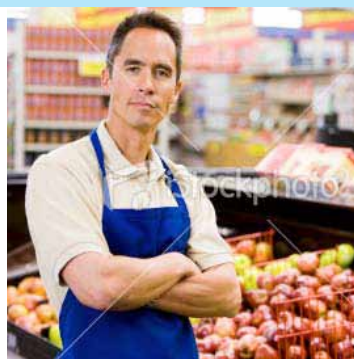


Corporate Social Responsibility

National Public Policies in the European Union

Social Europe



European Commission

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European Commission

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Table of contents

Foreword	5
List of Abbreviations	7
1. Introduction	9
2. CSR-supporting Policy Frameworks in the EU	11
3. Socially Responsible Supply Chain Management with Particular Emphasis on Human Rights	17
4. CSR Reporting and Disclosure	26
5. The Potential of CSR in Tackling Climate Change	33
6. CSR in Small and Medium-sized Enterprises	41
7. Socially Responsible Investment	50
8. CSR and Education	57
9. Green, Social and Sustainable Public Procurement	64
Appendix I: Country Overview	71
Appendix II: Links	73

Foreword

The work of the High-Level Group of EU Member States representatives for corporate social responsibility (CSR) consistently illustrates the commitment of many Member States to furthering CSR in their own countries and in the EU. In a European Union of 27 Member States, things never remain the same for very long. For the sake of completeness and transparency, regular updates of Member States' CSR activities are requested by Member States themselves and by the Commission's wider groups of CSR stakeholders.

For this reason, the Commission has chosen to write a new Compendium of CSR public policies in the EU, by way of update on the last one that was written in 2007.

Unlike the 2007 compendium though, the Commission has decided to change the format from a Member State focus to a thematic focus. The themes covered reflect the breadth of issues that CSR touches on today. Human rights, reporting and disclosure, climate change, SME issues, socially-responsible investment, education, and public procurement all receive specific attention in this document.

The Compendium grapples with the different kinds of tools Member States use, whether these are legal instruments (legislation), economic and financial instruments (incentives), informational instruments (awareness-raising), partnering instruments (multi-stakeholder encouragement), or "hybrid" instruments (a combination of the above).

A rich variety of examples are presented, that in combination reflect an array of initiatives of different Member States. Not only does the thematic focus provide a means of comparison, but an index of initiatives and relevant websites present complementary Member State-by-Member State information. It is to be expected that some Member States are more active than others, which is reflected in the Compendium. But the final product aims to validate all Member States activities and at the same time be a point of reference in peer learning.

The Commission would like to thank our consultants from adelphi and their colleagues for pursuing the relevant information and arranging it in a readable way. And the Commission would especially like to thank the members of the High-Level Group for CSR for all their information provision and support.

CSR continues to attract and deploy. This Compendium provides a contemporary snapshot of the wealth of CSR activity in the Member States of the EU, and acts as a reminder that there is more to be achieved and built up.

I commend this document to for your in-depth reflection or skimming-through, whatever your information need may be.



László Andor

Commissioner for Employment,
Social Affairs and Inclusion

List of Abbreviations

AFD	Agence Française de Développement
ANCP	National Public Procurement Agency
CCC	Committee on Climate Change
CDC	Deposit and Consignment Office
CDM	Clean Development Mechanism
CRC	Carbon Reduction Commitment Energy Efficiency Scheme
CSR	Corporate Social Responsibility
Danida	Danish International Development Agency
DCCA	Danish Commerce and Companies Agency
DECC	Department for Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DfID	Department for International Development
DG	Directorate-General
ECAP	Environmental Compliance Assistance Programme
EMAS	Eco-Management and Audit Scheme
EMS	Environmental Management System
ERDF	European Regional Development Fund
ESF	European Social Fund
ESG	Environmental, Social and Governance
ETI	Ethical Trading Initiative
ETS	Emissions Trading Scheme
EU	European Union
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GPP	Green Public Procurement
GPS	Global Performance Standard
GRI	Global Reporting Initiative
HR	Human Rights
HLG	High-Level Group of Member States Representatives
IAPMEI	Institute of Support of Small and Medium-sized Enterprises and Investment
ICSD	Interdepartmental Commission on Sustainable Development
I-CSR	Italian Centre for Social Responsibility
IIP	Industrial Innovation Projects
ILO	International Labour Organization
INAIL	Italian Workers' Compensation Authority
JI	Joint Implementation

