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## **REPORT**

on corporate social responsibility: accountable, transparent and responsible  
business behaviour and sustainable growth  
(2012/2098(INI))

Committee on Legal Affairs

Rapporteur: Raffaele Baldassarre

Rapporteur for the opinion (\*):  
Richard Howitt, Committee on Employment and Social Affairs

(\* ) Associated committee – Rule 50 of the Rules of Procedure

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(\*) Associated committee – Rule 50 of the Rules of Procedure

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))**

*The European Parliament,*

- having regard to the Council Resolution of 3 December 2001 on the follow-up to the Green Paper on corporate social responsibility<sup>1</sup>,
- having regard to the Council Resolution of 6 February 2003 on corporate social responsibility<sup>2</sup>,
- 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 ‘“Responsible Businesses” package’ (COM(2011)0685),
- 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 2012 on the Commission Green Paper on promoting a European framework for corporate social responsibility<sup>3</sup>,
- 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’<sup>4</sup>,
- having regard to its resolution of 13 March 2007 on ‘corporate social responsibility: a new partnership’<sup>5</sup>,
- having regard to the opinion of the European Economic and Social Committee of 24 May 2012 on the Commission communication entitled ‘A renewed EU strategy 2011-14 for Corporate Social Responsibility’<sup>6</sup>,
- having regard to the Commission communication entitled ‘A renewed EU strategy

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<sup>1</sup> OJ C 86, 10.4.2002, p. 3.

<sup>2</sup> OJ C 39, 18.2.2003, p. 3.

<sup>3</sup> OJ C 187 E, 7.8.2003, p. 180.

<sup>4</sup> OJ C 67 E, 17.3.2004, p. 73.

<sup>5</sup> OJ C 301 E, 13.12.2007, p. 45.

<sup>6</sup> OJ C 229, 31.7.2012, p. 77.

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 Legal Affairs and the opinions of the Committee on Employment and Social Affairs, the Committee on Foreign Affairs, the Committee on Development, the Committee on International Trade and the Committee on Culture and Education (A7-0017/2013),

***A modern understanding of CSR: preliminary remarks***

1. Stresses that business cannot take over public authorities' responsibility for promoting, implementing and monitoring social and environmental standards;
2. Emphasises that the current global economic crisis arose from fundamental errors with respect to transparency, accountability, responsibility and from short-termism, and that the EU has a duty to ensure that these lessons are learnt by all; welcomes the Commission's intention to conduct Eurobarometer surveys on trust in business; calls for the results of these surveys to be fully debated and acted on by all stakeholders; strongly advocates corporate social responsibility (CSR), and takes the view that CSR – if implemented correctly and practised by all companies, not only larger firms – can make a great contribution towards restoring lost confidence, which is necessary for a sustainable economic recovery, and can mitigate the social consequences of the economic crisis; notes that when business assumes a responsibility for society, the environment and employees, a win-win situation is created that serves to broaden the basis of trust necessary for economic success; takes the view that making CSR part of a sustainable business strategy is in the interest of businesses and of society as a whole; points out that many businesses – especially small and medium-sized enterprises (SMEs) – are setting an outstanding example in this field;
- 3 Takes the view that business can contribute to the development of a social market economy and to meeting the objectives of the Europe 2020 strategy, providing jobs and paving the way for economic recovery;
4. Believes that the debate on CSR should be placed in a broader setting which, while ensuring that CSR remains primarily a voluntary policy, also leaves room for dialogue on regulatory measures, wherever appropriate;
5. Endorses the new definition of CSR put forward by the Commission, which does away with the dichotomy between voluntary and compulsory approaches;
6. Considers corporate governance to be a key element of corporate social responsibility, especially as regards relations with public authorities and workers and their representative organisations and as regards policy on bonuses, compensation and salaries; believes that in particular in cases where a business is in difficulty, excessive bonuses, compensation and salaries paid to managers are incompatible with socially responsible behaviour;
7. Believes that a business's tax policy should be considered part and parcel of CSR and that socially responsible behaviour consequently leaves no room for strategies aimed at

evading tax or exploiting tax havens;

8. Believes that when assessing the social responsibility of a company, it is necessary to take into account the behaviour of companies operating within its supply chain and, where applicable, of its subcontractors;

***Strengthening the links between CSR, the general public, competitiveness and innovation***

9. Calls on the Commission and national authorities to promote innovative business models designed to forge closer links between businesses and the social environment in which they operate;
10. Calls on the Commission to consider the current discussions taking place with regard to the review of the Accounting and Transparency Directives so that the new proposed CSR strategy would complement the revised Directive;
11. Stresses the importance of support for innovative solutions enabling businesses to address social and environmental challenges such as the introduction of smart transport systems and eco-efficient products which are accessible and designed for everyone;
12. Encourages the Commission in its efforts to raise CSR's profile and disseminate best practice, and is strongly in favour of introducing a European award scheme for CSR firms and partnerships; in this regard, calls on the Commission to consider, among other actions, whether an European social label could be introduced to this end;
13. Welcomes the idea of establishing multi-stakeholder CSR platforms, and agrees with the sector-specific approach chosen;
14. Acknowledges the importance and the potential of CSR Europe's Enterprise 2020 initiative, which can play a substantial role in strengthening the link between CSR and competitiveness by fostering the dissemination of best practice; calls on the Commission and the Member States to foster greater synergies as regards the aim of pursuing policies and initiatives to promote social innovation and job creation; urges the Commission to support the efforts of the CSR Europe network, seeking first and foremost to strengthen cooperation between business and Member States so as to lay the foundations for national action plans and the dissemination of best practice;
15. Endorses the Commission's proposal to carry out periodic surveys of public trust in business and public attitudes towards CSR strategies implemented by businesses; recommends linking the content of these surveys with the revision of the sustainable consumption and production action plan, with a view to identifying barriers to more responsible consumption;

***Making CSR policies more transparent and more effective***

16. Urges the Commission to draw up specific measures to combat misleading and false information regarding commitments to corporate social responsibility and relating to the environmental and social impact of products and services, over and above those provided for in the Unfair Commercial Practices Directive, having particular regard to the issues of

filing and considering complaints on the basis of an open and clear procedure and initiating investigations; considers not only that ‘greenwashing’ is a form of deception that misleads consumers, public authorities, and investors, but that it also reduces trust in CSR as an effective means of promoting sustainable and inclusive growth;

17. Agrees that greater account should be taken of social and environmental considerations in public procurement; calls, in this connection, for the lowest price no longer to be used as an award criterion and for greater accountability throughout the subcontracting chain;
18. Calls on the Commission to take further initiatives to unlock and strengthen the potential of CSR in tackling climate change (by linking it to resource and energy efficiency), e.g. in the processes companies use to purchase raw materials;
19. Stresses that EU assistance to third-country governments in implementing social and environmental regulations and effective inspection regimes is a necessary complement to advancing the CSR of European business worldwide;
20. Stresses that Socially Responsible Investment (SRI) is part of the implementation process of CSR in investment decisions; notes that although there is currently no universal definition of SRI, it usually combines investors’ financial objectives with their concerns regarding social, environmental and ethical (SEE) and corporate governance issues;
21. Acknowledges the importance of businesses divulging information on sustainability such as social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust; points to the substantial progress being made in this respect, and calls on the Commission to support the objective of the International Integrated Reporting Council (IIRC) of making IR the global norm within the next decade;
22. Stresses that stringent respect for human rights, due diligence and transparency must be maintained in order to ensure CSR along the whole supply chain, measure the sustainability footprint of European business, and combat tax avoidance and illicit money flows;
23. Stresses that corporate responsibility must not be reduced to a marketing tool, and that the only way to develop CSR to the full is to embed it in a company’s overall business strategy and to implement it and translate it into reality in its day-to-day operations and financial strategy; would welcome a link between good corporate responsibility and good corporate governance; believes the Commission should encourage companies to decide on a CSR strategy at board level; calls on the Commission and the Member States to introduce corporate stewardship codes that reflect the importance of responsibility for all in the company and establish a strong link between its environmental, social and human rights performance and its financial results;
24. Stresses that it should be easy for investors and consumers to identify firms which have made a commitment to CSR, as this would encourage them in their efforts;
25. Stresses that Socially Responsible Investment (SRI), as part of the implementation process of CRS in investment decisions, combines investors’ financial and economic objectives with social, environmental, ethical, cultural and educational considerations;

