

## Peer Review Report

### Peer Review on Corporate Social Responsibility – The Hague (Netherlands), 28 November 2013

#### Introduction

The Dutch Ministry of Social Affairs and Employment hosted a Peer Review (PR) on Corporate Social Responsibility in The Hague, which brought together ministry officials from Croatia, Latvia and Hungary, as well as a representative of DG Employment, Social Affairs and Inclusion.

As highlighted by the Commission representative, the Commission is pleased with the Member States' progress on CSR so far. 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.

On 20 December 2013 a meeting of the High Level Group on CSR will take place to assess the implementation progress of the Communication. The meeting will create an overview of and consolidate activities and results so far, as well as look to future activities.

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

##### Netherlands

The [National Dutch CSR Policy](#) (2008-2011) is coordinated between the Ministry of Economic Affairs (focusing on national CSR policy) and the Ministry of Trade and Development (focusing on international CSR policy). Additionally, the Ministry of Social Affairs and Employment is responsible for specific CSR issues within its own capacity. The policy paper of 2008 is renewed and significantly updated by the governmental policy paper 'CSR pays off' from June 28 2013 (see [CSR policy of The Netherlands 28 June 2013.pdf](#)). The Netherlands has also completed a National Action Plan on [Business and Human Rights](#).

The current understanding of CSR in the Netherlands originates from the Social and Economic Council's (SER) definition of CSR from 2000: CSR is about value adding business activities in relation to people, profit and the planet, and it concerns continuous transparent stakeholder engagement. CSR is considered as being driven by businesses that show their *attitude* by adding social and environmental value to society 'over and above' legislation. However, the government can act as an important facilitator to support the development of CSR in companies. To do this, various policy instruments have been implemented. The most significant ones include:

- The government explicitly and consistently states its expectation that Dutch companies – wherever they operate - comply with the OECD Guidelines for Multinational Enterprises, including its supply chain recommendations. Requests for government assistance for international activities (export

---

<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

subsidies, export credit insurance, trade missions), for example, can only be granted if businesses show that they conducted adequate 'CSR due diligence' on their planned activities.

- The Dutch government's Transparency Benchmark is meant to assess companies' annual public CSR reporting. The benchmark criteria are regularly updated to reflect international developments in CSR. Companies are encouraged to use the benchmark as a self-assessment tool, and are also offered comparison with international peers (see also English website for the Dutch Transparency Benchmark: <http://transparantiebenchmark.nl/en/node/2>). A Sector Risk Analysis is currently being carried out as a due diligence process of the entire Dutch economy. The goal is to identify, prioritise and proactively address CSR issues in high risk sectors that are currently not tackled sufficiently. The government has commissioned consultants to undertake the analysis which also involves business community and civil society engagement. The government is prepared to enter discussions with the selected business sectors. These discussions are aimed at concluding public-private CSR arrangements or 'CSR covenants'.

In accordance with the European Reporting Directive, large Dutch companies are legally obliged to disclose non-financial information and are expected to be able to perform better than SMEs in relation to CSR implementation (SMEs are not obliged to report non-financial information). The Dutch economy has a significant representation of SMEs, and their development of CSR policies has been addressed through the establishment of the knowledge institution CSR Netherlands (*MVO Nederland*) to facilitate knowledge and experience exchange among smaller enterprises.

Participating peer countries expressed an interest to find out more about the following aspects of the Dutch CSR policy and measures:

- The present status and methodology of the Sector Risk Analysis as a new step to improve companies' CSR (in particular ICSR).

