

Brussels, 20 March 2002

OPINION
of the
Economic and Social Committee
on the
Green Paper: Promoting a European framework for Corporate Social Responsibility
(COM(2000) 366 final)

On 25 July 2001 the European Commission decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Green Paper: Promoting a European framework for Corporate Social Responsibility (COM(2000) 366 final).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 December 2001. The rapporteur was **Ms Hornung-Draus** and the co-rapporteurs were **Ms Engelen-Kefer** and **Mr Koffelt**.

At its 389th plenary session held on 20 and 21 March 2002 (meeting of 20 March 2001), the Economic and Social Committee adopted the following opinion by 117 votes to four with 14 abstentions.

1. General comments

1.1 Corporate social commitment is an important basis for creating and maintaining civil society institutions, and extends beyond existing national, European and international law. There are many positive examples which show that cooperation between companies and trade unions, as well as local bodies and associations, is a feature of local civic commitment. The issue now is for companies to apply CSR to develop good relationships with all stakeholders: shareholders, workers, trade unions, customers, suppliers, sub-contractors, local organisations and authorities – mainly in the human, social, financial and environmental spheres – on the basis of voluntary action and/or negotiation. The question for the EU is how to find ways of encouraging this development.

1.2 Globalisation leads to worldwide business networks, contractual arrangements and new forms of division of labour. This means that companies must increasingly consider the international dimension of their social responsibility. Companies with international operations often make an important contribution through their economic presence to improving living and working conditions in developing countries. By investing in production facilities or buying goods and products for processing from local companies, they help to create and safeguard employment, finance welfare services, improve the level of education, bring about structural change and thus strengthen the economy in these countries. However, if companies do not behave responsibly, considerable risks arise. These particularly concern the threat to local small business structures, exploitation of the environment and of raw materials, political interference, violation of core labour standards, trade union freedoms, child labour, forced labour and discrimination against women and minorities, etc.

1.3 Corporate social responsibility in the international context has been an important issue for international organisations for many years. The International Labour Organisation (ILO) introduced important principles with its Core Labour Standards; the OECD followed suit with its guidelines for multinational enterprises; and the United Nations has addressed the issue in the context of globalisation with Kofi Annan's Global Compact Initiative. In its Green Paper, the Commission raises the question of whether European rules are also needed to promote CSR.

1.4 Even if corporate social responsibility is not a new phenomenon, it is particularly relevant in the age of globalisation. The ever more vehement protests of anti-globalisation campaigners evidence the growing unease that people feel about worldwide networking and an increasingly "virtual" economy. The unease expressed in these protests is taken very seriously by the ESC. It advocates a broader dialogue in which these fears and misgivings are articulated and which enhances the transparency of the rules by which the global economy operates. Above all, the debate should encourage certain companies to make the necessary changes in their behaviour and so promote social responsibility.

1.5 The ESC hopes that this Green Paper will initiate a critical debate on the issue of corporate social responsibility, the basis of which must be the concept of sustainable development. Since the Gothenburg Summit if not before, sustainability in the environmental, social and economic fields has become an important frame of reference for economics and politics. We must try and ensure that a better balance is achieved between the "shareholder value" and the interests of workers and their representatives and other stakeholders - customers, suppliers, the local community and society. Companies must make profits in order to survive in a competitive environment, safeguard their future and so create jobs. It is in the economic interests of businesses to behave in a socially responsible way; it serves their own long-term interests. Corporate investors need a favourable and stable environment: legal certainty and harmony, fair relations at work and an investment-friendly social climate. Companies cannot be indifferent to the society in which they operate. Every business must take the social environment into account in its economic calculations and decisions.

1.6 The ESC supports the European Commission: corporate social responsibility is an important contribution to realising the strategic goal which the EU set itself at the Lisbon Summit of becoming "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".

