



**Platform of European Social NGOs**  
*Plate-forme des ONG européennes du secteur social*

# **Corporate Social Responsibility:**

## **Social Platform response to the Commission's Green Paper**

26 November 2001

## Executive Summary

- **Companies should be encouraged to recognise that they have a social responsibility towards society, and to take effective steps beyond those required by law to meet this responsibility.**
- **Companies should adopt principles and proactive policies to counter discrimination and social exclusion, to promote gender equality and to respect the fundamental rights of all.**
- **CSR schemes should not be put in place without prior consultation with all relevant stakeholders, who should also be consulted concerning the implementation and monitoring of CSR schemes.**
- **CSR must be based upon corporations' activities on a global scale, not merely within the EU.**
- **At a minimum, standards of CSR must be based upon objective, international standards, such as the International Labour Organisation's (ILO) core labour standards.**
- **Companies should develop policies and put in place measures regarding the need to respect the private and family life of all their employees.**
- **Legal regulation is an essential means of controlling corporate action, and CSR cannot replace such regulation**
- **CSR must not involve rewarding corporations for complying with legal obligations**
- **CSR should not be promoted solely on the instrumental grounds of economic benefit**
- **Implementation of CSR standards must be independently verifiable**
- **Public authorities must also apply principles of social responsibility**
- **Social responsibility must be linked to the social economy**

## **I. General Principles for Corporate Social Responsibility**

The Social Platform recognises that Corporate Social Responsibility (CSR) is a subject of growing significance for private companies, governments, and civil society at a European level. We encourage the private sector to take positive steps to increase the social responsibility of their undertakings.

The impetus for work in this area comes from the Conclusions to the Lisbon European Council, which state that, ‘The European Council makes a special appeal to companies’ corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.’ Corporate social responsibility is important in the furtherance of the strategic goal adopted at Lisbon: *‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’*. However, such growth within Europe must at the same time support sustainable development in other regions of the world. Furthermore, the global dimension of CSR cannot be divorced from the European dimension: European companies cannot be described as socially responsible if they violate basic social and labour rights at a global level.

We welcome the opportunity to comment on the Commission’s Green Paper, and look forward to engaging in dialogue with the Commission, and with the private sector, concerning how to improve the social responsibility of companies. **We believe that the following principles must be borne in mind when addressing the issue of corporate social responsibility (CSR).**

### **1.1 Companies should be encouraged to recognise that they have a social responsibility towards society, and to take effective steps beyond those required by law to meet this responsibility**

Companies should acknowledge that their activities do not take place in a vacuum, but have an impact – whether good or bad – upon the whole of society. Companies must recognise the local impact of their actions, and, for an increasing number of companies, the global impact. This social responsibility cannot be limited to the consequences of their own direct actions, but must also apply to the behaviour of sub-contractors and business partners. Furthermore, the responsibility of companies towards society is at least as important as their responsibility towards shareholders: companies must recognise the importance of the general interest.

Companies should acknowledge that they bear a social responsibility, and take steps to ensure that the economic decisions which they take do not have a detrimental impact upon the social fabric of society.

### **1.2 Companies should adopt principles and proactive policies to counter discrimination and social exclusion, to promote gender equality and to respect the fundamental rights of all.**

Companies have a responsibility to take steps to counter discrimination in all forms, to take action to reduce social exclusion, and to base their policies and operational decisions upon a respect for the fundamental rights of employees and, more broadly, those of all members of society.

This responsibility should be reflected in the development of ‘human capital’ so as to avoid an elitist recruitment process by taking measures such as the implementation of life-long learning for employees, and through participation in local action against unemployment in partnership with placement agencies and actors of the social economy.

**1.3 CSR schemes should not be put in place without prior consultation with all relevant stakeholders, who should also be consulted concerning the implementation and monitoring of CSR schemes.**

CSR involves an engagement between companies and society, and so the criteria, implementation and monitoring of any procedure for CSR must only be put in place after full consultation with all stakeholders including trade unions.

**1.4 CSR must be based upon corporations’ activities on a global scale, not merely within the EU**

In this time of increasing globalisation, the global nature and impact of many companies’ activities must not be ignored. Companies must be judged upon their behaviour throughout the world, and not merely within the EU. This means that corporations which maintain high social standards, and good employment practices within the EU must not be described as socially responsible if they are acting in a socially exploitative manner, or condoning the same through their supply chain, in developing countries. This, of course, makes CSR harder to evaluate, but a global approach is the only meaningful index of corporate social behaviour.

