

KEN-2011
Graz Preparatory Workshop, 21 April 2011

Responsible Entrepreneurship
and Business Ethics

Draft-Recommendations

Draft text of Recommendations		International	Country / Region	Stakeholders
1	<p>Corporate social responsibility (further CSR) has been in the public debate for about 15 years and it emerged as a consequence of several objective, material developments (globalisation with increased interdependence, climate change, and environmental challenges, etc.) as well as, as a result of higher civic and corporate culture, including the awareness of the importance of ethical standards.</p> <p>CSR is rather complex and it includes: (1) governance, management and organisation; (2) human rights; (3) labour relations; (4) natural environment; (5) fair business practices; (6) consumer issues; (7) community involvement and development.</p> <p>CSR and business ethics have become a fundamental concern of modern society, but they can be fully respected and thoroughly applied only with combined and sustained efforts of policy makers, and stakeholders at all levels (from organisation, to local, regional, up to international). This requires a fundamental shift in the socio-economic model and important changes in mindset of thinkers, opinion makers,</p>	X	X	X

	politicians, economic actors, and the general public, including their perception of needs and consumption patterns.			
2	<p>Most of present economic theory was based on conditions which have changed fundamentally: we are faced with limited resources and an explosion of population, many technologies which were developed to help humanity are actually threatening our very existence, and extreme social polarisation inside many societies and among countries present a time bomb.</p> <p>Theorists need to approach the burning issues with a fresh mind and develop social and economic models which will be able to resolve these paradoxes and conflicts, and this cannot be achieved without CSR and responsible, sustainable economic development.</p>	X	X	X
3	<p>The definition of CSR (“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” EC Green Paper 2001) needs no adjustment, but in spite of many efforts at national and regional level, still remains insufficiently accepted by companies – particularly by SMEs – and more systematic awareness building and training effort is recommended. It is important to introduce this concept to the business community by demonstrating that proper understanding and effective implementation of the concept should not be regarded as an obligation to society, but simultaneously as an optimal business strategy securing important economic benefits.</p> <p>Companies should acquaint themselves with relevant documents (ISO26000 standard, adopted on 26 October 2010), studies, and description of good practice cases, which will facilitate their understanding of a broader impact of CSR.</p> <p>International rankings of companies in CSR (such as for example The Good Company Ranking by Kirschhoff Consult AG), as well as Awards for good practice cases in CSR assist in awareness building and should be encouraged at national and regional levels.</p>	X	X	X
4	<p>Policies and instruments to encourage responsible entrepreneurship will achieve best results if and when they will be fully integrated into broader development strategies at all levels, particularly regional and local levels. Policy makers should therefore pay special attention to the impact of new policies and their interaction with other policies and instruments, avoiding unwarranted conflicting effects and achieving desired cumulative impact.</p>	X	X	
5	<p>Particularly since implementation of CSR principles usually implies costs, companies will act in accordance with the existing regulatory and financial conditions created by local, regional and national authorities. Therefore, it is the responsibility of the later to create normative, fiscal and financial conditions rewarding responsible entrepreneurship and penalising others.</p> <p>Regional and national authorities should develop and maintain consistent regulatory environment and secure transparent and fair execution of measures in favour of responsible entrepreneurship.</p>		X	
6	<p>Various manifestations of CSR are still insufficiently studied. Authorities at all levels should support research on successful models and implementation tools, as well as problems associated with implementation of CSR.</p>	X	X	

7	<p>The Universal Declaration of Human Rights has over time established a global consensus on the applicability of universal moral principles across all types of cultures and nations. These principles are now reflected in today's landmark documents of business ethical behavior: OECD Anti-Bribery Convention; UN Convention against Corruption; World Economic Forum's Partnering Against Corruption Initiative-Principles for Countering Bribery; Transparency International's (TI) Business Principles for Countering Bribery; International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery; and the UN Global Compact Principle 10 on Anti-Corruption, among others.</p>			
8	<p>Some suggestions for further promotion activities:</p> <ul style="list-style-type: none"> • A European CSR award: This would act as an incentive for companies to highlight how they integrate CSR into their business practices and respond to the continually high demands of stakeholders. It would also facilitate competition between companies, to continuously improve CSR practices. • A central contact point for CSR in the European Commission: This would serve companies, as well as other stakeholders, to provide practical advice on CSR and how to integrate it in companies and organisations. • Devising a new approach which does not set companies as the target: Rather than starting from the assumption that business has a responsibility and then defining actions to be undertaken, it would be more useful to identify the main areas where there are problems, bring stakeholders together and see where business can play a role in devising solutions to these problems. The Commission should work towards reconciling stakeholders' expectations on companies and assess to what extent these expectations are realistic and justified. 			
9	<p>There is much the EU could do to reform these legal structures and accountability mechanisms and as identified by the Study of the Edinburgh University, there are two very relevant opportunities.</p> <ul style="list-style-type: none"> • First, the changes to the EU's corporate reporting framework, in respect to companies' duties to report on human rights and environmental impacts of their operations, would significantly improve accountability of EU hosted MNEs. The upcoming consultation on nonfinancial reporting announced by DG Internal Market offers a timely opportunity for the EU to introduce reforms to ensure more transparency by MNEs it hosts. • Second, changes to EU rules on private international law that would result in improvements for third-country victims of MNEs to access a remedy. Specifically, the proposals address law defining the competence of Member State courts to adjudicate private law disputes with a foreign element. 			
10	<p>A comprehensive, long term, sustainable, legal and enforceable system for corporate accountability needs to be built. After three years of legal research which has been reviewed and developed by an array of high profile lawyers, academics and human rights advocates, three areas in which the EU could make a significant difference:</p> <ul style="list-style-type: none"> • Improving the governance in the operations of MNEs concerning foreign subsidiaries and subcontractors • Improving disclosure of information • Mitigating the practical obstacles facing victims 			
11	<p>If the EU is to become sustainable and successful for all its citizens, while respecting the rights of the people and the protection of the environment around the world, urgent change to the legal frameworks governing MNEs it hosts is required. ECCJ's report "Principles and pathways: Legal opportunities to improve Europe's</p>			