1.7 But if the Lisbon objectives are the point of reference, then strengthening company competitiveness must also be taken into account. This is because competitiveness and profitability, as the basis for long-term survival, are the essential prerequisite for companies accepting social responsibility. The connection between business success and social responsibility must be seen in the following terms: social responsibility together with economic success contribute to a company's sustainability. It is therefore important to persuade companies to see social responsibility as a long-term undertaking, as a strategic investment in policies such as marketing, management tools and activities.

1.8 Corporate social responsibility is not just about creating and safeguarding employment; it is also about developing better jobs with adequate health and safety at work, taking the needs of people with disabilities¹ into account and promoting a culture of lifelong learning. Socially responsible behaviour means companies applying existing social rules in a committed way and endeavouring to build up spirit of partnership. This also means developing labour relations and promoting negotiations with and participation of workers.

¹ Cf. ESC opinion on the European Year of People with Disabilities (CES 1323/2001) of 17 October 2001

1.9 Profit, investment, consumption, labour costs, regulation, taxes, an optimum supply of goods, a high level of employment, growth, dignified existence, welfare, solidarity, mutual respect, self-discipline, morale at work, freedom and justice are inextricably linked and form the cornerstone of our system of values and economic set-up. In this context businesses must be managed successfully, which means they must be economically efficient and socially responsible.

1.10 CSR is a complex area that must be addressed carefully and thoroughly. Local cultural features and legal environments have a direct impact on the development of CSR. The Commission unfortunately overlooks this complexity, but it must be taken into account. Distinctions must be drawn between the different geographical levels of action (local, national, European and global), between developing and industrialised countries, between large multinational corporations, SMEs and micro-businesses, and between sectors. The Commission's observations also assume a traditional hierarchical company structure, whereas new types of structure and work organisation (part-time, teleworking, virtual companies, etc.) should also be considered.

1.11 Voluntary – including negotiated - action is one of the fundamental principles of CSR. Voluntary measures and initiatives give businesses the opportunity to develop appropriate company- or sector-specific approaches and models of social responsibility. Approaches that are developed inside companies and sectors are much better accepted than requirements imposed from outside. This realisation is reflected in existing initiatives - e.g. on social codes of conduct, at the level of the ILO, the OECD and the United Nations - which are all based on the principle of voluntary implementation of CSR measures.

1.12 The decision by a company voluntarily to implement CSR measures – whether in the form of codes of conduct, charters or quality labels – presupposes of course that it is also willing to make a binding commitment. The ESC welcomes relevant joint actions and voluntary agreements in relation to CSR between the social partners and partners to wage agreements, which may also provide for appropriate monitoring and evaluation mechanisms.

1.13 The principle that social codes of conduct should be voluntary also derives from another consideration. In the EU and its Member States, companies are obliged by law and by minimum standards to satisfy certain requirements – which are exactly the same for all companies – to help promote the development of responsible behaviour. CSR concerns activities that go beyond simple compliance with existing laws. It is no coincidence that the impetus to develop and apply social codes of conduct came mainly from those countries and cultures which have only limited social legislation. There is no question that companies have to respect existing laws. But all measures to strengthen CSR go by definition beyond existing legal provisions and can only be of a voluntary nature.

1.14 The ESC feels that the Green Paper does not sufficiently explore the particular role that companies in the social economy (third sector) play in promoting CSR. This is a pity, since this sector provides particularly good examples of how social responsibility can form the basis for business objectives. Many companies in the social economy regularly publish reports about their CSR measures or use specific instruments such as social audits or social balance sheets to assess their activities. The ESC believes that particular attention should be drawn to such activities.

1.15 The Commission generally approaches the issue of CSR too much from the angle of large multinational corporations. The majority of companies in Europe are small and medium-sized businesses, or micro-businesses, which require an approach to CSR that is specifically adapted to their situation and needs. In this connection the ESC notes that it is absolutely necessary to distinguish between the social dimension of corporate responsibility and the environmental and societal dimension. Environmental protection in particular is a new sphere for many SMEs, calling for other resources and approaches than the social dimension.

