

EXECUTIVE SUMMARY

EU Multi Stakeholder Forum on Corporate Social Responsibility
3-4 February, 2015
Brussels, Belgium

The Multi Stakeholder Forum on Corporate Social Responsibility (CSR) was held in Brussels on 3-4 February 2015, attracted more than 450 participants from an array of sectors and stakeholders - a clear sign of the importance of responsible business conduct for business, civil society, governments and international organisations. In itself, CSR is a topic which extends across several policy areas. It has a fundamental role in ensuring sustainable economic growth while concurrently mitigating social and environmental impacts of business both in the European Union and around the world. Across the two days and 12 panel discussions, close to one hundred policy ideas and suggestions were put forward by delegates.

The Forum represents the final milestone of the EC's multi-stakeholder review process before the official drafting and adoption of a new strategy on CSR. A Public Consultation on Corporate Social Responsibility was carried out in 2014, the results of which provided important feedback on the European Commission's 2011-2014 Communication on CSR. The public consultation also provided thematic input for the Forum and set the stage for the subsequent policy on CSR.

The findings of the two day Forum included questions about the use of the phrase "Corporate Social Responsibility." In terms of its designation, Corporate Social Responsibility (CSR) is used as a synonym to reference "sustainability," "responsible business conduct" or "business and human rights." While diverse, they all address "***the responsibility of enterprises for their impacts on society***" as defined by the European Commission in its 2011-2014 strategy on CSR. Variances in typology are often tied to global CSR initiatives such as the United Nations Guiding Principles on Business and Human Rights, or an "in-house" firm culture which may choose to adopt a more all-encompassing "sustainability" into their ethical responsibilities. The Forum revealed that the EC must acknowledge the differences in order to speak the same language as the business community.

Twelve parallel sessions provided key thoughts, concerns and policy suggestions for the EC's forthcoming communication. Panel sessions were held on several subsectors of CSR, including:

- International Market Access
- Education and Human Capital
- SMEs
- International Development Cooperation
- Business and Human Rights
- Public Procurement
- Innovation, Competitiveness and Growth
- Human Rights and Access to Remedies
- Responsible Investment
- Responsible Supply Chains
- National and Regional Policies on CSR
- Financial Institutions

The various sessions provided both the participants and EC with an array of information, best practices and questions that help facilitate policy development.

General Conclusions

- The ultimate goal of CSR should be to embed social responsibility into the DNA of companies, rendering it obsolete through normative compliance.
- The EC must continue to play an important role in providing open platforms for exchanging dialogue, best practices and collaboration among stakeholders.
- The media needs to be engaged in CSR; it must play a more proactive role documenting developments, progress and setbacks.
- A great number of companies already are supportive of clear frameworks that allow for the successful implementation of CSR, such as the UN Guiding Principles on Business and Human Rights; a new strategy on CSR should thus continue to be aligned with global principles and guidelines
- Most companies welcome overarching legislation (Guidelines) which emerged from the priorities of the previous strategy, as they were seen as tools which assisted in creating a level playing field; however, the effects of reporting must not come with additional legislation that burdens enterprises

International Market Access

Thanks to globalisation barriers to trade have gradually vanished, giving to companies new possibilities to expand their business in international markets. In this context trade can become a driver for sustainable growth that can contribute to, the reduction of economic and social imbalances among and within nations. The aim of this session was that of identifying how the European Union can contribute to this evolution over the next 5 years through the policies, programmes and actions of the revised CSR Strategy.

Main outcomes of the session:

- For European companies doing business in states with weak governance, the EU should facilitate mechanisms and dialogue with governments and companies to limit corruption.
- The EU should provide more support to companies to perform due diligence of their supply chains and continue work on standards with international bodies.
- Investors should become more active in encouraging the companies in which they invest to behave responsibly.
- The EU and its Member States should encourage responsible corporate conduct through procurement policy and investment criteria for pension and sovereign wealth funds.
- The EU should continue to support the efforts to educate consumers on product awareness and responsible corporate behaviour.

Education and Human Capital

The aim of this session was that of understanding how CSR can be promoted and enhanced among employees by companies, and how higher education institutes can develop dedicated programmes

and integrate CSR into other courses, whether they be MBAs, apprenticeship courses or on-the-job training.

How can the European Union contribute to addressing these challenges over the next 5 years through the policies, programmes and actions of the revised CSR Strategy?

Main outcomes of the session:

- The concept of responsible business conduct needs to be integrated into the broader landscape of education.
- The EC should create cross-national platforms to bring together the private sector and academia to develop meaningful, relevant courses on sustainability.
- More networks are needed where stakeholders can exchange ideas and share examples of good practices.
- Businesses, governments and academia should work together to develop a 10-point plan to create a sustainable society.
- A peer-to-peer dialogue should be fostered among business leaders; including exchange programmes such as ERASMUS for Entrepreneurs engaged in CSR

European Small and Medium Enterprises (SMEs)

CSR can create real advantages for SMEs: CSR is not a short-cut to business success, but an investment that can pay off in the longer term. By integrating CSR in a more strategic and conscious manner, enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as part of the modern model of business excellence, in particular for SMEs. The aim of this session was that of identifying ways through which the Commission can help SMEs achieving a major engagement in CSR.