KfW	Kreditanstalt für Wiederaufbau
kWh	Kilowatt Hour
LED	Local Employment Development
MEE	Ministry of Employment and Economy
NAP	National Action Plan
NCP	National Contact Point
NER	New Economic Regulation
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PADES	Support Programme for the Development of Social Economy
PARP	Polish Agency for Enterprise Development
PNAC	National Programme for Climate Changes PNAC
PNAEE	National Plan of Action for Energy Efficiency
PNALE	National Plan for Attribution of Emission Licenses
PPP	Public–Private Partnership
PRTR	European Pollutant Release and Transfer Register
RAGS	Responsible and Accountable Garment Sector
RED	Renewable Energy Directive
RespEn	Responsible Enterprise
RSCM	Responsible Supply Chain Management
SBRI	Small Business Research Initiative
SCM	Supply Chain Management
SCP/SIP	Sustainable Consumption and Production and Sustainable Industrial
SEE	Social, Environmental, Ethical
SEMCo	Swedish Environment Management Council
SMEs	Small and Medium-sized Enterprises
SPIN	Sustainable Production through Innovation in Small and Medium-sized Enterprises in the Baltic Sea Region
SPP	Sustainable Public Procurement
SRI	Socially Responsible Investment
SRPP	Socially Responsible Public Procurement
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNPRI	United Nations Principles for Responsible Investment
UNPRME	United Nations Principles for Responsible Management Education
US	United States

1. Introduction

1.1. CSR made in Europe

Ten years after first appearing on the European Union (EU) agenda, Corporate Social Responsibility (CSR) has become a well-established concept “whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. This approach is expected to support smart, sustainable and inclusive growth as stated in the Europe 2020 Strategy. Indeed, CSR was adopted by ever more companies, investors and business schools in the first decade of the 21st century, while civil society, academia and the media also became increasingly familiar with the topic. It is particularly in the wake of the financial and economic crisis that broke in 2008 that CSR is more relevant than ever as calls for more responsible business are heard and rebuilding trust is a top priority among businesses in the Western world.

Despite being in vogue, CSR remains an inherently complex concept. It conveys a wide variety of meanings. This variety stems from the dynamic, context-dependent and holistic nature of CSR. It is dynamic because it evolves constantly to meet changing demands in complex environments. It is context-dependent since it draws on and needs to be embedded in different historical and cultural traditions. This becomes evident particularly in Europe, where there was a tradition of CSR-relevant institutions (referred to as “implicit CSR”) long before the concept of CSR was discussed explicitly. CSR is also holistic as it embraces and connects various issues from the economy, society and environment. In order to become more concrete, CSR needs to be actively pursued and applied by business, society and government.

Given the highly complex nature and adaptability of CSR, governments all over Europe strive to harness its potential for public policy goals, as can be seen in the variety of CSR-supporting policy frameworks (see Chapter 2.2). Along with the United States (US), European countries were among the first in the world to adopt public policies in order to promote CSR among their businesses. Active government policies are now found across the globe, including in Brazil, India and China. Some of the world’s most innovative and renowned CSR public policies originated in European countries such as the United Kingdom (UK), France and the Scandinavian countries. In 2006 and 2007 the European Commission took stock of these policies and published two editions of “Corporate Social Responsibility: National public policies in the European Union”. These Compendiums provided rich

information on the Member States’ approaches to CSR and thus reflected the dynamic, context-dependent and holistic nature of CSR in Europe.

More than three years after the second Compendium’s publication CSR has evolved, as have public policies and much of the social and economic context of CSR.

1.2. About this Compendium

This Compendium is intended to update the existing Compendiums by taking account of recent government-initiated public policies on CSR in the 27 EU Member States and the European Union. By doing so it shows both continuity and change vis-à-vis its predecessors. This concerns the structure, methods, scope and purpose of the publication.

Structure

The new Compendium marks a departure from the original structure, which was essentially a country overview; in its current version the Compendium is structured according to CSR topics. Eight topics have been identified in cooperation with the European Commission and the Corporate Social Responsibility High-Level Group of Member States Representatives (HLG), and thus reflect recent priorities and trends in CSR public policies. These topics are: the general CSR-supporting policy frameworks including national CSR action plans and strategies, socially responsible supply chain management with particular emphasis on human rights, CSR reporting and disclosure, the potential of CSR in tackling climate change, CSR in small and medium-sized enterprises (SMEs), Socially Responsible Investment (SRI), CSR and education, and green, social and sustainable public procurement. Some of these topics overlap. For instance, some disclosure requirements are relevant for both CSR reporting and SRI. Likewise, the introduction of social clauses may effect responsible supply chain management as well as socially responsible public procurement. In such cases, the particular public policy is presented in both relevant chapters, yet with a different focus in each.

Each of the following chapters is devoted to one of the identified topics. All of them begin with a short overview of recent developments and main points of discussion, and then give an account of the Member States’ and the European Commission’s main public policies. A particular typology is used for presenting these policies (see p.10). Examples are presented throughout the text to highlight innovative and unique CSR public policies initiated by EU Member States on the national or international level. Each presentation concludes with a survey of notable initiatives that are scheduled to take effect after the date of publication. Appendix I offers

an integrated country overview for those readers who prefer searching the Compendium by Member State. The country overview takes the form of a synopsis that covers all Member States, including references to their respective sections in the Compendium.

