



European Economic and Social Committee

SOC/192
Information and
measurement instruments
for CSR in a globalised
economy

Brussels, 8 June 2005

OPINION
of the
European Economic and Social Committee
on
**Information and measurement instruments for corporate social responsibility (CSR) in a
globalised economy**

On 15 September 2004, the European Economic and Social Committee, acting in accordance with Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on:

*Information and measurement instruments for corporate social responsibility (CSR)
in a globalised economy*
(Own-initiative opinion).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 24 May 2005. The rapporteur was Ms Pichenot.

At its 418th plenary session, held on 8 and 9 June (meeting of 8 June 2005), the European Economic and Social Committee adopted the following opinion by 135 votes to 2 with 18 abstentions:

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1. Introduction

- 1.1 In July 2002, The European Commission adopted new guidelines for the promotion of corporate social responsibility (CSR), and, in so doing, brought enterprises into its sustainable development strategy. CSR represents a form of implementation at micro-economic level of the macro-economic concept of sustainable development. In concrete terms the Commission defines corporate social responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Once it has completed a variety of work in this field, the Commission will present a new communication entitled "*Strategy for the promotion and development of CSR in the European Union*".
- 1.2 Directive 2003/51/EC of the European Parliament and the Council, dated 18 June 2003¹ amends the 4th Directive of 1978 on annual accounts and the 7th Directive of 1983 on consolidated accounts by introducing the following paragraph: "To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters".
- 1.3 Good governance of enterprises, which complies with the principles set out by the OECD on this matter, and socially responsible investment are assuming greater importance in the world

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cf. EESC opinion of 22 and 23 January 2003 on the Proposal for a Directive amending the Directives on the annual and consolidated accounts of certain types of companies and insurance undertakings (rapporteur: Mr Ravoet) (OJ C85 of 8.4.2003) and the Commission Recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies (Recommendation 2001/453/EC).

of business. Socially responsible investment means managing a portfolio of stocks and shares not just with an eye to their financial yield but also taking account of social and environmental criteria.

- 1.4 The European Economic and Social Committee attaches considerable importance to CSR which it wishes to see become one of the driving forces in a global sustainable development strategy. In the final observation of its opinion on this subject², the EESC stated that "corporate social responsibility is a key theme for the EESC, which will keep a close watch and actively monitor its further development". In its opinion, the EESC also took the view that a socially responsible approach had to be based on a real and proactive implementation of existing standards (legislation and collective agreements) and to be backed up by voluntary commitments going beyond those standards. The EESC also envisaged the establishment of a CSR geared to the specific context of the EU.
- 1.5 Debates are now being held in all EU Member States on the subject of CSR, even though laws and practices differ very considerably from state to state. The drive to increase awareness of CSR in the new Member States must be continued. This situation justifies the drawing-up of the present own-initiative opinion to coincide with the publication of a new Communication following on from the Green Paper and the work of the European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum).
- 1.6 Between October 2002 and June 2004, the CSR EMS Forum brought together, for an initial civil and social³ dialogue, representatives of about 20 organisations representing employers, networks of enterprises, employees and civil society bodies representing the other stakeholders. The working method, based, among other aims, on seeking to achieve consensus in order to promote transparency and convergence between the instruments employed, was designed to reach a common diagnosis of drivers and obstacles in respect of CSR and, if possible, put forward joint recommendations on the way forward. In addition to carrying out an appraisal of the factors which impede the promotion of CSR, on the one hand, and those which promote it, on the other, the CSR EMS Forum clearly pinpointed the incentives which should be introduced in order to stimulate awareness amongst stakeholders and to train them. The Forum further recommended that the assessment of CSR be based on the major international texts already endorsed by all the Member States.
- 1.7 Article I(3) of the Draft Constitutional Treaty stipulates that: "the Union shall work for the sustainable development of Europe based on ... a social market economy, highly competitive and aiming at full employment and social progress, ...". CSR is one of the instruments

² EESC opinion on corporate social responsibility (Rapporteur: Ms Hornung-Draus) – OJ No. C 125 of 27.5.2002.

