

Peer Review Report

Peer Review on Corporate Social Responsibility – Helsinki (Finland), 7 November 2013

Introduction

The Finnish Ministry of Employment and the Economy hosted a Peer Review (PR) on Corporate Social Responsibility in Helsinki, which brought together ministry officials from the Czech Republic, Greece and Portugal, as well a representative of DG Enterprise and Industry.

The Commission representative emphasised the high priority given to CSR. CSR is seen as a way to enhance Europe's competitiveness and increasing consumer's trust in the products and services they buy. It is critical that CSR is integration into the heart of business strategy and is not peripheral to it. With regard to the Commission's objectives set out in the 2010-2014 strategy document, the vast majority of the associated actions (of which the Peer Reviews are an important element) have been accomplished and a new strategy will be developed in the next year.

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

Finland

Finland has the ambition to be a forerunner in the field of CSR and has had a CSR Action plan for a number of years. Additionally, in 2011, CSR was – for the first time – integrated into the central government programme, with the key entry emphasising the ambition for Finnish companies to be forerunners in the field of CSR. The Ministry of Employment and the Economy holds the responsibility of the government's CSR policy, but works closely with other departments such as the Ministries of Foreign Affairs, the Environment and the Prime Minister's Office (responsible for state owned companies). Close co-ordination exists between these government departments who are in contact on such matters at least on a weekly basis.

CSR policy is based on national plans and strong stakeholder engagement. The most recent CSR plan was adopted in November 2012, which features close engagement both from the private and public sector (see http://www.tem.fi/files/35134/Government_Resolution_on_CSR_FINLAND.pdf).

The goal of CSR is to achieve a global level playing field and increased global justice.

The government is also currently working on an implementation plan for the UN Guiding Principles on Business and Human Rights. A proposal on this is expected by the end of March 2014. Traditionally the focus in Finland has been on labour rights rather than business and human rights, so this required some adjustment of focus.

Among the priorities of Finnish CSR policy are the promotion of socially responsible public procurement and ensuring social responsibility among state owned companies. A cross-cutting focus is the significant emphasis on stakeholder engagement and networking.

Socially responsible public procurement is being promoted by the Ministry through a website (CSR-kompassi.fi). The website provides information on relevant legislation as well as guidance and ready made tools for the inclusion of social criteria in procurement notices. A new guide was due to be published on 20 November on tried and tested practices in socially responsible procurement. This contains 25 examples of actual practices.

All wholly state owned company and companies with a majority shareholding by the state are required to prepare a clearly distinguishable CSR report as part of their annual reports (bit.ly/15BfhuO). Furthermore, guidelines have been set on managerial remuneration in such companies, which premise openness and moderation (bit.ly/19IY0x3).

The main lessons Finland has identified in the successful planning and implementation of CSR policies are:

- **Working with stakeholders helps to get things done.**
 - o A **Committee on CSR** has been set up in 2000. This Committee acts as the National Contact Point for the OECD together with the Ministry for Employment and the Economy. Most of the work of this Committee revolves around **sharing info on CSR projects** and the state of play of what's going on in different organisations. Representative of social partners, the government and NGOs, as well as consumer organisations are represented on this body.
 - o The **Corporate Responsibility Network 'FIBS'** – is a business driven network which is partly funded from the Ministry. It has 200 members (most large Finnish companies). Its activities are to 60% funded from membership fees. The network organises around 50 events each year.
- There is obviously the **need for new approaches**. One of these is how to promote CSR in SMEs. Most companies are SMEs in Finland – and many are at the moment in hard economic situation and so cannot commit resources. There are many tools and resources available for them to help them promote CSR strategies, but SME's seem to need approaches tailored to their individual, unique needs..

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

- How can the work with different stakeholders best be organised?

Obtaining engagement for government bodies and large companies is usually not an issue as they understand the importance of the CSR approach. Finnish NGOs are also very active and attract public interest to CSR issues. Reaching SMEs can be more of a challenge. There is a particular interest in reaching out to SMEs themselves (as well as their representative organisations) as they could benefit from CSR approaches.

