

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — A renewed EU strategy 2011-14 for Corporate Social Responsibility’**

COM(2011) 681 final

(2012/C 229/15)

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On 25 October 2011, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — A renewed EU strategy 2011-14 for Corporate Social Responsibility*

COM(2011) 681 final.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 18 April 2012.

At its 481st plenary session, held on 23 and 24 May 2012 (meeting of 24 May 2012), the European Economic and Social Committee adopted the following opinion by 203 votes to 12, with 12 abstentions.

## 1. Conclusions and recommendations

1.1 The EESC commends the Commission on its commitment to fostering responsible business practice, through its range of policy initiatives outlined in the responsible business package <sup>(1)</sup>, as part of the Europe 2020 strategy.

1.2 The EESC notes that the European Commission respects the voluntary nature of CSR (which is different from ‘without engagement’), that it highlights the fact that progress has been made in business awareness of CSR at company level and recognises the need for flexibility to enable companies to be innovative.

1.3 The EESC notes that the new proposal extends the definition of CSR beyond the existing framework. It however leaves many unanswered questions. It does not clarify:

— the definition of ‘enterprise’ – which should include **all private, public and civil society stakeholders** so as to avoid any misunderstanding;

— the different cultural approaches to CSR;

— the differences between ‘social’ responsibility (only in the workplace) and societal responsibility (activities beyond the workplace);

— which voluntary activities will require mandatory reporting, bearing in mind that all CSR activities are voluntary, over and above any legal requirements;

— specific measures for SMEs – the Communication uses a ‘one size fits all’ approach;

— the distinction between CSR and corporate governance - and it is essential to keep these two frameworks separate.

1.4 The Commission’s action plan reflects mainly the old (and now abandoned) definition of CSR and reads as a mere continuation of the promotional activities of the past ten years. On the basis of the new definition of CSR, the Committee would rather have expected plans pertaining to what should be new in the ‘renewed strategy’: plans to encourage and help enterprises to take responsibility for their impacts on society and to demonstrate to their stakeholders how they try to do this. In the absence of such plans, the Committee cannot say very much about the ‘renewed strategy’. It can only note the Commission’s intention to present a proposal for legislation on the transparency of the social and environmental information provided by enterprises in all sectors by the summer of this year.

1.5 The Committee supports the initiative to revise the 2003 directive <sup>(2)</sup>, and proposes that companies that make CSR a key feature of their strategy or communication produce social and

<sup>(1)</sup> COM(2011) 685 final.

<sup>(2)</sup> Fourth Directive on annual accounts 2003/51/EC

environmental information each year using transparent and evidence-based methods. The aim is for practices that are now current, using internationally-recognised measurement and evaluation tools, to be introduced across the board.

1.6 The Committee points out that CSR practices must not under any circumstances seek to substitute national legislation or water down the content of conventional agreements reached through social dialogue procedures. To this end, the Committee warmly welcomes the proposal to create a database to analyse and monitor the content of internationally-negotiated agreements (IFA) that are part of the social and environmental regulation of globalisation.

1.7 CSR is a highly important voluntary activity of civil dialogue experimentation in some companies through which the social responsibility of those companies can be evaluated by external stakeholders in terms of their impact on society.

## 2. Introduction

2.1 On 25 October 2011, the European Commission published a new communication entitled *A renewed EU strategy 2011-2014 for Corporate Social Responsibility* ('CSR'). The strategy outlines an action plan of deliverable objectives for completion between 2011 and 2014.

2.2 To achieve the objective of renewing CSR policy, the communication sets out to:

- develop a new definition for CSR;
- rebuild consumer and citizen trust in European business;
- promote CSR through benefits and market reward;
- improve the regulatory framework;
- further integrate CSR into education, training and research;
- better align European and global approaches to CSR;
- promote social dialogue and transparency; and
- create a database of international framework agreements (IFAs).

