

# EU Member States High-Level Group on Corporate Social Responsibility and European CSR Multi-Stakeholder Forum Coordinating Committee

Meeting of 10 November 2011

## Summary Note

Morning session: EU Member States High-Level Group on Corporate Social Responsibility and European CSR Multi-Stakeholder Forum Coordinating Committee

The Commission introduced the meeting by referring to the new **CSR Communication** and invited comments. The Commission is in the process of preparing a first outline of a rolling plan.

Amnesty International feels that the attention given in the text to human rights is not borne out by the actions suggested. They note that the section on non-financial reporting does not address effects on local communities.

Business Europe has a mixed reaction. On the one hand, they think it is good that CSR is referred to as being led by enterprises. On the other hand, they are concerned by the reference to legislation. They are surprised at the inclusion of the last sentence in the Communication regarding an "open and accountable commitment" from business leaders.

UEAPME thinks that the Communication marks a step back in terms of policy thinking and provides little encouragement for SMEs. UEAPME has problems with the new definition, in particular because it does not refer to the voluntary nature of CSR. .

The Commission responded to the above points:

- Any legislative proposal will be/is being handled with care. For reporting, this has involved full consultation with external experts and an impact assessment,
- The Commission has listened appropriately to SMEs in drawing up the Communication,
- The Communication calls on business leaders to make a public commitment. Leading enterprises have a responsibility to do this to encourage other enterprises on CSR,
- The Communication does not mention "mandatory" or "voluntary" CSR, but clarifies the definition in its reference to shared value and dealing with adverse impacts.

PL welcomes a number of aspects of the Communication, including the new definition, and the invitation to Member States to develop their own action plans. The Communication should provide a new impulse for the years to come. They note that the CSR Communication is part of a package. They emphasise the importance of voluntary CSR, social dialogue, and avoiding unnecessary administrative barriers.

ESBG welcomes the Communication. They enquired about the proposed multi-stakeholder sector-based platforms.

ECCJ is keen that the debate moves beyond polarisation. They think (in relation to human rights) impacts, attention to victims, and policy coherence are important.

CSR Europe welcomes the new definition of CSR, inclusion of a "domestic" agenda, the addressing of subsidiarity, and the challenge of the multi-stakeholder platforms. They have questions on monitoring – both of commitments in the Communication, and monitoring by companies. A strong message is sent by the announcement, on the same day, that the Commission proposes to remove the requirement on quarterly financial reporting and to introduce new legal proposals on non-financial reporting.

The Commission responded to the above points:

- The development of sectoral platforms will be carried out in close association with relevant industry associations and other stakeholders.
- Coherence on CSR will be ensured within the Commission through its multi-DG interservice group.

EABIS encourages a broader view to be taken: the global governance dimension, the search for the highest level playing field, the need to identify future challenges and not focus just on today's issues, and the need to address skills for and in CSR. CSR is a vital component of socio-economic research.

ES Congratulates the Commission on the new Communication. It feels progress has been made since the last Communication in multi-stakeholder dialogue, Europe 2020, addressing the crisis, the role of the public authority, and socially-responsible investment. On disclosure, they would favour a measure of harmonisation with attention to cost.

BE thinks that the Communication has ambition, and is an important milestone.

DK welcomes the new Communication, while pointing out that the final judgement should be based on what is achieved and not what is said. They like a number of aspects: the new definition (including the decision to leave out explicit reference to "voluntary", although that does not mean that CSR should be regulated or made mandatory), strong international profile, multi-stakeholder approach, self and co-regulation, and the legislative proposals. They urged wise choices in relation to disclosure, avoiding a tick-box approach, and leaving flexibility for enterprises.

FR is very satisfied with the new Communication, which it considers to be well balanced. They drew attention to the fact that the green economy plays little part. They asked about delays in relation to the prospective public procurement and reporting legislation. They think that the Council of Europe should be involved in the human rights work. They appealed for any update of the Compendium of Member States policies on CSR to be structured on a country-by-country basis.

Eurosif is overall very supportive and appreciative of the new Communication, but nevertheless feels that the Communication missed an opportunity in relation to the environment – by not referring to the Rio +20 gathering next year, for example. Corporate governance coverage is missing. Eurosif supports the new definition of CSR, including the

references to shared value and human rights, amongst other things. They support a smart mix, and want to foster optimal quality and quantity in non-financial disclosure.

DE welcomes the excellent coordination in preparing the Communication, and welcomes in particular the references to the Europe 2020 framework. DE notes that the Communication contains many innovative elements, particularly for SMEs. DE is nevertheless disappointed that the Communication moves away from voluntary CSR (by advocating co-regulation for example), and wonders whether it can be used by SMEs.

NL can live with the new definition of CSR. They welcome the emphasis on international aspects. They support the goal of promoting better non-financial disclosure, but urge the Commission to avoid a detailed and prescriptive approach in any legislation.

The Commission responded to the above points:

- The Council of Europe could indeed be involved in business and human rights discussions,
- Co-regulation is about good practice rather than regulation *per se*,
- In relation to the legislation that might be brought in, more time will be taken if necessary to make sure that any eventual proposal is the right one.