³ It should be pointed out that the word "social" does not have the same connotation in French as it does in English. This has led French speakers to make a distinction between "social" and "sociétal". The term "social", which in French implies "industrial relations", is used to designate responsibility vis-à-vis internal stakeholders ("responsabilité sociale"). The term "sociétale", which in French implies "the community within which an enterprise operates", "the labour market area" and "the catchment area", is used to designate responsibility vis-à-vis external stakeholders ("responsabilité sociétale").

designed to maintain balance between the three pillars of the Lisbon Strategy: the economy and growth; employment and the European social model; and the environment. CSR thus provides a means of strengthening social cohesion and making further progress towards the creation of a knowledge-based society. This will bolster the economic efficiency of the EU and make EU enterprises more competitive⁴.

- 1.8 The increase in international trade has been brought about by enterprises of all sizes, even though a considerable percentage of this increase can be attributed to multinationals. Flows of goods, services and capital between states can take place within one and the same group of enterprises. We are indeed witnessing a globalisation of the economy, not just an internationalisation of trade. The growing role played by enterprises in this respect means that they have to assume an ever increasing amount of social responsibility extending beyond state frontiers.
- 1.9 Against this background, it is no longer sufficient to think solely in terms of the internal market of the EU. In the case of a large number of enterprises, the appropriate reference level has become the global market, in which various practices are being developed which have a bearing, either implicitly or explicitly, on various concepts of CSR. Even though they claim to be universal, each of these concepts represents the expression of a certain view of ethics, society, labour market aspects, broader social aspects and the environment.

2. From experimentation to maturity: moving towards greater transparency

2.1 International conventions, standards and principles⁵

- 2.1.1 There is a recognition, at worldwide level, that human rights, the dignity of workers and the future of the planet represent the ethical basis of economic activity. International and European standards have been set in respect of these values.
- 2.1.2 The international conventions, standards and principles which provide a benchmark at international level comprise: the ILO Declaration on international enterprises; the ILO Declaration on fundamental rights; the guidelines for multinationals set out by the OECD; and the UN's Universal Declaration of Human Rights.
- 2.1.3 To this list of basic texts should be added the UN guidelines on consumer protection and the safety and quality standards for food products set out in the *Codex Alimentarius*. With regard to environmental provisions and good governance, reference should also be made to the conventions listed in connection with the new GSP+ measures⁶.

⁴ The important and complex issue of the link between competitiveness and CSR will not be analysed in this opinion.

⁵ For a more exhaustive list, see the conclusions of the EMS Forum.

⁶ Conventions related to environment and governance principles:

- 2.1.4 The international community has committed itself to achieving the Millennium Goals by 2015. Under the Action Plan adopted at Johannesburg, the CSR is listed as one of the tools for achieving a more equitable and more inclusive globalisation. All the different forms of enterprises and all the bodies which finance them are thus called upon, as a matter of urgency, to make their contribution towards the sustainable development of the planet.
- 2.1.5 In its report entitled "*A fair globalisation: Creating opportunities for all*"⁷, the drafting group of the World Commission on the Social Dimension of Globalisation stressed that, if voluntary initiatives were to be credible, they had to be backed up by a concern for transparency and a readiness to be accountable, which presupposed the existence of effective systems for evaluating results, on the one hand, and the provision of public information and inspection mechanisms, on the other hand.
- 2.1.6 The EESC encourages all EU Member States to ratify all the ILO Conventions which concern them and to incorporate them into national law.

2.2 **The body of European standards**⁸

- 2.2.1 The Council of Europe has backed up these international reference points by adopting the European Convention for the Protection of Human Rights and Fundamental Freedoms and the European Social Charter. The EU Member States have provided themselves with their own body of laws, known as the "acquis communautaire" or "the existing body of EU law". The European Court of Human Rights in Strasbourg and the European Court of Justice in Luxembourg are guarantors of this body of European law. The EU's Charter of Fundamental Rights, proclaimed at Nice in 2000, marked a new departure by abolishing the division of rights into civil and political rights, on the one hand, and economic and social rights, on the other hand. The EMS Forum confirmed the underlying principles in respect of the gearing of the whole of this body of law towards the objectives of CSR.
- 2.2.2 Enterprises are an integral part of human society, not just a component of the economic system. Their primary function is to produce goods and deliver services, thereby creating jobs providing incomes and paying taxes. Enterprises are, thus, an integral part of human society. The economic performance of undertakings has, for a very long period, been measured by