**1.5 At a minimum, standards of CSR must be based upon objective, international standards, such as the International Labour Organisation’s (ILO) core labour standards.**

If CSR is to be meaningful, then the criteria for judging a company’s social responsibility must be objective, and not based upon subjective targets set by the company itself. The starting point for judging labour relations, for example, should be compliance with ILO core labour standards, rather than subjective targets.

**1.6 Companies should develop policies and put in place measures regarding the need to respect the private and family life of all their employees.**

These policies and measures must conform to the principle of equality, and must extend to negotiations on the length and organisation of working hours, salary levels, making certain practical facilities available for workers, and flexible working

conditions, including the nature of employment contracts and the availability of career breaks.

### **1.7 Legal regulation is an essential means of controlling corporate action, and CSR cannot replace such regulation**

It must be clearly emphasised that legal regulation is a necessary and effective means of controlling the actions of private sector companies. Furthermore, the growth of corporate power through globalisation necessitates more than ever that states and international institutions form an effective check upon multi-national corporations, ensuring that corporations act in accordance with fundamental social rights. The EU must not abdicate its responsibilities by colluding in a transfer of regulatory power from national and international government towards corporations, but work towards international regulation, which ensures the application of core labour standards. Voluntary commitments by private companies must not replace existing or future planned legal regulation, but the development of the EU's role in relation to CSR should not exclude the possibility of the law being strengthened and expanded to require new responsibilities (e.g. reporting requirements).

### **1.8 CSR must not involve rewarding corporations for complying with legal obligations**

Companies cannot be allowed to claim credit for actions that serve merely to comply with compulsory legal requirements. The discussion of CSR must involve actions that go beyond such requirements, whilst companies should be encouraged to improve compliance with existing law within their own operations, those of partners and suppliers.

As the Green Paper clearly states, CSR involves companies 'taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case' (page 3).

### **1.9 CSR should not be promoted solely on the instrumental grounds of economic benefit**

Whilst there are often economic benefits to companies as a result of adopting more socially responsible policies, the EU should not encourage companies to think of CSR as an economic win-win situation.

Whilst there may be benefits in terms of, for example, the increasing number of investors basing their decisions upon ethical principles, it is simplistic and misleading to imagine that there will always be a profit-motive for companies to act in a socially responsible manner. If this were the case then there would be no need for the Green Paper, or for measures to encourage companies to adopt CSR principles. Whilst the economic benefit of CSR is initially seductive, the EU should be wary of making such a link: CSR may involve economic costs to companies, both in terms of adopting new schemes and policies, and also in terms of revising existing practices (which may be very profitable) in order to become more socially responsible.

### **1.10 Implementation of CSR standards must be independently verifiable**

Similarly, CSR must be measured, or at least measurable, by sources independent of the corporation itself. In this regard, great caution should be exercised concerning the increasing number of private-sector consultancies undertaking ‘social audits’ of corporations. Such companies’ independence is clearly undermined by their financial relationship with their client company.

### **1.11 Public authorities must also apply principles of social responsibility**

Public authorities at European, national, and regional levels must also apply principles of corporate social responsibility to their own activities, including in the award of public procurement contracts, and in the operation of publicly owned companies.

### **1.12 Corporate Social Responsibility must be linked to the social economy**

The social economy is a large and important part of the economy, which has the general objective of promoting the well-being of society. Many of the aims of CSR are in accordance with those of the social economy, and we therefore call upon actors in the social economy to recognise this and to apply CSR principles within this field, and to ensure that where good practices already exist they are promoted to the private sector.

## **II. Commentary on the Green Paper**

The following points are made in response to the text of the Commission’s Green Paper.

1. The Green Paper sets out the ‘business case’ for CSR (page 4). Whilst there are often economic arguments for companies to pursue more socially responsible policies, as stated above (1.4) this is not invariably the case. There are many ‘win-win’ situations in which profit and social responsibility can be reconciled, and where consumers reward social good practices, but it must also be acknowledged that many business practices are simultaneously profitable and socially harmful. Indeed, short-term profit can sometimes be generated through a reduction of social standards (including, for example, employment conditions and damage to public health). This contradiction must be recognised by all actors.
2. We agree with the need to situate CSR within the context of the Lisbon goal (‘The political context, page 5). However, it must be made clear, further to point 1.2 that CSR cannot in any way replace the other tools of governments – both national and international – which can be used to strive for social justice. We strongly support, therefore, the statement in the Green Paper that ‘Corporate social responsibility should...not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation’ (page 7).

