

## Peer Review Report

### Peer Review on Corporate Social Responsibility - Rome (Italy), 5 June 2013

#### Introduction

The Italian Ministry for Labour and Social Policy hosted a first Peer Review (PR) on Corporate Social Responsibility in Rome, which brought together ministry officials from Bulgaria, Germany, Italy and Malta, as well a representative of DG Enterprise and Industry (henceforth DG ENTR). The hosting country had additionally representation from the regional level, which plays an important role in the implementation of CSR measures in Italy. In addition, two observers from the French Embassy were also present.

As underlined by the Commission representative, the initiative to hold Peer Reviews on CSR arises out of the Commission's 2011 Communication on a Renewed EU Strategy 2011 – 2014 for CSR<sup>1</sup>, in which the Commission expressed its intention to create a PR mechanism for national CSR policies. Similarly, the Communication invites Member States to:

*'develop or update by mid-2012 their own plans or national lists of priority actions to promote CSR in Support of the Europe 2020 strategy, with reference to internationally recognised CSR principles and guidelines and in cooperation with enterprises and other stakeholders...'*

Member States are also asked to prepare specific Action Plans on Business and Human Rights or to clearly integrate such actions into their National Action Plans on CSR.

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

##### Italy

Italy agreed its [Action Plan on CSR 2012-2014](#) in March 2013 through a process of inter-ministerial consultation and a period of consultation with stakeholders including social partners and NGOs. The Plan presents not only current and forthcoming initiatives at the level of central government, but also provides an overview of the wide ranging measures being taken at regional level. It is formulated around five key objectives, each consisting of a range of initiatives:

1. Increasing the culture of responsibility among enterprises, citizens and local communities: including measures to identify and disseminate good practice and to raise awareness and trust among consumers;
2. Supporting enterprises adopting CSR approaches and contributing to the enhancement of 'market rewards for CSR': through tax relief, awards and administrative simplification (for example in public procurement processes);
3. Promoting the initiatives of social enterprises, the third sector, active citizenship and civil society;
4. Encouraging transparency and disclosure of economic, financial, social and environmental information: including through reporting and disclosure requirements and standards for extra-financial reporting;
5. Promoting CSR through internationally recognised instruments and international co-operation: measures here include the promotion and application of standards such as the OECD Guidelines for multi-national enterprises, the UN Global compact and ISO 26000.

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A renewed EU strategy 2011-14 for Corporate Social Responsibility. Brussels, 25.10.2011 COM(2011) 681 final

As well as the strong regional focus, another feature of the Italian approach to CSR arises from the strong representation of SMEs in the market and the important share of agriculture within the economy. Specific measures are therefore targeted in this area and there is a particular emphasis on initiatives to encourage social inclusion, for example for disabled and other socially and economically disadvantaged individuals.

Participating peer countries expressed an interest to find out more about the following aspects of the Italian Action Plan and approach:

- The weight given to environmental actions, given that the presentation focussed more on the social aspects of the CSR agenda.

Representatives from Italy stressed that the approach to CSR was holistic, taking full account of all areas of CSR (social and environmental) and enterprises and other stakeholders were encouraged to take actions in all these areas. Further information on specific environmental initiatives is available in the National Action Plan and the standardised framework of indicators proposed here is intended to help companies to address CSR in a holistic way.

- The precise use of the Key Performance Indicators (KPIs).

These are not developed independently of existing standards such as ISO 26000. However, because full certification is costly and most enterprises in Italy are SMEs who do not have the resources to fund this certification or consultants to help them achieve this, the government developed the KPI toolbox which can help lead to certification.

- The co-ordination of activities with the wide range of stakeholders involved in drafting and delivering the Action Plan.

In order to involve all stakeholders, a representative Round Table has been organised which contributed to the drafting of the Action Plan and is in regular contact for updates on the implementation. The government also maintains a list of stakeholders and their competences which helps them to organise tailored activities.

Main points from Italy's national action plan: 1) its emphasis on actions at national, local and in particular the regional level 2) the involvement of stakeholders in decision-making and implementation.

## Germany

The country's economic and industrial structure is strongly reflected in Germany's approach to CSR, where the Federal Cabinet approved the country's [Action Plan on CSR](#) in October 2010. The Action Plan was adopted following a period of consultation in a multi-stakeholder forum. The Federal Ministry of Labour and Social Affairs is responsible for CSR, but depending on the field of initiative, responsibility for planning and implementation is shared with other ministries. The plan places strong emphasis on the core principle that CSR should be integrated into core businesses approaches and should not be an add-on. CSR should therefore be voluntary, but not arbitrary.