2.3 The new extended definition proposes that CSR is 'the responsibility of enterprises for their impacts on society' and considers additional aspects that companies should include in their CSR strategies. It updates the previous definition of 'a concept whereby companies integrate social and environmental

concerns in their business operations and in their interactions with their stakeholders on a voluntary basis'.

2.4 The Commission intends to continue building on internationally recognised principles and guidelines, by cooperating with Member States, partner countries and relevant international forums, and compelling enterprises to make stronger commitments to these frameworks.

## 3. General comments

3.1 CSR is developed by business as part of their business strategy and as a tool to help companies play a part in dealing with internal and external social, environmental and economic challenges. CSR can contribute to the implementation of the EU 2020 strategy if it is developed by businesses in dialogue with various stakeholders and a non-regulatory approach is retained.

3.2 CSR is a **sustainable development approach** and the benefits of CSR activity should promote the positive role companies play in society, which go beyond purely economic values. In any event, CSR must not be used to replace social rights guaranteed by legislative, national or international instruments, which are primarily the responsibility of States and governments.

3.3 In a difficult economic and political climate, the CSR policy initiative provides an opportunity to positively engage with the business community, as long as it is understood that CSR concerns efforts made by enterprises to promote their positive and to prevent or minimise their negative impacts on society, by means of voluntary actions over and above their legal obligations. The EESC reiterates its 2006 opinion<sup>(3)</sup> according to which CSR must remain a voluntary activity (which is different from 'without engagement'). The EESC believes that the CSR discourse should be constructively reframed to identify enterprises as **community stakeholders**.

3.4 Recognition that all stakeholder groups are struggling in the current economic climate is important in this policy review. The Commission's policy proposals should be complementary to objectives of encouraging growth as an essential requirement for creating quality jobs and prosperity, whilst focusing on **facilitating** more responsible business practice.

3.5 Various **forms and motivations** within current CSR activity affect its societal impact. Policymakers should better understand different motivations, and how these are affected by enterprises' size, capacity, income, sector and activity. Identifying the various tools and support required for different sectors will help to better inform the review of CSR policy

<sup>(3)</sup> OJ C 325/53-60, 30.12.2006.

frameworks. The Committee agrees with the Commission that respect for applicable legislation and for collective agreements between social partners is a prerequisite for meeting the responsibility enterprises have for their impacts on society.

3.6 CSR activity has grown as a result of the increasing attention being paid to environmental issues. This has brought working conditions and social relations into balance with environmental topics. In the light of the current crisis, the Commission must **foster the social chapter of CSR**.

3.7 The role and presence of the **social economy sector, including NGOs**, are overlooked within the CSR agenda. The Commission must acknowledge the value and importance of the sector in terms of engaging with the CSR agenda, both independently and in **partnership with other sectors**, and must assess the **indirect impact** of the proposals on the social economy sector in terms of building links with business.

3.8 In the light of the commitments supported by the EU at the Rio + 20 conference, the Committee stresses the importance of an awareness-raising campaign on extra-financial information through the publication of a periodical report on sustainable development not only by all companies of a certain size (approximately 500 staff), but also by public administrations and large civil society organisations. This perspective would reinforce the importance of research into indicators that go beyond GDP or into the carbon footprint or life cycle. In line with its commitments at Rio, the Committee has already implemented this course of action by publishing its results based on the EMAS diagnostic tool.

3.9 In order to proceed one step at a time, the Committee encourages the Commission to consolidate the European regulatory framework for social and environmental evaluation and information provided for by the 2003 directive that is currently being reviewed. A European framework of this kind, applicable to all large companies, that makes CSR a plank of their strategy or communication policy, must be based on the measurement tools recognised internationally and take its inspiration from the national legislation that already exists in many European countries.

