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

2012/2097(INI) - 29/01/2013 - Committee report tabled for plenary, single reading

The Committee on Employment and Social Affairs adopted the initiative report by Richard HOWITT (S&D, UK) on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery.

The Committee on Legal 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.

In this context, the two committees decided to work closely together to ensure that a cogent approach is taken in establishing Parliament's position on the renewed EU strategy 2011-2014 for corporate social responsibility (CSR). In view of their respective competences and responsibilities, the two committees decided to draft two distinct initiative reports. The parallel report focuses on corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth [see 2012/2098(INI)].

Members recall that according to the European Sustainable Investment Forum, the global socially responsible investment market reached approximately EUR 7 trillion as of September 2010. This new context, however, has not yet been embraced by all companies because CSR practices are still largely confined to a minority of big companies. The motion for resolution stresses, in particular, **the need to involve SMEs in the CSR debate** and calls on the Commission to develop together with Member States' authorities and multilateral *fora*, forms of sectoral cooperation between SMEs which would enable them to collectively address social and environmental problems.

The evolving vision of CSR: in rejecting any minimalist vision of CSR that is confined to transparency, responsibility and accountability of financial markets alone, Members appeal to leading companies in the CSR field to serve as examples to their peers by using appropriate guidelines, in encouraging support from public authorities, by improving tools and incentive systems and promoting the increasing recognition within the business world of the extent of the global social and environmental challenges to be faced. Overall, Members support the Commission's intention to deepen CSR in Europe by producing **guidelines** and supporting **multi-stakeholder initiatives** for individual industrial sectors.

"Social" responsibility: Members consider that 'social responsibility' should also respect fundamental principles and rights such as those specified by the ILO. They believe that CSR includes social measures encompassing vocational training, work-life balance and appropriate working conditions. They agree with the Commission's analysis that CSR is increasingly important for a company's social licence to operate, given the incidence of social protest (e.g. the anti-globalisation and Occupy movements) They believe that the **EU itself must adopt CSR as its own 'social licence' to pursue trade and economic benefits with other countries and regions of the world**. They consider, in particular, that CSR must be a core part of the EU's trade policies.

Members, furthermore, emphasise that CSR will only be viable if the legal provisions in force and the **local tariff regulations** of the social partners are upheld. They note that, in assessing a company's social responsibility, account must be taken of the conduct of those companies forming part of its **supply chain** as well as that of **any subcontractors**.

Sustainable recovery: Members call on the Commission and the Member States to help businesses, in cooperation with workers' representatives, to become involved in CSR. They call on businesses to consider initiatives aimed at **preserving and creating jobs**, especially for young people and women, in all areas of activity with special regard to those affected by multiple disadvantages, as well as the creation of new employment models. They call on the Commission to undertake a major analysis of the social impact of the crisis on these initiatives, in view of the fact that CSR actions benefit not only society, but also the image of businesses themselves.

Multi-stakeholder approaches: Members strongly commend the emphasis given in the Commission communication to strengthening and implementing international standards and the OECD Guidelines. They encourage the Member States to draw inspiration from the guidelines contained in the ISO 26000 standard and the Global Reporting Initiative guidelines. They call for **greater policy coherence** to be established at EU level. In this regard, they call for impact assessments of legislative proposals for potential incoherence with the UN Guiding Principles.

Several other measures are proposed, in particular in the **military field** in order to arrive at the agreement of an international regulatory framework on the regulation, monitoring and oversight of the activities of private military and security companies. Likewise, Members call on the Commission to put forward proposals for better facilitating access to justice in EU courts for the most extreme, egregious cases of human or labour rights violations by **European-based businesses or their subsidiaries**, subcontractors or business partners. The Commission is also invited to ensure that the topic of CSR and human rights features among the priorities of individual financial instruments for the 2014-2020 period.

Public policies for CSR: Members believe that notwithstanding the handbook on social procurement, that the **EU itself has been too constrained in this area.** They express concern, however, that a wide range of public policy measures has yet to yield significant visible impact in advancing CSR. They call for there to be greater research into, and evaluation of, public policy measures relating to CSR at the European level. They also call for the Commission itself to lead by example as a responsible employer by publishing its own CSR report.

Socially responsible investment: Members consider support the Commission in bringing forward a proposal on **non-financial disclosure** by business based on a wide-ranging public consultation. This proposal would give the EU the opportunity to recommend that European businesses apply the UN Guiding Principles on Business and Human Rights and the UN Global Compact. It should be flexible and not create excessive administrative burdens and expense, particularly for businesses with fewer than 500 employees.

Members note that beneficiaries of long-term investors, such as **pension funds,** have an interest in sustainable returns and in responsible corporate behaviour.

Taking CSR forward: lastly, Members calls on the Commission to treat unions and staff representatives as partners in dialogue in connection with CSR-related topics, alongside businesses and other stakeholders. All CSR policies should include specific measures to tackle the unlawful practice of blacklisting workers and denying them access to employment, often **due to their trade union membership and activities**. Members insist that any enterprise that is found to be blacklisting workers or breaching human rights and labour standards should be excluded from receiving EU grants and funding.

Believing that the notion that CSR is a 'luxury good' supported by business only in times of prosperity has been decisively refuted, Members conclude that the Commission should 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.