

## Peer Review Report

### Peer Review on Corporate Social Responsibility – Paris (France), 22 October 2013

#### Introduction

The French Ministries of Labour, Employment, Training and Social Dialogue; Ecology, Sustainable Development and Energy; Justice; and Economics together with the General Secretariat for European Union Affairs hosted a Peer Review (PR) on Corporate Social Responsibility in Paris, which brought together ministry officials from Ireland, Luxembourg and Slovenia, as well a representative of DG Employment.

The Commission representative emphasised the high priority given to CSR. The Peer Review process, initiated as a result of the 2010-2014 CSR Strategy document, provides an opportunity not only for countries to learn more about each other's approaches but also to start to benchmark priorities and performance. ICF GHK will also be responsible for preparing a new Compendium on CSR practices. The outcome of the whole process is hoped to point the way for further activities in the field. The Commission is particularly keen to learn about common horizontal themes of interest and then those prioritised by Member States individually.

#### Key features of National Action Plans or key initiatives being implemented by Member States

##### France

More than 50% of French companies with more than 50 employees are involved in some form of CSR activity. This is considered to be at least partly the result of a proactive CSR policy in France where a regulation on this issue has been in place since 2001. Activities include many sectoral and local initiatives.

CSR policy lies within the remit of 4 different ministries. Through the co-operation of these ministries a preparatory plan was sent to the European Commission which maps existing initiatives. One of the key measures taken as part of this preparatory plan is the formation of a national CSR working group, set up in June 2013, led by the Prime Minister. This group brings together various stakeholders (business representatives, unions, civil society organisations, public authorities, academics and experts). It will

- allow for a permanent dialogue between these stakeholders on CSR issues,
- foster collective policy development and actions on the matter, for instance by setting up working groups on specific topics (competitiveness, disclosure of non-financial information, SRI, implementation of international principles on CSR, etc.)
- promote best practices
- elaborate the next national CSR plan

The final strategy is still under consideration, but the approach lies in a balance between legislation and the development of supportive tools and actions.

The existing legal framework is structured as follows:

Since 2001, listed companies have been required to prepare and mandatory CSR report. This should include a non-financial statement containing information on the company's actions with regard to its environmental, social and worker welfare activities.

Further to a broad national debate in 2007, the legal framework changed in 2010, widening the scope of companies required to deliver CSR reports. This now also includes public companies whose shares are not publicly traded. Furthermore, other companies whose turnover exceeds a certain threshold

and who have more than an average of 500 employees during any given financial year are also required to deliver reports. In addition, co-operatives as mutual assurance companies are also required to deliver CSR reports irrespective of any threshold conditions. The new legal framework also extended the scope of items to be reported on. These CSR reports are assessed by independent parties to monitor their completeness. These independent parties submit a report to shareholders separate from the management report.

There is collaboration between the government and the Chambers of Commerce and industry to enhance their activities of the Chambers' members on CSR.

In the area of *socially responsible investment* (SRI), the French government is supporting the creation of new CRS labels. Furthermore, since 2012, new reporting obligations have been put in place for Portfolio Management Companies in the wake of the financial crisis. Furthermore, according to the law which created a Public Investment Bank, activities must be in place to support the evaluation of the environmental and social impact of the loans awarded by the PIB; identify key stakeholders; and advocate for measures to improve the social and environmental impacts of the PIB.

The government and public authorities themselves are also required to set an example. The so called 'exemplary state' plan was launched in 2008 and is currently under review. Under this plan particular attention is to be paid to socially and eco-responsible public procurement.

Plans have also been developed and put in place to strengthen the representation of the CSR on the secondary and tertiary education curriculum as well as in management training.

In the international domain, the French government supports CSR initiatives on human rights at different levels, e.g. International Organisation of the Francophonie, UN Committee for Food Security, etc. Support is also provided to CSR through international development policy. The French government addressed a "Roadmap on CSR" to all its ambassadors to encourage the development of CSR policies in third countries (e.g., through the development of standards, support to local initiatives, etc.). In parallel, through the Strategic Plan 2012-2016 of the French Development Agency, the agency aims to become a pioneer in the application of CSR principles in development policy.