Montreal Protocol on Substances that deplete the Ozone Layer
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
Stockholm Convention on persistent Organic Pollutants
Convention on International Trade in Endangered Species
Convention on Biological Diversity
Cartagena Protocol on Biosafety
Kyoto Protocol to the UN Framework Convention on Climate Change
UN Single Convention on Narcotic Drugs (1961)
UN Convention on Psychotropic Substances (1971)
UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
Mexico UN Convention against Corruption.
cf. EESC opinion no. 132/2005 of 9.2.2005 on the *Scheme of generalised tariff preferences* (Rapporteur: Mr Pezzini)

⁷ Report of the World Commission on the Social Dimension of Globalisation issued in February 2004; EESC opinion No. 252/2005 of 9.3.2005 on *The social dimension of globalisation – the EU's policy contribution on extending the benefits to all*; rapporteurs: Mr Tom Etty and Mrs Renate Hornung-Draus (COM(2004) 383 final).

⁸ For a more exhaustive list, see the conclusions of the EMS Forum.

means of management tools and accountancy instruments. These tools and instruments, which can be rendered more effective, are subject to regular adjustment.

- 2.2.3 The European social market economy model does not regard enterprises simply as capitalised companies or bodies for processing contracts but also - and more especially – as collective entities which should provide a forum for social dialogue. Capitalised companies exist only by virtue of their shareholders, whereas enterprises, irrespective of the rules to which they are subject, are an integral part of human society and not just a component of the economic system.
- 2.2.4 Enterprise models which take account of *stakeholders* are of real interest, when viewed alongside enterprise models geared solely to the level of return secured by *shareholders*. Enterprises will manage their responsibility more effectively if they are alert to the expectations of their various stakeholders.
- 2.2.5 In its Green Paper on *Promoting a European framework for corporate social responsibility*, the European Commission states that "corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment". In its opinion on the Green Paper and its opinion on the *Social dimension of globalisation – the EU's policy contribution on extending the benefits to all*, the EESC points out that: "socially responsible behaviour means companies applying existing social rules in a committed way and endeavouring to build a spirit of partnership with relevant stakeholders".
- 2.2.6 The Union needs to enhance the perception of what it means to be a European enterprise. It could encourage the dialogue and exchange of views between different players and types of experiences, in terms of measurement instruments for CSR, so that CSR practices continue to stimulate innovation and spread among different categories of enterprises.

2.3 **CSR instruments: standards and implementing criteria**⁹

- 2.3.1 The body of standards is implemented by means of specific instruments drawn up by public and private agencies (instruments which, for the most part, originate from common law countries); these instruments take the form of reference criteria and methods of applying these criteria. These instruments provide a variety of interpretations of the body of standards, linked to the socio-cultural background of the authors of the instruments. These implementing instruments have been drawn up by a number of bodies: associations of enterprises, public standards agencies, audit offices, assessment bodies, universities, citizens' associations and public authorities. There are many such instruments. Most of them are private initiatives and they are often in competition with each other and sometimes incompatible.

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See "ABC of CSR Instruments", drawn up by the European Commission's Directorate for Employment and Social Affairs.