2. Levels of action - global level

2.1 There is still a wide gap in prosperity between the industrialised and developing countries. Because the economy in many developing countries is weaker and democratic and other representative structures sometimes underdeveloped, the terms of employment are often far inferior to those in the industrialised world. This means that there are still unacceptable forms of child labour, very low wages, suppression of trade unions and unhealthy working conditions.

2.2 Many companies have already introduced measures to improve working conditions that go beyond the existing legal requirements in their branches and subsidiaries - and even for their contractors, suppliers and licensees - in developing countries. Such initiatives are explicitly welcomed and supported by the ESC. Even allowing for the lower economic performance of developing countries, practices such as forced labour and extreme forms of child labour are unacceptable. All forms of discrimination against trade unions must also be precluded and freedom of association respected. By endeavouring, within their sphere of influence and with the resources available to them, to effect positive changes, companies with international operations are providing an important impetus to development as a whole.

2.3 In order for companies' positive potential to develop as effectively as possible, there must be a sound legal framework for business start-ups and investment, and for securing free international trade as far as possible - subject to the ILO core labour standards. The governments and authorities of the countries in question are called upon to provide this. They are also responsible for providing an efficient education system and effective social security institutions, which companies help to fund through the taxes they pay.

2.4 It is also the task of legislators, governments and authorities in the countries concerned to introduce appropriate social and employment legislation and to ensure that it is respected. Developing countries often fall short here, especially as regards the enforcement of legislation. For instance, child labour is banned in many developing countries, but without the ban being enforced. In addition, trade union rights are trampled on in many countries. The primary objective must therefore be to achieve application of the necessary laws and international workers' and human rights by the relevant state authorities. This is an important goal of the International Labour Organisation (ILO). The World Bank, the IMF and the WTO must also consider social responsibility when playing their international role. European companies operating in a given country can help, too, setting an example for other companies by respecting legal provisions themselves and encouraging local business partners to comply with employment laws. The legislation of the host country is thus

the basis and binding minimal framework for socially responsible behaviour by international companies.

2.5 Declarations and legal instruments of international socio-political organisations, especially those of the ILO, also provide important basic guidance. Although such declarations are intended first and foremost for governments, companies can promote the objectives contained in them within their own sphere of influence. The ILO Declaration of Fundamental Principles and Rights at Work of 18 June 1998 is a good example, expressing the commitment of the ILO member states to implement the following principles and rights considered to be fundamental in the workplace:

- freedom of association and recognition of the right to collective bargaining;
- elimination of all forms of forced or compulsory labour;
- effective abolition of the worst forms of child labour; and
- elimination of discrimination in respect of employment and occupation.

2.6 Other relevant legal instruments are the 1977 ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the 1976 OECD Guidelines for Multinational Enterprises, in particular the chapter in the latter on employment and industrial relations.

2.7 For companies to effectively practise their social commitment it is important that they be able to choose approaches which suit their particular situation and which best reflect their possibilities for dealing with business partners in developing countries. The market position of a large multinational company already gives it more leverage than an SME. In many sectors the tables are even turned, with SMEs from industrialised countries facing large market-dominating suppliers, over which they have very little influence, in the developing world.

2.8 Within the CSR framework, companies can focus on the issues that are particularly important for their sector and for the market in which they operate. Thus the textiles industry concentrates on child labour, whereas the oil industry has been particularly concerned about environmental issues. While one company will prefer external monitoring or certification, another will find internal action and monitoring more appropriate. What ultimately counts is whether the initiative is actually effective.

2.9 Some companies and sectoral associations draw up codes of conduct in which they undertake to respect or promote social and ethical standards or enter into a specific social commitment. Such codes of conduct are the expression of a particular corporate culture and philosophy and reflect the long-term social goals and priorities of the company or sector concerned. If a company or sector chooses to adopt this approach, it is important that their means of action should be realistically and credibly applied. This is the case for instance with codes of conduct that provide for progressive implementation of the desired social standards through partnership with suppliers and contractors in the developing countries.