3.10 By means of the increasing number of best practices, including agreements negotiated under the social dialogue framework, CSR provides a practical illustration of the additional contribution made by civil dialogue to studying and resolving societal problems. The contribution made by civil dialogue is crucial to developing good CSR practice in order to build an assessment that is relevant to stakeholders, who require high-quality information on the approach voluntarily adopted by responsible companies or investors.

3.11 The EC Communication gives no recognition to the value of women in the boardroom and CSR and its economic added value for the community. Female representation in the

boardroom and CSR are proven to be linked with gender-inclusive leadership having a positive impact on CSR <sup>(4)</sup>.

3.12 Brokerage services maximise growth potential and societal value in CSR activity, by strategically matching the needs and skills of enterprises to form successful partnerships, and should be further promoted as best practice.

3.13 The European Union should be urged to promote and to protect authoritative international frameworks for CSR. Enterprises should respect these instruments, use them for guidance in developing their CSR activities and demonstrate to their stakeholders how they use them.

#### 4. Specific comments

##### 4.1 *Updating the definition of CSR*

4.1.1 The strength of the new proposal lies in the updated definition of CSR. However, the EESC deems it necessary for the Commission to clarify the definition's meanings of 'enterprise' in order to prevent misinterpretations. The Commission must also clarify which new policies will be developed on the basis of the updated definition, including the legislative initiative they have announced. The Commission should also specify its plans to stimulate CSR for the different components of the business community, like e.g. large corporations, SMEs, and enterprises in the social economy.

4.1.2 Furthermore, the EESC notes that the communication is incomplete, as it does not attempt to assess the results of the last ten years of CSR strategy in terms of its impact on enterprises' behaviour, to better inform the proposed initiatives and policies in this strategy.

4.1.3 The proposed EU definition injects the notion of responsibility into the concept of voluntary practice. The new definition accounts for the multi-dimensional nature of CSR, outlined in the communication <sup>(5)</sup>. However, the EU should be cautious in attempting to create a new standard that may conflict with ISO 26000. The CSR agenda must be developed by businesses in dialogue with various stakeholders if it is to help Europe 2020 deliver a smart and inclusive growth.

4.1.4 Increasingly, products and services are delivered by different organisations in public services, and across business, public and social economy sectors. The proposed definition includes this aspect of non-commercial organisations. However, further clarification is necessary on the definition and its implications for **all enterprises**, in which CSR should be practiced.

<sup>(4)</sup> See: <http://newsforchangingtimes.com/2012/02/17/women-boardroom-csr-un-women-ingrid-kragl/>.

<sup>(5)</sup> COM(2011) 681 final, page 7.

4.1.5 Societal consequences of the financial crisis highlight the wider impact of business practice. It is right that enterprises should be held accountable for their activities and should include CSR in their business strategy, in order to encourage more responsible practice, especially in the context of crisis and heightened competition. However, CSR should be reframed to emphasise the **mutual dependency** of business and community.

4.1.6 The **inherent connections between business and the community** must include social dialogue and transparency. Here, the different tasks associated with CSR are numerous:

- *Organisational community (within the company)* – coordinating internal structures to fulfil obligations regarding employees' wellbeing and development.
- *External stakeholder community* – working in the interests of business with shareholders, customers and other partners, including public authorities and communities.
- *Community of place* – assessing and working to improve the impacts of business practices on the surrounding local communities and the environment.

Enterprises should recognise these connections and proactively adopt their CSR as a core business objective, to achieve the maximum financial and social value for all community stakeholders. Reinvigorating local networks <sup>(6)</sup> will provide a channel for all community stakeholders, including public authorities, to engage and collaborate for the benefit of society.

4.1.7 The Commission's approach to SMEs is far from ideal. No link is made between business and the impact that SMEs have on the CSR agenda across the Union. Furthermore, an opportunity has been missed to create a comprehensive policy which reflects the new ways in which business is conducted, such as the use of online trading, and which better informs SMEs about the CSR agenda.