26. Is closely monitoring the current discussions on the legislative proposal on the transparency of the social and environmental information, provided by companies; advocates the adoption of a legislative proposal allowing for high flexibility of action, in order to take account of CSR's multi-dimensional nature and the diversity of the CSR policies implemented by businesses, matched by a sufficient level of comparability to meet the needs of investors and other stakeholders as well as the need to provide consumers with easy access to information on businesses' impact on society, including governance aspects and life cycle cost methodology; considers that information on sustainability should also cover, where appropriate, the subcontracting and supply chains and should be based on globally accepted methodologies such as those of the Global Reporting Initiative or the Integrated Reporting Council; calls, in addition, for an exemption or a simplified framework to be applied to SMEs;
27. Calls for increased, more inclusive and more transparent monitoring of CSR principles in EU trade policy, with clear benchmarks set for measuring improvements so as to encourage confidence in the system;
28. Encourages the EU as well as the Member States to provide concrete information on and education and training in CSR, so that enterprises can take full advantage of CSR and implement it in their organisational culture;
29. Encourages media companies to include transparent journalism standards in their CSR policies, including guarantees of source protection and the rights of whistleblowers.
30. Calls on the Commission to give further consideration to both binding and non-binding measures to facilitate the recognition and promotion of efforts by businesses in connection with transparency and the disclosure of non-financial information;
31. Is firmly opposed to the introduction of specific parameters, such as EU-wide performance indicators, which could give rise to unnecessary red tape and inefficient operational structures; instead, calls on the Commission to provide companies with and promote the use of internationally accepted methodologies, such as those of the Global Reporting Initiative and the Integrated Reporting Council;
32. Considers it essential, however, that the Commission should, as quickly as possible, develop the projected common life cycle-based methodology for measuring environmental performance; believes this methodology would be useful both from the point of view of transparency of business information and for the purposes of the assessment which public authorities bring to bear on companies' environmental performance;
33. Welcomes the Commission's intention to launch a 'Community of Practice' on CSR and social action on the part of business; believes this must be complementary to a code of good practice for co-regulation and self-regulation, allowing all stakeholders to engage in a common learning process in order to improve and strengthen the efficiency and accountability of multi-stakeholder actions;
34. Calls for the full and active consultation and involvement of representative organisations, including trade unions, in the development, operation and monitoring of companies' CSR processes and structures, working with employers in a genuine partnership approach;

35. Calls on the Commission to ensure that an obligation of systematic reporting on essential information on sustainability does not overburden companies, since any new CSR strategy needs to be welcomed by them; calls on the Commission to allow for a transition period before non-financial reporting on a regular basis comes into force for companies, since this would provide them with the opportunity in the first place properly to implement CSR internally, establishing an accurate and detailed CSR policy as part of their internal management systems;
36. Supports the Commission's proposal to require all investment funds and financial institutions to inform every customer (citizens, businesses, public authorities, etc) about any ethical or responsible investment criteria which they apply or any standards and codes to which they adhere;
37. Endorses the Commission's directive on minimum standards for victims; calls for the CSR policies of companies in the relevant sectors (such as travel, insurance, accommodation and telecommunications) to include positive and practical strategies and structures to support victims of crime and their families during a crisis, and to set up specific policies for any employee who becomes a victim of crime, whether in the workplace or outside;
38. Acknowledges the substantial value and potential of self-regulation and co-regulation instruments such as sector-specific codes of practice; welcomes, therefore, the Commission's desire to improve the instruments currently in place by developing a code of good practice for this area; is opposed, however, to the introduction of a single approach that fails to take account of the specificities of each sector and the specific requirements of businesses;

***CSR and SMEs: putting theory into practice***

39. Draws attention to the special features of SMEs, which mainly operate at local and regional level inside specific sectors; considers it essential, therefore, for Union CSR policies, including national CSR action plans, to take proper account of the specific requirements of SMEs, to be in keeping with the 'think small first' principle, and to recognise the informal, intuitive SME approach to CSR;
40. Points to the importance of involving small and medium-sized enterprises in CSR and recognising their achievements in this area;
41. Acknowledges that many SMEs in Europe already undertake CSR policies, such as local employment, community engagement, applying good governance policies with their supply chain, etc; points out, however, that most of these SMEs do not know that they are actually implementing sustainability, CSR and good corporate governance practices; calls on the Commission, therefore, to first examine SMEs' current practices before considering specific CSR strategies for SMEs;
42. Voices its opposition to all measures that could result in additional administrative or financial constraints for SMEs, and its support for measures enabling SMEs to take joint action;



43. Calls on the Member States and regional authorities to make smart use of cohesion funding with a view to supporting CSR promotional activities carried out by SME intermediary organisations, taking their cue from, for example, the main German programme cofinanced by the European Social Fund;
44. Calls on the Commission, in collaboration with Member States, SME intermediary organisations and other stakeholders, to devise strategies and measures to help SMEs pool best CSR practice, for instance by means of a database for collection of information on CSR policies implemented by SMEs, with details of projects carried out in the various Member States;
45. Recommends that CSR guides and handbooks should be drawn up for SMEs; stresses, in this connection, the urgent need for more academic research into ways of boosting acceptance of CSR among SMEs, as also into the economic, social and environmental impact of CSR policies at local and regional level;
46. Takes the view that, in order to have a real impact on poverty reduction, the CSR agenda should also focus on SMEs, since their cumulative social and environmental impact is significant;
47. Calls on the Commission and the Member States to devise development and support strategies aimed at disseminating CSR among SMEs; recommends, in particular, that specific measures should be drawn up for small and micro-enterprises;
48. Stresses that, following the entry into force of the Lisbon Treaty, Parliament is to be fully informed on how the findings of Sustainability Impact Assessments (SIA) of agreements are incorporated into negotiations prior to their conclusion, and to be told which chapters of those agreements have been changed in order to avoid any negative impacts identified in the SIA;
49. Stresses that future bilateral investment treaties signed by the EU must guarantee that a fair balance is struck between the need to protect investors and the need to allow for state intervention, especially with regard to social, health and environmental standards;
50. Calls for the idea of sponsorship to be promoted among employers;
51. Recalls that both court litigation and alternatives to it are already available for settling commercial disputes and/or seeking compensation for negative externalities of irresponsible or illegal business activity; calls, in this regard, on the Commission to do more to enhance awareness of both paths amongst the business community and the public at large; recalls that the International Chamber of Commerce (ICC) offers dispute resolution services for individuals, businesses, states, state entities and international organisations seeking alternatives to court litigation that can contribute to improving effective access to justice for victims in the event of breaches of responsible business practices causing economic, social and environmental damage in the EU and/or abroad;
52. Stresses that awareness-raising at corporate level concerning the importance of CSR and the consequences of non-compliance, as a task for the Commission, must be accompanied by adequate awareness and capacity building at the level of host country governments in

order to ensure effective implementation of CSR rights and access to justice;

53. Considers that the Commission and the Member States should encourage EU companies to take initiatives aimed at promoting CSR and to exchange good practices with their partners in other countries;

### ***Conclusions***

54. Emphasises the need for any regulatory measures to be drawn up within a robust legal framework and in line with international standards, in order to avoid disparate national interpretations and any risk of competitive advantages or disadvantages emerging at regional, national or macroregional level;
55. Encourages the Commission to continue its efforts to promote CSR in relations with other countries and regions around the world; calls, in this connection, for greater efforts to make reciprocity a central tenet of trade relations;
56. Reaffirms the belief that the development of CSR should be driven primarily through the multi-stakeholder approach assigning a leading role to businesses, which must be able to develop an approach tailored to their own specific situation; stresses the need for targeted measures and approaches for the development of CSR among SMEs;
57. Notes that the current Commission strategy for CSR covers the period 2011-2014; calls on the Commission to ensure that an ambitious strategy is adopted in good time for the period after 2014;
58. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

## EXPLANATORY STATEMENT

### *1. Preliminary remarks on procedural matters*

The Committee on Legal Affairs and the Committee on Employment and Social Affairs have decided to work together closely in order to ensure that a cogent approach is taken in establishing Parliament's position on the renewed EU strategy 2011-14 for corporate social responsibility strategy for the period 2011-2014<sup>1</sup>. In pursuit of this objective and fully in keeping with their respective responsibilities, the two committees have decided to draw up, under Rule 50 of the Rules of Procedure, two own-initiative reports, each covering a separate area.

The exclusive responsibilities of each committee were established on the basis of the following three key words:

- people: social issues and lasting jobs;
- profit: non-speculative behaviour and sustainable growth;
- planet: environment-friendly action.

The responsibilities of the Committee on Employment and Social Affairs were established on the basis of the word 'people' and those of the Committee on Legal Affairs on that of the word 'profit'. The areas identified on the basis of the word 'planet' were apportioned to the two committees on the basis of whether they related more to 'profit' or to 'people'.