- How is the implementation of the action plan monitored and which criteria are used?

Regular monitoring meetings are being held. The assessment of progress in the implementation of certain measures requires research to gather information about the activities of private businesses.

- Is a legal regulation of CSR foreseen?

Some aspects of the CSR approach are already regulated and there are ongoing negotiations on non-financial reporting in the EU, but there is currently no plan to create a wider legal framework for CSR.

Czech Republic

The early initiatives in relation to CSR date back to 2000 and in 2004 the Quality Council of the Czech Republic was established. In 2008 an expert section on CSR was established which also included NGOs working in the field. Responsibility for CSR policy is being moved from the Ministry of Labour to the Ministry of Trade and Industry in 2013 to emphasise further business responsibility and the added value for businesses of CSR policy. A National Action Plan on CSR is currently being finalised which will also include actions on Business and Human Rights within the same document.

The NAP places strong emphasis on the promotion and education and awareness raising around the concept of CSR, as well as capacity building and the promotion of international standards. Strong legislative principles already exist in relation to the protection of labour and human rights, but beyond this, the emphasis is on self-regulation.

Independent research indicates that awareness on CSR among SMEs, which make up the majority of the Czech economy, is low. To provide them with critical information and details of support measures, a web-based information portal is being created in 2014. In addition, an information publication is being prepared in 2014 which will be a starting point for local companies on local examples of CSR. In order to stimulate CSR among SMEs, a research project is also under way which seeks to establish the costs and benefits of CSR policies for SMEs. The emphasis is on mutual learning and the dissemination of good practices through documents, conferences and other targeted events, as well as information giving.

The new NAP will be evaluated every year, but as in Finland it has also been difficult to develop clear criteria for this.

The possibility is also being considered of developing a handbook on CSR and organising an number of demonstration projects which can act as inspiration. Thus far, no budgetary frame for this policy has been agreed, so the detailed actions which can be implemented may yet change.

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

- Interest was expressed in how CSR activities would be funded?

Some private sources of funding are available, but as the Czech Republic had caretaker government at the time of the PR, it is not possible to say how many central resources will be dedicated to this issue. Finland emphasised the importance of co-ordinating efforts between government departments in order to maximise available resources.

Greece

The portfolio for CSR policy undertaken by an official working group which was recently set up under the General Secretariat of Commerce (Ministry of Development & Competitiveness) with members from 3 different ministries (Development & Competitiveness (General Secretariat of Commerce & General Secretariat for Consumer) / Labor and Social Security / Environment, Energy and Climate Change), as well as social partners, NGOs and academic experts. So far, there is no NAP on CSR but the official working group is already working on the main areas (model) of Greek NAP and the first deliverables sections of the national plan (in draft version) will be drafted by the end of this year. However, background research has been carried out on what is going on in the field of CSR in Greece (this was done by the CSR network). Given that the Greek economy is dominated by micro-companies and self-employed individuals, it is particularly notable that knowledge and implementation of CSR policies is low among such organisations. In the wake of the economic crisis it was important to find new ways to attract citizens and companies to the CSR concept in a context where trust in government is low.

A range of legislation already exists which is considered to be aligned with and relevant to CSR policy. This includes corporate governance law, social entrepreneurship law, green public procurement legislation and equal treatment laws. In addition, a number of existing national strategies are also seen to be of relevance such as the development of human resources programme (which can fund training on CSR); the new innovative entrepreneurship programme and the green enterprise and green tourism programmes.

The lead in the development of the Greek NAP is being taken by the Official Working Group which was just set with members from the above 3 ministries, Consumers, Hellenic CSR Network, Greek Transparency, Federation of Greek Industries & the Athens University of Economics and Business.

Three main priority axes for national policy are being envisaged:

- Education and training (for businesses and citizens)
- Collaboration between public and private sector
- Dialogue and synergies

In addition, cross cutting themes will be transparency, socially responsible public procurement and development of 'responsible entrepreneurship'

The NAP will also contain provisions for monitoring. The goals and actions will cover the period from 2014-2020.

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

- Which definition of CSR will be used?