One of the criteria for selecting sectors for public-private CSR arrangements is the relative position the Dutch sector has internationally. Another is the magnitude of the potential positive impact of improvements in CSR management. The OECD Guidelines for Multinational Enterprises are taken as a point of departure and business and civil society are members of the sounding board that is involved in the identification process of the relevant sectors. At the time of the PR, in anticipation of the results of the analysis, already two sectors had been identified: textile wholesale and import, and energy utilities (import of coal). With regard to for example the textile industry as a particular risk sector, the objective is not to introduce more legislation or prohibit companies from doing business in certain countries. The goal is for companies to contribute positively to the improvement of conditions in countries where they operate. The companies should add value to their business context. Preliminary results of the Sector Risk Analysis are expected in April 2014, and the complete analysis is expected to be finalised in June 2014.

- Responsible supply chain management, given differences in the size of companies.

The Netherlands aim to address and support CSR policy development in both larger and smaller companies. For example in the textile industry, smaller companies are successfully working together to improve conditions. Cooperation between companies as well as institutions is thus seen as important for improving responsible supply chain management.

Main points from Netherlands' CSR policy: 1) its emphasis on International CSR (ICSR), and 2) raising SMEs' CSR capability.

## Croatia

The new Member State Croatia was welcomed by the European Commission as a first time participant in the CSR Higher Level Group peer review activities.

A complete Croatian National Action Plan or policy has not yet been developed, but is expected to be finalised in 2014 by the Ministry of Economy Strategy for Corporate Social Responsibility in Croatia. The Strategy will be implemented in the period 2014-2020. The Strategy for Social Entrepreneurship development 2014-2020 will be developed by Ministry of Labour. .

Although a comprehensive CSR policy is still in progress, Croatia nonetheless has already implemented some innovative CSR approaches:

- The Lexicon Sustainable Development from 2012 is an extensive ‘CSR dictionary’ that explains CSR concepts (drawing on 368 sources including international guidelines). This has been developed as a response to uncertainties about CSR concepts and guidelines, and is targeted all kinds of experts, professionals, academics and media representatives involved in CSR. Each of the 414 CSR terms in the book is considered from a technical and social perspective, and each term is situated alongside its English, German, French and Italian equivalents (explanations are only available in Croatian). The Lexicon is a comprehensive attempt to systematise the language of CSR in Croatian. A Croatian version is available on the website [www.hrpsor.hr](http://www.hrpsor.hr) and [www.dop.hr](http://www.dop.hr) (no translated versions have been developed).
- The CSR Index is a voluntary CSR assessment tool for companies. Each CSR area in the index includes a set of criteria each of which has specific indicators. The indicators are formulated as questions, and companies gain points according to their answers to the questions.

The development of CSR initiatives is supported by the national network for CSR which is a coordinating umbrella organisation consisting of public, private and civil society partners. The network aims to promote CSR in companies and amongst citizens. Additionally, the Croatian Chamber of Commerce is responsible for a CSR information website.

Participating peer countries expressed an interest to find out more about the following aspects of the Croatian approach on CSR:

- The Lexicon Sustainable Development as a way to increase the understanding of CSR – clarifying the terminology around CSR

The participants in the PR were keen to know more about the Lexicon, as some other Member States noticed that mutual intelligibility of some CSR phrases was an issue. Apart from the lexicon, a Croatian book of good CSR practices has been published to support exchange of experiences. The Croatian representative defined CSR in Croatia as when a company integrates environmental care and the society into the decision-making system, above and beyond their legal obligations. This should not be confused with Sustainable Development in Croatia which presents a framework for the development of policies and strategies to provide continuous economic and social improvement without causing environmental damage.

- The involvement of companies in the CSR Index

The CSR Index is a methodology for the evaluation of responsible business practices in Croatian companies. It was modelled on similar global methodologies, primarily on the Business in the Community CSR Index. Companies voluntarily participate in the CSR Index. In 2012, 78 companies participated. Companies of all sizes are involved in the Index (e.g. SMEs, large, public). However many still do not know about the index, and the CSR performance in the index does therefore not reflect the general picture of CSR performance across Croatian companies. It is relatively difficult to get companies to participate. Resources for promotional activities are scarce and for that reason the PR campaign is limited. Ultimately, the information presented in the Index should grant participating companies with better competitive position. Unfortunately, the impact of this so far has been relatively insignificant. The reason this lies primarily in the fact that the Consumer Protection Associations are still unaware of the CSR concept.