### *2. Introduction: the renewed EU strategy for CSR*

As part of the new strategy, the Commission puts forward a new definition<sup>2</sup> of CSR as '*the responsibility of enterprises for their impacts on society*'<sup>3</sup>. In line with this definition, businesses need to have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations. The aim of that process must be to create shared value for their owners/shareholders and for their other stakeholders and society at large and to identify, guard against and mitigate the possible adverse effects of corporate activities.

On the basis of the new definition, the Commission puts forward a number of specific measures intended to enhance the impact of CSR policies still further, by means of action in the following eight areas:

- enhancing the visibility of CSR and disseminating good practices;
- improving and tracking levels of trust in business;
- improving self- and co-regulation processes;
- enhancing market reward for CSR;
- improving company disclosure of social and environmental information;
- further integrating CSR into education, training and research;
- emphasising the importance of national and sub-national CSR policies;
- better aligning European and global approaches to CSR.

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<sup>1</sup> COM(2011)0681.

<sup>2</sup> The Commission previously defined 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*' (see COM(2001)0366).

<sup>3</sup> See COM(2011)0681, p. 7.

### **3. Rapporteur's position on matters coming within the exclusive responsibilities of the Committee on Legal Affairs**

#### **3.1 Preliminary remarks on the new definition and the specificities of CSR**

The growing recognition of the 'socially responsible' role that can be played by business may be interpreted in various ways. On the one hand, globalisation and the emergence of 'global' markets provide fertile ground for the development of social and environmental standards by businesses<sup>1</sup>, while on the other an ever more vigilant and better informed civil society is demanding that businesses behave in a more responsible manner<sup>2</sup>. This twin driving force behind the development of CSR in an international (or, as some would have it, post-national<sup>3</sup>) governance system is a reflection of the community of interests between business and society as a whole, which calls for a broader and more farsighted approach to be taken to the issue, in order to make the best possible use of what CSR has to offer.

In view of the above, the rapporteur endorses the new definition put forward by the Commission, which does away with the dichotomy between voluntary and compulsory approaches which has hitherto polarised debate on CSR. The wide range of sectors in which it is applied, of strategies used by businesses and of legislative approaches adopted show that CSR is developing on the basis of a variety of processes. This is why the rapporteur feels it important to place the debate on CSR in a broader setting which, while ensuring that CSR remains primarily a voluntary policy, also leaves room for dialogue on regulatory measures, wherever appropriate.

The rapporteur is nonetheless opposed to any approach in this area that would involve business taking over public authorities' primary responsibility for promoting, implementing and monitoring social and environmental standards. The rapporteur is therefore in favour of a CSR approach that is driven primarily by businesses themselves, on the basis of their own possibilities and needs, and suitably supported by the public authorities, in order to strike an appropriate balance between the interests of business and those of society as a whole.

#### **3.2 Strengthening the links between CSR, competitiveness and the general public**

Corporate social responsibility is also a key factor in competitiveness<sup>4</sup>. This does not mean that all CSR measures will automatically make a business more competitive. It means that measures that create share value for a business, its stakeholders and society at large can make that business stronger<sup>5</sup>.

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<sup>1</sup> See Scherer, A./ Palazzo, G. (2008): *Globalisation and Corporate Social Responsibility*. In: Crane, A. et al. (2008): *The Oxford Handbook of Corporate Social Responsibility*. Oxford, p. 413.

<sup>2</sup> See Di Pascale, Alessia (2010): *La responsabilità sociale dell'impresa nel diritto dell'Unione europea*. Milano:Giuffrè editore, pp. 33-39.

<sup>3</sup> See Habermas, J. (2002): *La costellazione postnazionale*. Milan: Feltrinelli.

<sup>4</sup> See Martinuzzi, A. et al. (2010): *Does Corporate Responsibility Pay Off? Exploring the Links between CSR and Competitiveness in Europe's Industrial Sectors*. This study looks at the links between CSR and competitiveness in the construction, textiles and chemicals sectors.

<sup>5</sup> The complex links between business, the general public and competitiveness can be summed up by paraphrasing words written more than 10 years ago by Michael Eugene Porter, one of the leading contributors to management theory, as follows: '*successful businesses need a healthy society, and a healthy society needs successful businesses*'. See Porter, M.E./Kramer, M.R. (2006): *Strategy and Society: The Link Between*

In view of this, the rapporteur considers it a priority to strengthen the links between CSR, competitiveness and the general public by implementing a number of far-reaching measures to forge closer links between businesses' commercial strategies and the social environment in which the businesses operate. In this connection, he is in favour of support being given to innovative solutions enabling businesses to address social and environmental challenges such as the introduction of smart transport systems and eco-efficient products.

At the same time, with a view to giving CSR a higher profile and disseminating best practice, the rapporteur supports the introduction of a European award scheme for CSR businesses and partnerships and the establishment of multi-stakeholder CSR platforms. In this connection, the rapporteur endorses CSR Europe's Enterprise 2020 initiative, which can play a substantial role in strengthening the link between CSR and competitiveness.

### ***3.3. Making CSR policies more transparent and more effective***

The rapporteur supports the general objective of enhancing transparency, self- and co-regulation processes and market reward for CSR. Progress is essential in these areas in order to increase public trust in business and reduce the gap between public expectations and public perception of how business actually behaves.

Having said that, the rapporteur considers it essential not to lose sight of the fact that CSR is multi-dimensional and that businesses adopt a variety of approaches in this area. He therefore believes that any regulatory action should ensure that businesses retain the greatest possible flexibility of action, given that they bear primary responsibility for taking CSR forward.

This applies in particular to the forthcoming legislative proposal on the transparency of the social and environmental information provided by companies and the development of a self- and co-regulation code of practice to make the CSR process more effective. In both these respects, the rapporteur is opposed to 'catch-all' solutions, which fail to take account of the specificities of the various markets and sectors in which businesses operate, and could thus result in unnecessary red tape and counter-productive operational strictures.

### ***3.4 Recognising and promoting SME involvement in CSR***

SMEs, which account for 90% of Europe's businesses and are closely tied in with the region or city in which they operate, can play a fundamental role in promoting uptake of CSR<sup>1</sup>. What is more, SMEs within a given sector can get together to tackle shared social and environmental problems, thus reducing the cost of the action required and bringing about improvements that would be difficult to achieve for a single SME acting on its own.

Although SMEs can play a key part in the CSR debate, at a micro level it is clear that they are not familiar with the CSR concept, which many see as being 'intangible' and with which they

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*Competitive Advantage and Corporate Social Responsibility*. In: Harvard Business Review, December 2006, pp. 78-93.

<sup>1</sup> See European Commission - DG Enterprise (2007): Opportunity and Responsibility. How to help more small business to integrate social and environmental issues into what they do.

find it difficult to identify unless they have first developed a genuine social awareness<sup>1</sup>.

A further problem is that people tend to think of the costs, rather than the potential economic benefits, of CSR. Because CSR requires an economic investment that does not immediately produce tangible results, it is viewed as an additional burden on businesses whose resources are already limited. One of the reasons for this is the fact that many SMEs are not aware of the positive impact that CSR could have on their economic performance and have not been informed of the good practices that could further enhance this impact<sup>2</sup>.

The rapporteur accordingly takes the view that Parliament should make greater SME involvement in CSR a political priority for the coming years. He believes that the following steps should be taken towards this end:

- firstly, it is essential to make sure that any and all measures taken in this area, whether voluntary or compulsory, do not result in additional administrative or financial constraints for SMEs and are in keeping with the 'think small first' principle;
- the basic objective of all action taken should be to raise awareness of CSR and maximise its potential. A cogent, inter-disciplinary approach therefore needs to be taken to the various issues, on the basis of clearly stated strategic objectives;
- in particular, public authorities should make greater efforts to foster the uptake of CSR by SMEs by providing support for the activities of intermediary organisations, so as to foster the dissemination of information and best practice;
- the Commission should support action taken by national governments by stepping up its coordination activities, systematically collecting information on CSR policies implemented by SMEs, in order to foster the pooling of best practice and provide material for academic research in this area, in particular on CSR's economic, social and environmental impact at local and regional level;
- lastly, in view of the specific nature of SMEs, the rapporteur calls on the Commission to hold broad consultations with a view to identifying and laying down CSR strategies that will meet SME needs, including special measures for micro-enterprises.

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<sup>1</sup> See Perrini (2006): SMEs and CSR Theory: Evidence and Implications from an Italian Perspective. In: Journal of Business Ethics, Vol. 67, 305-316. The article, which looks at the situation in Italy, highlights the need for tailored CSR approaches. In the case of SMEs, the approach should be based on the concept of 'social capital', rather than the traditional principles of 'stakeholder theory'. On the same subject, see also: Morsing, M./Perrini, F. (2009): CSR in SMEs: do SMEs matter for the CSR agenda? In: Business Ethics, Vol. 18, Issue 1.

