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

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The European Parliament adopted a resolution on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery.

Parliament states that there has been a sea-change in the investment community, with 1 123 investors (representing USD 32 trillion in total assets under management) endorsing the UN Principles of Responsible Investment (UNPRI). In addition, the European Sustainable Investment Forum estimates that 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 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. Parliament also notes the need to engage SMEs in the debate on CSR, many of which adopt it on the basis of a more informal and intuitive approach. The resolution warns that businesses can only be sustainable in the future if they exist within a sustainable economy, and that there can be no alternative to adaptation to a low-carbon future, which also encompasses the preservation of the world's social and natural capital, a process in which CSR must play a decisive role.

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.

Corporate "Social" responsibility: Parliament considers that 'social responsibility' should also respect fundamental principles and rights such as those specified by the ILO. It believes that CSR includes social measures encompassing vocational training, work-life balance and appropriate working conditions. On the other hand and contrary to the position of the committee responsible, Plenary rejected the idea 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). It also opposed the idea 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.

Members do however consider that CSR must be a core part of the EU's trade policies. They 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: Parliament calls on the Commission and the Member States to help businesses, in cooperation with workers' representatives, to become involved in CSR. It calls 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. Members 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.

Parliament points out that, particularly in times of crisis, companies operating in accordance with CSR principles should help to develop the innovative capacities of their region by introducing innovative and environmentally friendly technological solutions.

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. They insist 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 by December 2013 at the latest.

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.

On an international front, Parliament believes that CSR can be an important tool to help the EU support the implementation of International Labour Organisation (ILO) conventions internationally. It calls on the Commission to support European organisations and social partners seeking to undertake pilot projects in accordance with the OECD Guidelines and other international CSR standards with a view to building capacity in third countries. It 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.

Public policies for CSR: Parliament believes that notwithstanding the handbook on social procurement, that the **EU itself has been too constrained in this area.** It expresses concern, however, that a wide range of public policy measures has yet to yield significant visible impact in advancing CSR. Members 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.

Furthermore, Parliament considers it essential that the Commission develop as soon as possible the announced common methodology for the measurement of environmental performance based on life-cycle cost. It believes that such a methodology would be useful in terms of both the transparency of company information and the assessment by the authorities of companies' environmental performance.

Socially responsible investment: Parliament considers 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.

CSR on a voluntary or regulatory basis? : Parliament reiterates that CSR should be applicable to all enterprises so as to create a fair and level playing field. However, it points out that the way in which extractive industries operate in developing countries requires a move beyond a voluntary approach. It 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. Members strongly support the legislative proposal for country-by-country reporting founded on the standards of the Extractive Industries Transparency Initiative (EITI) and reporting on sales and profits, as well as taxes and revenues, in order to discourage corruption and prevent tax avoidance. They call on the European extractive industries operating in developing countries to set an example of social responsibility and the promotion of decent work. Similary measures are called for for businesses working in the mineral extractive sector in conflict zones.

Taking CSR forward: lastly, Members call 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, Parliament concludes 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.

It should be noted that a parallel resolution on accountable, transparent and responsible business behaviour and sustainable growth in the framework of CSR was adopted on the same day [see 2012/2098 (INI)].