Typology of public policies

Within each chapter public policies are presented following a well-established typology of instruments for promoting CSR⁽¹⁾. Five different types of instruments are identified.

- Legal instruments apply legislative, executive and judicial powers to mandate CSR practices; laws, directives and binding regulations are examples of this instrument type.
- Economic and financial instruments make particular use of financial incentives and market forces, for instance taxes, tax abatements, subsidies and awards.
- Informational instruments primarily disseminate knowledge about CSR, as for instance campaigns, training courses and websites.
- Partnering instruments aim at voluntary cooperation between government, business and relevant stakeholders; examples include stakeholder forums and negotiated agreements.
- Hybrid instruments combine two or more of the aforementioned instruments. CSR centres, for instance, can be both informational and partnering, and CSR action plans usually consist of and coordinate all four types of instruments.

The value of any typology depends on its consistent and clear application. Therefore the following two clarifications should be noted. First, this Compendium considers government-launched public initiatives only, both on the national and international level. Nonetheless, partnering instruments often include non-governmental actors and sometimes take the form of explicit public-private partnerships. If a public-private partnership focuses on one of the eight CSR topics, and if a Member State plays a significant role in this partnership, then it is presented in this Compendium (a "significant role" is one in which the government is primarily responsible for financing, convening, informing, training or driving the partnership). Second, the identification of hybrid instruments can be difficult. If two or more types coexist, whether they are declared a hybrid instrument depends on the relationship among them. If multiple instrument types each have equal weight in the initiative in question, then they would form a hybrid instrument, for instance a stakeholder forum that aims at both partnership and the dissemination of information. If a public policy is dominated by one type, then it

would be classified according to the prevailing type. Thus, a forum that is convened only with the aim of steering an informational campaign would be found under "informational instruments".

Method

The information gathered for this Compendium is based on broad research. Apart from extensive literature and web research and input from HLG Member State Representatives, a variety of stakeholders were consulted. These stakeholders comprise EU-wide (e.g. CSR Europe) and international organisations such as the United Nations (UN) and various stakeholder organisations. This approach integrates a broad variety of stakeholder perspectives and thus reflects the dynamic, context-dependent and holistic nature of CSR in general and European CSR in particular. At the same time the consultants could not access all information in all European languages. The survey of HLG members aimed to compensate for this by asking all Member States for input on their initiatives during the research period.

Scope of research

The previous Compendiums gave the first comprehensive overview of CSR-related public policies in Europe, stretching back as far as the 1990s. Therefore updating is not equivalent to replacing them. Rather, the new Compendium is intended to take account of how ongoing CSR public policies have developed since 2007 and which new public initiatives have been launched by governments.⁽²⁾ Public policies dating back to 2007 or earlier are named only when necessary for understanding the context of current initiatives. As a consequence readers interested in the wider historical context of European CSR initiatives are invited to consult the previous Compendiums and to regard the current version as a complement, not a replacement.

Purposes of this Compendium

Finally, the new Compendium has two purposes. First, it should serve as a reference book for all those who are engaged in CSR. Public administrators, politicians, CSR professionals, stakeholder activists and academics will all find useful information on a wide variety of government-launched public policies within and across the EU Member States. Second, the eight topics covered in the Compendium give an impression of what could be considered as a European approach to CSR. By virtue of its organisation by topic rather than by individual Member States, the Compendium enables all readers to gain a more holistic picture of current European practices in any given field of CSR as presented here. Combined with highlighted examples, this Compendium is tantamount to a state of the art of European CSR policies.

⁽¹⁾ Reinhard Steurer, The role of governments in corporate social responsibility: characterising public policies on CSR in Europe, *Policy Sciences* 43 (2010), 49–72.

⁽²⁾ Information reported here was valid as of 1 November 2010.

2. CSR-supporting Policy Frameworks in the EU

This chapter provides an overview of the general approaches to public policies on CSR adopted by EU Member States. CSR action plans or strategies are the most explicit form of a government's approach to CSR. Although these documents form the basis of this chapter, it should be noted that many Member States have no action plan or a strategy but do have a strong record on CSR. In these cases the chapter refers to supporting documents such as laws, government reports or sustainable development strategies that have been recently enacted or published.

However, before turning to Member States' CSR approaches we set out the activities of the European Commission.

