporting the implementation of the proposals set out in the Commission communication;
24. Agrees that there cannot be a 'one size fits all' approach to CSR but, recognising that the profusion of private and voluntary initiatives can generate additional costs and be a barrier to implementation, calls on the Commission, together with other international bodies, to make a commitment to supporting the long-term objective of 'convergence' of CSR initiatives;
25. Commends the work being undertaken in some business schools to promote CSR, but recognises that they are only a minority; calls on the High-Level Group to address ways of mainstreaming CSR into management education for all;
26. Instructs its President to forward this resolution to the Council and the Commission, and

to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

The Commission's latest Communication on Corporate Social Responsibility embeds CSR in European thinking, in a policy area in which the European Parliament has played a decisive role. It also represents a major step forward in response to dialogue with Parliament and stakeholders involved in the CSR debate since the previous Communication.

This draft parliamentary resolution welcomes the new emphasis put on European support for global CSR initiatives, the restatement of support for a multi-stakeholder approach, a definition which reflects the consensus at the global level and a much more active support role for the European Commission itself.

I believe the Communication to be constructive, forward-looking and responsive to developments in CSR in Europe and the world. It provides a strong basis for future action, and the European Parliament is invited to give its broad support.

Therefore my report seeks to make its own contribution to the debate by developing some of the ideas in the Communication, as well as by identifying some possible gaps.

A Sustainable Recovery

First and foremost, the debate on CSR is put in the context of the current economic crisis. The argument is made that CSR is indispensable if there is to be a restoration of trust in business and a sustainable economic recovery.

Whilst it is proper to guard against the accusation of "greenwash," CSR must be seen as an opportunity not a threat to business competitiveness. It is also part of Europe's own "social licence" to pursue trade-led growth.

Short-term thinking in Brussels which focuses exclusively on the transparency, responsibility and accountability of financial markets alone, would also repeat the very same mistakes which those responsible for the banking collapse are accused.

There can be no retreat from the crucial commitment to transform the European and global economy to a low-carbon future. Sustainable businesses can only operate in a sustainable economy.

Therefore my report invites responsible companies to demonstrate their active commitment to mitigating the social consequences of the crisis and to do so by initiating a number of suggested CSR actions: in the fields youth job creation, occupational health, on the sustainability of pensions, promoting the 'living wage,' tackling exploitative labour practices in company supply chains and by promoting new markets in socially-useful and environmental products and services.

Implementing Global CSR

A second priority for the report is to develop concrete ideas which help translate the Commission's intention to better implement global CSR initiatives. I argue that the "pole of excellence" on CSR which the Commission promised in 2006 is far better achieved in 2012

by adopting a global approach aimed at European companies operating in global markets.

I recommend that the European Commission should make an overall report on implementation of the UN Guiding Principles on Business and Human Rights, whilst Member States can improve their own implementation through a peer review process which is already standard in assessing human rights policies. It is also now time to tackle the sensitive issue of extraterritorial jurisdiction, concerning abuses of labour or wider human rights by European enterprises, which take place in third countries where access to justice is restricted.

The report also argues that the Commission must play a much more active role implementing the OECD Guidelines on Multinational Enterprise, referencing them in trade and investment agreements, giving financial support to capacity-building, aiding complaints in the event of alleged breaches, making financial support to business conditional on respect for the Guidelines and helping win new signatories worldwide.

The report also advocates the importance of transparency and integrated sustainability reporting as a key driver for CSR. Strong support is indicated for uptake of the Global Reporting Initiative - the leading methodology used by business worldwide for sustainability reporting. The report goes on to encourage the planned Commission proposal in this area, but to do so by being firmly rooted within the objective of the International Integrated Reporting Council: to make IR the global norm by the end of the decade.

The report backs the Commission's intention to engage with investors, especially for the promotion of the UN Principles for Responsible Investment and I suggest the launch a new EU initiative on advancing "materiality."

The report also recommends active EU support for the business-led proposal for a UN convention on corporate responsibility, tabled at this year's UN Rio +20 Summit for Sustainable Development. I back the promotion of CSR through the process of sustainable development goals, launched through the summit's outcome.

The Multi-Stakeholder Approach

The European Parliament is also asked to recognise the special nature of EU policy-making on CSR. Ideas are developed to utilise the conventional social dialogue, for example by setting a target for new framework agreements in the field of CSR and by financing pilot projects with European trade unions in the field of "Decent Work."

However the European Parliament is explicitly asked to back the functioning and development of the Multi-Stakeholder CSR Forum, including through the sectoral initiatives proposed in the Communication. I propose additional initiatives in relation to ICT and the private security sector. New planned multi-stakeholder "communities of practice" are also supported.

Enhanced engagement is called for with other stakeholders by the High-Level Group of member states, together with the need for greater attention to CSR by the Commission Directorates-General for Environment and external relations.

Public and Private Together - "The Smart Mix"

The report advocates greater emphasis on the impact of public policies on CSR. This should include implementation of recommendations of the Commission's own "Edinburgh Study" on governance gaps and the need to achieve concrete results on implementing social indicators, in particular through public procurement.

The European Commission is invited to show leadership by making its own commitment to sustainability reporting, ethical management of its own pension investments and to support for employee volunteering by Commission staff.

The report restates the link between corporate responsibility and corporate governance, and supports the use of stewardship codes and Directors' duties to advance CSR "ownership" and mainstreaming within the company.

However, the continuing importance of complementary private and voluntary actions is equally emphasised, in particular through advocating the benefits of supporting the principle of "convergence" of such initiatives. It is much better to promote voluntary cooperation rather than new mandatory initiatives in relation to social labels, it is argued.

Put together this is known in relation to the UN Guiding Principles as the "smart mix" of regulatory and voluntary approaches - and it is indeed smart for the EU to adopt the same approach.

Moving Forward

A wide range of other suggested actions in the Communication are supported. I suggest extra emphasis is put on integrating CSR in the curriculum of mainstream business schools, promoting CSR in small business through the cluster approach and introducing an "audit" to ensure planned CSR awards genuinely meet European and global best practice.

Finally, let me reiterate my conviction that CSR must move from process to outcome. The Communication is absolutely right that a significant "scaling up" of CSR uptake is paramount. Undertaking initiatives on business citizenship as part of the European Year 2013, researching the cumulative impact of CSR in tackling social and environmental problems to highlight the urgency of the challenges and a proposal for a new "compact" with civil society are some of the ideas the report recommends to engage with people inside and outside the business to help achieve this target.

If, as the Commission rightly says, CSR is the responsibility of enterprises for their impacts on society - it is impact that business and society together should most seek.