

Date: 29 June 2004

To: Commissioner Liikanen,  
Commissioner Dimas,  
Taoiseach Bertie Ahern  
Prime Minister Jan Peter Balkenende  
European Parliament

**NGOs call on Commission and Council to shift gears after Multi-Stakeholder Forum:  
European CSR process must move from dialogue to action**

NGOs from the social, environment, human rights, development, and consumer sectors have participated actively in the work of the European Multi-Stakeholder Forum on Corporate Social Responsibility over the past twenty months. Although aware of its likely limitations, we entered into the process in the light of the urgent need to increase positive and reduce negative impacts of business on society and the environment, and in recognition of the important role the EU can play to this effect. We were also convinced that it was important to participate in this initiative to promote CSR through raising levels of understanding and fostering a dialogue between the business community, trade unions, civil society organisations and other stakeholders. We were committed to the prospect that the process was to lay the groundwork for a European framework for CSR.

Not surprisingly, the final report of the Forum reflects a number of the limitations we faced. It has clearly not been possible to formulate together a coherent vision and ambition in the Forum conclusions on the role of the EU in establishing a European framework for CSR.

The report contains a range of substantive recommendations which merit consideration. For example the Forum calls for ...

- increased exchange of experience between purchasers and suppliers in order to build capacities in sustainable supply chain management, through improved understanding of global supply chain issues and responsibilities, including how purchasing practices impact suppliers and their communities. (Recommendation (R) 4)
- business to progress in their CSR efforts by examining their performance in relation to their CSR objectives, and learn from this; e.g. through key performance indicators (KPIs), impact assessment, and report on these achievements (R 4)
- public authorities to ensure that there is both a legal framework and the right economic and social conditions in place to allow companies which wish to go further through CSR, to benefit from this in the market place, both in the EU and globally (R 7)
- EU and / or Member States to consider and evaluate how to use public funds in the most responsible and effective manner, taking into account environmental and social, as well as economic considerations (R9)

Taken together the recommendations, if they are fully implemented by the relevant actors, will help to generate a significant advance. For that to happen, however, it will be necessary to develop them into a proper framework that complements the voluntary commitment of a steadily growing number of companies with proactive and consistent public policies to create the right enabling environment and ultimately to ensure accountability by *all* companies.

The real challenge arising out of the Forum is a political one, namely for public authorities to step into the CSR arena and shift gears from merely moderating dialogue to developing policies, setting standards and where necessary enforcing them. There needs to be proactive

and consistent public policies to create the right enabling environment and ultimately to ensure accountability by all companies. Concretely, this means that the Commission, Council and Parliament, which have been neutral or absent throughout the Forum, must now take the lead role in the development of an effective EU framework for CSR.

As NGOs across the different sectors we share the following basic vision on CSR, which we have put forward consistently over the period of the Forum:

- **Our common goal is to improve business practices to increase positive impacts and reduce negative impacts on society and the environment.** Voluntary initiatives are not enough to reverse the unsustainable impacts of corporate activities or to meet the standards set by existing agreements such as the ILO declaration, OECD guidelines, the Millennium Development Goals and human rights treaties. Improving business impacts requires changes in companies' core business activities, throughout the supply chain, and in the consumption of its products or services. It also requires responsible behaviour to be internalised in corporate governance, strategy and business models so that businesses meet the standards set in existing agreements.
- **Ensuring corporations are legally accountable to their stakeholders is essential.** Only binding legal measures will establish a general incentive for responsible corporate behaviour which matches their general incentive to be profitable. This requires rights for stakeholders to hold companies to account for their impacts and duties on companies and their directors. It also needs effective monitoring and verification of business performance. Furthermore, only those approaches to responsible behaviour elaborated in concert with all stakeholders will bring sustainable results.
- **Accountability requires high and consistent levels of transparency about business activities and products which cannot be achieved by voluntarism only.** Stakeholders need meaningful disaggregated information about the impacts of companies and products on human rights, society and the environment. This implies mandatory social and environmental reporting, disclosure of payments and lobbying to public authorities, and provision of comprehensive point of sale information about products and services. Reports must be based on common reporting standards for all companies and there must be public access to information on company and product CSR performance.
- **The business case for responsible behaviour must be created and supported by public intervention.** The role of public authorities - including the EU institutions - is essential to deliver a level playing field through legislation and ensuring compliance with existing standards; and to use public policy measures including public procurement and public subsidies to stimulate responsible behaviour.
- **We expect the EU institutions to take a leadership role in Europe and globally,** to ensure that European companies live up to our common expectations wherever in the world they operate, and to stimulate convergence of standards and practices of responsible behaviour around the world.

In light of the above, we believe that CSR will not be credible unless it is based on the following key criteria, which we have advanced throughout the Forum's work:

1. It is based on **internationally agreed standards and principles**<sup>1</sup>;
2. It **involves stakeholders** from the early stages of CSR strategy development;
3. There is **independent monitoring/verification**.

Whilst we believe that EU-level dialogue between stakeholders can continue to play a useful role in advancing CSR, the compromise nature of the Forum's conclusions demonstrates that

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<sup>1</sup> Many international and standards and principles exist, some of which are mentioned in Part I of the Forum report. This is by no means an exhaustive list and indeed there are many areas where standards still need to be developed. In a CSR context, what is important is how these principles are translated into practice and how they are localised to stakeholder's demands and concerns.

voluntary agreement between the stakeholders on corporate *responsibility* without a common system for corporate *accountability* is not enough to create the necessary EU framework for CSR.

As NGOs committed to turning that weakness into strength and putting the Forum's results into action, we therefore call upon the **European Commission** to bring forward proposals for a European framework to ensure that *all* corporations comply with our three key criteria for credible CSR. We call on the **European Parliament** to play a central driving role in advancing the debate and to hold the Commission and the Council to account. We call on the **European Council** and specifically on the incoming Dutch Presidency through its November CSR conference to provide strategic direction to move the process from dialogue to action.

Sincerely,

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- Friends of the Earth Europe
- Friends of Nature International
- Transport & Environment
- World Wide Fund for Nature European Policy Office
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