- 2.3.2 A number of reference criteria have been publicised: these include international criteria, such as ISO 9000, ISO 14000, SA 8000, AA 1000 and GRI European criteria, such as EMAS, SME Key, Eurosif and the “societal balance-sheet”¹⁰ and national criteria, taking the form of rules, decrees and recommendations.
- 2.3.3 The operators – specialised analysts working for fund managers and social and environmental impact assessment agencies – consult the international body of standards. These operators draw up more precise criteria in respect of the principles (values) set out in the body of standards. The matching of the criteria to the standards is then measured by means of significant, useful, intelligible and comparable indicators.
- 2.3.4 These operators are responsible for making the assessment of non-financial risks credible to investors and consumers; this operation is tending to make CSR into a factor with regard to enhancing market competitiveness. The credibility of these operators needs to be ensured by means of self-regulation. The establishment of a standard, namely CSRR-QS 1.0 demonstrates that the profession is ready to take up this challenge.
- 2.3.5 The Global Pact launched by the UN Secretary-General constitutes one of the voluntary instruments which has been endorsed by over 2,000 enterprises worldwide.
- 2.3.6 The Global Reporting Initiative (GRI) guidelines are frequently used by a fair number of multinationals. The International Organisation for Standardisation (ISO) started work in 2005 on the specific task of drawing up guidelines on social responsibility¹¹ (ISO 26000).
- 2.3.7 Common ground on CSR has been found between the social partners in the framework of the work of the social dialogue sectoral committees¹². The following joint initiatives have been decided: a code of practice in respect of CSR in the hotel sector; a joint declaration on CSR in the field of commerce, a code of conduct in respect of the sugar industry and agreements in the textiles, leather and clothing industries and, more recently, in the banking sector.
- 2.3.8 In addition to the above agreements, codes of conduct and charters for enterprises have also been established. Some of these documents were decided upon unilaterally by managements, some were drawn up after consultations with the various stakeholders, perhaps including negotiations with representatives of the staff of the enterprises concerned. A number of these codes of conduct and charters have, however, been shown to fall short of the ILO standards.

¹⁰ The “societal balance-sheet”, drawn up by coops, mutuals and the non-profit sector, is a global diagnostic tool based on the “cross-appraisal” principle, involving internal and external stakeholders of enterprises.

¹¹ "Guidance and social responsibility"

¹² See the EESC Information Report on *The current state of co-regulation and self-regulation in the Single Market* (Rapporteur: Mr Vever) (CESE 1182/2004).

- 2.3.9 Other instruments have not been publicised. The precise methodology adopted by assessment agencies, i.e. the indicators used for measuring the correlation between each criterion and the standards concerned, represent the "machine tools" of the economic activity of the agencies concerned, which are in competition with other agencies.
- 2.3.10 The instruments may be intended for use by the enterprises themselves, on a voluntary basis, or for use by socially responsible investors. They may also be aimed at final consumers. Fair trade labels and environmental quality labels provide information on the choices available to individual consumers. Campaigns to boost awareness, such as the ethical labelling scheme, have helped to bring about a general recognition of the situation. This has, in turn, set in train responsible patterns of consumption. With regard to labelling systems, however, there are sometimes difficulties in drawing up uniform, valid criteria that offer sufficient guarantees and provide truly reliable information.

3. Making the measurement of CSR more reliable and more transparent

3.1 General observations

- 3.1.1 Instruments for measuring CSR have to comply with requirements in respect of coherence, relevance and reliability. These characteristics, and the links between them, need to be assessed by means of an approach which is based on universal values and relevant principles, whilst at the same time, respecting diversity.

3.2 The coherence of the instruments

- 3.2.1 There has to be coherence between the instruments and the body of international reference points.
- 3.2.2 The instruments also have to be in tune with the body of European standards and the existing body of European law (the "acquis communautaire").
- 3.2.3 Enterprises always have a liability to comply with local legislation. The added value represented by CSR does, however, vary depending on the socio-economic context in which enterprises operate (formally industrialised countries, emerging economies, poor countries).
- 3.2.4 In the less advanced countries, major enterprises may be called upon to make good the shortcomings of public authorities by taking responsibility for the health, accommodation and education of their employees and even of their families. In this context, CSR instruments can be useful to get a clear picture of the efficiency and interest for all stakeholders of the actions implemented by companies at their initiative.

