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REPORT

on corporate social responsibility in international trade agreements
(2009/2201(INI))

Committee on International Trade

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on corporate social responsibility in international trade agreements (2009/2201(INI))

The European Parliament,

- having regard to Articles 12, 21, 28, 29, 30 and 31 of the Charter of Fundamental Rights of the European Union,
- having regard to Articles 2, 3 and 6 of the Treaty on European Union,
- having regard to Articles 9, 10, 48, 138, 139, 153, 156, 191, 207 and 218 of the Treaty on the Functioning of the European Union,
- having regard to the OECD Guidelines for Multinational Enterprises, the International Labour Organisation's (ILO) tripartite declaration of principles concerning multinational enterprises and social policy, the codes of conduct agreed under the auspices of international organisations such as the FAO, the WHO and the World Bank, and the efforts made under the auspices of UNCTAD to regulate the activities of enterprises in developing countries,
- having regard to the Global Compact initiative launched by the United Nations in September 2000, the report of the United Nations Secretary-General of 10 August 2005 entitled 'Towards global partnerships – Enhanced cooperation between the United Nations and all relevant partners, in particular the private sector' (05-45706 (E) 020905), the announcement of the United Nations Global Compact and Global Reporting initiatives on 9 October 2006, and the principles governing responsible investment launched in January 2006 by the United Nations and coordinated by the UNEP Finance Initiative and the UN Global Compact,
- having regard to the 'Norms on the responsibility of transnational corporations and other business enterprises with regard to human rights' adopted by the United Nations in December 2003¹,
- having regard to the Global Reporting Initiative (GRI) launched in 1997², the updated G3 Guidelines concerning the drafting of reports on sustainable development, published on 5 October 2006, and the G4 Guidelines currently being drawn up by the GRI,
- having regard to the outcome of the United Nations Summit on Sustainable Development held in 2002 in Johannesburg, and, in particular, the call for initiatives in the area of corporate social responsibility (CSR), and the Council conclusions of 3 December 2002 on the follow-up to the Summit³,
- having regard to the report by the United Nations High Commissioner on Human Rights

¹ UN Doc. E/CN.4/Sub.2/2003/12/Rev.2(2003).

² www.globalreporting.org

³ <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N02/636/94/PDF/N0263694.pdf?OpenElement>

on the responsibilities of transnational corporations and related business enterprises with regard to human rights of 15 February 2005 (E/CN.4/2005/91, 2005),

- having regard to the report by the Special Representative of the Secretary-General of the United Nations on the issue of human rights and transnational corporations and other business enterprises, entitled ‘Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development’, of 7 April 2008 (A/HRC/8/5, 2008), and the ongoing work on the next report planned for 2011,
- having regard to the report by the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises: Business and Human Rights: Further steps toward the operationalisation of the ‘protect, respect and remedy’ framework, by John Ruggie, **of 9 April 2010 (A/HRC/14/27)**,
- having regard to the benchmarks and certification and labelling schemes which deal with the behaviour of corporations in the areas of sustainable development, climate change and poverty reduction, such as the SA 8000 standard, which relates to the ban on child labour, and the AFNOR and ISO standards on sustainable development,
- having regard to the Kimberley process on the monitoring of the trade in raw diamonds,
- having regard to the initiatives taken in the various Member States to promote corporate social responsibility, in particular the establishment in Denmark of the Government CSR Centre, which coordinates governmental legislative initiatives to foster CSR and devises practical tools for undertakings¹,
- having regard to the International Pact on Economic, Social and Cultural Rights (1966), the Convention on the Elimination of All Forms of Discrimination Against Women (1979), the United Nations Declaration on the Rights of Indigenous Peoples, adopted by General Assembly Resolution 61/295 on 13 September 2007, and the United Nations Convention on the Rights of the Child (1989),
- having regard to the international agreements on the environment, such as the Montreal Protocol on Substances that Deplete the Ozone Layer (1987), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes (1999), the Cartagena Protocol on Biosafety (2000) and the Kyoto Protocol (1997),
- having regard to the opinion of the Committee of the Regions of 14 March 2003 on the Green Paper entitled ‘Promoting a European framework for Corporate Social Responsibility’,
- having regard to the final report and the recommendations of the European Plurilateral Forum on CSR of 29 June 2004, including the seventh recommendation supporting measures to establish an appropriate legal framework,
- having regard to the 1968 Brussels Convention, as consolidated by Council Regulation

¹ <http://www.csrgov.dk>

(EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters¹, and the Commission Green Paper of 21 April 2009 on the revision of Regulation (EC) No 44/2001,

