

European Multi-Stakeholder Forum on Corporate Social Responsibility

A response to the 'final draft report' from the Green Eight

As presented: Brussels, June 29th 2004

I'll try to be brief, but it is hard to reflect the broad diversity of civil society in just a few minutes.

It is easy, here in Brussels, to see the world in a distorted way. Small questions of policy or the phrasing of a report assume great urgency. The important issues – too hard to tackle – are too often left for another day, another Commission.

So we were happy when the Commission announced the formation of this Multi-Stakeholder Forum [on corporate social responsibility]. We saw a chance that the power and energy of European enterprises would be directed towards solving critical challenges – dramatically reducing consumption of environmental resources so as to create quality of life within pressing environmental limits; and building inclusive societies, closing the gap between rich and poor communities and between rich and poor countries. After all, these problems have got much worse in recent decades, not better. As our market economies have grown, so have the market distortions of environmental and social externalities, as businesses respond to real financial pressures to externalise their costs. And as externalities have grown, public trust in business has plummeted.

The agenda for the Forum asked broadly the right questions: how could we deliver transparency to help rebuild trust from stakeholders from both the global north and the global south; how could we stimulate innovation to internalise externalities; and above all, how could we ensure convergence of CSR practices so that the potential benefits of CSR could be achieved and the risks of 'greenwash' avoided.

The procedures and membership of the Forum gave us cause for concern. Why, we asked, had a new 'stakeholder family' of business organisations been created, producing a structural imbalance in the Forum? Why were there so few resources available to bring representatives of affected communities in Southern countries to offer their experiences to the round tables? Why was the Commission resistant to discussion of public policy initiatives in the round tables?

Nonetheless the G8 engaged in the process in good faith. The resulting debates offered real insights into the opportunities for businesses to contribute to sustainability; and to the barriers and drivers that force companies to behave irresponsibly. But this report does not fully reflect the richness of those debates. Sadly, it reflects a flawed analysis and portrays an unrealistic consensus – a lowest common denominator approach to the proposals put forward by stakeholders.

If the proposals set out here were adopted by all companies they would be beneficial. But even together they do not constitute the minimum needed to deliver corporate accountability and

sustainability. They should stimulate a few more businesses to adopt CSR voluntarily. This 'common platform' must be built on, and rapidly. But because the forum do not come to consensus on verification, reporting and public policy, the recommendations in the report alone will not encourage the vast majority of businesses to abandon their current strategies and put CSR practices at the heart of their operations, thus internalising social and environmental externalities. They will not stem the growing tide of environmental and social unsustainability. Worse, because the report does not deliver a framework for CSR, there is a risk that it could be abused to justify the continuation of irresponsible and unsustainable business models, in the same way as companies such as Shell and Enron have abused CSR processes to conceal continued irresponsible and unethical business practices.

Moreover, we believe that the process has been a missed opportunity to advance Europe's leadership on sustainable development. We remain convinced that corporate social responsibility could contribute to the delivery of sustainable development, but only if it is placed within a regulatory framework (not just a 'reference framework') which ensures:

- Mandatory corporate transparency on environmental and social performance and impacts
- Enforceable stakeholder rights to information, participation and accountability
- Public procurement and investment rules that discriminate in favour of companies whose responsible performance can be independently verified
- Clear standards and practices for the independent verification of corporate performance
- Tax reforms to internalise the environmental and social costs

From our experience within and outside the Forum, we are confident that the breadth of the views, values and interests of those European businesses best placed to take advantage of such reforms and deliver a sustainable and competitive economy for the 21st Century are not fully reflected in the report.

The Green Eight and Friends of the Earth accept this report as a fair record of the previous deliberations of the Forum, but do not see it as an exhaustive set of recommendations for the Commission and the participants. Like ETUC, we request that the record of today's formal speeches be annexed to the report so as to make this clear.

In conclusion, regardless of the positions of the different stakeholder groups, the Commission can helpfully act on the Forum's recommendations. But more action is both essential and urgent. Our support for this ongoing process is conditional on action. We urge the European Commission to take prompt action, beginning with its coming Communication, to deliver the framework set out above, and the economic, social and environmental benefits it would bring.

I also wish to thank the rapporteurs and others for their hard work in bringing the process this far, and providing this platform for future progress.

Duncan McLaren

Chief Executive, Friends of the Earth Scotland, on behalf of the Green 8