	<p>corporate accountability framework” is designed to provide a comprehensive, relevant and realistic legal tool kit to empower the EU to deliver this necessary and urgent reform.</p>			
12	<p>ISO 26000: The most groundbreaking contribution to the development of a common and updated understanding of corporate responsibility has been the drafting and adoption of the International Standard “Guidance on social responsibility (ISO 26000)”. International consumer organizations have been heavily involved and have in fact been the key initiators of the process.</p> <p>In one of its key clauses, the standard describes those core subjects of social responsibility which have to be considered by every credible organization in order to identify its impacts on society and act accordingly. Consumer interests have been included in these core subjects, along with considerations on human rights, labor practice standards, environmental issues, fair operating practices, community involvement and development as well as principles for organizational governance.</p>			
13	<p>Concerning the Transparency Directive - disclosure of Environmental, Social and Governance (ESG) data by all listed companies should be mandatory and should be a provision in the Transparency Directive.</p>			
14	<p>A review of the market transparency regulation is needed. The Commission should adopt measures to:</p> <ul style="list-style-type: none"> • Allow shareholders to keep control of their rights at all times. • Improve accountability of service providers within the proxy voting chain; in particular, require that service providers return confirmation of the vote cast to the agent who has submitted the execution, or an explanation as to why this is not possible. <p>Allow issuers to know who their shareholders are at any moment so that they can communicate to them efficiently.</p>			
17	<p>Environmental, social and governance disclosure often failed to adequately address the most essential issues, such as restructuring, environmental impact, freedom of association, promotion of social dialogue, working time, health and safety, integration of disabled people, equal opportunities and gender equality.</p>			
18	<p>Fully exploit the experience acquired by companies and stakeholders to promote the diffusion of best practices.</p> <p>Develop a summary of the factors that must be taken into account when integrating CSR into businesses and, consequently, company reporting. This would enhance information comparability, higher transparency and market appraisals.</p>			
19	<p>Facilitate co-operation between large companies and SMEs to manage their social and environmental responsibility (e.g. supply chain management, mentoring schemes etc.), in accordance with national and EU competition rules;</p>			
20	<p>Increased convergence and transparency would be desirable in the following fields:</p> <ul style="list-style-type: none"> • Codes of Conduct, • Management standards • Accounting, auditing and reporting 			

	<ul style="list-style-type: none"> • Labels • Social responsible investment 			
21	<ul style="list-style-type: none"> • people who work on CSR be trained to understand the economic, social and environmental impacts of relevant companies and how to support the development of best practices; • business advisors and support organizations which wish to do so, develop know-how on effective CSR practices, to contribute to capacity building, take-up and assisting businesses in their CSR efforts; <p>Recognizing that not all stakeholders have the resources required to take CSR initiatives forward, public authorities, companies and other stakeholders support capacity building activities.</p>			
22	<p>Including CSR in education and the curriculum Business schools, universities and other education institutions have an important role to play in order to build the necessary capacity for relevant CSR strategies. Their core business is indeed about education.</p> <p>In this capacity they need to help future managers and employees improve their capacities to coherently approach CSR. But they educate not only the business world. They are essential to improve the knowledge on CSR for everybody in our capacity as consumer, employees, stakeholder partners, etc.</p>			
23	Identify what items are pertinent with regard to the company's vision and specific objectives , the risks and opportunities associated with its environmental and social footprint, the views of relevant stakeholders, the commercial sensitivity of certain data, and other possible competitive concerns;			
24	As it is a clear responsibility of national governments to promote democracy and human rights , governments provide the appropriate legal framework for protecting human, social and economic rights of citizens, and a climate conducive to economic, environmental and social progress particularly in developing countries;			
25	Many companies are involved in activities that benefit the environment or society without necessarily labeling them “corporate responsibility” . It is a good idea to start off by taking stock of existing activities and working from there. Take one step at a time.			
26	We need more academic research on CSR and SMEs . The recent growth of academic interest in CSR and SMEs is to be welcomed. Further research should be encouraged on action-oriented questions such as: the success or otherwise of different policies and techniques to increase the uptake of CSR amongst SMEs; the economic, social and environmental impact of CSR at regional and local level; the usage and utility of CSR tools for SMEs; and a typology of SMEs with regard to their engagement in CSR.			
27	There is a need to develop more comprehensive business support services on CSR for SMEs . There are already well-established structures providing business development support that target SMEs, but few of these seek to integrate social or environmental issues into their activities. There is significant potential to do so, by taking insights from the CSR agenda into the enterprise development field. There is also a need for stronger involvement of business representative organisations such as			

	chambers of commerce in CSR advocacy and awareness raising, and in providing CSR implementation support to their SME members			
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