3.3 The suitability of the instruments

- 3.3.1 One and the same criterion can be measured using a variety of indicators. To quote an example, "non-discrimination on grounds of gender" may be measured by determining the proportion of women who are members of boards of directors or who work at management level, the relation between the salaries paid to women and those paid to men or the number of hours of training provided for men and women respectively, etc. Turning to the criterion of "job creation", the indicator for measuring this criterion in the event of the relocation of production, gives an incomplete picture of the situation if it reflects solely the point of view of one area; an overall indicator has to take account of job losses in the original country of production and new jobs in the country to which production is transferred.
- 3.3.2 Considerable attention needs to be paid to the field real scope of the subject being measured. By way of example, the average salary paid to the employees of an enterprise will not represent a suitable social policy indicator if it imposes conditions on subcontractors under which they are unable to provide their own workforce with decent wage levels.
- 3.3.3 Bearing in mind that CSR involves going beyond legal requirements, the lack of uniformity of national laws may have damaging effects. By way of example, an enterprise producing a moderate level of pollution will receive a good assessment in a country in which the legislation on emissions into the atmosphere is non-existent, whilst an enterprise producing a similar level of pollution in a country with strict rules on emissions will receive a poor assessment. For this reason, it is essential to regard the social and environmental standards set out in the existing body of EU law as representing the minimum standards, whilst at the same time continuing efforts to improve them.

3.4 The reliability of the instruments

- 3.4.1 The indicator must make it possible to carry out a comparison, in terms of both time and space:
- it must make it possible to measure the year-on-year trend with regard to a given phenomenon;
 - it must make it possible to measure the same subject in different places. With this aim in view, there is a need to remove ambiguities. For example, investment in vocational training may include only amounts paid to a training body or it may include the wages paid to workers while they are undergoing a course of training.
- 3.4.2 It is not necessary to seek to aggregate data in all cases. For example, there is a good reason to add up greenhouse gas emissions since they have a global impact; the same cannot be said in the case of the amount of water consumed, since in this case the impact is measured in terms of local resources.

3.4.3 Indicators should be accompanied by "quality statements" which indicate, for example, which players draw up the data in question and the methodology used.

– Instruments used to measure physical volumes (such as measuring devices for gas emissions) need to be located in the right places and to be properly calibrated. In the case of indicators of a more qualitative nature, such as indicators used to measure vocational training, there is a need to specify the concept involved and to clarify the method of appraisal to be adopted.

– There is a need to specify the party responsible for collecting data since the status of the collectors and their respective role are matters which have an impact. It would be advisable for the parties responsible for collecting data at local level to have their data corroborated by the stakeholders concerned or by bona fide third parties. By way of example, technical data could be corroborated by a verification body, social data could be verified by employee representatives and environmental data could be corroborated by specialised NGOs.

3.4.4 This process – which gives rise to costs for the enterprises concerned – leads to a form of recognition (the introduction of labels, certificates, etc.). The process involves the intervention of a competent and independent external third party. The professional organisations concerned have an important role to play, in respect of both the reason behind the process and the outcome of the process.

4. Extending the use and improving the quality of the instruments

4.1 Developing the practice of providing information

4.1.1 It is becoming standard practice for large enterprises to issue annual reports. This is in line with calls for transparency with regard to business strategy, including practice with regard to CSR. The quality of the information does, however, continue to be very uneven. Improvements will therefore have to be made.

4.1.2 SMEs and non-quoted companies only rarely figure in the studies that have been carried out on the quality of information; these studies concentrate on large enterprises. Those SMEs and non-quoted companies which have obtained an EMAS or ISO 14001 certification are, however, obliged to produce a regular environmental statement. The cost involved in obtaining certification does, however, prevent many SMEs from embarking upon this exercise, particularly in view of the fact that it involves monitoring the situation at a given moment, thereby making it necessary to carry out regular reappraisals.

4.1.3 For reasons of lack of funding and human resources, SMEs cannot be asked to provide, from the outset, the same level of information as that requested of large enterprises. As a step towards progress in this field, SMEs should, nonetheless, be encouraged to inform their

stakeholders of the responsible practices – be they modest or considerable - which they have adopted.