Supporting factors for CSR:

- Role of public and private contractors (markets, contracts, calls for tender) to stimulate CSR
- Recognize and promote differentiation and companies efforts
- Mandatory disclosure of non-financial information to inform stakeholders on strategies and business practices

Obstacles to the development of effective CSR approach:

- Short-term strategy and investment enhanced by economic crisis;
- Heterogeneity of CSR practices between companies with the lack of common standards.

Other participating countries expressed significant interest in the experience of France which has taken a wide range of relevant initiatives. The following questions were raised:

1. How does France monitor the activities and behaviours of their companies abroad?

It was emphasised that private firms falling within the required thresholds have to disclose non-financial information, including their relevant strategies at home and abroad. This means that large French companies have to report on all the countries they do business with, including in relation to their social and environmental activities. Disclosure is therefore of particular relevance. Secondly, France backs the implementation of OECD guidelines for multi-national companies. The national contact points inform firms on the due diligence they have to do.

2. What lessons can be learnt from the French experience in drafting their NAP (which has taken a significant period of time to develop)? How important is backing at the highest level for such a plan?

It is important for the NAP to be developed in collaboration between key stakeholders. This improves the outcome and buy-in with the agreed actions, but also means that this can be a more time consuming process as it takes a long time to reach an agreed position. The plan contains a range of

initiatives which have already been implemented and which are likely to be ongoing as well as new activities. The Prime Minister's office is involved in every communication to the Commission. A new civil society platform has also just been created within the Prime Minister's office.

### 3. How are social indicators being developed for the activities of the Public Investment Bank?

The government follows how loans are agreed in public investments, but beyond this, the nature of decision-making is within the remit of the ministry of finance which was not able to attend the Peer Review.

## Ireland

Ireland is currently in the process of developing its first National Action Plan on CSR. For the government it is critical to highlight the benefits for business and communities of CSR approaches. The plan which is being developed is in line with European and well as national objectives. The lead lies with the Department of Jobs, Enterprise and Innovation working together with Business in the Community Ireland. The drafting also involves many other government departments including the Department of the Environment, Finance, Social Protection, Justice and Agriculture. It is anticipated that the Plan will be published in early 2014. The preparation of the plan has taken a little longer than expected because of an extensive period of internal and stakeholder consultation. The UN Guiding Principles on Human Rights are being looked at separately.

CSR is seen as a voluntary activity in Ireland with the government's role being to encourage businesses and to provide them with the tools to develop CSR as a 'cultural' development. There is also a focus on SMEs, although it is clear that many SMEs already have relevant actions which they may not necessarily call CSR. Among other priorities are to increase transparency and disclosure of CSR activity by enterprises operating in Ireland, in line with non-financial reporting requirements and to anchor CSR firmly in public bodies and wholly or semi-state owned companies.

There are 6 Key Pillars of CSR in Ireland

- Workplace (employment rights legislation; health and safety legislation; 'Excellence through people scheme'; 'work life balance day' and 'job shadow day' – an initiative aimed at disabled and disadvantaged people. As part of these initiatives, the apprenticeship system is also being reviewed and enhanced)
- Environment (through the National Sustainable Development Framework and National Biodiversity Plan; support is also being given to companies and individuals for resource and energy efficiency. Furthermore support is available to companies wishing to obtain the IS 14001 standard. A 'green hospitality award has also been launched given the importance of the tourism sector for Ireland)
- Marketplace (this aspect revolves around responsible sourcing and supply chain initiatives such as the 'origin green' food traceability scheme and the 'global sourcing' supply chain initiative)
- Community (Ireland has a strong emphasis on donating and voluntary actions and emphasis in on increasing such activities. However, this also includes initiatives to encourage local businesses to offer opportunities to disadvantaged groups and social enterprise)
- Corporate Governance (non-financial reporting rules and award schemes, such as those supported by the Chambers of Commerce)
- Public Sector (emphasis is on the role as regulatory but also in setting an example, such as in the design and application of public procurement rules)

Ireland already has many activities and a strong background of community engagement. Because of the structure of its economy, strong engagement with SMEs is seen to be a priority. Particular attention will be paid to a regular review of the implementation of the plan and holding the various stakeholders to account.