3. The Social Platform strongly supports the Commission's declaration that, 'observance of the core ILO labour standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour) is central to corporate social responsibility; their monitoring and compliance should be strengthened' (page 6). We believe that any CSR scheme which does not take account of this would lack credibility (see 1.6).
4. It is clearly important that companies address the social problems caused as a result of redundancies at times of economic weakness. However, we feel that the very real social impact experienced by those made redundant, and by their dependents, is understated and neutralised through the use of terms such as 'downsizing' and 'restructuring' to describe job-cuts (page 10).
5. We strongly support the Commission's acknowledgment of the need for an external dimension to CSR, which goes beyond the EU (see page 12, and our own 1.5, above). We also welcome the emphasis not only of the company's own practices, but also of sub-contracting upon a company's social responsibility. Companies must not claim to be socially responsible if they are encouraging or sustaining socially irresponsible practices by their subcontractors and business partners.
6. It is also important that CSR encompasses the provision of goods and services in an accessible and socially responsible manner (page 14).
7. The detrimental public health impact of companies, whether resulting from production processes (such as industrial pollution) or the nature of the product (such as the manufacture and marketing of tobacco products), is an integral and essential aspect of their social responsibility. Companies which make profits through causing damage to public health cannot be described as socially responsible. This public health aspect of CSR is missing within the Commission's Green Paper. Similarly, the discussion of CSR among those companies whose products can directly benefit public health is also missing: such companies should focus on promoting consumer access (right to health) and vigilant monitoring processes of consumer safety (right to survival).
8. The verification of monitoring and implementation of codes of conduct is crucial to their credibility (see 1.7). In this context we agree with the call for greater transparency and improved reporting mechanisms in codes of conduct within the Green Paper (page 16). Clearly much work remains to be done in developing agreed standards for social audits.
9. Moves to encourage companies to increase quality in work by developing the skills of employees are welcomed (page 20). However, companies should also be encouraged to apply the principles of social responsibility to the wider community, developing life-long learning and skills programmes for those currently excluded from employment, in order to provide a skilled and motivated base for future recruitment. Such programmes, in order to be effective, must include the participation of people experiencing poverty and social exclusion.

10. The Social Platform agrees that ‘social and eco-labels’ would only be credible if systems were implemented which ‘would require permanent verification of the workplace performed following agreed standards’ (page22).

### III. The Way Ahead

Social NGOs have a significant level of ambivalence concerning the area of Corporate Social Responsibility.

- *We remain concerned that companies could subvert the discourse of CSR into a public relations exercise, designed to minimise formal legal regulation.*

However, we recognise that honest and genuine attempts by companies to acknowledge their social responsibilities and to modify their behaviour could result in improvements in social conditions – both for employees and for society at large.

- *Voluntary self-governance could provide one means of realising social rights. This is particularly the case as large multi-national corporations often prove difficult to effectively regulate on a global level.*

However, we believe that rights can never be fully secured if their realisation relies upon voluntary action, rather than enforceable entitlement.

- *The independent monitoring of corporate codes could give them greater effectiveness and credibility.*

We are uncertain, though, whether EU institutions, trade unions, or NGOs, have the capacity to globally monitor the behaviour of multi-national companies.

- *The European Commission should commission research to examine the current extent of socially responsible business practice, and to assess its impact upon social welfare, health, environment and sustainable development, in particular focusing upon measures being taken to reduce social exclusion and to support the private and family life of employees.*

This would provide a firm basis for reflection upon the type of measures necessary to improve CSR.

**The Commission’s Green Paper raises difficult, but important questions. We would welcome an open debate between Institutions, social partners, and social NGOs on these issues, in order to develop methods for promoting social rights, not only within the European Union, but on a global basis.**

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*The Platform of European Social NGOs is an association of over 30 European non-governmental organisations, federations and networks that work in the social sector and uphold the interests of a wide spectrum of European civil society. The Platform includes associations of organisations representing women, older people, people with disabilities, unemployed people, migrants, people living in poverty, gays, lesbians, young people, children and families. The member organisations also include NGOs working on social issues such as social justice, homelessness, health and racism.*

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