The Action Plan includes 35 actions in six intervention areas. Only a sample of these activities were presented at the Peer Review in Italy, but the emphasis on supporting CSR in SMEs, as well as in international business supply chains reflects the structure of German business (strong representation of multi-nationals and export orientation as well as reliance on SMEs; the so-called *Mittelstand*). Activities include:

- The federal government is investing a total of €40 million (including ESF funding) in a CSR guidance and coaching programme for SMEs.
- Awareness raising and the sharing of good practice are supported by the award of a CSR prize by the Federal Government. The award process involves not only the completion of a questionnaire by businesses themselves but also feedback on the implemented approaches by stakeholders and a final judging panel, made up of members of the multi-stakeholder forum.
- Further awareness raising and multiplier effects are achieved through the dissemination of a brochure and webpage CSR – made in Germany. In terms of sustainability supporting, which

businesses do on a voluntary basis, the government is seeking to set an example by preparing annual sustainability reports on their own internal actions.

Germany is in the process of finalising the actions set out its 2010 CSR strategy and a renewal of the action plan, as well as the formulation of a separate action plan on business and human rights is being considered.

Participating peer countries expressed an interest to find out more about the following aspects of the German Action Plan and approach:

- The method used to select companies to be awarded CSR prizes

It was explained that CSR award processes are decided through a set procedure which involves a questionnaire being distributed to companies – those who are able to complete all sections of the questionnaire satisfactorily are entered into the running for the prize. An independent stakeholder stage verifies company claims and then a panel of judges (individuals nominated by the decided by the multi-stakeholder forum) determines the companies who should obtain the award.

- The method used to raise awareness of CSR with consumers and businesses

Consumer awareness on CSR is considered to be particularly important as this can apply pressure to companies to improve their practices. This is done through web-dissemination of CSR information. Consumer organisations are also closely involved and very active in the CSR strategy.

- The German view on the international standard ISO 26000

The German delegation indicated that the government welcomed the adoption of ISO 26000. They also agreed that these standards should not be certifiable because of the difficulties in defining and verifying the reaching of the standards. This is partially due to the fact that there is some level of self-assessment involved. However, the ISO standard has good provenance because 100 countries and many stakeholders were involved in its development. It is not widely known at present because resources have to be invested, including producing a brochure to explain it.

Main points to arise from Germany's national action plan: 1) assistance to SMEs and 2) raising business and consumer awareness through awards and strong dissemination efforts.

## Bulgaria

Bulgaria developed its own approach even earlier, agreeing its first CSR Strategy in 2009 to cover a period from 2009-2013. Since then, the responsible Ministry of Labour and Social Affairs (together with other relevant ministries) has developed and delivered a specific action plan on an annual basis. The Strategy was formulated on a basis of an assessment of CSR approaches in the Bulgaria and the actions laid down in it sought to address the identified shortcomings. Priorities were agreed in consultation with a stakeholder group made up of the government, representatives of social partners, NGOs and academia.

The five strategic objectives formulated in the action plan have since been implemented through two annual action plans with the third currently in the process of development. On the whole, assessments found that the annual plans have in the past been too ambitious (with as many as 52 individual actions) and it would be beneficial to focus efforts on fewer core initiatives, which, in order to succeed, would have to have their own defined budgets. In one area, the lack of funding is currently being overcome by initiating a joint project with Switzerland which covers different aspects of CSR and seeks to boost learning and awareness-raising.

Participating peer countries expressed an interested to find out more about the following aspects of the Bulgaria Action Plan and approach:

- Whether Bulgaria had found the ambitious setting of annual targets and goals helpful in implementing its Action Plan.

Based on the experience that it can be difficult to attain some of the goals in such a short timeframe, Bulgaria is considering whether to change this and to adopt a multi-annual rolling work programme instead.

- Whether there was capacity in the research and consultancy community to assist with the implementation of the Action Plan.

Researchers had indeed been involved in the development of the plan and a current Bulgarian-Swiss implementation project is further exploiting the links between research and practice.

Main points from Bulgaria's CSR activities: 1) the process of annual action planning and regular monitoring, and 2) transnational co-operation for policy learning.

## Malta

Malta is currently in the process of formulating its National Action Plan – a process which was launched in 2012 and involves a wide ranging process of consultation at government and stakeholder level. It is considered to be particularly important to involve businesses and to assure them that CSR policies will not lead to additional costs to business but can be integrated into existing actions, particularly at a time of financial stringency. The proposed action plan will have the following six objectives:

- Encourage a business driven social responsibility agenda;
- Raise Stakeholders' Awareness of CSR and Good Corporate practices;
- Strengthen the capacity of stakeholders in CSR;
- Encourage CSR initiatives relating to Environmental protection;
- Encourage CSR initiatives relating to Transparency and anticorruption;
- Integrate the UN Business and Human Rights Agenda in the CSR Nation Action Plan.