- having regard to the Commission Green Paper entitled ‘Promoting a European framework for Corporate Social Responsibility’ (COM(2001)0366), subsequently incorporated into the White Paper entitled ‘Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development’ (COM(2002)0347),
- having regard to the Commission recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies (notified under document No C(2001)1495)²,
- having regard to the Communication from the Commission of 18 May 2004 entitled ‘The Social Dimension of Globalisation – the EU’s policy contribution on extending the benefits to all’ (COM(2004)0383),
- having regard to the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee of 22 March 2006 entitled ‘Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility’ (COM(2006)0136),
- having regard to the Communication from the Commission of 24 May 2006 entitled ‘Promoting decent work for all – The EU contribution to the implementation of the decent work agenda in the world’ (COM(2006)0249),
- having regard to the generalised system of preferences (GSP), which has been in force since 1 January 2006 and which provides for duty-free access or reductions in duties for a wide range of products and also incorporates a new incentive scheme to assist vulnerable countries which have specific commercial, financial or development needs,
- having regard to Chapter 13 of the free trade agreement concluded between the European Union and South Korea in October 2009, which states that ‘the Parties shall strive to facilitate and promote trade in goods that contribute to sustainable development, including goods that are the subject of schemes such as fair and ethical trade and those involving corporate social responsibility and accountability’,
- having regard to Article 270(3) of the free trade agreement concluded between the European Union and Colombia and Peru in March 2010, which states that ‘the Parties agree to promote best business practices related to corporate social responsibility’, and to Article 270(4) of the agreement, which states that ‘the Parties recognise that flexible, voluntary and incentive-based mechanisms can contribute to coherence between trade practices and the objectives of sustainable development’,

¹ OJ L 12, 16.1.2001, p. 1.

² OJ L 156, 13.6.2001, p. 33.

- having regard to the Council resolution of 3 December 2001 on the follow-up to the Green Paper on corporate social responsibility¹,
- having regard to the Council resolution of 10 January 2003 on corporate social responsibility²,
- having regard to the Council resolution of 6 February 2003 on corporate social responsibility³,
- having regard to Council Decision 2005/600/EC of 12 July 2005 on Guidelines for the employment policies of the Member States, which urges the Member States to encourage undertakings to develop CSR⁴,
- having regard to the Council conclusions of 14 June 2010 on child labour⁵,
- having regard to Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by organisations in a community eco-management and audit scheme (EMAS)⁶,
- having regard to Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings⁷,
- having regard to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts⁸,
- having regard to its resolution of 15 January 1999 on EU standards for European Enterprises Operating in Developing Countries: Towards a European Code of Conduct⁹, which recommends the establishment of a model code of conduct backed by a European enforcement mechanism,
- having regard to its resolution of 25 October 2001 on openness and democracy in international trade¹⁰, which calls on the WTO to endorse the ILO's basic labour standards and to accept ILO decisions, including calls for the imposition of sanctions, linked to serious violations of core labour standards,

¹ OJ C 86, 10.4.2002, p. 3.

² OJ C 39, 18.2.2003, p. 3.

³ OJ C 39, 18.2.2003, p. 3.

⁴ OJ L 205, 6.8.2005, p. 21.

⁵ 10937/1/10.

⁶ OJ L 114, 24.4.2001, p. 1; current version: 2001R0761— EN— 01.01.2007.

⁷ OJ L 178, 17.7.2003, p. 16.

⁸ OJ L 134, 30.4.2004, p. 114.

⁹ OJ C 104, 14.4.1999, p. 180.

¹⁰ OJ C 112 E, 9.5.2002, p. 326.

- having regard to its resolution of 4 July 2002 on the Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee entitled ‘Promoting Core Labour Standards and Improving Social Governance in the Context of Globalisation’¹ ,
 - having regard to its resolution of 13 May 2003 on the Communication from the Commission concerning Corporate Social Responsibility: A Business Contribution to Sustainable Development² ,
 - having regard to its resolution of 5 July 2005 on the exploitation of children in developing countries, with a special focus on child labour³ ,
 - having regard to its resolution of 15 November 2005 on the social dimension of globalisation⁴ ,
 - having regard to its resolution of 6 July 2006 on fair trade and development⁵,
 - having regard to its resolution of 13 March 2007 on corporate social responsibility: a new partnership⁶,
 - having regard to its resolution of 23 May 2007 on promoting decent work for all⁷, which calls for labour standards to be incorporated into trade agreements, in particular bilateral agreements, concluded by the EU, with a view to promoting decent work,
 - having regard to the hearing on 'Corporate social responsibility in international trade' held by Parliament on 23 February 2010,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinion of the Committee on Employment and Social Affairs (A7–0317/2010),
- A. whereas corporations and their subsidiaries are one of the major players in economic globalisation and international trade,
- B. whereas the 2000 OECD Guidelines for Multinational Enterprises, as updated in 2010, are recommendations which governments address to corporations setting out voluntary standards for responsible behaviour consistent with the applicable laws, in particular in the areas of employment, relations with the social partners, human rights, the environment, consumer interests, the fight against corruption and tax evasion,
- C. whereas the ILO’s tripartite declaration on multinational corporations is intended to provide guidance for governments, multinational corporations and workers in areas such

¹ OJ C 271 E, 12.11.2003, p. 598.

² OJ C 67 E, 17.3.2004, p. 73.

³ OJ C 157 E, 6.7.2006, p. 84.

⁴ OJ C 280 E, 18.11.2006, p. 65.

⁵ Texts adopted for that date, P6_TA(2006)0320.

⁶ OJ C 301 E, 13.12.2007, p. 45.