2.10 In its Green Paper the Commission calls for companies to be answerable not only for their subsidiaries, but also for their suppliers, as far as CSR and compliance with legal requirements

are concerned. Although the ESC can understand this demand, it feels that it will be difficult to enforce fully. Hardly any company can provide a guarantee that certain labour standards will be respected by their suppliers and contractors. Given the increasing complexity of relationships with suppliers - production chains sometimes extend over several continents - such a guarantee would put too much of a strain on the legal and practical capacities of a company, especially an SME. However, businesses can demonstrate their social responsibility in relation to invitations to tender and contracts. The ESC agrees with the Commission's view that corporate social responsibility has an external as well as an internal dimension. This also applies to subcontractors and suppliers in developing countries.

2.11 The ESC is nevertheless aware of the practical difficulties. Even large companies often find it impossible to require that their main suppliers, never mind subcontractors, observe internal company CSR standards. The economies of most developing countries are characterised by a plethora of small and very small companies. Major European textile companies, for example, are easily dealing with 12,000 - 15,000 main suppliers in a country like India. The number of subcontractors can only be guessed at. It is primarily the responsibility of the countries in question to ensure that their laws are respected. Cooperation with trade unions and NGOs can also help to identify failure to respect standards.

2.12 Rules of conduct and corporate social commitment must take account of the local culture, traditions and economic environment. Rigorous enforcement of excessively high social standards in developing countries could, for example, be interpreted as an attempt on the part of the industrialised world to raise local labour costs and so deprive developing countries of a part of their competitive advantage. Problems of gender discrimination and failure to respect fundamental human rights as recognised by the international community cannot be put on the same level as competitive advantage. This would substantially reduce the cooperation of those countries that is essential to improving social conditions. Businesses nevertheless can, and should, undertake to overcome these problems through their CSR activities at company level.

2.13 The principles of CSR at global level are often enshrined in ILO agreements. The ESC stresses the importance of the ILO core labour standards as minimum requirements under international law that must be respected worldwide. But since ILO agreements are addressed to governments, they are only suitable to a limited extent as guidelines and a basis for action for businesses. The agreements need to be "translated" for implementation in companies. The ESC explicitly welcomes the ILO work on practical implementation of ILO agreements in companies and on the specific application of social codes of conduct in company supply chains.

2.14 In this connection the ESC welcomes the initiative of the European Commission (Communication of 18/7/2001 "Promoting core labour standards and improving social governance in the context of globalisation") in support of the ILO's efforts to improve respect for core labour standards worldwide.

2.15 The ESC notes that international institutions - especially the World Bank, the IWF and the WTO - must apply CSR. An important step in this direction would be to ensure when loans or trade concessions are granted that the companies involved respect at least the ILO core labour

standards in every case. The ESC also notes that international companies are already making a noticeable effort to alert their suppliers and contractors worldwide - and especially in the developing countries - to the advantages of good working conditions, and to achieve improvements by providing incentives, encouragement and advice and by setting a good example themselves². These efforts, which have a long-term perspective, will be most effective if a favourable environment is created in the countries concerned and the companies are given the necessary scope to maximise their innovative potential.

2.16 Companies' financial behaviour is also an aspect of socially responsible behaviour (e.g. money laundering, corruption, tax havens). More specifically, as far as socially responsible investment (SRI) is concerned, the Committee recommends that more precise criteria be used in the evaluation or rating of socially responsible company behaviour. These criteria should therefore be based on comparable elements (in environmental terms, there is no point in comparing a steel company with a bank).

Moreover, these criteria should not lead to companies being excluded solely on the basis of their products and/or spheres of activity (e.g. petroleum, microchips or aluminium production). Overall, the aim should be to improve the general framework for SRI, and this should involve both statutory and collective agreements at worldwide and European levels.

