



To: EMPL members and substitutes

7 January 2012

Dear Sir/Madam,

In view of the forthcoming vote in the Employment and Social Affairs Committee, I would like to give you our views on the draft report by Richard Howitt MEP on Corporate Social Responsibility (CSR), as well as some of the amendments.

CSR is driven by business, reflected in the growing number of companies integrating CSR into their business strategies, not because they are forced to do so, but because they are aware of the benefits of doing so. We welcome the belief in the '**business case**' for CSR. This positive message should be more prominent, focusing on how CSR can help improve business performance and reinforce the competitiveness of companies. By contrast, we do not agree (as stated in paragraphs 3 and 18) with the use of regulation in this field or that public authorities should have a regulatory role. A regulatory approach to CSR would be counterproductive, most likely leading companies to reconsider their proactive engagement to date.

The positive role of business in society should also be recognised, rather than blaming the European business community for the current economic crisis and social impact of it. We therefore do not agree with paragraph 7, that helping mitigate the social effects of the crisis is part of the social responsibility of enterprises. On the contrary, we support amendments 74 and 75.

We also do not support the Commission's intention to put forward a legislative proposal on **disclosure of non-financial information** (paragraph 22). If such proposals should be made, these should at least allow companies to report in a way which is appropriate and relevant for their particular situation, ensuring that this provides added value for the company and its relationship with shareholders/stakeholders. This is reflected in the 2nd part of amendment 176.

In particular, we do not agree that **integrated reporting** should be made "the global norm by the end of the decade". This process requires a company to develop ways of measuring performance including on non-financial aspects, as part of an integrated financial – non-financial report. This requires a company to analyse and communicate on many different parameters around current and future risks and opportunities, and impact of business activities on the environment and society. Whereas financial information is quantitative, many aspects of non-financial information are qualitative. This makes it difficult to integrate the two. Some companies have already moved to integrated reporting and value this, however they are a minority. For these reasons, this should not be set as the norm for reporting. Rather companies should be able to



communicate with their stakeholders through whichever means are most appropriate. We therefore support amendments 171 and 172.

We do not agree with the recommendations made in paragraphs 8-10, in particular action in response to the 'rise in exploitative work through increased **sub-contracting**'. This paragraph fails to recognise the importance of subcontracting for many companies, both contractors and sub-contractors. This is good for the economy in general. In particular, measures to make companies liable for the actions of their suppliers or subcontractors are unacceptable, wrongly shifting the duty to enforce law from public authorities to companies. This is not to mention the costs on businesses, given the huge challenge of monitoring the supply chain. Large companies have thousands of suppliers/subcontractors. This means that they may not be in a position to ask suppliers or subcontractors to comply with their standards and in particular to monitor compliance. We therefore support amendment 86.

On **international aspects**, we do not agree with paragraph 14 calling on the commission to put forward proposals for better facilitating extraterritorial jurisdiction in EU courts for human rights violations by EU companies, their subsidiaries or business partners. This would allow claimants to litigate in European courts against non-EU subsidiaries of European companies for issues that have occurred outside Europe. Allowing the courts of an EU Member State to exercise jurisdiction over defendants domiciled outside the EU could produce legal uncertainty, increase litigation and generate costs for companies. We therefore support amendment 124.

Finally, we welcome the statement that there **cannot be a one size fits all approach** to CSR in paragraph 24, however this seems to be contradicted by the call to support convergence of CSR initiatives. We therefore support amendment 194, which focuses instead on joint work to support the exchange and promotion of CSR practices.

Yours sincerely,

Markus J. Beyrer