⁷ OJ C 102 E, 24.4.2008, p. 321.

as employment, training, working conditions and professional relations, a declaration which incorporates a commitment by states to abide by and promote the four core labour standards: freedom of association and the right to collective bargaining; the elimination of all forms of forced labour; the abolition of child labour; and the elimination of discrimination in the area of employment,

- D. whereas the nature of CSR is voluntary and self-regulatory, and any Commission initiatives should focus on supporting rather than regulating CSR activities,
- E. whereas the United Nations Global Compact of 10 principles asks corporations to embrace, support, and enact, within their sphere of influence, as a set of core values in the areas of human rights, core labour standards, the environment and the fight against corruption, to which companies make a commitment and which they integrate in their business operations on a voluntary basis,
- F. whereas work is currently in progress to update the OECD Guidelines for Multinational Enterprises, in particular those relating to improving the national contact points and a liability regime for supply chains,
- G. whereas international benchmarks, such as the Global Reporting Initiative, or certification and labelling schemes, such as the ISO 14 001 standard or more particularly the recent ISO 26 000 standard, designed as a set of guidelines applying to all types of organisation, help undertakings assess the economic, social and environmental impact of their activities by incorporating the concept of sustainable development, but whereas they are effective only to the extent that they are effectively applied and subject to verification,
- H. whereas the definition of CSR in the ISO 26 000 standard – as ‘the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including the health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation and practised in its relationships’ – is one on which a large section of civil society and the international trade union movement has agreed,
- I. whereas the Commission, in its 2006 communication, set the goal of making the European Union ‘a pole of excellence on corporate social responsibility’, with CSR being presented as ‘an aspect of the European social model’ and ‘a means of safeguarding solidarity, cohesion and equal opportunities against the background of increased global competition’,
- J. whereas the report from the Commission to Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on retail market monitoring, entitled ‘Towards more efficient and fairer retail services in the internal market for 2020’¹, and the annex thereto highlight the fact that ‘it is often difficult for consumers to know about the social responsibility of particular retailers and thus to make an informed choice about where to shop’,

¹ COM(2010) 355 final.

- K. whereas, in accordance with the Treaties, the common commercial policy must be conducted in a manner consistent with all the European Union's objectives, including its social, environmental and development aid objectives,
- L. whereas the entry into force of the Lisbon treaty has broadened the scope of EU trade competences, notably in the area of investment, which must now be in compliance with the CSR standards the EU has signed up to; whereas the new common investment policy should spell out enforceable conditions for EU investors as a major leverage to rebalance rights and duties,
- M. whereas the European Union already makes the award of certain trade preferences contingent on the ratification by its partners of the main ILO conventions, and whereas since 2006 it has been committed to promoting respect for decent work through all its external policies, including its common commercial policy,
- N. whereas the European Union's bilateral free trade agreements now incorporate a chapter dealing with sustainable development, covering environmental and social objectives and compliance with rules in those areas,
- O. whereas non-compliance with CSR principles constitutes a form of social and environmental dumping which works to the detriment, in particular, of undertakings and workers in Europe, who are required to comply with more stringent labour, environmental and fiscal standards; whereas the introduction of a list of penalties for continued breaches of CSR principles would be an effective measure,
- P. whereas it would be normal if European corporations which transfer their production to low-wage countries where less stringent environmental standards apply were to be held accountable, before the competent courts, for any environmental and social damage or other negative externalities felt by local communities caused by their subsidiaries in those countries,
- Q. whereas the links which can exist between a parent company and its subsidiaries, on the one hand, and between an undertaking and its suppliers, on the other, are very diverse and there is a need to specify the notions of 'sphere of influence' and 'due diligence' at international level,
- R. whereas undertakings are not directly subject to international law and whereas international agreements, particularly those relating to human rights, labour law and environmental protection, are binding on the signatory states but not directly on the undertakings whose head offices are based in those states; whereas, however, it is up to those states to ensure that undertakings whose head offices are based in their territory comply with their legal obligations and duty of diligence, and that they provide for adequate and appropriate sanctions should they fail to do so,
- S. whereas the fundamental rights to an effective remedy and to a fair trial are reaffirmed in Article 47 of the European Charter of Fundamental Rights and in Article 8 of the Universal Declaration of Human Rights,
- T. whereas the Brussels Convention and Regulation No 44/2001 reaffirm the principle of

judicial cooperation, and the onus is on the Commission to act on the progress made in the Green Paper, which proposes possible lines of action on the question of extra-territoriality, particularly in terms of expanding the scope of the regulation to include disputes involving respondents from third countries,

- U. whereas Chapter 13 of the free trade agreement between the European Union and South Korea and Article 270(3) of the multiparty trade agreement between the European Union and Colombia and Peru contain a reference to CSR, this does not yet, and does not entirely, take into account the importance of CSR to the European goal of protecting the environment and social and human rights, whereas even continued breaches by companies of human rights, working standards or environmental provisions, in spite of the contrary wording of objectives, do not in practice in any way affect the continuation of those agreements,
- V. whereas CSR agreements have hitherto proved insufficient, particularly in the mining sector and in large areas of the supply industry,
- W. whereas there is existing Community legislation concerning micro, small and medium-sized enterprises, notably Recommendation 2003/361/EC of 6 May 2003 and the 'Small Business Act' for Europe adopted in June 2008,
- X. whereas agreements on CSR must not serve the purpose of preventing effective legislation; whereas agreements on CSR that prove to be ineffective or unenforceable should result in regulation by the legislators,
- Y. whereas corporate social responsibility (CSR) is a concept whereby companies voluntarily incorporate social and environmental concerns into their business strategy for the overall wellbeing of stakeholders by actively engaging with public policy as an important aspect of value-driven social change,
- Z. whereas CSR represents an essential component of the European Social Model, strengthened by the entry into force of the Treaty on the Functioning of the European Union and especially its horizontal social clause, and whereas the need to promote CSR has been recognised in the European Commission Communication on the EU2020 Strategy as an important element in ensuring long-term employee and consumer trust,
- AA. whereas CSR has a considerable influence on human rights in developing countries,
- AB. whereas CSR should not replace or exempt states from their responsibility in the provision of basic public services,
- AC. whereas CSR can play a key role in improving standards of living in disadvantaged communities,
- AD. whereas trade unions have an important role in promoting CSR, given that workers are well placed to know the reality of the companies that employ them,
- AE. whereas CSR must be considered alongside, and in interaction with, corporate governance reforms,