3. Levels of action - European level

3.1 In its Green Paper the European Commission raises the question of a new European framework for CSR. Companies are a part of society and operate in a social environment that is shaped by laws and collective agreements which regulate the labour market, reconcile interests on both sides and protect workers. This is accepted by all concerned and forms the basis for CSR in Europe, without the legal framework (social and environmental policy) suffering as a result.

3.2 Employee participation and representation of their interests at work are in most cases regulated by law (the Directive on European works councils and the information and consultation directive at EU level and in various ways within individual member states). The ESC calls for these existing rules to be consistently applied so that industrial change can take place in a socially acceptable way by reconciling interests on a fair basis.

3.3 In the context of existing social regulations, the main issue in Europe is to create an ethos in which CSR has a secure place. The European level is suitable as a framework for comparing

2

For concrete examples, see:

<http://oracle02.ilo.org:6060/dyn/basi/vpisearch.first>

http://www.csreurope.org/csr_europe/Databank/databankindex.htm

<http://www.csrforum.com/csr/csrwebassist.nsf/content/a1c2a3.html>

http://www.business-impact.org/bi2/case_studies_2k/

notes about successful CSR initiatives and for incorporating CSR into business strategies through awareness-raising.

3.4 Corporate social responsibility is not just a task of management and employee representatives. The state, municipalities, ordinary people and civil society must also make their contribution to social responsibility. The ESC is pleased that the Commission addresses this issue in its White Paper on European governance.

3.5 Companies are constrained by the environment they find in whichever country they are operating. This means that it is not mandatory, for example, to comply with an ILO convention in a country that has not ratified that convention and incorporated it into national law. Even if companies cannot, and may not, be called upon to compensate for government failures, their social responsibility should lead them to do more than just what they are legally obliged to do. The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises provides an important frame of reference in this respect. The ESC would point out that the ILO core labour standards apply as an aspect of human rights in all ILO member states, regardless of whether or not they have been ratified. Each member state is bound through its membership of the ILO alone to ensure that the core labour standards - union rights, collective bargaining, ban on child labour, forced labour and discrimination - are observed, and is also responsible for ensuring that companies abide by the standards. The European countries have a particular duty to incorporate the ILO labour standards into their national legislation. The European Union can generally play a proactive part when international agreements are drawn up by trying to ensure they are supported by a broad consensus and signed by as many states as possible.

3.6 The principle that CSR measures are voluntary is particularly important in the ESC's view. Establishing detailed, binding pan-European rules would be inappropriate. Uniform, detailed CSR standards create a risk of companies, especially SMEs and companies in the social economy, being forced into a straitjacket. Companies should have the option of developing tailored, sector-specific and particularly efficient approaches that are appropriate to their specific situation. General European principles agreed by the social partners could help to promote more widely the CSR practices that many companies are already applying. The ESC therefore explicitly welcomes action by the social partners to flesh out certain aspects of CSR, e.g. in the spheres of health and industrial safety or promotion of equal opportunities. The specific EU context of CSR could be developed on the basis of joint initiatives and voluntary agreements between the social partners, as for example happens in the textiles sector. The Commission could enhance transparency, coherence and good practice in this sphere by promoting partnership between the key CSR players.

3.7 CSR has both qualitative and quantitative aspects, varying according to sector and business situation, which means that monitoring and evaluation must also be managed differently.

3.8 The ESC welcomes measures that support and promote the publicising of examples of good practice with regard to socially responsible behaviour. A large number of networks that do this already exist in the member states, such as the French "Observatoire de la responsabilité sociétale des entreprises" (ORSE), a network to promote corporate social responsibility.

4. Levels of action - national and local level

4.1 The Green Paper discusses the impact of CSR measures at local level. The ESC notes that companies in the social economy (third sector) are generally SMEs or micro-businesses, which see the local dimension of CSR as their main task. Their local commitment to social and environmental responsibility is based on a long-term economic perspective in that they work for the community (e.g. neighbourhood assistance, integration measures, environmental projects). The Commission should draw more attention to this existing dimension of CSR at local level.