<sup>2</sup> See MacGregor, S./Fontrodona, J. (2011): *Strategic CSR for SMEs: paradox or possibility?* In: Universia Business Review.



15.1.2013

## **OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS (\*)**

for the Committee on Legal Affairs

on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))

Rapporteur (\*): Richard Howitt

(\*) Procedure with associated committees – Rule 50 of the Rules of Procedure

### **SUGGESTIONS**

The Committee on Employment and Social Affairs calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Underlines that the current global economic crisis arose from fundamental errors with respect to transparency, accountability, responsibility and from short-termism, and that the EU has a duty to ensure that these lessons are learnt by all; welcomes the Commission's intention to conduct Eurobarometer surveys on trust in business; calls for the results of these surveys to be fully debated and acted on by all stakeholders; strongly advocates corporate social responsibility (CSR), and takes the view that CSR – if implemented correctly and practised by all companies, not only larger firms – can make a great contribution towards restoring lost confidence, which is necessary for a sustainable economic recovery, and can mitigate the social consequences of the economic crisis; notes that when business assumes a responsibility for society, the environment and employees, a win-win situation is created that serves to broaden the basis of trust necessary for economic success; takes the view that making CSR part of a sustainable business strategy is in the interest of businesses and of society as a whole; points out that many businesses – especially small and medium-sized enterprises (SMEs) – are setting an outstanding example in this field;
2. Believes that while co-regulation and self-regulation cannot be substitutes for appropriate sectoral regulation where such is needed, for instance with regard to social and environmental requirements, labour and employment practices, human rights, or in any of the areas covered by CSR, it could underpin existing private and voluntary CSR initiatives



by establishing minimum principles, thereby ensuring consistency, materiality, multi-stakeholder input and transparency, and by facilitating the creation of environmental and social rating agencies specialised in CSR; stresses that any form of CSR based on self-regulation and self-organisation of the market must include provision for ‘access to remedy’ in line with ‘pillar three’ of the United Nations Guiding Principles on Business and Human Rights; notes, at the same time, that public administrations should provide support by creating appropriate conditions – and providing appropriate tools and instruments, such as an incentive system – for CSR cooperation; believes that the philanthropic activities of businesses should, as a matter of principle, be voluntary;

3. Considers it vital that measures be taken to ensure that services are procured in an appropriate manner, and that principles of fair competition are respected in the single market; suggests, therefore, that social criteria, along with ILO clauses, are introduced in the award of contracts, as an essential condition and with the utmost transparency, thereby safeguarding the beneficial social value of CSR activity; underscores that this may also encourage the pursuit of more appropriate and effective CSR activity within industrial sectors;
4. Rejects the notion that small businesses are less responsible than large ones simply because they do not have a separate CSR infrastructure; believes that, in order to take account of the needs of small businesses, sensible thresholds must be established in any new CSR-related legislative proposals that comes forward; calls, nevertheless, for European action to build on the experiences of Italy, relying on regional chambers of commerce, and of France, centred on its savings banks (Cordé Initiative), to cluster small businesses by locality or sector, in order to build awareness of, and visibility for, the contribution of small businesses;
5. Welcomes the Commission’s intention to launch a ‘Community of Practice’ on CSR and social action on the part of business; believes that this must be complementary to a code of good practice for co-regulation and self-regulation, allowing all stakeholders to engage in a common learning process in order to improve and strengthen the efficiency and accountability of multi-stakeholder actions;
6. Is of the opinion that the transparency and credibility of CSR actions could be ensured if minimum standards were established; notes that minimum standards in this area should, in any event, cover the involvement of employee representatives and trade unions, along with that of other stakeholders, as regards content, enforcement, monitoring, the involvement of the value chain, and the independent review of compliance with self-imposed obligations;
7. Endorses the Commission’s intention to bring forward a proposal on ‘non-financial disclosure’ by businesses which will enable the EU to encourage European businesses to apply the UN Guiding Principles on Business and Human Rights<sup>1</sup> and the UN Global Compact; welcomes the fact that this proposal is based on a wide-ranging public consultation as well as on a series of workshops with relevant stakeholders; stresses that use of the term ‘non-financial’ should not disguise the real financial consequences for

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<sup>1</sup> Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie: Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework, 21 March 2011.

businesses in terms of social, environmental and human rights impacts; points out that the impact of business action and social involvement can also be measured in financial terms; calls for a proposal which places the EU at the heart of the many current international initiatives on corporate sustainability reporting and which is fully in line with the objective of making integrated reporting, as currently developed by the International Integrated Reporting Council (IIRC), the global norm by the end of the decade; stresses, however, that any solution chosen must not create excessive administrative burdens, particularly for SMEs; believes that the philanthropic activities of businesses should not generate red tape and costs that could jeopardise their voluntary commitments; welcomes the goal of exposing human rights violations and criminal schemes, and urges states to punish such activity with utmost rigour;

8. Calls on the Commission to address, in the context of the Unfair Commercial Practices Directive, the issue of misleading forms of marketing with regard to the environmental and social impacts of companies' operations;
9. Condemns corporate corruption and tax evasion in the strongest terms, but maintains that the Commission should distinguish more clearly between (1) philanthropic action, (2) social action by business, and (3) anti-social action by business, one example of the latter being the employment of forced child labour; roundly condemns anti-social action on the part of business, and believes that greater pressure must be put on countries to translate international standards into national law and to enforce such legislation; rejects, however, sweeping condemnations of business in general on the basis of unfair practices and breaches of the law on the part of only a few companies; takes the view that while companies have a duty to speak out on public issues of concern, including human rights, their lobbying activities must be fully transparent and in keeping with democratic principles; stresses the importance of offering specific CSR-training in universities and in business and management schools;
10. Stresses that stringent respect for human rights, due diligence and transparency must be maintained in order to ensure CSR along the whole supply chain, measure the sustainability footprint of European business, and combat tax avoidance and illicit money flows; points out that the ongoing parliamentary debates over the draft EU Extractive Transparency Law for the extractive and logging industry (2011/0307(COD)), the review of the Anti-Money Laundering Directive, and the announced draft of legislation on non-financial reporting provide opportunities to improve companies' transparency towards these ends;
11. Stresses that corporate responsibility must not be reduced to a marketing tool, but that the only way to develop CSR to the full is to embed it in a company's overall business strategy, and to implement and translate it into reality in the company's day-to-day operations and financial strategy; would welcome a link between good corporate responsibility and good corporate governance; believes that the Commission should encourage companies to decide on a CSR strategy at board level; calls on the Commission and the Member States to introduce corporate stewardship codes that reflect the importance of responsibility for all in the company, and which establish the strong link between the company's environmental, social and human rights performance and its financial results.



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	14.1.2013
<b>Result of final vote</b>	+: 37 -: 6 0: 0
<b>Members present for the final vote</b>	Regina Bastos, Jean-Luc Bennahmias, Phil Bennion, Pervenche Berès, Viliija Blinkevičiūtė, Philippe Boulland, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Minodora Cliveti, Emer Costello, Frédéric Daerden, Karima Delli, Sari Essayah, Thomas Händel, Marian Harkin, Nadja Hirsch, Martin Kastler, Ádám Kósa, Jean Lambert, Patrick Le Hyaric, Veronica Lope Fontagné, Olle Ludvigsson, Thomas Mann, Elisabeth Morin-Chartier, Csaba Óry, Siiri Oviir, Konstantinos Poupakis, Sylvana Rapti, Elisabeth Schroedter, Joanna Katarzyna Skrzydlewska, Jutta Steinruck, Traian Ungureanu, Andrea Zaroni, Inês Cristina Zuber
<b>Substitute(s) present for the final vote</b>	Georges Bach, Malika Benarab-Attou, Richard Howitt, Anthea McIntyre, Ria Oomen-Ruijten, Antigoni Papadopoulou, Evelyn Regner, Csaba Sógor

5.12.2012

## OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on Legal Affairs

on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))

Rapporteur: Andrzej Grzyb

### SUGGESTIONS

The Committee on Foreign Affairs calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the fact that the new definition established in the Commission communication of 25 October 2011 on Corporate Social Responsibility (CSR) emphasises that compliance with applicable legislation and with collective agreements is a prerequisite for responsible action, and specifies the framework required for corporate responsibility by demanding that ‘social, environmental, ethical, human rights and consumer concerns’ are integrated into the operations and core strategy of businesses in close collaboration with their stakeholders; reiterates that CSR must also extend to enterprises’ behaviour towards and in third countries;
2. Welcomes the efforts of the European Union and its Member States to align their policies with the OECD Guidelines for Multinational Enterprises, updated in 2011, and with the UN Guiding Principles on Business and Human Rights<sup>1</sup>, and stresses that these efforts, particularly in the area of global business activities, do not yet amount to a thorough commitment to respecting and reviewing relevant environmental, social and human rights standards;
3. Stresses the importance of assessing an enterprise’s compliance with social responsibility requirements throughout the supply chain; considers it vital to have effective and