- AF. whereas the role of SMEs in the single European market and the results of Commission-funded projects to encourage the adoption of CSR practices, including by SMEs, must be taken into consideration,
- AG. whereas CSR, on the one hand, and the social and environmental clauses incorporated in trade agreements, on the other, pursue the same objectives: those of an economy which is respectful of human needs and of the environment, and of fairer, more socially balanced, more human globalisation which is genuinely conducive to sustainable development,
- AH. whereas hitherto, trade rules and CSR have been only tenuously linked at best, but whereas there would be much to be gained from coordinating trade rules and the objectives of CSR,
1. Notes that global challenges have been sharpened by the financial crisis and its social consequences, and have lead to worldwide discussion on the need for a new regulatory approach and governance issues in the world economy, including international trade; takes the view that the new, more efficient and better-enforced rules should contribute to the development of more sustainable policies which genuinely take into account social and environmental concerns;
 2. Notes, further, that globalisation has increased competitive pressure among countries to attract foreign investors and competition between corporations, which has sometimes led governments to tolerate serious abuses of human and labour rights and damage to the environment in order to attract trade and investment;
 3. Recalls that the principles underpinning CSR, which are fully recognised at international level, whether by the OECD, the ILO or the United Nations, concern the responsible behaviour expected of undertakings and presuppose, first of all, compliance with the legislation in force, in particular in the areas of employment, labour relations, human rights, the environment, consumer interests and transparency vis-à-vis consumers, the fight against corruption and taxation;
 4. Recalls that promoting CSR is an objective supported by the European Union and that the Commission takes the view that the Union must ensure that the external policies it implements make a genuine contribution to the sustainable development and to the social development of the countries concerned and that the actions of European corporations, wherever they invest and operate, are in accordance with European values and internationally agreed norms;
 5. Recalls that the objectives of the common commercial policy should be fully coordinated with the European Union's overall objectives; that, pursuant to Article 207 of the Treaty on the Functioning of the European Union, the EU's common commercial policy must be conducted 'in the context of the principles and objectives of the Union's external action', and that, pursuant to Article 3 of the Treaty on European Union, it must contribute, inter alia, 'to the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter';

6. Considers that the Commission should investigate the possibility of establishing a harmonised definition of the relations between an undertaking designated the 'parent company' and all undertakings in a relationship of dependency with respect to that company, whether those undertakings are subsidiaries, suppliers or sub-contractors, in order to establish the legal liability of each of them;
7. 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 European Union's trade agreements;
8. Takes the view that the social clauses in trade agreements should be complemented by the incorporation of the concept of CSR, which concerns the behaviour of corporations, whilst the concept of CSR will in turn be consolidated as a result, drawing strength in particular from the arrangements trade agreements lay down for monitoring the implementation of the principles which govern them;
9. Calls for CSR principles and obligations to be taken into account and integrated into the future Commission communication on 'A New Trade Policy for Europe under the EUROPE 2020 Strategy', in the communication on CSR which it is drawing up for 2011 and in the implementation of its trade policy;
10. Considers CSR to be an effective tool for improving competitiveness, skills and training opportunities, occupational safety and the working environment, protecting workers' rights and the rights of local and indigenous communities, promoting a sustainable environmental policy and encouraging exchanges of good practice at local, national, European and world level, although it clearly cannot supplant labour regulations or general or sectoral collective agreements;
11. Calls for companies to be urged to apply CSR with a view to safeguarding the physical integrity and safety, physical and mental wellbeing, labour rights and human rights of both their own and other workers through the influence they exert on their wider circle of associates; emphasises the need to support and encourage the spread of such practices among SMEs, limiting the costs and red tape entailed;
12. Points out that CSR should address new areas such as the organisation of work, equal opportunities and social inclusion, anti-discrimination measures, the development of lifelong education and training; emphasises that CSR should cover, for example, quality of work, equality of pay and career prospects and the promotion of innovative projects so as to assist the shift towards a sustainable economy;
13. Strongly recommends that the Member States and the Union promote good CSR practices by all companies, irrespective of where they operate, and that they encourage the dissemination of good practice based on CSR initiatives, notably by making the results of such initiatives more widely known;
14. Notes that the CSR agenda must be adapted to the specific needs of regions and of each specific country in order to contribute to improving sustainable economic and social development;