4.2 The ESC notes that CSR is both about encouraging a spirit of communication and about willingness to keep learning. People who can communicate with each other and are open to new knowledge are also able to live together in a socially acceptable way, so that there is no room for intolerance and discrimination based on ethnicity, disability, sexual orientation or gender. Anyone who knows something about other cultures, ways of life or philosophies will have a more open attitude towards them. This approach must be adopted in education, family policy and industry. Globalisation presents modern society with this challenge.

4.3 To be viable, companies need competent staff who can navigate the knowledge and information society freely and independently. Integration and application of new developments require that people be qualified and prepared and able to engage in lifelong learning. The ESC believes that governments, industry, the social partners and individuals have an equal responsibility here. Their roles must be clearly defined in an open dialogue.

4.4 Family policy, cultural policy and economic policy should no longer be seen in isolation. It must be made easier for families to have children; women must be able to continue working in the jobs for which they are qualified; and children must have the best possible education opportunities. Business must take account of the needs of employees who are parents and practise a family-friendly, i.e. socially responsible, strategy.

4.5 CSR requires not just a commitment on the part of managers and a socially responsible business strategy; it also requires people, employees, who are willing to apply CSR in their personal sphere of influence and to behave accordingly. The ESC therefore believes it is particularly important to invest in civic pride. Education systems can do this by inculcating in children from nursery school upwards a sense of belonging to a community, based on the principle of solidarity and the principle that each person must accept his or her responsibility. Families must be encouraged to serve the community with their children. Businesses can improve the climate for civic commitment by rewarding socially responsible behaviour and providing incentives to encourage staff to be socially committed.

4.6 The ESC welcomes the idea of social responsibility networks at local or regional level, which are already operating widely. Within such networks, businesses, social partners and the public sector cooperate with the other partners in organised civil society in order to develop and implement joint objectives for socially responsible actions. However, it is important to avoid overburdening SMEs at local level with additional red tape.

5. Conclusion

5.1 Corporate social responsibility is a key theme for the ESC, which will keep a close watch on and actively monitor its further development. The ESC hopes that the above remarks are taken into account by the European Commission when it gives further consideration to this issue. The principles of voluntary action and environmental, economic and social sustainability, together with guidance from international organisations' existing agreements are to be the European Commission's frame of reference for further initiatives in support of companies' efforts to act in a socially responsible way.

Brussels, 20 March 2002

The President
of the
Economic and Social Committee

The Secretary-General
of the
Economic and Social Committee

Göke Frerichs

Patrick Venturini

*

* *

N.B.: Appendix overleaf

APPENDIX
to the opinion of the Economic and Social Committee

Amendments defeated

The following amendments, which received at least one quarter of the votes cast, were defeated in the course of the Committee's debates:

To be positioned before the General Section

" 1.1 **Preamble**

Most observers of corporate behaviour would agree that companies have a huge potential for doing economic and social good for stakeholders as well as fulfilling their obligations to shareholders. Historically the raison d'être of the company is economic. By fulfilling its Corporate Economic Purpose a company also fulfils its legal and contractual responsibilities to stakeholders. In the last thirty years there has been an increasing understanding by companies, as well as politicians and observers, that some companies, on a voluntary basis, also have considerable potential to benefit stakeholders through programmes of corporate social responsibility. Such programmes need to be consistent with the Company's Economic Purpose and would generally involve business cases focussed on Company survival and success in the medium to longer term. Failure to achieve the Corporate Economic Purpose not only makes Corporate Social Responsibility impossible, it also means that stakeholders suffer immeasurable social damage. When the Corporate Economic Purpose is achieved, companies can have a considerable potential for making the world a better place. The ESC would urge the Commission to take more account of the Corporate Economic Purpose in its White Paper in due course."