Main outcomes of the session:

- The EC should promote the potential of integrating good practices that boost business; SMEs will thus consider CSR an opportunity and not a burden.
- Greater EC support for the development of innovative sustainable products and services, to help smaller companies change business models incrementally.
- The EC should reinforce visibility and social recognition of CSR through a CSR awards scheme for SMEs.
- Administrative burdens are difficult for MNCs, but even more challenging for SMEs -- often owing to limited resources and capacity; support for developing and implementing CSR in SMEs is helpful guidance.
- The EC should encourage a culture of partnership with government and civil society to leverage what small businesses can do to solve social challenges.
- The EC should overcome implementation shortcomings through greater capacity building and provide multipliers with locally suitable tools and instruments.

- SMEs should also be targeted indirectly as part of society and through education, starting with technical and vocational training schools.
- CSR will help SMEs think holistically, benefitting through improved trust within local communities.

International Development Cooperation

International development actors are key to the success of a sustainable – and effective – EU strategy on corporate social responsibility. CSR can serve as a vehicle for generating progress in areas such as transparency, good governance and local development.

This session focused on the role that policy can play in supporting inclusive development opportunities through CSR.

Main outcomes of the session:

- In the Development / CSR nexus, it is important to understand that no one-size fits all. What works in Europe does not necessarily work in Africa.
- When companies conduct business in developing countries, it is important that their initiatives complement – and do not replace - the development of a local culture of social responsibility.
- The CSR agenda must be locally owned and be ‘bottom up’ in approach if it is to respond to development needs.
- The EU should support its development partners in implementing CSR and help align the local private sectors with the global development agenda.
- The EU should work with development partners on common CSR standards, which could be a key driver to responsible business conduct in local suppliers having to meet European standards to trade with the EU.
- The new CSR strategy should consider the potential of EU companies abroad to strengthen the capacity of developing countries to respect human rights.

Business and Human Rights

The European Union explicitly endorsed the UN Guiding Principles on Business and Human Rights in its 2011 - 2014 CSR Strategy and is committed to support their implementation. How can the EU be a leader in the implementation of the UN Guiding Principle at the global level? Taking the EC's next strategy on CSR into consideration, speakers were asked to reflect upon the role of the EU in promoting an effective implementation of the UNGP, both in EU Member States and worldwide.

Main outcomes of the session:

- The EU should integrate and implement the UNGPs in all of its activities; it should also promote their implementation among European companies and assist by providing examples of corporate/human rights policies.

- The UN Guiding Principles on Business and Human Rights should be promoted among SMEs
- National Action Plans (NAP) process must be participatory, transparent and inclusive; the EU can assist in exchanging good practice and lessons learned from its MS, this can facilitate peer learning in the EU and be exported as an institutional experience for third countries
- The EU should continue to expand support for mandatory corporate disclosure of non-financial information, including environmental, governance and labour risks.
- Investors are key allies in making human rights protection an important factor in companies' investment decisions; the EC should provide guidance notes for investors on "responsible investment" practices and examples of both risks involving finance and human rights

Public Procurement

The aim of the session was that of identifying the major barriers to the development of sustainable public procurement within the European Union and what could be the role of the European Commission to overcome these hindrances through its next Communication on CSR.

Main outcomes of the session:

- The EC should clarify and simplify the mechanisms of the Public Procurement Directive and encourage exchange of best practices in implementation
- The EC should reward good practice by public authorities through Awards, raising awareness and offering recognition.
- There should be more narrow criteria of risk in reducing competition on the market, possibly excluding honest suppliers not savvy enough to obtain certification.
- Framework agreements make it easier to introduce CSR criteria, but increased centralisation risks undermining possibilities for SMEs; the EC should provide solutions on how to manage this interposition
- The EC should counteract proliferation of labels by endorsing certain international standards of sustainability for different sectors and by creating an overview of transparency among labels and initiatives.

Innovation, Competition and Growth

In this Session, the speakers shared their opinion and experiences about the impact that CSR can have in promoting innovation, competitiveness and growth. The Session aimed at gathering recommendations for the Commission about the innovation agenda for CSR and how this can be integrated into the future EU CSR Strategy.

Main outcomes of the session:

- Sustainability reporting can improve monitoring, measurement and follow-up of CSR initiatives. It boosts transparency and sparks dialogue with key stakeholders.
- Legislative frameworks that encourage innovation are welcome as the processes are driven from within the business. Anything too prescriptive restricts innovation.
- The EC should work with business associations to provide SMEs with advice and information. Asymmetry of information is a form of unfair competition.
- Legislation is not the key to embedding CSR in companies.
- The EC should consider the concept of a circular economy in redefining its strategy and ensure it is considered in national CSR strategies.
- Voluntary CSR can provide an impetus for innovation. By communicating with all stakeholders, companies can identify opportunities for innovation.