- 4.1.4 There are also networks comprising private, public and parapublic bodies, including university research bodies, which provide information on CSR and promote this concept at national or European level, such as CSR Europe and the European Foundation for the Improvement of Living and Working Conditions (the "Dublin Foundation") or at world-level, such as the World Business Council for Sustainable Development (WBCSD) and the ILO database. These organisations should be helped to disseminate the results of their work, while informing users in a transparent fashion about the diversity of players and methods.
- 4.1.5 In a number of EU Member States, educational innovations are being introduced in schools with a view to stimulating consumer awareness. The body of international standards should form an integral part of the subject matter taught to young Europeans.

4.2 Differentiating the instruments

- 4.2.1 There is a need to reconcile, on the one hand, the existence of a single body of principles and, on the other hand, respect for diversity.
 - 4.2.1.1 Single body of principles: if appropriate, it should be possible to aggregate indicators in order to provide an overall picture of the policy pursued by the enterprise concerned.
 - 4.2.1.2 Diversity: the indicators used must take account of the socio-economic, legal and cultural situations, as well as the type and size of the enterprise, in the various geographical areas and the various vocational sectors.
- 4.2.2 It would be advisable for the indicators to enable comparisons (*benchmarking*) to be made on both a geographical and a sectoral basis, namely comparisons between different entities of one and the same enterprise or one and the same group, comparisons between entities operating in the same sector of activity and comparisons between entities operating in one and the same territory.
- 4.2.3 A number of specific tools should be provided; the indicators used in respect of industry, on the one hand, and services, on the other hand, cannot be strictly identical. Concrete indicators - on the basis of the same concepts – should be adapted in respect of: services of general interest and producers of standard goods and services; market and non-market sector activities; and multinational groups and SMEs; these indicators should be geared to the respective sectors of activity.
- 4.2.4 In the major industrial and service sectors, it is necessary, in the interests of sectoral cohesion, for the sectoral reference criteria in respect of CSR and the corresponding instruments to be drawn up on the basis of negotiations between sectoral federations – at European or other

appropriate levels – representing employers, on the one hand, and workers, on the other hand. The growth in the number of framework agreements between international trade union federations and multinationals is opening up a number of prospects in this regard. It would be a good idea for these criteria and indicators to be drawn up jointly by the partners engaged in the respective social sectoral dialogues, whilst being ready to accept any assistance which may be provided by other stakeholders.

4.3 Extending the area of utilisation of the instruments

- 4.3.1 The CSR instruments are serving the needs of an ever increasing number of players. Non-financial risks are now growing in importance; these include risks to reputation, risks affecting cohesion (the creation of bad labour relations in enterprises) and the risk of financial malpractice (corruption, insider dealing, fraud, unfair competition and counterfeiting). Investors, in particular a number of managers of save-as-you-earn schemes, ethical investment funds and socially responsible investors, are taking account of these non-financial risks which are becoming marketing criteria.
- 4.3.2 Export credits provided by banks and credit insurance provided by specialised companies should take account, in their ratings, to a greater extent than they do at present, of the sustainable development policy of the state concerned and of the CSR strategy adopted by enterprises operating in the state in question.
- 4.3.3 In cases where CSR practices bring about a quantifiable reduction in the risks to which enterprises are exposed, it would be appropriate for banks and insurance companies to take account of this in their tariffs.
- 4.3.4 The awarding of public contracts is, in most cases, based on the simple rule of accepting the lowest bid. It would be advisable for more qualitative criteria, such as attitude towards CSR, to be included in the tendering rules, in line with the approach to be adopted by the EU in connection with GSP+ in the field of trade preferences.
- 4.3.5 The EU is actually already including in its bilateral agreements (for example, in the EU-Chile Association Agreement) references to the guidelines set out by the OECD and intends to promote respect for fundamental standards in its trading relations with emerging economies, such as those of Brazil, India and China. The EU should systematically include on the agenda for the trans-atlantic dialogue the subject of reaching agreement on CSR and should also pursue this approach in the EU-Canada dialogue.
- 4.3.6 The way to bring about the more frequent use of the CSR instruments is by strengthening the mechanisms introduced by the OECD, in particular the quality of the national contact points of all the OECD member states. The EU should encourage other states which are not members of the OECD to comply with the guidelines set out by this organisation. Public

authorities in all the OECD member states have a particularly important role to play in ensuring that there is an effective monitoring system.