4.1.8 SMEs have been neglected in the agenda's proposals. The communication does not explain what it means by 'business', but the language implies that its point of reference is large companies. SMEs are a major component across the EU in the drive for jobs and growth and the focus on competitiveness embodied in the Lisbon Treaty – a 'one size fits all' approach of CSR for different kinds of business is not acceptable.

#### 4.2 Promoting benefits and incentives for CSR activity

4.2.1 It is important to recognise the economic motivations behind CSR activity. Various benefits are outlined in the communication, and these should be better promoted

alongside good practice examples, to inform and encourage enterprises to make stronger commitments to CSR.

4.2.2 However, the economic benefits of CSR activity must not be overstated. Enterprises have marketing and sales departments dedicated to advertising and understanding consumer needs. **CSR is essentially a sustainable development approach**, including economic growth with social and environmental considerations. Reducing it to purely economic outcomes may cause adverse effects such as policy abandonment in the event that outcomes do not meet financial expectations.

4.2.3 Utilising public procurement as a market reward incentive requires careful consideration and suitable application. Social criteria, including ILO clauses, must remain linked to the subject matter of the contract, in order to prevent purely token CSR activity, and ensure beneficial social value. This may also encourage the pursuit of more appropriate and effective CSR activity within industrial sectors.

4.2.4 It is essential to provide social clauses in the award of contracts with the utmost **transparency**. This is vital to ensure the appropriate procurement of services and compliance with the fair competition principles in the single market. DG Competition must be consulted on public procurement being used as a market incentive.

4.2.5 The Social Business Initiative ('SBI'), which is presented as a distinct complementary policy forming part of the Commission's Responsible Business Package <sup>(7)</sup>, has been overlooked in terms of key opportunities it could provide for the CSR agenda. In a harsh economic climate, enterprises are more cautious about unrecoverable expenditure. It is widely accepted that social businesses rely on private capital as part of their financial plans <sup>(8)</sup>, and so social investment and offering non-financial pro-bono services to new social businesses is a way for enterprises to make a **financial and social return** <sup>(9)</sup> on their CSR investments. Both initiatives would achieve their objectives, while maximising growth potential and the capacity to create social value.

#### 4.3 Understanding motivations and supporting CSR activity

4.3.1 Current CSR activity comes in **many forms and through a variety of motivations**, which affect its societal impact. This can range from defensive protection of shareholder interests, charitable donations and sponsorship in certain Member States, to more meaningful activity, such as strategically linking activity to core business and transformative efforts to identify and tackle the root causes of societal problems <sup>(10)</sup>. The EESC points to the fact that new rules could be counter-productive if, in some countries, they bring enterprises to stop activities that require reporting.

<sup>(7)</sup> COM(2011) 685 final.

<sup>(8)</sup> OJ C 24/1, 28.1.2012.

<sup>(9)</sup> COM(2011) 682 final, page 6.

<sup>(10)</sup> www.csrinternational.org

<sup>(6)</sup> OJ C 175/63-72, 28.7.2009.



4.3.2 Policymakers must understand this scale of activity, in order to foster a positive environment for more strategic and transformative CSR undertakings. Requirements should not reduce CSR activity to a **minimum standard**, and should remain voluntary codes **over and above legal requirements**.

4.3.3 Efforts would be better focused on encouraging information and the commitment to civil dialogue throughout an enterprise, from the director to the employees, in order to achieve more effective CSR programmes and foster a more ethical organisational culture. Dedicated steering groups including managerial staff have proved to provide successful strategic guidance and help the implementation of CSR activity.

4.3.4 In principle, self and co-regulation exercises are a good idea, but mechanisms must be put in place to ensure that following requirements does not inadvertently burden SMEs, as a result of contractual arrangements with larger enterprises as subcontractors and supply chain agents. The Commission's proposal to develop a code of good practice should provide guidance for those wishing to engage in CSR activities, with due regard for the nature of self-and co-regulation exercises.