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<sup>1</sup> United Nations Human Rights Council, 17th Session, 21 March 2011, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie: ‘Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework’ (A/HRC/17/31) (referred to hereinafter as the ‘UN Guiding Principles’).

transparent indicators with which to assess the precise impact of an enterprise's activities from a systemic point of view;

4. Insists that each of the 27 Member States must accelerate the revision of its national action plan on CSR, and the development of national plans implementing the relevant OECD Guidelines and UN Guiding Principles, which should be finalised at the latest by December 2013; considers that the Member States should ensure that these plans are drafted with the participation of all relevant stakeholders, including NGOs, civil society, trade unions, employers' organisations and national human rights institutions (NHRI); calls on the EU to facilitate learning from the experience of those Member States which are currently undergoing this process; encourages the Member States to draw inspiration from the guidelines contained in the ISO 26000 standard, the most recent version of the Global Reporting Initiative guidelines, and the guidance developed by the European Group of National Human Rights Institutions;
5. Emphasises that the CSR of enterprises both within the EU and in third countries should also be extended to areas such as the organisation of work, the quality of employment, equal opportunities, social inclusion, combating discrimination and continuing training;
6. Calls for greater policy coherence to be established at EU level by bringing public procurement, export credit, good governance, competition, development, trade, investment and other policies and agreements into conformity with the international human rights, social and environmental standards laid down in the relevant OECD and UN guidelines and principles; calls, in this connection, for cooperation with bodies representing employees, employers and consumers while drawing on relevant NHRI advice, such as the submission of the European Group of National Human Rights Institutions to the Commission on human rights and procurement; calls for meaningful and adequate impact assessments of legislative proposals for potential incoherence with the UN Guiding Principles, and insists on coordination with the UN Working Group on Business and Human Rights in order to avoid disparate and inconsistent interpretations of those Guiding Principles; recalls, while recognising the significance of the UN human rights framework for CSR, the importance of the Charter of Fundamental Rights of the European Union, including Article 16 thereof, which guarantees the fundamental right to conduct a business, a right that should be duly taken into account and serve as a reference to support CSR policies in the EU; underlines the importance of balancing the freedom to conduct business with other rights guaranteed by the Charter, as well as with internationally recognised CSR principles and guidelines; welcomes, in this connection, the efforts of the European Union Agency for Fundamental Rights (FRA) to collect evidence and expertise concerning the existence and interpretation of the freedom to conduct business;
7. Commits itself to continuing to raise consistently its expectation that EU institutions and officials, including the EU Special Representative on Human Rights and the country- and region-specific EU Special Representatives, make efforts to advance social, environmental and human rights standards in all EU external relations and actions; calls on the Commission and the Member States to conduct fundamental rights impact assessments prior to the conclusion of, and during the evaluation of, multilateral and bilateral trade and investment agreements and when allocating development aid, and to ensure that these

rights are respected;

8. Recognises that Paris Principles-aligned NHRIs are well placed to provide support for the implementation of the UN Guiding Principles and to facilitate, and even ensure, access to remedies; calls on the EU and its Member States to recognise NHRIs alongside enterprises and bodies representing employees, employers and consumers as key partners in advancing the human rights and business agenda, developing linkages between business, the state and civil society and promoting internationally recognised social, environmental and human rights standards and guidelines; calls, in this context, on the Member States to strengthen and, where necessary, broaden the mandates of the NHRIs to make them more effective, or, where no Paris Principles-aligned NHRI is in place, to take steps to establish one, and for the EU to develop appropriate strategic support; commits itself to establishing a regular annual exchange of views with NHRIs in the framework of the LIBE and/or DROI committees, building on the experience of the DROI committee's exchange of views on the 'EU and Eastern Partnership Ombudsmen 2011 Summit', and to complement such exchanges with targeted workshops on human rights and business;
9. Welcomes the adoption by the International Labour Organisation on 14 June 2012 of Recommendation No 202 concerning national floors for social protection; undertakes to place the human rights and CSR issue on the agenda for forthcoming EU meetings with third countries, especially those with which the EU has a special relationship; calls for CSR to be incorporated into the EU's contractual relations with third countries and requests, if necessary, that translations of the UN Guiding Principles be carried out using the capacity of the EP or of other EU institutions;
10. Calls for the EU, and in particular the Commission, to ensure that financial instruments, including the European Instrument for Democracy and Human Rights (EIDHR), see the Paris Principles-compliant NHRIs as key partners in achieving their objectives, and support them in making effective use of their unique position and human rights expertise to create space for dialogue between the various stakeholders, including state authorities, civil society and business, and, to that end:
  - (1) to ensure that the topic of CSR and human rights features among the priorities of individual financial instruments under the new multiannual financial framework (MFF) for the 2014-2020 period; and
  - (2) to develop specific support under the EIDHR for training and overall capacity-building in the area of CSR and human rights for civil society organisations, NHRIs, human rights defenders, trade unions and other human rights organisations;
11. Insists that, in order to ensure that the implementation of the new EU CSR strategy promotes the interests of society in all its diversity, respect for human rights, and a route to sustainable and inclusive recovery and progress, EU guidance on the disclosure of non-financial information (including environmental, social, and governance information) by companies must ensure transparency by providing a clear, unambiguous, common and predetermined framework making specific reference to human rights which is fully aligned with the OECD and UN guidelines and principles and based on objective indicators referring to: equality between women and men, including issues such as the gender pay gap and the proportion of women in senior posts; youth wages; the possibility

for workers to join trade unions and conduct collective bargaining; effective guarantees of safety at work; and disability;

12. Calls on the EU to address internal capacity and expertise gaps by implementing substantial training programmes on human rights and business across all EU institutions and policy areas;
13. Reiterates its calls for the EU and its Member States to improve the enforcement of existing laws addressing CSR and human rights concerns, and to develop further solutions aimed at establishing a level playing field for domestic and third countries' business enterprises in order to combat social dumping;
14. Calls for human rights and supply chain due diligence standards at EU level which, among other things, meet the requirements laid down in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and address, among other issues, areas with significant potential negative or positive impact on human rights such as global and local supply chains, conflict minerals, outsourcing, land grabbing and regions where labour law and workers' protection are insufficient or where products that are dangerous for the environment and health are produced; welcomes the programmes already set up by the EU, in particular the Forest Law Enforcement, Government and Trade (FLEGT) programmes in the field of forestry, and supports private initiatives such as the Extractive Industries Transparency Initiative (EITI);
15. Requests that where the EU or its Member States are partners of business (e.g. in the context of public procurement, state-owned enterprises, joint ventures, export credit guarantees and large-scale projects in third countries), consistency with the OECD and UN guidelines and principles should be a priority which is reflected in specific clauses carrying consequences for companies that blatantly violate social, environmental and human rights standards; recommends that the envisaged 'EU Platform for External Cooperation and Development' plays a part in the determination of modalities meant to improve the quality and efficiency of EU external cooperation, blending mechanisms and financial instruments, as well as a role in promoting cooperation and coordination among the EU, the financial institutions and other stakeholders in this field;
16. Stresses the importance of the UN 'Protect, Respect and Remedy' framework and considers that its three pillars – the state's responsibility to protect against human rights violations, businesses' responsibility to respect human rights, and the need for more effective access to remedies – should be supported by appropriate measures to enable their implementation;
17. Emphasises that, given the size of their share of international trade, European companies and their subsidiaries and subcontractors play a key role in the promotion and dissemination of social and labour standards worldwide; acknowledges that grievances against EU companies operating abroad are often more usefully solved in situ; commends the OECD National Contact Points as state-based non-legal mechanisms that can mediate over a broad range of business and human rights disputes; calls, however, for a greater effort by companies in developing grievance mechanisms aligned with the effectiveness criteria set out in the UN Guiding Principles, and for further authoritative guidance to be sought in internationally recognised principles and guidelines, in particular the recently



updated OECD Guidelines for Multinational Enterprises, the 10 principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy;