15. Believes that the credibility of voluntary CSR initiatives depends on their incorporating internationally accepted standards and principles, such as the Global Reporting Initiative III, and on their being subject to monitoring and to transparent verification that is independent from company stakeholders;
16. Takes the view that emphasis should be placed on the active involvement of all stakeholders in the company, on training for managers and on the development of civil society, especially with regard to consumer awareness;
17. Considers it important to cultivate and spread the culture of CSR through training and awareness-raising in a business setting as well as in those branches of the higher and university education sector focusing primarily on the study of administration;
18. Believes that social dialogue and European Works Councils have played a constructive role in developing best practice in terms of CSR;
19. Firmly believes that more attention should be given to CSR in the European Employment Guidelines;

Incorporating CSR into the generalised system of preferences (GSP and GSP+)

20. Calls for the principles underpinning CSR to be incorporated into the GSP and GSP+ regulation when it is next revised; calls on the Commission to ensure that transnational corporations, whether or not they have their registered office in the European Union, whose subsidiaries or supply chains are located in countries participating in the GSP, and in particular in GSP+, are required to comply with their national and international legal obligations in the areas of human rights, labour standards and environmental rules; urges that the European Union and the states participating in and benefiting from the GSP should be required to ensure that corporations fulfil these obligations; calls for such compliance to be made a binding requirement in the context of the GSP;
21. Takes the view that a revised GSP+ system should also ban host-country agreements, secretive agreements concluded between certain multinational corporations and host countries which are beneficiaries of the GSP+ system in order to circumvent regulatory requirements in those countries, since such agreements are clearly at odds with the concept of CSR;

New impact assessments

22. 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;
23. 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;

24. Calls on the Commission to draw up impact assessments to evaluate the effects of trade agreements on European SMEs (SME test), with particular regard to CSR, in accordance with the Small Business Act;

CSR clauses in all the European Union's trade agreements

25. Proposes, in more general terms, that future trade agreements negotiated by the Union should incorporate a chapter on sustainable development which includes a CSR clause, based, in part, on the 2010 update of the OECD Guidelines for Multinational Enterprises;

26. Proposes that this 'CSR clause' should incorporate:

- a. a mutual undertaking by the two parties to promote internationally-agreed CSR instruments in the context of the agreement and their trade relations;
- b. incentives to encourage undertakings to enter into CSR commitments negotiated with all their stakeholders, including the trade unions, consumer organisations, local authorities and civil society organisations concerned;
- c. the establishment of 'contact points' similar to those set up under the auspices of the OECD which would foster the provision of information about CSR and transparency and receive complaints concerning breaches of the principles underpinning CSR, in cooperation with civil society, and transferring these to the competent authorities;
- d. a requirement – which takes into account the specific situation and capabilities of SMEs within the scope of the recommendation 2003/361/CE of May 2003 and according to the 'think small first' principle– for corporations to publish their CSR balance sheets at least every two or three years; takes the view that this demand will reinforce transparency and reporting and encourage the visibility and credibility of CSR practices by making CSR information available to all stakeholders, including consumers, investors and the wider public in a targeted manner;
- e. a requirement for undertakings and groups of undertakings to show due diligence, i.e. a requirement to take measures in advance with a view to identifying and preventing violations of human and environmental rights, corruption or tax evasion, including in their subsidiaries and supply chains, i.e. throughout their sphere of influence;
- f. a requirement for companies to commit to free, open and informed prior consultation with local and independent stakeholders before a project that impacts upon a local community commences;
- g. a particular focus on the impact of the employment of children and child labour practices;

27. Considers that the CSR clause should be accompanied by other provisions; takes the view that:

- a. in the event of proven breaches of CSR commitments, it should be possible for the competent authorities to carry out investigations and, in the event of a serious breach of the commitments, the parties could name and shame those responsible;
 - b. the two parties should undertake to encourage transnational judicial cooperation, to facilitate access to the courts for the victims of the actions of corporations within their sphere of influence, and, with that aim in mind, to support the development of appropriate judicial procedures and sanction infringements of the law by corporations, as well as non-judicial redress mechanisms;
28. Suggest that, as part of bi-lateral EU agreements, provision is made from within the 'Strengthening of Justice' programmes for the training of judges and tribunals dealing with commercial law on human rights issues and compliance with international conventions on labour rights and the environment;
29. Proposes the establishment of a joint parliamentary monitoring committee for each trade agreement (FTA), to act as a forum for exchanges of information and dialogue between MEPs and parliamentarians from the partner states; adds that these monitoring committees could also scrutinise the implementation of the chapter on sustainable development and the CSR clause and draw up recommendations for the FTA joint committee, in particular in the light of impact assessments and in cases where proven breaches of human rights, labour rights or environmental agreements occur;
30. Proposes the establishment of a regular forum for comparison for signatories to the UN Global Compact to present their CSR programmes for public scrutiny and provide a means of comparison for consumers, and create a culture of high standards and peer review. Such transparency would encourage companies to voluntarily achieve higher standards of CSR or face the costs of media and public scrutiny;

Promoting CSR in multilateral trade policies

31. Calls on the Commission to advocate the incorporation of a CSR dimension into multilateral trade policies, both in the international forums which have supported the concept of CSR, in particular the OECD and the ILO, and in the WTO in the post-Doha context;
32. Calls on the Commission to call, within these same forums, for an international convention to be drawn up to establish the responsibilities of 'host countries'¹ and 'countries of origin'², as part of the fight against the violation of human rights by multinational corporations and the implementation of the principle of extra-territoriality;
33. Calls on the Commission to support the development of new relationships between the multilateral agencies responsible for enforcing labour and environmental standards and the WTO with a view to establishing greater consistency at international level between trade policies and the objectives of sustainable development;

¹ States in which all the undertakings in a relationship of dependency vis-à-vis the parent companies are based.