#### 4.4 *Commitment to the employees' role in the CSR agenda*

4.4.1 CSR within an enterprise is ineffective without the commitment of its employees. The CSR agenda should be set in cooperation with management, employees and, where relevant, the social partners, to represent the ethos of the organisation. CSR is beyond a 'team-building' exercise and employee commitment is key to a successful strategy.

4.4.2 The role of the social partners is valuable to any CSR agenda, for disseminating information and enhancing the social dialogue. Platforms to ensure collective agreements, transparency, communication, and participatory inclusion, which are all included in the CSR agenda, should be established in the relevant companies.

4.4.3 Human rights, working conditions and employment practices are important factors within the multi-dimensional nature of CSR. Companies should develop activities over and above international and European regulations and guidelines based upon the eight fundamental human rights Conventions of the ILO on the one hand, and concerning employees' health and well-being, as well as training, on the other. Ethical and fair internal governance structures must be accounted for within all enterprises, and cannot override collective agreements.

#### 4.5 *Knowledge exchange*

4.5.1 Peer learning between Member States on CSR policy is an important exercise (Intention 9). Particular emphasis should be placed on helping **all Member States** to develop and update their national policies on CSR and learning from past national policy exercises in this area.

4.5.2 All statutory bodies - national, regional, local and EU institutions - within the Union must set out and follow a CSR strategy to provide an example for other sectors. This should include robust internal CSR policies, piloting innovative CSR models and activities, facilitating good practice exchange and steering the development of local networks to ensure community commitment.

4.5.3 Multi-stakeholder platforms in certain industrial sectors could help broker serious discussions about business practices between companies and stakeholders and facilitate useful exchanges of best practice and learning experiences within and across sectors, with due regard for the autonomy of the players involved to devise the scope and activities of the platform. However, contentious business practices should also be subject to penalties in a court of law.

4.5.4 It is necessary to ensure that **SMEs are involved in stakeholder platforms**, as participation in past exercises has predominantly consisted of large corporations. All enterprises must be given an opportunity to participate, so that whole sectors and key areas of concern are better represented.

4.5.5 The EESC supports the intention to provide financial support for CSR education and training projects, and raising awareness among education professionals and enterprises on the importance of CSR (Intention 8). This is especially important for SMEs, which are often unaware of opportunities or lack the expertise to undertake CSR ventures.

4.5.6 Using structural funds for CSR initiatives should be considered very carefully. We remind the Commission of the cuts planned for the next structural funding programme, and so any funds granted for CSR initiatives should be used to achieve **clear aims** in combating poverty, social exclusion and regional development. These funds should go exclusively to enterprises of limited capacity and financial resources, such as SMEs and civil society organisations, to help develop CSR policies and commitment.

4.5.7 **Information portals** should be supported and developed to help enterprises, as well as e-commerce companies, connect and provide an accessible platform for the effective exchange of good practice, skills and financial and non-financial resources for the benefit of society.

#### 4.6 CSR and social economy partners

4.6.1 The **civil society sector** has been neglected in the CSR policy initiative. Civil society organisations provide models of responsible business strategy, governance and forums, and often engage in CSR activities. The communication neglects to explore in any detail the relationship between the 'for profit' and the 'not-for-profit' sectors.

4.6.2 There is a long history of sectors working in partnership, which should be further encouraged, as 'corporate social commitment is an important basis for creating and maintaining civil society institutions' <sup>(11)</sup>.

4.6.3 **Mutual benefits of partnership should be promoted**, to encourage more meaningful CSR activity. Matching needs and skills in partnerships stimulates more effective and beneficial social and economic impacts for communities and enterprises. Promoting non-financial support is important in widening the scope of support from other sectors, and assists more strategic thinking about CSR capacities - this includes supporting employee-volunteering; providing pro-bono services; offering donations in kind i.e. premises, equipment.