18. Welcomes the Commission's intention to amend the private international law provisions contained in the Brussels I Regulation, and in particular the introduction of the principle of 'forum necessitatis'; stresses the need further to develop effective access to remedies for victims of human rights violations resulting from corporate operations outside the EU, through reforms of the Brussels I and Rome II Regulations; calls for effective measures to remove existing obstacles to justice, such as inordinate litigation costs, by means of initiatives such as the development of minimum standards for collective redress and solutions to the problem of 'separate legal personality' for companies;
19. Calls for the development of more effective transparency and accountability standards for EU technology companies in connection with the export of technologies that can be used to violate human rights or to act against the EU's security interests;
20. Welcomes the Commission's wish to address the issue of CSR in the context of enlargement; is disappointed, nevertheless, that this issue is not specifically addressed in the accession negotiations with candidate countries or mentioned in the Commission communication of 10 October 2012 entitled 'Enlargement Strategy and Main Challenges 2012-2013' (COM(2012)0600);
21. Welcomes the Commission's intention to work towards establishing global advocacy, international guidelines and complementary legislation to ensure that EU businesses have a positive impact in foreign societies; notes that businesses' positive impact in foreign societies can be assessed in terms of, among other things, local people's access to resources, their food sovereignty and the endogenous development of those societies;
22. Calls for the implementation of the 'know your end user' principle in order to prevent human rights violations up or down stream in a production or market flow.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	3.12.2012
<b>Result of final vote</b>	+: 42 -: 1 0: 2
<b>Members present for the final vote</b>	Sir Robert Atkins, Arnaud Danjean, Marietta Giannakou, Andrzej Grzyb, Anna Ibrisagic, Liisa Jaakonsaari, Anneli Jäätteenmäki, Jelko Kacin, Tunne Kelam, Nicole Kiil-Nielsen, Evgeni Kirilov, Maria Eleni Koppa, Andrey Kovatchev, Paweł Robert Kowal, Eduard Kukan, Alexander Graf Lambsdorff, Krzysztof Lisek, Mario Mauro, Francisco José Millán Mon, María Muñoz De Urquiza, Annemie Neyts-Uyttebroeck, Raimon Obiols, Ria Oomen-Ruijten, Pier Antonio Panzeri, Alojz Peterle, Bernd Posselt, Cristian Dan Preda, Tokia Saïfi, José Ignacio Salafranca Sánchez-Neyra, Jacek Saryusz-Wolski, György Schöpflin, Werner Schulz, Marek Siwiec, Charles Tannock, Kristian Vigenin, Sir Graham Watson
<b>Substitute(s) present for the final vote</b>	Laima Liucija Andriekienė, Marije Cornelissen, Elisabeth Jeggle, Agnès Le Brun, Marietje Schaake, Helmut Scholz
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Lara Comi, Danuta Jazłowiecka, Giovanni La Via

6.12.2012

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on Legal Affairs

on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))

Rapporteur: Catherine Grèze

### **SUGGESTIONS**

The Committee on Development calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes that owing to the heterogeneity of the concept of Corporate Social Responsibility (CSR), with different companies having developed different standards on accounting, auditing and reporting, levels of CSR are hard to compare; emphasises that internationally agreed regulation in the context of CSR would create trust and fairness in business relations and have the benefits of certainty, progressive enforceability, universality and stakeholder empowerment;
2. Agrees with the Commission that CSR must cover human rights, labour and employment practices, environmental issues (such as biodiversity, climate change, resource efficiency) and combating bribery and corruption, i.e. through good tax governance (namely transparency, exchange of information and fair tax competition);
3. Points out that CSR covers a wide range of social standards on which very little focus is placed owing to a failure to establish indicators with which to measure progress on social issues;
4. Stresses that it should be easy for investors and consumers to identify firms which have made a commitment to CSR, as this would encourage those firms in their efforts;
5. Highlights the need for the EU to look at the possibility of introducing appropriate marks or labels to be used alongside the names, or on the products, of firms that have made a commitment to CSR, so as to make them easy to identify;

6. Points out that CSR is the best tool for companies to show their commitment, solidarity and responsibility towards society, and that it is also essential to achieving the objective of policy coherence for development (PCD); welcomes the Commission's commitment to promote CSR in full consistency with current international guidelines, including the recently updated OECD Guidelines for Multinational Enterprises, the 10 principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the United Nations Guiding Principles on Business and Human Rights; regrets, however, that the language of CSR is mostly voluntary;
7. Deplores the lack of information for SMEs on the global compact under which businesses can commit to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption;
8. Stresses that the UN Global Compact and the ISO 26000 standards are not properly suited to the needs of SMEs, which makes the whole idea of CSR less effective within the EU;
9. Draws attention to the need for thought to be given at both EU and national levels to how tax incentives might be used to promote CSR more widely among firms;
10. Emphasises that, as a purely voluntary commitment, CSR may be insufficient to deal with externalities resulting from the operations of multinationals, including human rights violations and environmental degradation; reiterates its call for foreign investors and companies operating in developing countries to fully comply with international legally binding obligations regarding human rights as well as environmental and ILO core labour standards as well as UN Guiding Principles on Business and Human rights; calls for CSR policies also to include specific measures to tackle the unlawful practice of blacklisting workers and denying them access to employment, often owing to their trade union membership and activities or to roles as health and safety representatives;
11. Highlights the fact that companies should be encouraged to implement CSR practices, and that companies which have already implemented such practices should be encouraged to pursue the goals of CSR; asks the Commission to consider incentives, such as prioritising in EU public procurement contracts, so that companies see CSR as an opportunity and not as a threat;
12. Stresses that CSR should result in clear commitments to respecting the rights, protection and wellbeing of workers with performance indicators and clear benchmarks to measure improvements, and that provision should be made for objective, inclusive and transparent monitoring and effective accountability and enforcement mechanisms for dealing with non-compliance, including a more open and clear procedure for filing and considering complaints and for initiating investigations where necessary;
13. Reiterates that CSR should be applicable to all enterprises so as to create a fair and equal playing field; however, points out that the way in which extractive industries operate in developing countries requires a move beyond a voluntary approach; stresses that investment by the petroleum industry in Nigeria is a good example of the limitations of CSR as currently implemented, where companies have failed to take CSR initiatives to

create sustainable business practices, or contribute to the development of their host states; strongly supports the legislative proposal for country-by-country reporting founded on the standards of the Extractive Industries Transparency Initiative (EITI), reporting on sales and profits, as well as taxes and revenues, in order to discourage corruption and prevent tax avoidance; calls on European extractive industries operating in developing countries to set an example of social responsibility and the promotion of decent work;

14. Calls on the Commission to take further initiatives that aim to unlock and strengthen the potential of CSR in tackling climate change (by linking it to resource and energy efficiency), e.g. in the processes companies use to purchase raw materials;
15. Stresses that CSR should apply to the entire global supply chain, including all levels of sub-contracting and whether in the supply of goods, workers or services, that it should include provisions to extend protection to migrant, agency and posted workers and that it should be based on fair pay and decent working conditions and guarantee trade union rights and freedoms; takes the view that the concept of Responsible Supply Chain Management needs to be further elaborated as a mechanism for delivering CSR;
16. Takes the view that, in order to have a real impact on poverty reduction, the CSR agenda should also focus on SMEs, as their cumulative social and environmental impact is significant;
17. Considers that EU companies should be legally liable and that different kinds of accountability and liability mechanisms should be implemented between them and their subsidiaries and the entities they control in developing countries; welcomes, furthermore, the work done by EU civil society, which has been actively engaged in raising awareness about violations committed by these companies abroad;
18. Insists that it is the duty of the state to protect against violations of human and labour rights, including by businesses, to hold companies accountable, to uphold freedom of association and collective bargaining rights, and to provide access to justice for victims; calls on the Commission to provide effective measures to operationalise the UN Protect, Respect and Remedy Framework put forward by John Ruggie, the UN Special Representative on Business and Human Rights;
19. Stresses that better implementation of the UN Guiding Principles on Business and Human Rights will contribute to EU objectives regarding specific human rights issues and core labour standards; therefore calls on the EU to strive for a clear international legal framework concerning the responsibilities and obligations of business with regard to human rights;
20. Welcomes the fact that the number of companies disclosing information on their environmental, social and governance (ESG) performance has grown significantly in recent years; points out, however, that reporting companies still constitute only a small share of global business; notes that, while the EU Accounts Modernisation Directive

(2003/51/EC)<sup>1</sup> ensures a minimum level of disclosure of both financial and non-financial key performance indicators, it does not stipulate any requirements in relation to the type of indicators to be included in annual reports; calls on the Commission to investigate further possible measures to strengthen disclosure of ESG information at European level;

21. Stresses that EU assistance to third-country governments in implementing social and environmental regulation and effective inspection regimes is a necessary complement to advancing the CSR of European business worldwide;
22. Stresses that Socially Responsible Investment (SRI) is part of the implementation process of CSR in investment decisions; notes that although there is currently no universal definition of SRI, it usually combines investors' financial objectives with their concerns about social, environmental, ethical (SEE) and corporate governance issues;
23. Urges the EU and its Member States to take further policy initiatives that aim to raise awareness and strengthen the development of SRI, for example by considering a legal formulation of an SRI minimum standards setting, especially within the scope of the EU's investment and trade agreements with developing countries;
24. Notes that CSR is a mechanism with which employers can support their workers and local communities in developing countries and that it can ensure gains are equitably shared to develop sustainable economic and social prosperity and lift more people out of poverty, especially in times of financial crisis; regrets that protocols for social intervention are currently only voluntary and urges the Commission to make these binding;
25. Calls for full and active consultation and involvement of representative organisations, including trade unions, in the development, operation and monitoring of companies' CSR processes and structures, including through the ongoing development of workers' skills and qualifications through training and lifelong learning, working with employers in a genuine partnership approach.