2.1. CSR-supporting policy framework of the European Commission

Since the turn of the millennium the European Commission has been an active player in promoting CSR across EU Member States. In its two CSR communications from 2002 and 2006 it laid the foundation for a common understanding of CSR in Europe which itself was aimed at helping to deliver the objectives of the (revised) Lisbon Strategy. Since 2006 the Commission has committed to numerous initiatives to support CSR. These initiatives are each aimed at one of the eight priority areas outlined in the 2006 communication on CSR: awareness-raising and good-practice exchange, support for multi-stakeholder initiatives, cooperation with Member States, consumer information and transparency, research, education, SMEs, and the international dimension of CSR.

The Commission was assisted in the implementation of its CSR policies on a number of occasions by various Member States initiatives, not least the conferences organised by different Presidencies over the period covered by the Compendium (i.e. France, Sweden and Spain).

More recently, the new Europe 2020 Strategy developed a vision of how the EU can be turned into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. It identified CSR as a key element in ensuring long-term employee and consumer trust.

Of the large number of European initiatives, some were instrumental in reviewing and further developing CSR policies and identifying new priorities. Partnering

instruments have been playing an important role in this respect. In February 2009 the European Commission convened a plenary meeting of the European Multi-stakeholder Forum on CSR. More than 250 key stakeholders met to review the progress made on CSR in Europe and to discuss future initiatives. From September 2009 to February 2010 a series of six multi-stakeholder workshops on company disclosure of environmental, social and governance (ESG) information took place in Brussels (see Chapter 4.3). The different stakeholder views on this issue provide input for the possible communication on CSR in 2011.

Studies conducted for the Commission provide input as well. In September 2009 the University of Edinburgh was awarded a tender to study the "legal framework on human rights and the environment applicable to European enterprises operating outside the European Union". With this study the Commission aims to provide a basis for possible measures to further operationalise the UN Protect, Respect, Remedy framework put forward by Professor John Ruggie, the Special Representative of the UN Secretary-General on Business and Human Rights. The final report was published in November 2010. Under the Swedish Presidency of the European Union, Professor Ruggie was invited to an EU-sponsored conference on the UN Framework in November 2009. Two further studies were conducted for the Commission in 2010. The first deals with the state of the art in CSR reporting in the EU by describing reporting from readers' and companies' perspectives and analysing reporting schemes. The second study provides an overview of issues with regard to responsible supply chain management. For this purpose it applies the UN Framework. Both studies were completed in January 2011.

In addition to this conceptual work on the approach to CSR, the Commission launched two initiatives to support the new Member States that joined the EU in May 2004 and January 2007, respectively. From December 2006 to May 2008 United Nations Development Programme (UNDP) carried out the project "Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonisation, competitiveness and social cohesion in the EU" for the European Commission. The project had three aims, namely, situation analysis, the promotion of multi-stakeholder initiatives for awareness raising and good-practice exchange, and national and local capacity building in selected new Member States and Candidate Countries (Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, the Slovak Republic and Turkey). The participating countries presented their CSR agendas in September 2008 in Vilnius. With the assistance of the European Commission, the UNDP continued supporting new Member States through another project in the region which began in the fourth quarter of 2009. It was launched in order to establish a measurement system for CSR on

both government and company levels in Bulgaria, Hungary, Lithuania, Poland and the Slovak Republic.

Under the “Entrepreneurship and Innovation Programme” the Commission is currently co-financing “Support to National CSR Platforms” in Estonia, Slovak Republic, Croatia and Macedonia. The time frame is 2009 to 2011. The objective is to improve the CSR performance of European enterprises, thereby strengthening their contribution to sustainable development, enhancing their competitiveness, and helping to create the conditions for sustained economic recovery in the medium term in countries where CSR is less developed. The capacity to support the uptake of CSR amongst enterprises, especially SMEs, will be improved.

In its support of holistic, integrative local employment development (LED), the Commission had research undertaken on the interaction between local employment development and CSR. Its aim was to describe and illustrate how the CSR activities of enterprises can contribute to LED initiatives in the European Union, Australia and Canada, to analyse which types of initiatives exist at local level, and to assess their relevance and effectiveness as well as what is needed to promote LED initiatives and their effectiveness. The report was published in January 2009, and a seminar was held to examine its results.

2.2. CSR-supporting policy frameworks in the EU Member States

There are several reasons for EU Member States to engage in CSR and to draft a policy framework to support it. CSR offers a voluntary complement to traditional hard regulation by persuading private businesses to tackle domestic and global issues and thus indirectly to pursue public goals. This way CSR can help to close governance gaps and reduce the potentially negative impact of business operations on society and environment. Put differently, the public policy case for CSR can pay off for governments just as the business case can benefit companies. As a consequence, ever more EU Member States actively engage in CSR.