- The role of consumers in companies’ development of CSR

One element in the forthcoming Croatian CSR strategy is described as the “social awareness of society”. It means to raise the standard of conduct of enterprises, improve economic, social and environmental standards. Although consumers are important stakeholders for CSR, cooperation

between actors will be essential for CSR in Croatian companies. In addition, Croatian consumers' main concerns are, because of ongoing crises, around the price of the product and not the CSR activities of companies. Consumer's interest in CSR is increasing recent years, but there is a very low level of understanding. Consumer associations, which will support CSR, will be crucial in creating competitive advantage for the companies that are implementing CSR. The crisis has turned the focus of the company from development issues (including CSR) on issues relevant to daily operations.

Main points from Croatia's CSR activities: 1) raising awareness and a common understanding of CSR among all stakeholders involved in CSR, and 2) developing a strategic national CSR framework through the Strategy for Corporate Social Responsibility in Croatia and Strategy for Social Entrepreneurship development 2014-2020.

## Latvia

In 2010, the Latvian Employer's Confederation adopted a CSR memorandum, together with 22 public, private and civil society organisations. A specific NAP is expected to be developed on the basis of the Memorandum. By the end of 2013, 33 business and association representatives had signed the Memorandum which outlines Latvia's approach to and principles of CSR, ground for information exchange between interested parties, as well as future CSR initiatives. The main CSR priorities and activities include:

- Addressing strategic and responsible management and improving business ethics: a document with best practice guidelines for state-owned companies has been published. This functions as a reference for proper conduct in relation to customers and it provides principles for transparency and benefits from centralized, professional management). Additionally, the State Revenue Service (SRS) supports measures to tackle tax avoidance and undeclared work. To incentivise companies to adhere to good governance, companies may be included in a "white list" (based on their level of business ethics and previous performance) – inclusion on this list provides them with financial advantages.
- Support to local communities through cooperation with local municipalities: Round table meetings with local municipalities and companies are organised to discuss and organise how CSR can be implemented in local communities.
- The Sustainability Index to award the best CSR practices amongst Latvian entrepreneurs: Award criteria are available online to give companies the opportunity to adjust their CSR practices to the criteria. However, awards are more often given to large companies as these are more capable of implementing CSR practices than SMEs. To provide SMEs with better opportunities to be nominated, an award for the most family-friendly entrepreneur has been introduced, and a new nomination index has been developed together with the Ministry of Welfare. Additionally, the Responsible Business Assessment targeting SMEs will be implemented in 2014.

Institutions such as Institute for Corporate Sustainability and Responsibility as well as the Stockholm School of Economics Centre for Sustainable Business have been established to conduct research and promote debate on CSR.

Participating peer countries expressed an interest to find out more about the following aspects of the Latvian CSR Memorandum and activities:

- The type of support for SMEs in the forthcoming Responsible Business Assessment.

The Responsible Business Assessment will provide principles and examples of implementation of CSR practices. Introducing a CSR label could also inform consumers about responsible products and incentivise companies to comply with label standards. Which groups will be targeted through local community work?

Latvia confirmed that the target group of support in local communities will be as wide as possible including the general public, authorities and private bodies. The Employer's Confederation and other stakeholders works with municipalities and companies to achieve long-term goals, for

example in relation to the preservation of locally important historical building sites when developing infrastructure. A specific example of a company (CEMEX) was cited as having engaged with local municipalities and created many workplaces in small villages, using recycled materials for factory's heating, etc.

- The government's and companies' use of international standards and guidelines.

International CSR guidelines are incorporated into the development of the Sustainability Index. International CSR guidelines supplement nationally sector-specific standards (e.g. specific standards for the construction sector).

- Combating corruption.