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<sup>1</sup> OJ L 178, 17.7.2003, p. 16.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	6.12.2012
<b>Result of final vote</b>	+: 23 -: 1 0: 2
<b>Members present for the final vote</b>	Thijs Berman, Michael Cashman, Nirj Deva, Leonidas Donskis, Charles Goerens, Catherine Grèze, Eva Joly, Filip Kaczmarek, Miguel Angel Martínez Martínez, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Birgit Schnieber-Jastram, Michèle Striffler, Alf Svensson, Keith Taylor, Patrice Tirolien, Ivo Vajgl, Daniël van der Stoep, Anna Záborská, Iva Zanicchi
<b>Substitute(s) present for the final vote</b>	Enrique Guerrero Salom, Cristian Dan Preda
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Ioan Enciu, Emilio Menéndez del Valle, Helmut Scholz

15.1.2013

## **OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE**

for the Committee on Legal Affairs

on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))

Rapporteur: Bernd Lange

### **SUGGESTIONS**

The Committee on International Trade calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes with interest that the Commission has started to include references to CSR in EU trade agreements; takes the view, in the light of the key role played by corporations, their subsidiaries and their supply chains in international trade, that corporate social and environmental responsibility must become an integral part of the "sustainable development" chapter of the EU's trade agreements; calls on the Commission to elaborate concrete proposals for the implementation of these CSR principles in trade policy;
2. Commits itself to step up its efforts continually so that EU institutions and officials, including the EU Special Representative for Human Rights, are required to enforce social, environmental and human rights standards in all EU external relations and actions;
3. Stresses that promoting CSR is an objective supported by the European Union, and that the Union must therefore ensure that the external policies it implements contribute to the sustainable development and to the social development of the countries concerned;
4. Urges the Commission, in devising concrete proposals for the application of CSR principles, to base itself on the OECD Guidelines for Multinational Enterprises, including the OECD complaints procedure;
5. Commends all member states of the OECD for their comprehensive work on the OECD Guidelines for Multinational Enterprises, published on 25 May 2011; notes that 44 adhering governments – representing all regions of the world and accounting for 85 % of foreign direct investment – encourage their enterprises to observe these far-reaching



recommendations for responsible business conduct wherever they operate;

6. Agrees that current environmental and climate change imperatives and the development of global production chains demand a broader CSR concept coverage than envisaged when the concept was first conceived; considers it necessary, therefore, to spell out an updated CSR concept, relating to labour and human rights and employment issues as well as to environmental protection, climate change concerns and avoidance of corruption and tax evasion;
7. Calls for all European companies operating in third countries and employing more than 1000 people to be required to apply the OECD Guidelines for Multinational Enterprises from 1 January 2014;
8. Asks the Commission to include a binding CSR clause in all bilateral trade and investment agreements signed by the EU, on the basis of principles of CSR as defined at the international level – with an emphasis on sustainable development and good governance and with a clear focus on human rights, decent work, labour standards, freedom of association, collective bargaining and other social considerations – in particular the 2010 update of the OECD Guidelines; suggests that this clause should harmonise existing standards and concepts, in order to ensure comparability and fairness, and contain measures for monitoring these principles on the EU level and for its implementation, and that National Contact Points be set up as fora for questions on the issues raised in the OECD Guidelines, such as the requirement to monitor the activities of companies and their subsidiaries and supply chains, and the requirement to apply due diligence;
9. Calls on the Commission to ensure that all companies operating in the single market, including those transnational corporations the subsidiaries or supply chains of which are located in the EU, comply with all their legal obligations at both the national and EU level in order to ensure fair competition and maximise the benefits for EU consumers; calls on the Commission actively to promote responsible business conduct amongst EU companies operating abroad, with special focus given to ensuring strict compliance with all their legal obligations, stemming from either domestic laws or any bilateral or international legal obligations their business operations are subject to therein, not the least compliance with international standards and rules in the areas of human rights, labour and the environment; suggests, to this end, that the Commission should actively engage with its partners in developing and emerging countries in order to exchange best practices and know-how on the ways and means of improving the business environment and raising awareness about responsible business conduct;
10. Suggests that the Member State governments call on the EIB to include a CSR clause in its operations;
11. Calls on the Commission to introduce a more open and clear procedure for filing and considering complaints regarding non-compliance with CSR principles, including enforcement mechanisms, and to initiate investigations where necessary;
12. Calls on the Commission to urge companies to apply CSR; emphasises the need to support and encourage the spread of such practices among SMEs while keeping costs and red tape to a minimum;

13. Calls on the Commission to include a CSR clause in agreements with non-governmental organisations (NGOs), particularly where these relate to development activities;
14. Calls on the Commission to use incentive-based measures more effectively, and to be more vigilant in monitoring and ensuring that transnational corporations whose subsidiaries or supply chains are located in countries participating in the GSP and GSP+ – whether or not they have their registered office in the European Union – as well as the countries concerned a) comply with their national and international legal obligations in the areas of human rights, social and labour standards and environmental rules, b) show a genuine commitment to the rights, protection and well-being of their workforce and citizens generally, c) uphold freedom of association and collective bargaining rights, and d) deal with any infringements swiftly and effectively;
15. Calls on the Commission to promote CSR in multilateral forums by supporting enhanced cooperation between the WTO and other multilateral forums dealing with CSR, such as the ILO and the OECD;
16. Recalls that both court litigations and alternatives to court litigations already exist for settling commercial disputes and/or for seeking compensation for negative externalities of irresponsible or illegal business activity; calls, in this regard, on the Commission to do more to enhance awareness of both paths amongst the businesses community and the public at large; recalls that the International Chamber of Commerce (ICC) provides dispute resolution services for individuals, businesses, states, state entities and international organisations seeking alternatives to court litigation that can contribute to improving effective access to justice for victims in the event of breaches of responsible business practices causing economic, social and environmental damages in the EU and/or abroad;
17. Calls for the monitoring of restrictive measures (sanctions, boycotts, embargos) as well as for licensing schemes on the EU level for dual-use items;
18. Calls for mechanisms to be put in place whereby CSR principles must be respected not only by the main company or contractor benefitting from a trade agreement, but also by any sub-contractor or supply chain it may use, whether in the supply of goods, workers or services, thereby ensuring a level playing field based on fair pay and decent working conditions, and guaranteeing trade union rights and freedoms;
19. Calls on the Commission to improve its sustainability impact assessment model, in order to properly reflect the economic, social, human rights and environmental implications – including climate change mitigation goals – of trade negotiations; calls on the Commission to follow up on the trade agreements with the EU's partner countries by carrying out, prior to and after the signing of a trade agreement, sustainability impact assessment studies, taking into account in particular vulnerable sectors;
20. Underlines that, following the entry into force of the Lisbon Treaty, Parliament is to be fully informed on how the findings of Sustainability Impact Assessments (SIA) of agreements are incorporated into negotiations prior to their conclusion, and which chapters of those agreements have been changed to avoid any negative impacts identified in the SIA;