The adoption of the plan is anticipated for 2013/2014.

Participating peer countries expressed an interest to find out more about the following aspects of the forthcoming Maltese Action Plan and approach:

- The legal nature of the action plan and who is responsible for approval

This is still in the process of development as various inter-ministerial groups are approving sub-strategy documents. They will then make final recommendations – the target date is the end of the year.

- If there was any co-operation with other Member States in order to learn from them.

The biggest challenge is to persuade the business community of the benefits of a CSR strategy rather than only considering the potential costs. Malta is trying to address this through a forum to exchange information on how CSR can be integrated without large cost impacts as well as drawing on experience from other countries.

Main points from Malta's CSR activities: 1) persuading businesses and stakeholders of the benefits of CSR 2) integration of the Business and Human Rights Agenda into the CSR National Action Plan.

## 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:

### **Horizontal / cross cutting themes**

- Increase market leverage for CSR, i.e. by offering advantages through procurement processes, reduced red tape, as well as public recognition which can be capitalised through consumer appreciation.

Italy, for example, has systems in place at regional level which awards companies implementing CSR practices with additional 'points' in public procurement processes. Another benefit can be reduced requirements to provide certain documentation when applying for public contracts. In Germany, greater emphasis is placed on increasing consumer pressure and appreciating for good environmental, supply chain and social practices, which is supported through awareness raising and the dissemination of information.

- Agreement that the revised EU Public Procurement Directive would be used in a positive way by the Member States.

The role of procurement regulation was also discussed in the context of the recent proposed amendments of the EU procurement Directives. These are considered to be an important driver for the promotion of CSR. Uncertainty, over the status of social or environmental clauses in procurement, for example, can act as a barrier to the utilisation of these levers.

- Develop the relationships between enterprises (e.g. large company and SME in the supply chain) and the relation between enterprises within networks.

It was generally acknowledged that it is more difficult for SMEs to make available the capacity to develop clear CSR approaches. The NAPs for all countries represented at the PR (including the draft priorities being established in Malta) include strong emphasis on support and learning for SMEs. Having said that, much of the adverse publicity in areas of CSR (including supply chain management) has been associated with larger companies, demonstrating not only more room for improvement, but also the challenge and requirements for stringent monitoring of CSR commitments already in place. Germany has made available a significant programme of support for SMEs to avail themselves of consultancy advice on CSR practices. Italy and Bulgaria are more focussed on partnership approaches and peer learning between SMEs and larger companies.

- Need for awareness-raising; different approaches for different types of enterprises.

In line with the previous priority, it is clear that there are still a significant number of companies who are not aware of the business benefits of CSR approaches, and as well as good practice sharing. Awareness raising on the business case remains an important challenge which is tackled in the National Action Plans.

### **Vertical theme**

- Need to incentivise ethical behaviour in the banking and financial services sector.

Specific reference was made – also in the context of the financial crisis and its impact on the global economy – of the importance of ensuring ethical investment behaviour among banks and finance companies. Many Member States are currently in the process of considering measures to help with supporting such practices.

### **Effective approaches to enhancing the credibility and visibility of CSR**

The peer countries also discussed most effective approaches to enhancing the credibility and visibility of CSR. Key points raised included horizontal / cross cutting themes in the following areas:

- A need for greater transparency and clarity. It was argued that in some languages, the translation of the term 'corporate social responsibility' is not very telling and further efforts are therefore required to clarify the concept and the benefit of such approaches to consumers.
- In some countries there was considered to be a need to build stronger civil society organisations which could effectively push businesses and organisations towards adopting more socially, environmentally and financially sustainable measures. This includes the involvement of all key

stakeholders at all levels (including the local community). Clear and transparent reporting is of high importance.

- Delegates discussed the Commission's proposals on reporting and concluded that there was currently no consensus on this issue among Member States. On the whole stronger support remained for voluntary reporting with the aim increasing the visibility of CSR measures. Education of consumers who create the demand side for CSR was also mentioned as an effective approach.
- The need for better education was echoed in various ways – both for consumers and for business leaders and managers. In terms of the latter, initiatives are now under way to develop dedicated curricula at university level, which are considered to be helpful. Consumer education through clear labelling and reporting was also considered to be important.

#### **How Structural Funds can be used to enhance CSR practice (horizontal theme)**

A further topic was introduced to explore how Structural Funds can be used to enhance CSR practices. ESF and ERDF resources are used in some countries to support CSR measures, but these resources remain under-exploited. Existing national programmes can be used for this purpose. Furthermore, during the drafting phase of national implementation programmes key targets can be set to support such initiatives.