A European programme was implemented awareness-raising activities to support the fight against corruption and both the public and private sector are involved in tackling corruption. In the current state of affairs, many procedures have become free of corruption due to electronic procedures (e.g. interaction with the police and municipalities)..

Main points from Latvia's CSR activities: 1) The Sustainability Index focusing to CSR practices raises awareness of CSR benefits, and 2) develop targeted support for SMEs to encourage their implementation of CSR.

## Hungary

Hungary's Ministry of National Economy launched the drafting of the CSR NAP in June 2012, and the Government's CSR decree is expected to be adopted in March 2014. This is a complex process as several ministries are involved. The implementation of the NAP is envisaged to begin in April 2014 and progress will be reviewed in June 2016.

The Hungarian government aims to develop an integrated approach where CSR is incorporated into other national strategies. Hence, the NAP is based on specific priorities already addressed in Hungary's National Reform Programme (NRP). With this background the following CSR priorities have been developed:

1. Developing the economy. Local economic growth and development is a key priority for Hungary and civil society organisations could play a significant role in this. Climate friendly settlement programmes could support local development further, together with an expansion of the social economy to create more local job opportunities.
2. Labour and equal opportunity. More attention will be paid to the employment of vulnerable groups. Current measures to address this include implementation of public works programmes, the Job Security Plan and PES' establishment of regional knowledge exchange forums for employers and civil society.
3. Environmental protection. Environmentally conscious approaches will be promoted to producers and consumers. In this context the government in particular plays a significant role as a role model for implementation (e.g. in relation to public procurement).

To support progress in these CSR priorities, specific cross-cutting horizontal priorities have been developed. These include:

- Promoting the employment of young people by introducing this as part of CSR practices. This links to Hungary's National Youth Strategy and the 2014 Youth Guarantee Implementation Plan.
- Supporting SMEs to develop and implement CSR. Mainly large enterprises are active in implementing CSR and the government wishes to provide targeted support to SMEs. Many SMEs however already carry out activities that can be labelled as CSR which is why the goal will also be to make existing CSR activities in SMEs more visible.
- Encouraging non-discrimination in employment. The prevention of discrimination in employment is a key priority in Hungary and links to the UN Guiding Principles on Business and Human Rights.

Participating peer countries expressed an interest to find out more about the following aspects of the Hungarian NAP and approach to CSR:

- The role of CSR in tackling unemployment

The question about to what extent the governmental support (including subsidising) of employment of disadvantaged groups could be a part of CSR practices was an issue for debate as there were different views and perceptions of this. For instance, employing young people under normal circumstances would be considered normal business practice – if companies are incentivised by the government to employ, for instance, NEETs – could this be considered CSR? In the Hungarian NAP the reduction of social contribution tax has been defined as the government's contribution to the CSR priorities, but companies are encouraged to make their own initiatives for enhancing the employment level of the vulnerable groups. According to the Commission representative this should be reconsidered as the Commission does not define reduction of social contributions (in the form of a subsidy) as a CSR practice, but as a governmental action.

Main points from Hungary's NAP: 1) using CSR strategically to support already defined key priorities, and 2) supporting SMEs to develop their CSR profiles.

