

ECOS-001

Brussels, 27 March 2002

OPINION
of
the Committee of the Regions
of 14 March 2002
on the
Green Paper on Promoting a European Framework for Corporate Social Responsibility
COM(2001) 366 final

The Committee of the Regions

HAVING REGARD TO the Green Paper presented by the Commission on promoting a European framework for Corporate Social Responsibility COM(2001) 366 final;

HAVING REGARD TO the decision taken by the Commission on 25 July 2001, under the first paragraph of Article 265 of the Treaty establishing the European Community, to consult the Committee of the Regions on the matter;

HAVING REGARD TO its Bureau's decision of 13 June, 2000 to instruct Commission 5 for Social Policy, Public Health, Consumer Protection, Research and Tourism to prepare the Committee's work on this subject;

HAVING REGARD TO the conclusions of the Lisbon and Nice European Councils which emphasised the role of corporate social responsibility in addressing employment, adapting working conditions in the new economy and how it can contribute to the goal of building a dynamic, competitive and cohesive knowledge-based economy;

HAVING REGARD TO the draft opinion (CdR 345/2001 rev. 1) adopted by Commission 5 on 19 November 2001 (rapporteurs: **Ms Hanniffy** (IRL/EPP, Member of Offaly County Council and Member of Midlands Regional Authority) and **Ms Buron*** (F/PES, Member of Châteaubriant

Borough Council));

WHEREAS the concept of corporate social responsibility has been driven, to date, by large companies there remains great potential for all enterprises, including SMEs, and also the public sector, including local and regional authorities, to develop more socially responsible practices;

WHEREAS being socially responsible means more than just fulfilling legal obligations.

adopted unanimously the following opinion at its 43rd plenary session on 13 and 14 March 2002 (meeting of 14 March).

1. The Committee of the Regions' general comments

1. The Committee of the Regions welcomes the Green Paper as an important step towards a socially responsible inclusive and competitive Europe and in launching a debate on how the European Union can promote corporate social responsibility (CSR), how to encourage its acceptance and how to make the most of existing experience.
2. The Committee acknowledge that this Green Paper brings together the results of much thought and discussion on encouraging companies to contribute to a better society and that it also comes at a time when governance structures are being challenged to cope with the global economy giving rise to the need for fresh thinking on the relationship between business and society.
3. The Committee accepts that the principle of social partnership between business, governments, NGOs, individuals and civil society underlies the principle of corporate social responsibility and acknowledges that local and regional authorities can play a significant role in contributing to the development of CSR practices.
4. The Committee emphasises that a clear distinction must be drawn between business acting out of responsibility as opposed to philanthropy/charity/sponsorship and that the former philosophy underpins this initiative.
5. The Committee stresses that this proposal is based exclusively on the voluntary nature of CSR, while expressing its agreement with the Commission's statement that CSR should "not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation".
6. The Committee would consider that there is potential for better integration of CSR principles into other existing EU policies and programmes and that some of these programmes could be used for better research, promotion and benchmarking of CSR policies.
7. The Committee recognises that the issues set out in the Green Paper apply to both public and private sector bodies and would recommend that the proposed memorandum on White Paper would have more specific regard to the role of public authorities, including local and regional authorities, in the adoption and implementation of CSR principles.

2. The Committee of the Regions' recommendations

1. **The role of the European Union and the need for a framework**

1. The Committee acknowledges that while CSR is based on voluntary participation by business there is a role for the European Union in providing a framework for raising awareness, promoting CSR principles, assisting business and public authorities to incorporate CSR practices and highlighting best practice.
2. The Union could also promote better research on the impacts of the CSR practices on business performance and also the impact of CSR on particular target groups and social sectors.
3. The Committee recommends that the Commission carry out a study in order to take on board types of conduct and practices consistent with CSR within the European budget.
4. The Committee recommends that the indicators to be defined by the Community's Business Impact Task Force, if deemed suitable, should be adapted and implemented without delay.

2. **The promotion of corporate social responsibility**

1. The CoR considers that if CSR is treated as an investment rather than a cost, then business needs to be convinced and made aware of the business sense of developing a CSR approach. To enable this the Committee believes that a survey of consumer attitudes needs to be undertaken at an EU level to determine the level of consumer support for CSR products and services and assess the commercial benefit for business in investing in CSR.
2. The CoR further recommends a survey of businesses using CSR be carried out at the earliest opportunity to assess the impact of corporate social responsibility on business performance.
3. The CoR considers that the Commission should develop and provide a "tool box" for business and public authorities who are convinced of the need and benefit of CSR and who want to implement CSR principles using the best available practice.
4. The CoR believes that it must be determined whether the introduction of a CSR label for goods and services is really necessary and useful. Although the existence of such a label would help develop consumer awareness, the Committee is nevertheless equally aware of the potential for abuse of such labels. It therefore considers, in the event that it is decided to create the label, either publicly or privately, that there would be potential for monitoring of the standards of these labels, developing minimum objective criteria and policing their application in order to maintain credibility of the CSR process and protect the consumer.
5. The voice of those at the margins of society needs to be heard in the ongoing development of CSR. A small budget should be allocated to build capacity in such groupings to facilitate the development of a partnership approach.

The CoR recommends that CSR and the linkages between business and marginalised should be developed by slightly re-orienting the focus on existing funding streams where necessary.