² States in which the parent companies are located.

34. Advocates, once again, the establishment within the WTO of a Trade and Decent Work Committee, along the lines of the Trade and Environment Committee, which would provide a forum for the discussion, in particular, of the issues of labour standards, especially as they relate to the employment of children, and CSR as they relate to international trade; proposes, once again, a revision of the dispute settlement procedure, so that in cases involving possible breaches of international environmental or labour agreements special groups (panels) or the appeal body can ask the competent international organisations to draw up opinions, which would then be published;
35. Instructs its President to forward this resolution to the President of the European Council, the Council, the Commission, the European Economic and Social Committee, the parliaments of the Member States, the Parliamentary Conference on the WTO and the International Labour Conference.

EXPLANATORY STATEMENT

A common commercial policy in the service of the European Union's global objectives

Following on from the climate, energy and food crises, the international financial crisis, which has engendered a social crisis throughout the world, has merely increased the need for stringent rules to ensure that the world economy is more effectively supervised and that it does not develop to the detriment of our societies. This requirement applies just as much to international trade, which is at the heart of the globalisation process.

For ordinary people throughout the world, the expansion in international trade is justified only if it contributes to economic development, to job creation and to improved living standards. Only then is trade liberalisation regarded as something positive, and accepted. In contrast, when it destroys jobs or undermines living conditions and social and environmental rights, it gives rise to very vocal opposition.

The common commercial policy cannot therefore be reduced to a set of measures designed to serve only the immediate interests of a few economic actors. In Europe's case, trade policy must be conducted in a manner consistent with all the Union's objectives and, in particular, the objectives of its external policy, since it is one of the levers which the Union can use to promote its concept of regulated globalisation. It is perfectly legitimate that Europe's primary concern should be to ensure that its common commercial policy does not undermine, but rather helps to safeguard, its social model and its environmental policy.

The European Union already makes the award of certain trade preferences to third countries conditional on the ratification by the latter of the main conventions adopted by the International Labour Organisation (ILO) and a number of United Nations agreements on human rights (International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, Convention on the Abolition of Forced Labour, etc.). Since 2006 it has also been committed to promoting 'decent work', an ILO and UN objective, through all its external policies, including its common commercial policy. Finally, its bilateral free trade agreements now incorporate a chapter on sustainable development which sets a number of environmental and social objectives. What is more, with increasing frequency the trade agreements concluded by the EU represent just one aspect of broader partnership or association agreements encompassing political cooperation and undertakings concerning sustainable development and human rights. It is clear, therefore, that in terms of the principles underpinning it trade is inextricably linked to the European Union's other internal or external policies.

The thinking behind this approach, which is not unique to Europe, stems partly from a recognition of the fact that the economic and social impact of trade liberalisation varies very substantially from country to country and that that impact must be managed and sometimes offset, because liberalisation is a process in which there are always winners and losers. The expansion in international trade is universally beneficial only if certain conditions are met, since the gains in each country are never distributed fairly among all sectors of society and the economy. Hence the need to manage the liberalisation of trade, including the practical arrangements for and the volume of trade, a need which has come to be felt even more strongly as the globalisation process has speeded up.

What is more, the liberalisation of international trade has been accompanied by ferocious

competition among countries seeking to attract foreign investors and stiffer competition between undertakings. All too often this has led to abuses in the areas of working conditions and democratic freedoms and to environmental damage. The examples are legion.

Europe, and the international community as a whole, are thus faced with an imperative: simple logic, requires them to incorporate into the rules governing international trade genuine guarantees concerning sustainable development and labour rights. That imperative, which is consistent with the objectives of both the United Nations and the European Union, chimes exactly with public expectations in Europe. It also requires a specific approach to be defined to the issue of the social and environmental responsibility of undertakings.

Among undertakings, it is the transnational corporations which play the key role in world trade. They have taken advantage of market liberalisation to externalise part of their production and to diversify their supply arrangements, drawing on countries where production costs are low and regulatory regimes are less stringent. The expectation that such corporations should act in a socially responsible manner thus applies equally to their subsidiaries and their subcontractors in those countries, from which they organise a large proportion of the international trade involving Europe.

Three issues, one objective

Fundamentally, measures to promote corporate social and environmental responsibility in the area of trade touch on three issues of major importance to Europe:

A moral issue: very often it is our own undertakings whose behaviour needs to change in order to be consistent with the principles underpinning social and environmental responsibility, in particular as regards their actions in developing countries.

An economic and social issue: non-compliance with the principles underpinning CSR constitutes a form of social and environmental dumping, to the detriment of undertakings and workers in Europe, who are required to meet more stringent social and environmental standards.