Box 2.1

Example: CSR in France’s “Grenelle de l’environnement”

During the second half of 2007, the French government launched a wide-ranging inquiry aimed at improving its long-term decision-making on the environment and sustainable development. As a result of its wide scope, this inquiry, known as the Grenelle Environment Forum, provided a broad basis for CSR public policy, and took place in six multipartite working groups bringing together 40 members in five colleges

representing the government, local authorities, non-governmental organisations, management and labour. The working groups addressed the following themes, namely, to:

1. “fight against climate change and control energy demand,
2. preserve biodiversity and natural resources,
3. establish a health-friendly environment,
4. adopt sustainable production and consumption methods,
5. develop an ecological democracy,
6. promote ecological development methods benefiting employment and competitiveness”.

One way to establish a CSR-supporting policy framework is to adopt CSR action plans and strategies. These are central and public documents that define a government’s general approach to CSR, set priorities for actions and coordinate a set of existing and new policy instruments. Properly implemented, they can be a first step towards a public CSR policy, especially for countries that cannot build upon a long CSR tradition or strong CSR institutions. CSR action plans and strategies were adopted by Belgium in October 2006, Bulgaria in 2009, Denmark in 2008, Germany in 2010, and Hungary and the Netherlands in 2007.

A final general report was drawn up to serve as a “coherent framework for government action”. The first Grenelle law incorporating the general objectives of the conclusions was adopted by the Parliament in August 2009. A second Grenelle law containing more precise commitments was adopted in July 2010. In addition, a French National Sustainable Development Strategy 2009–2012, directly inspired by the Grenelle Environment Forum, was adopted at the end of 2009 by the government, and includes specific CSR policies. Moreover, a specific consultation on human rights and CSR took place in the framework of the National Commission for Human Rights. Its recommendations were supported by the government in its official response issued in March 2010.

The Finnish Ministry of Employment and the Economy (MEE) drafted a comprehensive background paper covering basic issues of CSR defined by the Finnish National Contact Point (NCP), which is also known as “Committee on CSR”. The paper was sent to stakeholders for comments in 2010; a revised version was presented in December 2010. Based on the background paper the MEE and the Finnish National Contact Point will probably prepare a governmental resolution on some key areas of CSR by the end of 2010.

The Planning Bureau in Cyprus is currently developing a National Action Plan on CSR. The government has prepared the terms of reference, which consist of two priorities. First, Cyprus wants to promote CSR as an aspect of the sustainable development of business and to develop measures to promote socially responsible investment, consumption and management. Second, the terms of reference envisage socially responsible actions by the government, comprising interventions that contribute to social, environmental and economic responsibility by acting as a point of reference for the relevant policies. Particular emphasis will be given to further promoting socially responsible purchasing and investment by the government, enhancing transparency, promoting corporate governance and human resources development, energy saving and environmental protection, and combating poverty and social exclusion.

Despite this tendency to adopt CSR strategies and action plans, the majority of EU Member States do not have a strategic document in place. This does not necessarily mean that they have not adopted an advanced approach to CSR. Member States like UK, France, Denmark and Sweden are known to have a strong CSR profile. In fact, CSR approaches, both those that are guided by a strategic document and those that have evolved in a less systematic fashion, share common elements because of the way CSR policy supporting frameworks are typically developed. According to 2010 study published by the UN Global Compact and the Bertelsmann Foundation, six steps can be identified:

- understanding the country-specific CSR context
- defining CSR
- defining a CSR public policy rationale
- situating CSR in government institutions
- selecting CSR policies, and
- monitoring their outcomes

Every government that aspires to elaborate a CSR policy-supporting framework needs to answer the questions raised in these six steps. While the questions are always the same, the Member States' answers sometimes coincide and sometimes diverge. The remainder of this chapter present Member States' answers to the last four of the six steps. The definition of CSR is not covered as all Member States agree more or less with the European Commission's concept of it. Although the CSR context of all 27 Member States cannot be described within the limits of this Compendium, its different topical chapters give readers a first impression.

Box 2.2

Example: Denmark's Action Plan for CSR

In May 2008 the Danish government published its "Action Plan for Corporate Social Responsibility". The aim of the action plan is twofold: to promote CSR among Danish businesses, and to promote sustainable growth both domestically and internationally. The action plan comprises 30 initiatives in four key areas: propagating business-driven social responsibility, promoting businesses' social responsibility through government activities, the corporate sector's climate responsibility, and marketing Denmark for responsible growth.

With its action plan Denmark is among the forerunners in issuing a CSR strategy. The virtues of a central strategic document are clear from the Danish case. It helps to focus and re-emphasise existing instruments and to formulate clear priorities. The Danish action plan is characterised by three strengths. First, it presents a smart mix of CSR instruments, ranging from informational web tools like the CSR Compass or partnering instruments like the Council on Corporate Social Responsibility to legal instruments such as the much-debated legislation on reporting (see Chapter 4.4.1). Second, it sees CSR as a means for improving competitiveness and thus stresses the business case for CSR. Third, Denmark is a strong supporter of international CSR initiatives, as is evident particularly from its support for the UN Global Compact and the UN Principles for Responsible Investment (UNPRI) as laid down in the action plan.