Reason

The Green Paper gives inadequate recognition to the scale of social contributions companies make when they fulfil this Corporate Economic Purpose.

Voting

For: 45
Against: 79
Abstentions: 11

To be positioned before the General Section

" 1.2 *Corporate Economic Purpose*

1.2.1 The primary purpose of a company is economic and its principal relationships and responsibilities are legal and contractual, not voluntary. Indeed, all the elements of social cohesion – employment, community cohesion, national social cohesion, old age supported by savings and investment – can only be achieved if companies achieve their Corporate Economic Purpose.

1.2.2 Profitability is a key primary measure of a company's performance. Profit enables it to act competitively and invest in the future. The profitability of a company is continually tested by the challenge of market forces. These continually change the market environment of the company. A company fulfils its purpose if it survives these challenges and thrives. For this to be achieved a company's economic model must be sustainable in the long term.

1.2.3 Stakeholder relationships are legal and contractual, yet only by surviving and thriving can a company fulfil its obligations to maintain employment and the quality of employment, to maintain orders to suppliers and partnership relationships with suppliers, and to satisfy consumer demand and ensure customer satisfaction.

1.2.4 In the community in which it is located, a thriving company maintains employment, supporting employees and their families who in turn patronise local suppliers of goods and services; a thriving company is also itself a major customer for local suppliers of goods and services. A thriving company provides the economic lifeblood of its community and supports its social cohesion.

1.2.5 A thriving company pays taxes on its profit; it collects taxes from its employees on behalf of the government and contributes, with its employees, to social security funds. It also pays and collects VAT revenues for the government. The company is the central component of the national taxation system, which in turn funds the social model.

1.2.6 A percentage of the profits of a thriving company are paid as dividends to shareholders. Increasingly, these shareholders are pension funds and insurance companies, which manage the life savings of individuals in anticipation of old age. Such schemes rely on the profits and dividends of companies.

1.2.7 Profit is the measure of a thriving company. Declining profits hurt not only the long-term savings of private individuals, they also impact on employment, suppliers, customers and government revenues. Therefore a company should not sacrifice profit in the short term without expectation of profit in the medium to long term."

Reason

The Green Paper fails to recognise that civic society and social cohesion are dependent on companies achieving their Corporate Economic Purpose.

Voting

For: 47

Against: 86

Abstentions: 17

To be positioned before the General Section.

" 1.3 Corporate Social Responsibility

1.3.1 Corporate Social Responsibility is a continually developing concept. It involves an engagement with direct stakeholders, society and the environment which should also be in the interests of shareholders, especially if it underpins the long-term sustainability of the business model.

1.3.2 Direct stakeholders are customers, suppliers and employees. Basic relationships with stakeholders are contractual and legal. Voluntary extensions to relationships with direct stakeholders may involve arrangements that demonstrate socially responsible behaviour. For example, customers can be offered products from socially responsible suppliers and contractors, employment conditions may be 'affirmative' in many ways and involve extra investment in human resources.

1.3.3 Where extensions to direct stakeholder relationships are concerned, companies will normally seek to demonstrate via a business case that these actions, with the related costs, are in the interests of shareholders. This may involve long time-frames and require shareholder 'education' in some cases.

1.3.4 A more complex dimension of CSR involves the community; both the local community in which the company operates and society at large. In this context, the business case may be less evident and the payback will more frequently be long term.

1.3.5 *It is in the context of society at large that the overriding issue of sustainability occurs. A balance must be achieved between the sustainability of the company – its ability to survive and thrive – and sustainable development generally, with its three aspects – economic, social and environmental. The legal and regulatory framework for sustainable development may well need development to complement CSR initiatives. Indeed, CSR initiatives may well stimulate and shape such legislation or regulation.*

1.3.6 *By definition CSR is voluntary. Nevertheless there are existing frameworks. Companies may develop codes of conduct which define ethical and responsible conduct vis-à-vis stakeholders and the community. In addition, companies join together to combine their resources. Much business activity in the community has a philanthropic dimension.*

1.3.7 *On the basis of the analysis above the ESC can support the definition given in paragraph 20 of the Green Paper that CSR is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a "voluntary basis".'*

Reason

There is no definition of Corporate Social Responsibility in the Opinion. It is useful to contrast and compare Corporate Social Responsibility and Corporate Economic Purpose.

