Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth

2012/2098(INI) - 28/01/2013 - Committee report tabled for plenary, single reading

The Committee on Legal Affairs adopted the own-initiative report by Raffaele BALDASSARRE (EPP, IT) on corporate social responsibility (CSR): accountable, transparent and responsible business behaviour and sustainable growth.

The Committee on Social Affairs, exercising its prerogatives of an associated committee in accordance with Rule 50 of Parliament's Rules of Procedure, was also consulted for an opinion on this report.

The two committees 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 2011-2014 for corporate social responsibility. 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 second report concerns Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery [see 2012/2097(INI)].

Members call for a **modern understanding of CSR**. They strongly advocate corporate social responsibility (CSR), and take 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. This is why they believe that making **CSR part of a sustainable business strategy is in the interest of businesses and of society as a whole**.

Members believe that in cases where a business is in difficulty, **excessive bonuses, compensation and salaries paid to managers are incompatible with socially responsible behaviour**.

The report states 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.

Overall, Members endorse the **new definition of CSR put forward by the Commission**, which does away with the dichotomy between voluntary and compulsory approaches which has hitherto polarised debate on CSR.

Strengthening the links between CSR, the general public, competitiveness and innovation: Members consider that the Commission should take the initiative on this issue. They call on the Commission to:

- promote innovative, along with the national authorities, business models designed to forge closer links between businesses and the social environment in which they operate;
- 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;
- raise CSR's profile and disseminate best practice;
- introduce a European award scheme for CSR firms and partnerships and consider, among other actions, whether an **European social label** could be introduced to this end;
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- support the efforts of the CSR Europe network, seeking first and foremost to strengthen cooperation between business and Member States;
- carry out periodic surveys of public trust in business and public attitudes towards CSR strategies implemented by businesses and link 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: the report 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. The issues of filing and considering complaints on the basis of an open and clear procedure and initiating investigations should be examined. The report 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. Members agree that greater account should be taken of social and environmental considerations in public procurement and 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. Further initiatives should be taken 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.

Members stress that Socially Responsible Investment (SRI) is part of the implementation process of CSR in investment decisions. This should combine investors' financial objectives with their concerns regarding social, environmental and ethical (SEE) and corporate governance issues. They acknowledge 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. The report also stresses that stringent respect for human rights, due diligence and **transparency** must be maintained in order to ensure CSR along the whole supply chain.

Members state that **corporate responsibility must not be reduced to a marketing tool**, and that it should be embedded in a company's overall business strategy. They call on the Commission and the Member States to introduce corporate stewardship codes that reflect the importance of responsibility for all in the company.

In addition, Members advocate the adoption of a legislative proposal on the **legislative proposal** on the transparency of the social and environmental information, provided by companies allowing for high flexibility of action, 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.

Other proposes measures include: (i) the need for increased, more inclusive and more transparent monitoring of CSR principles in EU trade policy; (ii) the provision of 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; (iii) further consideration to be given 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.

Members are **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**.

As regards auto-regulation: Members welcome the Commission's intention to launch a 'Community of Practice' on CSR which must be complementary to a code of good practice for co-regulation and self-regulation. In this respect, they call for the full and active consultation and involvement of representative organisations, including trade unions.

Whilst acknowledging the substantial value and potential of self-regulation and co-regulation instruments, Members are **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.

Members support 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. They call 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.

CSR and SMEs: putting theory into practice: Members draw attention to the special features of SMEs, which mainly operate at local and regional level inside specific sectors. They call for the '**think small first** ' principle to be strengthened. They oppose all measures that could result in additional administrative or financial constraints for SMEs. Members call 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. Development and support strategies aimed at disseminating CSR among SMEs should also be devised and specific measures should be drawn up for small and micro-enterprises.

On an external note, Members stress 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. They stress 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.

The report also calls on the Commission to raise awareness at corporate level concerning the importance of CSR and the **consequences of non-compliance** The Commission should encourage EU companies to take initiatives aimed at promoting CSR and to exchange good practices with their **partners in other countries**.

To conclude, Members emphasise 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. They encourage the Commission to continue its efforts to promote CSR in relations with other countries and regions around the world and call for greater efforts to make reciprocity a central tenet of trade relations. They reaffirm the belief that the development of CSR should be driven primarily through the multi-stakeholder approach. There is a need for targeted measures and approaches for the development of CSR among SMEs.

Lastly, the report notes that the current Commission strategy for CSR covers the period 2011-2014. It calls on the Commission to ensure that an ambitious strategy is adopted in good time for the period **after 2014**.