Corporate social responsibility: implementing the partnership for growth and jobs

2006/2133(INI) - 13/03/2007 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Richard **HOWITT** (PES, UK) in response to the Commission communication on corporate social responsibility (CSR). Parliament was convinced that increasing social and environmental responsibility by business, linked to the principle of corporate accountability, represented an essential element of the European social model, Europe's strategy for sustainable development, and for the purposes of meeting the social challenges of economic globalisation. CSR policies should be promoted on their own merits and should represent neither a substitute for appropriate regulation in relevant fields, nor a covert approach to introducing such legislation.

Parliament recognised that a debate remained open among different stakeholder groups on an appropriate definition of CSR and that the concept of 'beyond compliance' might enable some companies to claim social responsibility while at the same time not respecting local or international laws. Parliament believed that EU assistance to governments of third countries in implementing social and environmental regulation together with effective inspection regimes, were a necessary complement to advancing the CSR of European business worldwide.

Parliament felt that the EU debate on CSR had approached the point where emphasis should be shifted from 'processes' to 'outcomes', leading to a measurable and transparent contribution from business in combating social exclusion and environmental degradation in Europe and around the world. Markets and companies were at different stages of development across Europe. Therefore, a one-size-fits-all method for corporate behaviour was not appropriate and would not lead to a meaningful uptake of CSR by companies. Furthermore, emphasis should be placed upon the development of civil society and in particular, consumer awareness about responsible production to promote the uptake of corporate responsibility.

The Commission was urged to ensure a single point of coordination for the proposed European Alliance for Corporate Social Responsibility and to invite representatives from a number of national, regional and local governments committed to using procurement and other public policy tools to advance CSR to form their own 'laboratory' under the Alliance and to integrate their findings in its future work.

The link between CSR and competitiveness: Parliament welcomed the objective of linking CSR to the economic, social and environmental aims of the Lisbon strategy, and supported the principle of 'responsible competitiveness' as an integral part of the Commission's Competitiveness and Innovation Programme (CIP). It challenged European companies to include in their reporting how they are contributing to the Lisbon objectives. It noted a contradiction between competitive sourcing strategies by companies seeking continuous improvements in flexibility and cost on the one hand and voluntary CSR commitments seeking to avoid exploitative employment practices and promote long-term relationships with suppliers on the other, and welcomed further dialogue on this point. Parliament recognised CSR as an important driver of business and called for the integration of social policies such as the respect for workers'' rights, a fair wages policy, non-discrimination, and lifelong learning, and environmental issues, both in support for new products and processes through EU innovation and trade policies, as well as in drawing up competitiveness strategies.

CSR instruments: the Commission was asked to put forward a proposal to amend the Fourth Company Law Directive so that social and environmental reporting was included alongside financial reporting.

Parliament also recommended that the Commission extend the responsibility of directors of companies with more than 1 000 employees to encompass the duty for the directors themselves to minimise any harmful social and environmental impact of companies' activities. Recalling previous consideration given to the appointment of an EU ombudsman on CSR to undertake independent enquiries on CSR-related issues at the request of companies or any stakeholder group, Parliament invited further reflection about this proposal in the future. The Commission was also urged to implement a mechanism by which victims, including third-country nationals, could seek redress against European companies in the national courts of the Member States.

Better regulation and CSR: major efforts should be undertaken by the Commission and Member State governments to use the opportunities provided by the revision of the public procurement Directives in 2004 to support CSR by promoting social and environmental criteria amongst potential suppliers. The Commission, the European Investment Bank and the European Bank for Reconstruction and Development must apply strict social and environmental criteria to all grants and loans allocated to private sector companies, building on the example linking public procurement and compliance with the ILO Core Conventions and OECD Guidelines for Multinational Enterprises in the Netherlands and with the SA8000 CSR standard by several Italian provinces. Member States should take steps to ensure that any export credit guarantees comply with the highest environmental and social criteria and should not be used for projects that run counter to agreed EU policy goals concerning, for example, energy or armaments.

Mainstreaming CSR in EU policies and programmes: Parliament welcomed direct financial support from the Commission for CSR initiatives, in particular to encourage innovation, to enable stakeholder involvement and to assist potential victims' groups in relation to alleged malpractice including corporate manslaughter. It encouraged the Commission to develop mechanisms that ensure that communities affected by European companies are entitled to a fair and accessible process of justice. Parliament called for greater efforts to be made by the Commission to support CSR in relation to EU companies operating in third countries through its external assistance programmes. It also called for the Commission better to integrate CSR in its trade policies, by seeking to introduce in all bilateral, regional or multilateral agreements binding articles in compliance with internationally agreed CSR standards such as the OECD Guidelines for Multinational Enterprises, the ILO's Tripartite Declaration and Rio Principles, as well as reservation of regulatory powers on issues of human rights, social and environmental responsibility. Commission delegations in third countries need to act as contact points in relation to the OECD Guidelines. The Commission and Member States should improve the functioning of national contact points (NCPs) in particular in dealing with specific instances raised concerning alleged violations throughout operations and supply chains of European companies worldwide.

Noting the contribution made by the international fair trade movement in pioneering responsible business practices for sixty years, Parliament called on the Commission to explore systematically how the experience of the movement could be used in the context of CSR. The Commission was asked to publish an authoritative 'Annual State of CSR' drawn up in cooperation with independent experts and researchers collating existing information, describing new trends and providing recommendations for future actions.

The Commission was also requested to fulfil its commitment to publish an annual report on the social and environmental impact of its own direct activities, as well as developing policies to encourage the staff of EU institutions to undertake voluntary community engagement.

Europe's contribution to global CSR: Parliament felt that the potential impact of CSR policies remained greatest in relation to companies' global supply chains, to enable responsible investment by companies to assist in the fight against poverty in developing countries, to promote decent working conditions, to support principles of fair trade and good governance, as well as to reduce the incidence of breaches of international standards by corporations in countries where regulatory regimes are weak. It asked the Commission to organise a major international initiative in 2007 to mark the fifth anniversary of the commitment agreed at the World Summit on Sustainable Development to undertake inter-governmental

initiatives in the field of corporate accountability. The Commission should also launch specific research into the impact of CSR policies and put forward proposals to increase responsible investment by firms and their responsibility.

Lastly, it should be noted that Parliament deleted clauses requesting a European product labelling standard.