4.4 Establishing a new generation of instruments

- 4.4.1 The Global Reporting Initiative (GRI) guidelines are private reference criteria; these criteria, whilst being recognised, are susceptible of improvement. When these guidelines are revised in 2005/2006, European players should participate emphatically in the work of the GRI with a view to making its methods and criteria more appropriate to the European context.
- 4.4.2 In June 2004, the International Organisation for Standardisation (ISO) decided to set about drawing up guidance on social responsibility. Unlike the standards set out in ISO 9000, dealing with quality management systems and ISO 14000, dealing with management of the environment, the guidelines set out in ISO 26000 would not constitute a generic standard for management systems and would not result in the issue of certificates. An emerging economy, namely Brazil, and a formerly industrialised country, Sweden, are to jointly chair the working party and provide the secretariat. Work starts in March 2005 and is scheduled to last three years. The guidelines are set to be published at the beginning of 2008. The EESC is paying particular attention to this initiative.
- 4.4.3 The EESC recommends the establishment of an information portal on CSR practices adopted by large enterprises; the portal would be based on information provided by the enterprises themselves. The data would take the form of declarations made by the enterprises themselves; as things stand at present, the data would not be corroborated by the stakeholders concerned. It would be advisable for a comparison to be made, by an institutional observer, of the declarations of enterprises, on the one hand, and the appraisals made by stakeholders, on the other hand. The task of carrying out such a qualitative analysis could be entrusted to a body like the Dublin Foundation. The EESC proposes that this issue be discussed in connection with the work programme of the European Monitoring Centre on Change (EMCC).

5. Moving from a management initiative to voluntary participation in CSR involving the stakeholders

5.1 Transparency of the action

5.1.1 The commitments entered into voluntarily by enterprises must be publicised and it must always be possible to verify the effectiveness of these commitments. By way of example, an enterprise which declares its intention to open up access to employment to handicapped persons should publish figures showing the proportion of handicapped persons which it has taken on and the adjustments it has made in connection with the relevant jobs. Concrete information that is as comprehensive as possible makes it easier to gauge the extent to which an enterprise is fulfilling its commitments. As responsibility is measured by actions and not by words, enterprises have to demonstrate transparency.

5.2 Making a distinction between “communicating” and “reporting”

5.2.1 Reporting

5.2.1.1 "Reporting" involves issuing a public document providing an account of the way in which the enterprise concerned perceives the economic environmental and social impact of its activities. By issuing this report, the enterprise concerned accepts that the stakeholders concerned have a legitimate right to raise questions with the enterprise.

5.2.1.2 In capitalised companies, boards of directors have, from the outset, reported to general meetings of shareholders. For a very long time, public authorities have also demanded that information be made available, at least in connection with tax returns and social security contributions. Incomplete information has been provided to wage earners in many European countries for decades. The new departure is therefore that, in future, information will be more comprehensive and be made available to all civil society bodies.

5.2.1.3 The issuing of an overall report therefore provides a response to the explicit and implicit questions raised by stakeholders. Such a report constitutes an instrument of dialogue and it may include interactive consultation systems. On the basis of a detailed analysis of the indicators, the annual report shows the overall performance of the enterprise, i.e. its capacity to reconcile requirements in respect of economic results, social effectiveness and environmental impact. The annual report also sets out objectives, deadlines and implementing measures. This represents a general step forward.

5.2.2 Communication

- 5.2.2.1 Communicating information for the purpose of enhancing the standing of enterprises and providing the public with a positive picture of the enterprise represents another, quite different, exercise to that of "reporting". The former exercise represents a current public relations practice.
- 5.2.2.2 With a view to achieving this public relations objective, the communication officers of the enterprise concerned choose to spotlight the commitments entered into by the enterprise and the results which it has obtained in terms of good practice. As part of such a communication action, comparisons may be made with other enterprises in order to highlight strengths and to capitalise on the fact that the enterprise has been awarded quality labels. Such communication actions must not, however, take the place of reporting.