Participants expressed an interested in Ireland's approach which a strong mix of community participation and voluntary action. The following questions were discussed:

- What is Ireland's position with regard to non-financial disclosure from companies?

No final position on new proposals from the Commission on these issues has been agreed yet.

- What actions are envisaged with regard to the action plan on Business and Human Rights?

Ireland does not have a significant manufacturing sector with large operations in other countries including the developing world. It is felt that the government cannot influence what companies do in other countries, but it can encourage companies to act responsibly.

- To what extent can the public sector be a role model in relation to CSR?

Semi-state owned businesses - for example, in the gas and electricity sector - have a strong track record in working responsibly. They are considered to play an important 'signalling' role because they are present in most households.

- What can be considered to be the main common points and differences between the Irish and French approaches?

Although French has a more regulation-driven approach, Ireland considers that its legislative framework - which could also be considered to include aspects of CSR - is strong. Similarly, France has strong philanthropic efforts. However, it is clear that in Ireland the focus is on reducing burdens on businesses and voluntary social responsibility actions.

## Slovenia

Compared with France and Ireland, Slovenia stands more at the beginning in the development of a CSR approach. There is no one ministry with overall responsibility for CSR policy. The Ministry of Foreign Affairs takes the lead in relation to the UN Guiding Principles on business and human rights, whereas the Ministry of Economic Development and Technology is responsible for the OECD National Contact Point. The Ministry of Labour, Social Affairs and Equal Opportunities is represented on the Health Level Group on CSR and is responsible for the Act on Social Entrepreneurship. The Ministry was keen to link CSR to entrepreneurship as much as possible and make use of the available legal framework.

Civil society is organised in a network and plays an important role in developing proposals for CSR to be presented to government. The National Action Plan is still very much in the planning phase, and based on an agreement between the Ministry of Labour and the CSR network from 2012, a bottom up approach is being taken to help to ensure maximum buy-in from the business community. It was also agreed that to was important to ensure

- real-life implementation of selected policy priorities developed in a way that the economy and enterprises could and would subscribe to and follow them;
- that selected priorities need to take into account the current difficult economic situation;
- that selected priorities need to be complemented by existing relevant government policies.

The next step is that the CSR Network will develop a list of CSR priorities, submit them to the Ministry of Labour, which will communicate them further to other ministries and submit the final document for Government approval.

The term 'list of priorities' rather than 'national action plan' is being used in order to help overcome some negative perceptions. Progress has largely been slow because in the context of economic difficulties, closing the budget deficit is currently a key priority.

Overall, there is a low awareness of CSR – some stakeholders see such approaches as a remnant of the socialist times and, which can be a difficult perception to overcome. Awareness raising is therefore a key part of the approach towards CSR.

Because of the budgetary limitations and low level of staff resources available, an approach has been taken to link the issue of CSR to that of Social Entrepreneurship. This is being promoted as a business model for the future. A series of seminars and one-stop shops are being organised to promote understanding and take-up of this model. The concept is also being marketed to consumers as one offering greater transparency, as a mistrust of business is being detected among the population. The development of this approach has also involved good cooperation with the Chamber of Agriculture, with the establishment of a working group taking in representation from across the country. The chamber provides counselling services to everyone in the countryside keen to establish rural businesses. The Ministry of Labour is also development the model through its programme of youth

entrepreneurship, including the use of incubators to support new business ideas. Young people are seen as an obvious target group for a CSR approach and are considered to have a good understanding and appreciation of the underlying concepts. The combination of the two approaches is presented as a win-win situation.