3. Making the best of existing experiences

1. The Committee believes that best use must be made of existing experiences and sees the identification of good practices as a fundamental tool in achieving voluntary "buy-in" by the business sector.
2. The Committee also recommends that case studies from countries outside the European Union be included in this process as this has the potential to open up new vistas on how to carry out business in parallel with the development of society, thus leading to a more competitive Europe.
3. The Committee considers that CSR needs to be integrated into formal and informal education structures and a concerted effort should be made to include it on the syllabi of third level courses, in particular on business and administration courses.
4. The Committee would emphasise the responsibility of business to proactively engage with employees in relation to their on-going training and development. The rewards for business from increased employee ownership, the increase in workforce skills and quicker adaptation to changing conditions, resulting from the adaptation of a life-long learning strategy, need to be demonstrated.
5. The Committee emphasises that development in any one of the environmental, social, culture and economic areas does not happen in isolation. All are interlinked and progress in any one generates positive change in some or all of the others.
6. The Committee recommends that specific mention be made of cultural development in the Green Paper. The relationship between business and cultural development is already established and has potential to create social change and increased economic activity.
7. The CoR recognises the linkage between CSR and Social Capital and requests that this should be referred to. "Social capital refers to features of social organisation such as networks, norms, and social trust that facilitate co-ordination and co-operation for mutual benefit" (Putnam, 1995). Key concepts are:

- participation in social networks;
- participation in democratic structures;
- reduction of inequalities in society;
- building of trust and mutual cooperation.

The development of social capital leads to enhanced networking, increased trust and participation and ultimately a more socially cohesive society.

8. The Committee emphasises the role to be played by ICT in CSR, particularly its efficiency in speeding up information flows on good practice and in enabling business to communicate with employees and communities in an open and transparent manner.

9. The Committee recommends that the positive effects of a proactive approach to health and safety by business should be emphasised. Absenteeism due to illness and injury is a drain on companies' resources and a threat to competitiveness. Preventative strategies aimed at eliminating the causes of ill-health are an integral component of CSR.
10. Much work is now carried out by sub-contract. Businesses should encourage sub-contractors to adapt a proactive/preventative approach as outlined above.
11. HRM policies of business need to reflect on CSR and the training/development needs arising. Businesses should be encouraged to integrate CSR into employee training programmes.
12. The Committee highlights the key role to be played by SMEs. While accepting that large business may be the first to expand CSR activities the Committee feels that SMEs are uniquely placed to interact with their local communities to develop an enterprise culture. The linkage of the workforce to their immediate environment is an important factor in facilitating proactive dialogue between SMEs and civil society. SMEs will need structured support from existing funding streams as they are less likely to adopt CSR practices in the short term.
13. The Committee suggests that the use of mentoring as an example of CSR needs to be emphasised. A proactive interaction with developing enterprises leads to the creation of a more innovative and entrepreneurial society which in turn leads to increased profitability for existing business.

4. **The role of local and regional government in promoting CSR**

1. The CoR emphasises that local and regional government already does and can play a significant role in many of the initiatives to promote CSR with particular emphasis on:
 - development of local social partnership linking business, the third sector and the marginalised;
 - PPP development with an emphasis on impact on local community;
 - local awards/benchmarking;
 - support for SMEs;
 - developing local cultural initiatives linked to business;
 - definition of which local marginalised groups need to be targeted by business;
 - raising awareness of the linkage between community development and economic development;
 - co-ordination of training/life-long learning;
 - leading ICT development.
2. The Committee stresses the role of local and regional authorities in socio-economic planning. They have a special responsibility in the setting-up of permanent structures for the exchange of information, dialogue and project preparation, bringing together businesses (represented by the social partners) and other community players, especially in the fields of vocational training, employment, the fight against exclusion, and environment protection.

Representatives of the business world should be called on to participate in planning initiatives that involve their region, such as the drawing-up of local Agenda 21.

The Structural Funds, and the ESF in particular, could be used to support these participatory structures and help them to develop innovative experiences. The URBAN and EQUAL Community initiatives could also take account of local schemes promoting CSR.

Special attention should be paid to the impact of company restructuring on the local or regional community. Local and regional authorities should help to set up "strategic monitoring groups" to evaluate the impact of likely changes in business activity and create the conditions needed to accompany them in a manner that is acceptable to all stakeholders.

More attention should also be given to the security questions related to business activity and situation.

3. The role of local and regional government in economic and social planning should be highlighted with particular emphasis on creating dialogue between business and the community, thus minimising future conflict over proposed business development.
4. Local and regional government continues to outsource many of its activities to external contractors, in addition to owning and running companies and – as has been pointed out more than once – represents one of the largest sources of employment at local level. Moreover, local authorities carry out decentralised cooperation initiatives aimed at developing local communities in third countries. The Committee would welcome EU support for pilot-projects for the development of indicators to assist the implementation of ethical budgets by local and regional authorities. The CoR accepts that local and regional authorities can give a lead in relation to promoting good CSR practices by ensuring that their purchasing and procurement strategies are CSR compliant. Also to encourage this process the Committee would encourage local and regional authorities to establish awards schemes for good examples of CSR within their areas, to promote good practice.

Brussels, 14 March 2002.

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Albert Bore

Vincenzo Falcone

* Member of the CoR until 25 January 2002

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