A political issue: our policies in the context of globalisation must be consistent and the European Union must meet public expectations by offering ordinary Europeans protection in a deregulated world.

Making CSR part of the rules governing international trade

Hitherto, the link between trade and CSR has been tenuous at best. The reason is obvious: international trade is governed by agreements between States which lay down legal rules binding on those States; CSR is based on non-binding rules which undertakings agree to comply with on a voluntary basis.

Incorporating CSR principles into the rules governing international trade would enable the EU to exert pressure on undertakings to improve their behaviour and on the States which sign trade agreements with it to comply with labour and environmental standards.

CSR, an idea which is gaining ground ...

CSR already has a long history, starting with the OECD Guidelines issued in 1976 with the support of the trade union movement. They were followed by the ILO's tripartite declaration concerning international undertakings and the United Nations Global Compact launched by Kofi Annan in 2000. The OECD Guidelines laid down a set of recommendations which governments address to multinational corporations concerning, in particular, employment and relations with the social partners, human rights, the environment, the fight against corruption, consumer interests, competition and tax evasion.

Since then, many proposals have been made to establish mechanisms for monitoring compliance with these codes of good conduct and labels certifying that undertakings have made a commitment to abide by CSR principles.

The European Union considered the issue in a Green Paper, which was published in 2001 and was followed by the publication of a White Paper and the establishment of a Plurilateral Forum on CSR with the aim of encouraging the development of a European framework and strategy to foster CSR. Major European undertakings have joined the 'CSR Europe' network set up in 1995 at the instigation of Jacques Delors.

Today, as it made clear in its 2006 communication on the subject, the Commission regards CSR as an aspect of the European social model which represents a way of safeguarding solidarity, cohesion and equal opportunities in the context of increased global competition. The stated goal is to make the EU a 'pole of excellence' in CSR and to ensure that the external policies it implements and the European undertakings which invest in third countries make a genuine contribution to social development.

For its part, Parliament has adopted a number of reports and detailed proposals with the aim of strengthening CSR (for example its 1999 and 2003 resolutions and, in particular, the Howitt report adopted in March 2007) and of making compliance with labour and environmental standards a more significant component of EU trade agreements (in particular the Désir report adopted in October 2001 and the Désir and Panayatopoulos report adopted in May 2007).

... and which must be at the heart of the EU's trade agreements

CSR and the social and environmental clauses in trade agreements pursue the same objective: fairer, more socially just, more human globalisation in the service of sustainable development. Hitherto, however, they have reflected two parallel, but separate, approaches¹.

If the two approaches can be combined, they will strengthen, and certainly not undermine, one another. The social clauses in trade agreements will be strengthened by the incorporation of the concept of CSR, which concerns the behaviour of undertakings. The concept of CSR will in turn be consolidated as a result, drawing strength in particular from the arrangements trade agreements lay down for monitoring the implementation of the principles which govern them.

This report does not rehash all the proposals already put forward by Parliament and in other

¹ The free trade agreement with South Korea does make reference to CSR, but only in a very limited way and without establishing any direct link with the trade provisions.

international bodies to promote CSR and labour and environmental standards in trade agreements. It focuses instead on proposals specifically designed to foster CSR in the context of the European Union's common commercial policy. That is the thinking behind the proposals set out in the motion for a resolution, which concern in particular:

- the revision of the GSP regime;
- impact assessments linked to the negotiation of and follow-up to EU trade agreements;
- CSR clauses in the EU's free trade agreements and other trade and investment agreements;
- for each free trade agreement a parliamentary monitoring committee to oversee compliance with the social and environmental provisions, including those relating to CSR;
- the requirement for multinational corporations based in the EU and in the partner countries to publish annual reports on the social and environmental impact of their activities and those of their subsidiaries and subcontractors;
- mechanisms for judicial cooperation between the EU and partner countries, including arrangements for prosecuting multinational corporations, both in Europe and in the partner countries concerned, if those corporations or their subsidiaries are guilty of serious breaches of environmental rules or fundamental rights;
- public procurement;
- relations between the multilateral forums which seek to promote CSR and the WTO;
- a new Commission proposal.

4.6.2010

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on International Trade

on corporate social responsibility in international trade agreements
(2009/2201(INI))

Rapporteur: Pervenche Berès

SUGGESTIONS

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

- A. whereas corporate social responsibility (CSR) is a concept whereby companies voluntarily incorporate social and environmental concerns into their business strategy for the overall wellbeing of stakeholders by actively engaging with public policy as an important aspect of value-driven social change,
- B. whereas CSR represents an essential component of the European Social Model, strengthened by the entry into force of the Treaty on the Functioning of the European Union and especially its horizontal social clause, and whereas the need to promote CSR has been recognised in the European Commission Communication on the EU2020 Strategy as an important element in ensuring long-term employee and consumer trust,
- C. whereas CSR has a considerable influence on human rights in developing countries,
- D. whereas CSR is one of the instruments that can be used to combat undeclared work and tax evasion,
- E. whereas CSR should not replace or exempt the State from its responsibility in the provision of basic public services,
- F. whereas CSR can play a key role in improving standards of living in disadvantaged communities,
- G. whereas trade unions have an important role in promoting CSR, given that workers are well placed to know the reality of the companies that employ them,
- H. whereas CSR must be considered alongside, and in interaction with, corporate