2.2.1. CSR public policy rationale

The CSR public policy rationale is a government's justification for engaging in CSR. The rationale is informed by the country's specific socio-economic context and its policy challenges. Although some general rationales can be identified, such as inclusive and sustainable growth, social and environmental issues or matters related to the import and export of foreign direct investment in a world economy, each country has to determine its own rationale. As far as CSR action plans and strategies are concerned, the rationale is often revealed by the priorities set by a Member State.

The nature of a Member State's economy and its degree of integration in the world economy have a significant impact on the appropriate CSR public policy rationale. Rather small economies with a large number of SMEs pursue different goals from those pursued by highly

export-oriented economies. Belgium, for instance, depends strongly on SMEs, which account for over 70 per cent of its Gross Domestic Product. In its "Federal Action Plan for CSR" the Belgian government endorses, among other objectives such as supporting SMEs and increasing transparency, the goal of financially assisting companies that are active in the social economy. According to the European Commission, social enterprises are positioned between the traditional private and public sectors. Although there is no universally accepted definition of a social enterprise, their key distinguishing characteristics are their social purpose combined with the entrepreneurial spirit of the private sector. The social economy includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises, which provide a wide range of products and services across Europe. Most of the social economy is made up of SMEs. Such support for the social economy can be found in other Member States whose economies likewise contain a high proportion of SMEs. Poland established a "Group for Systemic Solutions within the scope of Social Economy" in December 2008 to work on a policy for developing a social economy. In March 2010 Portugal launched a "Support Program for the Development of Social Economy", which includes a considerable national micro-credit programme, to stimulate job creation and entrepreneurship among social groups that have difficulty in accessing the labour market. Substantial support for the social economy can also be found in UK, France and Ireland.

By contrast, Member States with a tradition of export-oriented business and a strongly regulated domestic economy tend to focus on CSR abroad. Denmark is a case in point. Its SMEs account for more than 50 per cent (imports and exports) of total Danish trade with developing countries and emerging economies. Consequently, its action plan (see Box 2.2) has a strong focus on supporting international CSR initiatives like the Guidelines for Multinational Enterprises of the Organisation of Economic Co-operation and Development (OECD) and the UN Global Compact, for instance by increasing the number of Danish companies recognising or joining these initiatives. Sweden and Finland are also strong supporters of international initiatives and seek international dialogue to foster CSR in developing countries (see below). The Dutch government seeks to strengthen international CSR diplomacy, for instance by requiring that Dutch trade missions abroad follow the OECD Guidelines and be informed and advised about the CSR challenges in specific countries. In addition, Dutch politicians and diplomats raise CSR issues that are being debated in the countries they visit.

The CSR rationale that Germany espouses is different again. Its recently adopted national CSR strategy sets six

priority areas including the promotion of CSR, especially among SMEs, and the strengthening of CSR on the international level and in development. Both priorities mirror Germany's export orientation and its *Mittelstand* of SMEs, which forms the country's industrial base. The German government plans to introduce the concept of "CSR – Made in Germany", which is meant to stress the product quality and responsibility of its exporting companies around the world.

2.2.2. CSR in the government structure

One of the first questions to be answered by governments elaborating a CSR public policy framework is where to situate CSR within the government structure. Usually, several government departments are involved in CSR, with one of them leading public policies on CSR. Often these are the departments of labour and social affairs, of economics or of foreign affairs. However, as CSR is a holistic concept it needs to be dealt with across the board. For this purpose governments can set up inter-ministerial work groups. In France, an inter-ministerial CSR coordination committee was created in 2009. It is chaired by the "Commissaire national du Développement Durable". In Belgium the working group on corporate social responsibility of the Interdepartmental Commission on Sustainable Development (ICSD) was created in 2005. Given that the activities of these two groups were very closely related, the CSR working group was merged with the ICSD's working group on Socially Responsible Investment (SRI) in April 2007, now called the CSR/SRI work group. In Cyprus an inter-ministerial work group was established in 2008 under the Planning Bureau which is the National Coordinator for CSR.

An alternative approach is to set up a new organisation. The appointment of a CSR minister in the UK had been an example of how to centralise the government's CSR activities until the position was abolished in 2008. In addition, councils, centres and agencies can be used to coordinate CSR policies. Thus, Poland set up the Group for Corporate Social Responsibility Issues, an auxiliary body of the Prime Minister's office, in May 2009. An Undersecretary of State presides over the group, which consists of representatives of a wide circle of experts representing the government as well as business partners, social organisations, trade unions and academia. The Group works on the promotion and implementation of CSR principles, the analysis and use of good-practice examples, and the conditions facilitating stakeholder dialogue. It also has four working groups concerned with a system for promoting CSR in Poland, responsible investment, education within the scope of CSR, and sustainable consumption.