## 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*

- Support SMEs to develop CSR
  - SMEs may not make use of business associations or communication networks to the same extent as larger companies. One proposal could be to develop the business-to-business communication channels, for example through establishing CSR contact points for businesses and involve Chambers of Commerce, as has been done in Croatia. Drawing on experience from other business contexts, the use of professional bodies could also be beneficial, as well as a more sector targeted approach. Moreover, it would be important to develop a shared understanding around CSR business language.
  - Although it was agreed that a significant number of companies are not aware of the business benefits of CSR and that awareness-raising is necessary, it was also acknowledged that many businesses across Member States already carry out activities that could be considered to be part of a CSR approach. A goal could thus also be to make businesses aware of their existing CSR activities to promote the more strategic use of CSR.
  - Together with reaching businesses from 'the top', a more bottom up approach could include capacity building of entrepreneurs and SMEs through training based on curricula that include business ethics. CSR training and education could also be included in degrees such as MBAs.
  - SMEs can be supported in making their CSR visible by building their capacity in reporting, as offered for example by Global Reporting Initiative. Limiting the administrative burden of non-financial reporting is especially important for SMEs. The scope of the recent Commission proposal\* (elink\*) to improve non-financial disclosure, currently discussed in the Parliament and the Council, is therefore limited to large companies (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0207:FIN:EN:PDF>)
  - Companies may ask subcontracting companies to participate in responsible supply management. They can limit the cost for SMEs of implementing CSR (e.g. to comply with social or environmental criteria in procurement) by joining a broadly recognised supply chain initiative together as a consortium.
- Defining CSR – the example of youth unemployment

Continuing earlier discussions about the definition of CSR, participants were keen to discuss how CSR can be used strategically in the case of youth unemployment. Members discussed whether companies employing a person that they would not have otherwise employed in the course of normal business on the basis that they would be receiving, for instance, a 50% government remuneration subsidy, could be considered a CSR practice, given that the company is choosing to take a risk by employing this individual. No definitive conclusion was reached.

Member States agreed that the definition and justification for the use of the terminology CSR should be transparent. They also agreed that CSR should have limits. In this case, regulation about non-financial disclosure could support transparency and accountability around the use of CSR. The discussion about the use of CSR to support employment opens a more fundamental discussion about the understanding of the concept of CSR.

### **Vertical theme**

- The government's role as a role model and facilitator

The role of governments and businesses were recurrent themes during the discussions. It was discussed that policy leaders have a role in incentivising companies to change their behaviour. A government may act a facilitator for the development of CSR. Governments can introduce legislation for non-financial reporting and act as role models for CSR practices (governments "should practice what they preach"). Governments may for example establish networks to facilitate knowledge and experience exchange between businesses (as the Dutch government has done with the network CSR Netherlands). Additionally, public policy could function as a channel to facilitate and incentivise businesses to implement CSR. This would give the government a facilitating role and maintain companies' autonomous CSR profiles. An example is the Commission's ToR on CSR projects which is about creating CSR awareness-raising activities in the framework of public policy (Germany for example makes use of an ESF funded programme to support the development of CSR in SMEs).

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

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

- Visibility and credibility do not always go together and it is important to understand that CSR practices could be very visible but not necessarily credible (e.g. negative media attention). Both aspects should be considered for marketing purposes.
- Development of quality stamps (e.g. labels) could be a way for consumers to put pressure on companies to act more responsibly, as well as to raise visibility of responsible businesses. Perceptions of a label's credibility may however not be the same to all stakeholders and visibility of a label may not have the intended effect.
- Benchmark evaluations and CSR awards (as in the Netherlands) could on be one way of making companies' responsible business practices visible. On the other hand, benchmarking does not necessarily assess the actual implementation of CSR (cf. "greenwashing").

### **Linking National Actions Plans (NAPs), National Reform Programmes (NRPs) and Country Specific Recommendations in the context of the European Semester**

Developing NAPs has been the first step in committing Member States to implement CSR policies. Looking forward, ensuring further progress in CSR was discussed in the context of the European Semester. For instance, could CSR be included as a thematic element in NRPs, as has already demonstrated in Hungary and Poland. By incorporating NAPs into the NRPs, CSR would get an annual profile and possibly play a more significant role. On the basis of this there would also be scope for including CSR into the Country Specific Recommendations.

Participants discussed the role of CSR in mitigating the effects of the financial crisis and contributing towards the realisation of the Europe 2020 Strategy. In this context, CSR practices could support a more sustainable growth by contributing to cost savings, provide new marketing prospects and push a sustainable and responsible market during recovery in the post-crisis context.