21. Calls for a system of transnational legal cooperation to be set up between the EU and third country signatories to bilateral trade agreements in order to ensure that victims of breaches of social or environmental legislation, or of failures to honour CSR undertakings, by multinationals and their immediate subsidiaries have effective access to justice in the country where the breach took place, and in support of the establishment of international judicial procedures to ensure, where necessary, that breaches of the law by companies are punished;
22. Calls for the development of more effective transparency and accountability standards for EU technology companies involved in the export of technologies that can be used to violate human rights or in ways contrary to the EU's security interest;
23. Calls on the EEAS to ensure that EU trade officers, if based in EU embassies, are given regular training on CSR issues, in particular with respect to the implementation of the UN "Protect, Respect and Remedy" Framework, and that EU embassies function as EU contact points for complaints concerning EU companies and their subsidiaries, since OECD National Contact Points exist only in OECD-adhering countries and, in practice, are therefore not accessible to employees of such companies based in non-OECD countries;
24. Calls for assessments of the human rights impact of new technologies to be made as early in the research and development phase as possible, and calls for such assessments to include scenario studies and considerations of identifying standards for incorporating human rights into the design ('Human Rights by Design');
25. Stresses that awareness-raising at corporate level about the importance of CSR and the consequences of non-compliance, as a task for the Commission, must be accompanied by adequate awareness- and capacity-building at the level of host country governments in order to ensure effective implementation of CSR rights and access to justice;
26. Calls for the implementation of the 'know your end user' principle to ensure increased scrutiny and to prevent human rights violations from occurring either up- or downstream in supply chains and production or market flows;
27. Underlines that future bilateral investment treaties signed by the EU must guarantee that a fair balance is struck between the need to protect investors and need to allow for state intervention, especially with regard to social, health and environmental standards;
28. Notes the positive steps made in the current reform of the Transparency Directive (2004/109/EG) and of the Accounting Directive (2003/51/EG) in addressing the issue of CSR while balancing the legitimate quest for transparency and responsibility with the burden of reporting by companies; calls on the Commission to ensure that companies falling under these directives are obliged to report regularly on their CSR activities, in line with the OECD Guidelines for Multinational Companies, while ensuring special arrangements for SMEs in order to make the reporting financially and administratively feasible;
29. Stresses that the CSR dimension should be incorporated into multilateral trade agreements, and calls, therefore, on the Commission to support proposals to that effect in

international fora, in particular the OECD and the ILO as well as the WTO in the post-Doha context;

30. Calls for future CSR measures to encompass the whole value chain, from the extraction of raw materials via trade to recycling;
31. Asks that CSR policies be included at all levels of trade agreements with the EU, and that they include provisions to extend protection to migrant, agency and posted workers;
32. Considers that the Commission and the Member States should encourage EU companies to take initiatives aimed at promoting CSR and to exchange good practices with their partners in other countries;
33. Calls for CSR policies and for fundamental employment and trade union rights, such as the rights to privacy and freedom of association, to be respected by EU companies in all their operations, whether they are based in the EU or in third countries;
34. Calls for full and active consultation and involvement of representative organisations, including trade unions, in the development, operation and monitoring of companies' CSR processes and structures; calls on such representative organisations to work with employers in a genuine partnership approach;
35. Calls for an increased and more inclusive and transparent monitoring of CSR principles in EU trade policy, with clear benchmarks set for measuring improvements so as to encourage confidence in the system;
36. Notes that CSR is a mechanism which allows employers to support their workers and local communities in developing countries, that respect for CSR and labour standards enable such countries to benefit from further international trade, and that CSR can ensure that gains are shared equitably to develop sustainable economic and social prosperity and to lift more people out of poverty, especially in times of financial crisis; regrets that protocols for social intervention are currently only voluntary and urges the Commission to make these binding.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	18.12.2012
<b>Result of final vote</b>	+: 24 -: 2 0: 1
<b>Members present for the final vote</b>	William (The Earl of) Dartmouth, Maria Badia i Cutchet, Nora Berra, Daniel Caspary, María Auxiliadora Correa Zamora, George Sabin Cutaş, Christofer Fjellner, Yannick Jadot, Franziska Keller, Vital Moreira, Paul Murphy, Cristiana Muscardini, Niccolò Rinaldi, Helmut Scholz, Peter Šťastný, Robert Sturdy, Gianluca Susta, Henri Weber, Iuliu Winkler, Paweł Zalewski
<b>Substitute(s) present for the final vote</b>	Salvatore Iacolino, Silvana Koch-Mehrin, Maria Eleni Koppa, Katarína Neveďalová, Marietje Schaake
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Norbert Neuser, Birgit Schnieber-Jastram, Derek Vaughan

19.12.2012

## **OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION**

for the Committee on Legal Affairs

on Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI))

Rapporteur: Morten Løkkegaard

### **SUGGESTIONS**

The Committee on Culture and Education calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Encourages the EU to play an active role in raising awareness of the contribution enterprises can give to society through Corporate Social Responsibility (CSR) in the field of culture, education, sport and youth;
2. Encourages the EU as well as the Member States to provide concrete information on, and education and training in CSR, in order for enterprises to take full advantage of CSR and be able to implement it in their organisational culture;
3. Calls on the Member States to introduce tax exemptions for firms that fund voluntary work and non-profit initiatives;
4. Draws attention to the need for CSR to be incorporated into the curricula of educational establishments at all levels, including business schools, and into training programmes for managers and employees of small and medium-sized enterprises;
5. Encourages Member States to integrate CSR into relevant education curricula;
6. Underlines the importance of the link between enterprises and schools providing upper secondary education and, in particular, at higher education levels, and points to the role CSR can play in giving students practical experience during their studies, either on a paid part-time basis or in paid internships at the enterprises;
7. Encourages enterprises to provide quality internships, with a strong learning component,

that ease the transition between education and employment, facilitate the development of skills relevant to the labour market and support the autonomy of young people;

8. Encourages enterprises to promote creativity and cultural projects within their CSR policies, in the context of civic commitment, and to stimulate sustainable growth and job creation;
9. Points to the importance of involving small and medium-sized enterprises in CSR and recognising their achievements in this area;
10. Encourages enterprises, in collaboration between management and labour, to inform employees about, and train and involve them in, the major social challenges affecting Europe, particularly as regards the economy, society, the environment and internationally;
11. Calls for the idea of sponsorship to be promoted among employers;
12. Points to the important contribution CSR can make in creating opportunities for learning and growth and in shaping and promoting social attitudes, civic commitment, professional ethics and social integration by way of high-level of interaction with society, as well as through intergenerational activities such as mutual mentoring and know-how transfer between old and young; stresses, in particular, the contribution CSR can make in creating opportunities for young people and developing their talents;
13. Stresses the importance of upholding human rights in relations with non-EU countries;
14. Welcomes the European award scheme for CSR partnerships between enterprises and others stakeholders, including educational institutions and sports organisations, as an important step in raising the visibility of CSR;
15. Stresses that Socially Responsible Investment (SRI), as part of the implementation process of CRS in investment decisions, combine investors' financial and economic objectives with social, environmental, ethical, cultural and educational considerations;
16. Encourages the Member States and the Union to take into consideration for their CSR agenda that cultural and creative SMEs can have a significant impact on social and environmental change by integrating social considerations and inducing long-term solutions to combat poverty by giving new impulses to the labour market;
17. Calls for research to be conducted into the reasons for the effectiveness or ineffectiveness of the various CSR strategies implemented;
18. Calls on the Member States to support and enhance the status of employee volunteering and employer-supported volunteering also in the context of CSR, as stated in the resolution of 12 June 2012 on recognising and promoting cross-border voluntary activities in the EU<sup>1</sup>; emphasises that volunteering should not in any way affect employees' pay or work and that voluntary activities and paid work should complement one another;
19. Believes cultural content and media companies have a corporate social responsibility in

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<sup>1</sup> Texts adopted, P7\_TA(2012)0236.

ensuring that the fundamental rights of users are protected, and believes that self-regulation and deep packet inspection raise the risk of outsourcing police and law enforcement to the private sector;

20. Encourages media companies to include transparent journalism standards in their CSR policies, including guarantees of source protection and the rights of whistle blowers.



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	18.12.2012
<b>Result of final vote</b>	+ :            23 - :            0 0 :            0
<b>Members present for the final vote</b>	Piotr Borys, Jean-Marie Cavada, Silvia Costa, Santiago Fisas Ayxela, Lorenzo Fontana, Mary Honeyball, Petra Kammerevert, Morten Løkkegaard, Emma McClarkin, Emilio Menéndez del Valle, Katarína Neveďalová, Doris Pack, Marie-Thérèse Sanchez-Schmid, Marietje Schaake, Marco Scurria, Hannu Takkula, Helga Trüpel, Milan Zver
<b>Substitute(s) present for the final vote</b>	Nadja Hirsch, Stephen Hughes, Iosif Matula, Raimon Obiols, Rui Tavares
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Leonardo Domenici

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	22.1.2013
<b>Result of final vote</b>	+ :            21 - :            0 0 :            2
<b>Members present for the final vote</b>	Raffaele Baldassarre, Luigi Berlinguer, Sebastian Valentin Bodu, Françoise Castex, Christian Engström, Giuseppe Gargani, Lidia Joanna Geringer de Oedenberg, Sajjad Karim, Antonio Masip Hidalgo, Jiří Maštálka, Alajos Mészáros, Evelyn Regner, Francesco Enrico Speroni, Dimitar Stoyanov, Rebecca Taylor, Rainer Wieland, Cecilia Wikström, Tadeusz Zwiefka
<b>Substitute(s) present for the final vote</b>	Piotr Borys, Sergio Gaetano Cofferati, Vytautas Landsbergis, Eva Lichtenberger, Dagmar Roth-Behrendt, József Szájer, Axel Voss