Particular emphasis is also being placed on developing family-friendly enterprises and to achieve a change in culture in established businesses. The Ministry has sought to involve social partners closely in these measures.

Furthermore, the Ministry of Finance is working on regulation on green procurement, which is yet to be completed. The ministry of agriculture and the environment is also working on procurement and responsible supply chain management measures.

Significant emphasis is being placed on bottom up approaches. The use of legislation on Social Entrepreneurship has also helped to drive this agenda forward.

## Discussion on topics of interest

### Effective ways to support all businesses to develop CSR approaches

In a round of debate, the peer countries considered that among the most effective measures to support all businesses to develop CSR approaches were the following initiatives:

- Developing a consistent message

Peer countries agreed that the messages on CSR should be coordinated across central government – especially because CSR potentially covers many policy areas and affects many types of businesses. Businesses, stakeholders and the public should be presented with transparent information on the advantages of CSR, including fundamental facts tailored at the appropriate level.

- SMEs require additional support

Participating countries brought up the issue that SMEs tend to have little time or resource to develop new approaches in their business. Networks of support for CSR (e.g. businesses in the community) or the provision of a single, accessible online resource could help save time and money. Intermediary companies, such as consultancies could help support this.

- Minimum legislative requirements

It was emphasised that SMEs needed to remain exempt from the requirements of reporting legislation on CSR to limit the administrative burden. However, participating countries also agreed that some monitoring does need to take place and without an effective system to capture results, there is a risk that loopholes could be exploited. However, a voluntary system would be more likely to engender good will among businesses, and could ultimately be business-led.

- Education of individuals in business

Businesses are likely to implement CSR approaches and activities when the right people are involved to support this development. Managers and employee representatives (where applicable) should have some responsibility for ensuring that the business makes progress towards its CSR goals. Effective ethical behaviour can also be used as a marketing and promotional activity. Member states also discussed education more generally, including basic awareness of CSR, which should be for everyone. Members emphasised the importance of recognition of the CSR role within businesses.

### Effective ways to enhance the credibility and visibility of CSR

In a round of debate, the peer countries considered that among the most effective measures to enhance the credibility and visibility of CSR included:

- Ensuring 'labels' or awards reflect the working environment and are not burdensome to achieve

Participating member states reflected on the introduction of labels, especially in the food and hospitality industry. Some of the challenges that may affect the visibility and credibility of introducing these include: ensuring that they are independently audited (to maintain their integrity); are achievable

not just for larger companies (i.e. that they are not unduly burdensome on SMEs); reflective of the main CSR pillars; require some level of improvement in order to retain them; have adequate press coverage so that they are not just a piece of paper. Peer countries agreed that awards should be clear, universal, have a single message, independent, objective and should be completed regularly.

- Involving the press

Participants discussed that the tone of press coverage of CSR activities (those initiated by government or by businesses) can be difficult to predict. However, government does have a responsibility to provide prompt information and interviews (if necessary), to remain impartial and to have frequent contact and engagement with journalists across all geographies and sectors.

- Maintain a long-term vision (not just a political one)

Participants agreed that CSR was a cross-cutting issue that was not just a 'flagship' policy and required long term commitment. Short and medium-term goals should not 'clog-up' future long term goal-setting and decision-making. Participants discussed CSR as being a 21<sup>st</sup> Century business practice which sits within an emerging business environment and blurs the edges of the economic and the social. Gaining key government commitment to CSR takes time, persistence and effort – member states agreed that it had been a challenge for all of them. Building trust through intergovernmental negotiations also helps to raise the visibility of CSR. Participants also agreed that a groundswell of public opinion can help to start the process of raising awareness among civil servants.

- Implementation of CSR rather than theory

Future guidance about implementing CSR should explore 'how-to' guides and approaches, including how to embed findings from theory. Implementation, not information dissemination, was discussed as the next step in terms of gaining buy-in. Member states expressed how good examples of this would be a profound way of raising awareness and thereby enhancing the visibility of CSR.