

Press Briefing

Corporate Social Responsibility: the European Parliament to vote on greater accountability for corporations

A European Parliament Report on CSR calls on the Commission to implement a more pragmatic approach to CSR: take measures that actually work, either voluntary or mandatory, to address specific issues. On some issues, notably environmental and social reporting requirements, the EP report does not go far enough to achieve real change. Nevertheless, the European Coalition for Corporate Justice urges MEPs to vote for the EP report as a step in the right direction towards a meaningful CSR policy.

On Tuesday 13th March MEPs will vote in Strasbourg on the report “Corporate Social Responsibility: a new partnership”, an own-initiative report by the Employment and Social Affairs Committee in response to the European Commission’s Communication on Corporate Social Responsibility (CSR) from March 2006.

Though the report recognises CSR as by nature voluntary, it seeks to reengage civil society and depolarise the debate. Both voluntary and mandatory initiatives are to be embraced, depending on what works best in a given situation. According to EP rapporteur Richard Howitt, ‘There should be no artificial divide between CSR and issues of corporate accountability and governance’. The simple goal is to increase the positive effects and mitigate the negative impacts of companies.

The European Coalition for Corporate Justice (ECCJ), which draws together 16 national platforms working on CSR with over 200 member organisations including social and environmental NGOs, consumer organisations and trade unions¹, supports the report. In a letter sent to MEPs last week, ECCJ, together with Greenpeace, Social Platform, Friends of the Earth Europe and the European Trade Union Confederation, underlined the fact that many companies are open to some regulatory CSR measures, including Carrefour, Siemens, Novo Nordisk, Ericsson, ABB, General Electric and Barclays. It is thus evident that the lobbying efforts of Eurocommerce and Businesseurope against any binding CSR measures, are not representative of the business community as a whole.

Though the EP report falls short of advocating true accountability of companies to all stakeholders, it is a step in the right direction. According to ECCJ steering group member Paul de Clerck, ‘The report includes a lot of good steps to make companies accountable for their performance, such as the right of redress of affected communities and social and environmental duties for directors’.

Background:

The European Commission embarked on a lengthy consultation process in 2002 to formulate its CSR policy, titled the European Multistakeholder Forum, inviting a range of stakeholders including businesses, non-governmental organisations, trade unions, government representatives and consumer-advocacy groups. However, civil society groups did not see their main priorities reflected in the final Communication on CSR, released by the Commission in March 2006. CSR was defined as a purely voluntary

¹ Including national chapters of Oxfam, Amnesty International, Friends of the Earth, Greenpeace and other organisations such as Christian Aid, Manitesse and CCFD.

exercise and any reference to regulation or mandatory measures on CSR was excluded. In fact, after a 2-year long participatory process, the final Communication was written by the Commission and industry representatives behind closed doors. Trade unions and civil society groups were excluded from these meetings and were strongly disappointed with the outcome.

In October 2006 the Employment and Social Affairs Committee of the European Parliament (EP) held a hearing, leading to the current EP report. While it is non-binding, it addresses many points absent in the Commission's Communication.

Several points made in the report are of primary interest to us:

Lobbying Transparency (Paragraph 18 of the EP report):

We welcome the report's call for mandatory disclosure for corporate and other lobbyists and for balanced access between business groupings and other stakeholders groups. Such regulation is necessary in Brussels, where over 15000 lobbyists currently operate with no registration or disclosure requirements.

Social and Environmental Reporting (paragraph 27 of the EP report):

The report asks the Commission to implement a directive whereby integrated environmental and social reports are included along with required financial reporting requirements. We regret that a more prescriptive form of reporting is not advocated. However, a standardised system of reporting would enhance transparency, allowing consumers and investors to accurately assess companies without burdensome comparisons of dissimilar reports.

Foreign Direct Liability (paragraph 34 of the EP report):

Currently there exists no system in Europe for victims of corporate abuse in the developing world to seek redress against corporate negligence of a European company. In the US, the Alien Tort Claims Act, has allowed victims of forced labour in Burma and oil spills in Colombia to receive compensation in a US court for damages inflicted by American companies. As a self-professed champion of human rights, the EU cannot continue to ignore this issue. The EP report calls on the Commission to implement a mechanism by which victims can seek redress in European courts.

Directors' Duties: (paragraph 29 of the EP report)

Directors now have a legal obligation to pursue the long-term financial interests of the shareholders of a company. Extending this obligation to minimise harmful environmental and social effects, as called for in the Report, will create an incentive for directors to pursue socially and environmentally sound strategies. A minimum threshold of 1000 employees will keep SMEs free of any new regulatory burden. Similar legislation, the Companies Bill, was already approved last year in the UK.

Public Procurement: (paragraph 42 of the EP report)

The Report calls better use of the existing Public Procurement Directives (2004) which allow European member states to take into account environmental and social criteria in their purchasing policies. Used with standardised reporting requirements, EU member states would be able to take environmental and social criteria into account without problems of transparency.

For further information please contact:

Ruth Casals

Coordinator European Coalition for Corporate Justice

office: +32 2 542 01 87 mobile: +32 4 985123 06

info@corporatejustice.org

Paul de Clerck, Steering group member ECCJ: +32 494 380 959