Similar groups have recently been created in other Member States. The Danish Government Centre for CSR,

founded in 2007, coordinates initiatives implementing the government’s action plan for CSR. The Centre also develops and communicates knowledge and tools for businesses and other stakeholders. In Spain the “State Council on Corporate Social Responsibility”, established in February 2008, acts as a collegiate quadripartite advisory and consultancy body for government, with an equal number of representatives from business, the trade unions, civil society and government at central, regional and local levels. It is responsible for fostering and promoting the implementation of CSR policies, and proposing new measures. In January 2009 the German Federal Ministry of Labour and Social Affairs appointed about 40 representatives from the business community, civil society, trade unions, academia and policymakers to a “National CSR Forum”. It has advised the Ministry in developing a national CSR strategy and will continue its work as a strong player fostering CSR in Germany. Intensifying and institutionalising the cooperation between the stakeholders is fundamental for the German way, given that a national CSR strategy requires the knowledge, guidance and participation of key societal players.

Specialised councils can support CSR, too. The UK and Portugal have both set up councils for social economy. The UK Prime Minister’s “Council on Social Action” was set up in December 2007, while the Portuguese “National Council for Social Economy” came into being in August 2010.

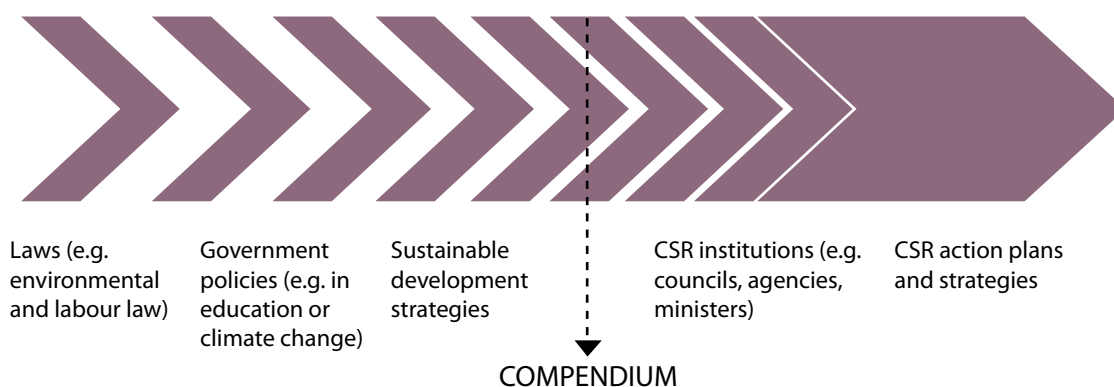
In addition, governmental CSR organisations can be used to strengthen international cooperation on CSR. For instance, the French government created the post of “Ambassador for Bioethics and Corporate Social Responsibility” within the Ministry of Foreign and European Affairs in September 2008, followed by the creation of a General Directorate for Globalisation, Development and Partnerships within the Ministry in March 2009. One of this department’s main tasks is to present French action on economic and societal issues

vis-à-vis global organisations. Sweden announced in March 2010 that it would create a “Centre for Corporate Social Responsibility” at its embassy in Beijing. It is supposed to further develop the dialogue with China on corporate responsibility, for example on how companies safeguard working conditions, worker protection, environmental responsibility, consumer rights and efforts to combat corruption.

2.2.3. Choice of policy intervention

A successful CSR-supporting policy framework makes use of a variety of instruments, as this Compendium and its predecessors show. The choice of a particular policy instrument depends on the topic and the Member State in which it is to be implemented. One can distinguish between an implicit and an explicit CSR policy framework. The implicit framework refers to institutions that are not called CSR or clearly linked to this term but nevertheless supportive of it. Examples are legal institutions such as a constitution or labour law or government policies such as environmental or higher education regulations. In general, such institutions apply to businesses and require or encourage CSR-related aspects like fair industrial relations or awareness of CO₂ emissions. All EU Member States have such an implicit CSR policy framework to a varying degree. By contrast, the explicit framework consists of all those institutions that were originally designed to promote CSR in any given field. They include, for instance, organisations that were set up by government in order to deal with CSR as well as CSR strategies. In principle, the explicit CSR policy framework is meant to provide a more strategic and consistent approach to CSR. It is not employed by all Member States and there is a wide variation in existing approaches. This Compendium deals largely with explicit CSR policy instruments (see Figure 2.1).