governance reforms,

- I. having regard to the role of SMEs in the single European market and to the results of Commission-funded projects to encourage the adoption of corporate social responsibility (CSR) practices, including by SMEs,
- J. whereas the UN Human Rights Council mandate on Business and Human Rights and its 'Protect, Respect and Remedy' Framework, which is currently being operationalised by Professor John Ruggie and is due for final report in 2011, aim to provide concrete guidance for states, businesses and other social actors on respect for human rights in their activities,
 1. Considers CSR to be an effective tool for improving competitiveness, skills and training opportunities, occupational safety and the working environment, protecting workers' rights and the rights of local and indigenous communities, promoting a sustainable environmental policy and encouraging exchanges of good practice at local, national, European and world level, although it clearly cannot supplant labour regulations or general or sectoral collective agreements;
 2. Calls for companies to be urged to apply CSR with a view to safeguarding the physical integrity and safety, physical and mental wellbeing, labour rights and human rights of both their own and other workers through the influence they exert on their wider circle of associates; emphasises the need to support and encourage the spread of such practices among SMEs, limiting the costs and red tape entailed;
 3. Points out that CSR should address new areas such as the organisation of work, equal opportunities and social inclusion, anti-discrimination measures, the development of lifelong education and training; emphasises that CSR should cover, for example, quality of work, equality of pay and career prospects and the promotion of innovative projects so as to assist the shift towards a sustainable economy;
 4. Strongly recommends that the Member States and the Union promote good CSR practices by all companies, irrespective of where they operate, and that they encourage the dissemination of good practice based on CSR initiatives, notably by making the results of such initiatives more widely known;
 5. Notes that the CSR agenda must be adapted to the specific needs of the region and of each specific country in order to contribute to improving sustainable economic and social development;
 6. Believes that the credibility of voluntary CSR initiatives depends on their incorporating internationally accepted standards and principles, such as the Global Reporting Initiative III, and on their being subject to monitoring and to transparent verification that is independent from company stakeholders;
 7. Takes the view that emphasis should be placed on the active involvement of all stakeholders in the company, on training for managers and on the development of civil society, especially with regard to consumer awareness;

8. Considers it important to cultivate and spread the culture of CSR through training and awareness-raising in a business setting as well as in those branches of the higher and university education sector focusing primarily on the study of administration;
9. Believes that social dialogue and European Works Councils have played a constructive role in developing best practice in terms of CSR;
10. Welcomes the promotion of CSR internationally, and calls on the Commission to integrate CSR better in its trade policies by seeking to include rigorous clauses reflecting internationally recognised CSR standards in all bilateral, regional and multilateral agreements on Environmental, Social and Governance reporting standards for the promotion of better and more widespread disclosure for European companies operating in developing countries directly or through their supply chains, for whose behaviour they must necessarily take responsibility, emphasising in particular the role that workers' representatives should play and the importance of social dialogue; asks the Commission to monitor, in a straightforward manner, the introduction of the abovementioned clauses and to keep Parliament informed about it;
11. Firmly believes that more attention should be given to CSR in the European Employment Guidelines.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.6.2010
Result of final vote	+: 41 -: 3 0: 3
Members present for the final vote	Regina Bastos, Edit Bauer, Jean-Luc Bennahmias, Mara Bizzotto, Milan Cabrnach, David Casa, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Sergio Gaetano Cofferati, Marije Cornelissen, Frédéric Daerden, Karima Delli, Proinsias De Rossa, Frank Engel, Sari Essayah, Richard Falbr, Ilda Figueiredo, Pascale Gruny, Marian Harkin, Roger Helmer, Nadja Hirsch, Liisa Jaakonsaari, Martin Kastler, Ádám Kósa, Jean Lambert, Patrick Le Hyaric, Olle Ludvigsson, Elizabeth Lynne, Thomas Mann, Elisabeth Morin-Chartier, Csaba Öry, Siiri Oviir, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Jutta Steinruck, Traian Ungureanu
Substitute(s) present for the final vote	Georges Bach, Françoise Castex, Marielle Gallo, Joe Higgins, Franz Obermayr, Evelyn Regner, Birgit Sippel, Emilie Turunen, Cecilia Wikström
Substitute(s) under Rule 187(2) present for the final vote	Rosa Estaràs Ferragut, Oldřich Vlasák

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	26.10.2010
Result of final vote	+: 22 -: 4 0: 0
Members present for the final vote	William (The Earl of) Dartmouth, Kader Arif, David Campbell Bannerman, Daniel Caspary, Marielle De Sarnez, Harlem Désir, Christofer Fjellner, Joe Higgins, Yannick Jadot, Bernd Lange, Vital Moreira, Tokia Saïfi, Helmut Scholz, Gianluca Susta, Keith Taylor, Jan Zahradil, Pablo Zalba Bidegain
Substitute(s) present for the final vote	Catherine Bearder, George Sabin Cutaş, Béla Glattfelder, Małgorzata Handzlik, Elisabeth Köstinger, Jarosław Leszek Wałęsa
Substitute(s) under Rule 187(2) present for the final vote	Jean-Pierre Audy, Ricardo Cortés Lastra, Jelko Kacin, Vytautas Landsbergis, Evžen Tošenovský