The Commission requested any further written comments on the Communication by the end of November.

The Commission presented its ideas for **working methods** of the High-Level Group and the Multi-Stakeholder Forum Coordinating Committee.

Business Europe urged attention to the administrative burden of the meetings and monitoring of progress. Monitoring of progress by different stakeholder should be done in a constructive manner which would add value.

CSR Europe was keen to see that the HLG and the MSF CC would address the same issues, where they were to meet separately. They suggested that action points in the Communication could be clustered. They asked whether stakeholders could attend HLG meetings at which Member State policies are (peer) reviewed. Monitoring of progress should be done in the annual meeting only, not in other meetings.

The Commission would be writing a full roadmap planning proposal before the end of the year.

Afternoon session: EU Member States High-Level Group

The Commission presented its proposals for a **peer review** mechanism.

CZ asked how the groups of Member States would be chosen. They suggested that the contractor should be approved by the Member States. They would not support consulting stakeholders on this exercise.

FR suggested that the UN Human Rights Council peer reviews be looked at. They warned against any judgementalism. They suggested that a list of questions be drawn up at the start for all Member States to ask of each other.

PL suggested avoiding "naming and shaming".

PT asked whether there would be an integrated approach across the "Responsible Business" package. They warned against creating an administrative burden.

IR was concerned about how the Member States would be clustered. How would the contractor deal with the individual and overall reports? They suggested that the Cambridge review process be looked at (Commission's work with its Employment Committee).

DE questioned the role of the HLG in this process. They thought that the involvement of stakeholders is important. They asked about whether the exercise was aimed at governments or companies.

NL also asked about whether the peer review would be aimed at governments or companies. They thought that the contractor should be genuinely independent. There was a need to pay attention to adding value.

DK suggested that a pilot project could be launched before the main work got under way.

The Commission agreed that mutual trust-building is necessary, in a context of moving towards common aims and measuring common progress. The Commission noted comments concerning the administrative burden and agreed that a first exchange of questions to be asked is a good idea. In the grouping of countries, perhaps some could help others. The involvement of other stakeholders also needs to be undertaken in a trusting environment.

The Commission will review its note, with a view to creating eventual terms of reference for the external contractor.

The group received a presentation from **Roel Niewenkamp**, Managing Director Trade Policy and Globalisation Department, Ministry of Economic Affairs, Agriculture and Innovation, NL; Chair of OECD Investment Committee Working Party, on the OECD Guidelines.

SE supported work on internet freedom in relation to the OECD Guidelines.

FR suggested that the Commission and OECD cooperate, perhaps on a guide for SMEs. The financial sector should not be forgotten.

DK acknowledged that negotiations on the OECD Guidelines had not been easy for them. They are focussing particularly on their NCP.

Mr Niewenkamp agreed that indeed the financial sector is important. He said that a number of countries are revising their NCPs. He suggested that the Commission use its "own NCP" to work on, for example, multi-country specific instances. He hoped the OECD Guidelines would also be part of the peer review mechanism dealt with earlier in the meeting.

The Commission said that it would be engaging with the OECD Guidelines more intensively than it has done in the past.

The group received a presentation from **Dietmar Kokott**, President of the foundation Wittenberg Centre for Global Ethics, and by **Prof. Dr. Andreas Suchanek**, Leipzig Graduate School of Management, on "Code of Responsible Conduct for Business" a business driven initiative of major German companies. So far 42 companies have signed up to it at CEO level. They represent  $\frac{3}{4}$  of DAX companies, with more than six million employees, and a turnover of more than €1.5 billion. About half of those enterprises have referred to the code in their yearly reports.

The Commission referred to the importance of trust in business. It asked if there were any academic studies of the costs associated with lack of trust. It also pointed out that the wording in the presentation on redundancies reflected the wording in the EU legislation. Was it not a question of going beyond the legislation?

FR asked about labelling and the extent to which the foundation was involved in the German Global Compact.

Mr Kokott and Prof Suchanek responded as follows:

- There are a few studies on trust and costs, but evidence is mainly anecdotal. Global businesses will only work with people they trust though,
- The foundation links its own code to national and international standards,
- Companies are responsible for workers in respect of relevant legislation, which differs from country to country in the extent of the requirement, around the world. The foundation's members try to reduce redundancies to a minimum, and even consider it a failure if they have to make workers redundant.

**Member States gave an update** of their own activities as follows:

- PL reported on its September conference,
- FR presented its work on environmental advertising and non-financial elements of investment decisions,
- SE announced a series of events (internet freedom, human rights, relations with China, OECD guidelines and MENA),
- NL spoke about a conference they organised recently on the responsible investor and ESG reporting,
- DE referred to an October workshop they had organised on business and human rights, and their forthcoming major CSR conference. DE also stated that due to high demand, the fund for the German CSR and SME programme (supported by the European Union's Social Fund) has been increased to €36 million.

The Commission is keen to work with the media on CSR, and asked Member States for contact details of "responsible" individual journalists or media organisations.