The EU definition is generally accepted, but there is an intention to place a specific national spin on this to emphasise the issues which are of particular relevance in Greece, particularly in relation to its business structure.

- Are there specific NGOs with a particular interest in CSR?

There are NGO's with interest in CSR which are currently being mapped for the NAP.

There are couple of NGO's which Hellenic CSR network is an NGO and there is also a network on business ethics.

Portugal

There is no separate National Action Plan on CSR policy at present. The National Reform Programme is the key document which outlines policies relevant to CSR. In addition the *Commitment to growth, competitiveness and employment* signed by the social partners and the government includes an emphasis on CSR practices for companies. Overall, it must be said that CSR is not a priority in the Memorandum of Understanding.

An inter-ministerial group has been organised on Business and Human Rights. A report prepared by this group focusses on legislation in force and prevention measures. An emphasis is also placed on information campaigns and the exchange of good practice.

CSR priorities includes:

- R&D and innovation (with a goal to reduce early school leaving)
- Energy and climate change targets
- Employment and the reduction of unemployment and social exclusion through training and the further development of dual apprenticeships, as well as specific measures to reduce youth unemployment
- Combatting poverty through access to a minimum income

A number of policies are already in place in this area including the National Plan for the Energy Sector and Energy Efficiency; good governance policies for state owned companies and the award 'Equality is Quality'.

A network on CSR issues was created under an EQUAL programme which continues its work to date with a whole range of stakeholders and around 2000 affiliated organisations with regular peer learning meetings and dissemination activities.

Participating peer countries were interested in the inclusion of CSR into the wider National Reform Programme and were keen to know whether a separate CSR NAP would be drafted. No information is currently available on this.

Discussion on topics of interest

Effective ways to support all businesses to develop CSR approaches

Discussion focussed around the important issue of the involvement of SMEs. Although SMEs tend to be excluded from any more detailed reporting requirements, it was considered that such businesses often operated in a socially responsible way, but may not be aware of this. Because of their often closer ties with the local community and interactions with local consumers, CSR may simply be their way of 'doing business'.

The involvement of SMEs directly (as well as their representative organisations) was also stressed as this allows for a closer dialogue on their priorities as well as learning from their current actions. In Finland efforts are being made to work with the Junior Chamber of Commerce, which is keen to get involved on CSR issues.

Because of the dominance of micro companies in Greece discussions on CSR also involve representative organisations of self-employed.

In a number of countries, CSR awards include a specific category for SMEs and micro-companies to allow separate recognition of their efforts in this field.

The specific position of state owned companies was also discussed. For these enterprises which are wholly or majority owned by the state there are often specific reporting obligations. It is often perceived that they should 'lead the way' and act as a model in relation to CSR. This means that in times of austerity, specific measures can be associated with any job cuts in such companies, when there may be a perception that such enterprises should not carry out large scale redundancies.

Overall, it was emphasised that the understanding needed to grow amongst businesses that CSR is not a specific separate business 'project' but should be at the core of competitiveness strategies.

Greece expressed a particular interest in Finland's CSR strategy for the mining sector. A plan has been developed here to make mining more sustainable, with a strong focus on CSR. This initiative attracted a lot of interest also from other countries. The plan includes 35 actions, one of which relates to CSR reporting.

In the Commission there is also a particular interest in the mining sector, with forthcoming measures relating to conflict minerals (Kimberley process).

Effective ways to enhance the credibility and visibility of CSR

It was considered to be important to carry out research to develop clear messages on the benefits of CSR to businesses and society.

Finland organises a CSR reporting award. As part of this process, the reports prepared by listed companies are automatically reviewed. More recently judges in these awards have emphasised that good reporting should also include information on failures and lessons learnt

In Finland there is no issue about raising awareness on CSR as the press has increasingly become aware and is reporting on such practices. This includes increasing concern about general business ethics, corruption and tax avoidance. Responsible investment is also attracting greater interest, particularly since the financial crisis. 75% of funds registered in Finland are signed the Principles of Responsible Investment.

Monitoring, control and enforcement of voluntary principles (as well as legal commitments) remains a challenge, particularly in increasingly complex supply chains.