Voting

For: 40
Against: 95
Abstentions: 19

1.3 Insert the following sentence before the last sentence:

"Trade unions have made a key contribution to the development of this framework".

Voting

For: 59
Against: 76
Abstentions: 11

1.4 Change the last sentence to read as follows:

"Above all, however, the debate between employers and trade unions should encourage ... "

Voting

For: 56
Against: 83
Abstentions: 13

1.5 In the fourth sentence:

Replace "make profits" by "be competitive".

Voting

For: 46
Against: 81
Abstentions: 9

1.5 Add to the last sentence

"in order to give back to society and the environment what it took out when it was set up (existing housing, health services, schools and higher education institutions, transport, etc.)".

Reason

All interests are equally important, whether those of shareholders, employees, employee representatives, customers, suppliers, local authorities, society, etc.

Voting

For: 39
Against: 71
Abstentions: 15

1.7 Amend end of point as follows:

*"success is the **sine qua non** for assuming social responsibility, ... "*

Reason

Self-evident.

Voting

For: 61
Against: 82
Abstention: 10

1.8 Add the following at the end of the first sentence:

"... a culture of lifelong learning, as well as improving access to training and investing in continuing training for all categories of workers."

Voting

For: 66
Against: 67
Abstention: 6

1.9 Delete the following phrase in the first sentence:

... self-discipline, morale at work ... "

Voting

For: 54
Against: 66
Abstentions: 15

Point 1.9

Delete "system of values and".

Reason

The values of profit and of liberty should not be put on the same level, and neither should investment and mutual respect, or consumption and a dignified existence. It might be felt that they are closely linked, but they should not be grouped together indiscriminately to represent the current state of social Europe. This would give the impression that we have already eliminated all causes of poverty and exclusion from the labour market, and need only applaud our achievements.

"Form the cornerstone of our economic set-up" is already very optimistic.

Voting

For: 41
Against: 55
Abstentions: 10

Point 1.11: Amend the third sentence as follows:

*" Approaches that are developed inside a company are much better accepted '**by management**' than requirements imposed from outside."*

Reason

It remains to be proven that workers in a company are on the same level as the management or shareholders. Legislators (who make the law) and negotiators (who conclude sectoral or inter-trade framework agreements) have been legitimately elected or appointed, either by universal suffrage, or by a method of nomination based on representativeness. These democratic principles underpin the rule of law in the EU Member States, and there is no reason to suppose that they are not accepted.

Voting

For: 34
Against: 60
Abstentions: 13

Point 2.3

After the last sentence add:

" At the same time, the Committee feels that CSR must bear in mind that the practice of relocating unskilled production activities and encouraging immigration of highly-skilled workers in order to meet the labour shortages faced by European companies contributes to a weakening of human resources in the countries concerned."

Reason

There is little benefit in calling on states to make public investments in training top-level or future workers if this only encourages a brain drain. This matter is an integral part of corporate social responsibility.

Voting

For: 37
Against: 89
Abstentions: 12

Point 2.4

After the last sentence add:

" However, the voluntary nature of CSR enables European companies operating in such countries to refrain from using child labour, even when local legislation allows such practice, CSR can encourage companies in these countries to pay higher wages to parents than to their children, whilst still remaining well below European salaries."

Reason

This is a good example showing that, in this case, corporate responsibility is the same as social responsibility and that the voluntary nature of CSR can go beyond national legislation.

Voting

For: 48
Against: 71
Abstentions: 11