Business and Human Rights – Access to Remedies

In the context of this Panel the speakers identified the main difficulties faced in Europe for an effective implementation of the Third Pillar of the UNGPs and suggested what role could the EU play in light of its subsequent Communication on CSR.

Main outcomes of the session:

- Two critical issues relating to the 3rd Pillar of the UN GPs (Access to Remedy) are: the availabilities of collective actions and pre-trial disclosures.
- The rules on collective actions and pre-trial disclosures should be harmonised across the EU. The EC needs look to best practices in Member States in this area.
- The issue of access to remedy for human rights violations is not limited to developing countries. Problems exist in EU Member States also.
- Finding funding for bringing human rights violation claims is difficult; the EC should explore ways of expanding third party funding.
- Non-judicial remedies can play a useful role in redressing human rights violations but are worthless without a meaningful threat of litigation and enforceable remedies.
- Judicial remedies are the backbone of human rights protection. Europe currently suffers from a lack of backbone.
- OECD National Contact Points lack necessary resources and do not provide effective non-judicial remedies.

Responsible Investment

In the context of this session, the speakers were asked to examine the perspective of long-term investors in relation to CSR according to their experience. They reflected upon how CSR could really promote long-term responsible investments. They also shared their ideas about what should

be the role of the European Commission should be in promoting responsible investments by the European companies.

Main outcomes of the session:

- Large institutional investors in Europe have been driving sustainability so as to reduce risk since the crisis exposed their vulnerability to long-term liabilities.
- ESG reporting is becoming increasingly important as a risk measurement, and investors are beginning to realise it also represents opportunities.
- EC should encourage institutional investors to take advantage of ESG integration by including it in mandates to asset managers.
- Companies can raise their profile with investors by seeing ESG as a strategic, not just a compliance issue.
- EC should recognise those asset owners and managers who are now among the leaders and are ahead of many corporations and some NGOs.
- The danger in moving too fast towards only integrated reporting is that corporations will only disclose financially-related aspects and ignore wider issues.
- EC should resist calls to establish a European label to generate retail investor demand as marketing conditions vary considerably between countries.

Responsible Supply Chains

In the context of this Session the speakers were asked to share their ideas about what they think should be the appropriate measures needed to increase supply chain transparency and what kind of approaches they deem useful and effective. Moreover, they discussed about the role the European Union could have to encourage responsible supply chain management.

Main outcomes of the session:

- The EU should regulate transparency. If well crafted, this will raise the bar, build trust, create partnerships and result in better intelligence about supply chains.
- Due diligence is not a threat, but an opportunity to improve supply chain management; the EU could report on best practices and instances in which firms have used supply chains to their advantages so as to demonstrate to stakeholders what has worked and how it was overcome.
- The EC should contribute to raising consumer awareness through education regarding the many certifications in the marketplace.

National and/or Regional Policy

In 2011 EC's Communication on CSR, the Local and regional authorities were encouraged to make smart use of EU structural funds to support the development of CSR and to partner with companies to better address problems such as poverty and social inclusion. This Panel aimed at examining

how this suggestion was perceived and implemented by the different local authorities and what they think should be the European approach in the next CSR Communication.

Main outcomes of the session:

- The EC should recognise the diversity of CSR approaches in the regions and among various SMEs and various sectors.
- The EC can explore multi-stakeholder regional councils as CSR concepts among governments, trade unions, employers, NGOs and universities; they have been quite successful in other policy areas.
- Education on CSR concepts and sustainable management can be promoted at the regional level and should be explored in the context of the EU's regional funds.
- Several regional governments in Europe intend to implement ISO 26000 standards for responsible behaviour; the EC can use this opportunity to multiply its work and reach in CSR.

Financial Institutions

In the context of this Panel, speakers were asked to share their thoughts about how the demand for responsible investment can be boosted from asset owners and individual investors. Moreover, they reflected upon ways of integrating CSR into decisions and processes and on what can be done at European level to increase the impact of CSR via financial bodies.

Main outcomes of the session:

- The EC should encourage setting up stewardship codes across all Member States and establish that fiduciary duty can be applied to sustainability. Continue introducing discipline in the sector.
- Reliance on rating agencies is not enough to support a strong sustainability ecosystem.
- Even though regulation is necessary, voluntary commitments can be worth more than choices imposed from the top(!); however they must be showcased correctly
- The EC should deliberate developing benchmarking and recognition of best practice to offer more leadership from the top and encourage greater participation of CEOs.
- The EC should set up a financial industry working group on responsible banking with all relevant Commission services.
- The EC should encourage financial literacy so consumers can connect bad corporate behaviour with their pension investments.
- The EC should have included CSR aspects in financial regulation: commitments to CSR could have helped banks restore their reputation.