5.3 The quality of information

- 5.3.1 Irregularities in respect of the information provided regularly occur, be they financial irregularities (false reporting) or non-financial irregularities (misleading advertising). These practices are punished by law.
- 5.3.2 The provision of a high quality of information requires organisation involving the management board, which would be responsible, for example, for the following tasks: providing an interface between the enterprise and stakeholders; internal steering of work on CSR by establishing a network of correspondents; the collection and dissemination of best practice within the group; reporting; and the definition of a procedure for the internal collection of data, involving: consultations on the collection of data with stakeholders, discussions with representatives of employees tests to determine consistency, and validation by the competent team.
- 5.3.3 Different stakeholders are involved, depending upon the sector of production, state and territory. The most exhaustive possible lists of stakeholders should be drawn up. Enterprises will have that much more credibility vis-à-vis the media and civil society if they have involved the stakeholders in drawing up their CSR strategy.
- 5.3.4 The stakeholders concerned and/or bona fide third parties are involved, if the context lends itself to this, in the processes of collecting and issuing reports. In cases where these bodies do not exist, the codes of conduct adopted must, as a minimum requirement, make provision for the establishment of a monitoring committee. In the absence of trade union organisations, committees for health and safety at the workplace and local associations for the protection of human rights should be recognised as valid partners with a view to the organisation of monitoring. To quote a further example, in the case of food safety, research institutes and consumer associations would be involved. Distributors of goods and suppliers of services

should involve representatives of consumers and users when drawing up their strategies for sustainable development.

5.4 Dialogue with the stakeholders

- 5.4.1 Voluntary commitment has to go hand-in-hand with a well-organised dialogue with the stakeholders. Voluntary commitment is only a means to an end; the goal continues to be to create value and economic, social and environmental performance. By entering into voluntary commitments, enterprises therefore express their readiness to take action and to publicise their action.
- 5.4.2 This implies that enterprises enter into a voluntary commitment to take account of the expectations and interests of stakeholders and to improve the transparency of their actions in this field. The act of agreeing to enter into a dialogue with the stakeholders implies that the enterprise retains control over the commitments which it is to enter into. In the face of the plethora of expectations and interests, enterprises can prioritise their objectives in the light of objective reference criteria and their own strategies.
- 5.4.3 The various stakeholders are all entitled to express their expectations but not all stakeholders have the same level of legitimacy. It may thus be considered that internal stakeholders frequently have a higher level of legitimacy than external stakeholders. Furthermore, not all legitimate demands can be taken into consideration by enterprises, since they do not have infinite resources. Deciding between the various demands is a task which may be carried out through negotiation and consultation but, in the final analysis, the decision has to be taken by the enterprise concerned.
- 5.4.4 Dialogue is particularly important for the stakeholders forming part of the value chain. Customers have to help their suppliers and subcontractors to make their activities more socially responsible. Partners must not be subjected to paradoxical requirements, such as having to comply with a high level of labour-law standards whilst being offered inadequate prices for their products. Customers should rather assist subcontractors in order to help them make progress.
- 5.4.5 There is a need for a social dialogue on CSR in connection with voluntary strategy-formulation by enterprises. The involvement of representatives of employees should cover three stages: the establishment of the enterprises' specific strategy, taking account of the principles of sustainable development; the implementation of the measures required to comply with this strategy; and the independent monitoring of the effectiveness of the measures taken at all levels of the enterprise.
- 5.4.6 At European level, the voluntary and/or negotiated approach to addressing the implications of CSR in all those multinationals which have set up European enterprise committees marks a decisive step. It also makes it possible to involve the new Member States in this dynamic

process. European enterprise committees should play a role in bringing about the incorporation of CSR into the policies pursued by enterprises. They are also the ideal forum for internal stakeholders. It should, however, be borne in mind that a coherent policy on CSR also has to take account of the views of external stakeholders, in particular (a) all members of the overall workforce involved (temporary workers, employees of subcontractors working on the site, craftsmen and other self-employed workers working for the enterprise) and (b) all participants in the value chain (subcontractors, suppliers), whose views should be heeded to the greatest possible extent.

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