4.6.4 **Communication** between sectors is key to successful partnership working. Brokerage services <sup>(12)</sup> assist in streamlining and simplifying the way two sectors do business and help bridge cultural differences. These services should be supported and made more readily available to enterprises to help overcome barriers in achieving shared value across sectors and real commitment in CSR undertakings.

#### 4.7 International guidelines and agreements

4.7.1 The ILO has established eight fundamental conventions as a basic foundation of rights at global level. The Member States have already ratified these fundamental conventions. The EU can show its support by ensuring third countries also comply with these agreements.

4.7.2 The EESC strongly supports the Commission's intention to make the promotion of CSR fully consistent with existing global instruments, in particular the revised OECD Guidelines, the ILO Declaration on Multinational Enterprises and Social Policy, ISO 26000, the United Nations' Guiding Principles on Business and Human Rights and the International Framework Agreements (IFAs). We ask the Commission to explain exactly how it hopes to accomplish this.

4.7.3 The OECD guidelines have been adopted by 42 countries, of which 24 are members of the EU. The guidelines have a unique mechanism for follow up, a national contact point, which is responsible for disseminating the guidelines and for handling cases where breaches are alleged to have occurred. The EESC therefore recommends that resources within the renewed EU strategy for CSR be set aside for capacity-building concerning the OECD guidelines. It also recommends that the Commission and the Member States give the social partners a greater role within these national contact points.

4.7.4 The EESC believes that CSR policy should focus on providing strategic direction for enterprises, as monitoring CSR commitments of enterprises with 1 000+ employees (Intention 10) is impractical and will require large financial resources from the EU.

Brussels, 24 May 2012.

*The President*  
*of the European Economic and Social Committee*  
Staffan NILSSON

<sup>(11)</sup> OJ C 125/44, 27.5.2002.

<sup>(12)</sup> Brokerage services are intermediary firms that help connect organisations from across sectors, and broker more effective working relationships, by matching needs, skills and resources. An example of this is Pilot Light - <http://www.pilotlight.org.uk>.

## APPENDIX

**to the Opinion of the European Economic and Social Committee**

The following amendments, which received at least a quarter of the votes cast, were rejected in the course of the debate (Rule 54(3) of the Rules of Procedure):

**Point 2.3**

Amend as follows:

*The new extended definition proposes that CSR is “the responsibility of enterprises for their impacts on society” and ~~consider- prescriptively introduces~~ additional aspects that companies should include in their CSR strategies. It ~~updates~~ departs from the previous definition of “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”.*

**Voting**

For: 88

Against: 91

Abstentions: 23

**Point 4.1**

Amend as follows:

~~Updating~~ Extending the definition of CSR'

**Voting**

For: 80

Against: 106

Abstentions: 23

**Point 4.1.1.**

Amend as follows:

*~~The strength of the new proposal lies in the updated definition of CSR. However, the~~ The new extended and prescriptive definition of CSR could undermine progress made in the past decade when the definition was based on the practical approach introduced by its 2006 CSR communication, including CSR Alliance. The EESC deems it necessary for the Commission to clarify the definition's meanings of “enterprise” in order to prevent misinterpretations. The Commission must also clarify which new policies will be developed on the basis of the updated definition, and clearly provide a cost-benefit analysis of the including announced the legislative initiative on disclosure of non-financial information they have announced. The Commission should also specify its plans to stimulate CSR for the different components of the business community, like e.g. large corporations, SMEs, and enterprises in the social economy.'*

**Voting**

For: 85

Against: 121

Abstentions: 20

**Point 4.4.2**

Amend as follows:

*The role of dialogue between workers, stakeholders and management ~~the social partners~~ is valuable to any CSR agenda, as it helps to tailor the CSR-strategy according to the individual needs of each enterprise both for disseminating information and enhancing the social dialogue. Platforms to ensure collective agreements, transparency, communication, and participatory inclusion, which are all included in the CSR agenda, should be established in the relevant companies.*

**Voting**

For: 86

Against: 125

Abstentions: 14

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