Figure 2.1: From an implicit to an explicit CSR public policy framework



Box 2.3

Example: Spain's Sustainable Economy Law

In March 2010 the Spanish cabinet approved the Sustainable Economy Law. As of November 2010, it is awaiting examination by Parliament for approval. It contains various measures related to CSR, some of them closely linked to transparency, like the disclosure of the remuneration of company directors, and others closely linked to sustainability in the management of state-owned companies. It also includes a provision on the promotion of CSR. Article 37 creates incentives for companies, in particular SMEs, to incorporate or develop corporate social responsibility policies. It stipulates that the government shall provide them with a set of performance indicators for their self-assessment with regard to social responsibility, as well as reporting models or references that comply with international standards on the matter.

This set of indicators and reference models must have particular regard for transparency objectives in management, good corporate governance, commitment to the local community and the environment, respect for human rights, improvement of labour relations, promotion of the integration of women, real equality between men and women and equal opportunities for people with disabilities. This will be done in accordance with the recommendations made to this end by the State Council on Corporate Social Responsibility. Companies that achieve the minimum threshold in the above indicators may voluntarily request to be recognised as socially responsible companies in accordance with conditions determined by the Council itself.

2.2.4. Monitoring and review

Like other policies, CSR policies benefit from monitoring and review. Action plans and strategies may be helpful here, since they set targets against which actual progress can be measured. The Danish action plan, for instance, aims at increasing the number of Danish companies that sign the UN Global Compact and the UNPRI. In 2010 it prepared for the first time a biennial progress report on Danish businesses' compliance with and commitment to these initiatives. An evaluation of the government's achievements in implementing the action plan has been announced for 2012.

Belgium's federal CSR action plan was adopted in December 2006, with its first implementation period spanning from 2007 to 2008. The CSR/SRI working group compiled a progress report on the implementation, which was published

in March 2009. A stakeholder consultation was organised in November 2008 in order to discuss the current situation regarding the implementation of the measures from the CSR action plan. Eighty-eight organisations took part in the stakeholder consultation, with enterprises being very strongly represented. The aim of the consultation was to provide feedback on the interim results of the implementation and to ask the stakeholders how they saw the further implementation of CSR at federal level. Based on the consultation, the CSR/SRI working group wrote a memorandum including several proposals with respect to the future implementation of the action plan.

The Bulgarian strategy uses reporting to monitor progress on its three action plans. For each action plan the Ministry of Labour and Social Policy is required to draft a report on the work carried out by all stakeholders involved. The reports are first submitted to an advisory board for approval, and the approved reports are in turn sent to the Council of Ministers for approval. In addition, a preliminary assessment of the strategy's implementation must be undertaken at the end of 2010 and a final one in May 2013. In France, since 2008 a working group including all the different categories of stakeholders involved in CSR ("Comité de suivi du Grenelle de l'Environnement") has been in charge of the follow-up of the implementation of the governmental commitments.

Review measures may also be used to improve the management of international instruments. In December 2009 the Dutch NCP of the OECD Guidelines submitted itself to a voluntary peer review by NCP colleagues from Canada, Chile, France, Japan and the UK. The review team's report was published in March 2010. To stimulate peer learning by European OECD NCPs, the results of the peer review of the Dutch NCP have been made publicly available on an English version of the website of the Dutch NCP.

3. Socially Responsible Supply Chain Management with Particular Emphasis on Human Rights

3.1. Definition

Supply Chain Management (SCM) is integral to business and competitive advantage, especially in the production sector. According to the classic definition⁽³⁾, “The supply chain encompasses all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as the associated information flows.” Managing a supply chain involves a series of companies that work together as suppliers, logistics providers and customers to deliver a product or service. It therefore entails business-to-business and business-to-customer relationships and processes.

There is no single definition of Responsible Supply Chain Management (RSCM), despite increasing political and scholarly attention devoted to the topic (see Chapter 3.2). The benchmark for responsible SCM is often derived from the sustainable development concept. In line with the latter and the European Commission Green Paper on Corporate Social Responsibility (2001), RSCM is defined here as an approach to SCM that takes into account social, environmental and economic considerations. Human rights (HR) responsibilities are at the centre of this triad and provide the special focus of this Compendium.

John Ruggie, United Nations (UN) Special Representative on Business and Human Rights, highlights the state’s duty to protect, the corporate responsibility to respect and access of victims to remedies as the core pillars of his framework. In this regard RSCM offers a mechanism to anchor corporate responsibility in a specific business process and at the same time extend it beyond company gates along the supply chain.

3.2. Development of RSCM in Europe

As a mechanism to implement and spread Corporate Social Responsibility (CSR) beyond national borders, RSCM is beginning to receive increasing attention. Prominent campaigns by non-governmental groups have targeted large well-known multinational brands and enterprises to raise awareness of sweatshop

conditions and focus responsibility on buyers. The high suicide rate of workers at Foxconn shed a bad light on Apple and its product iPhone, and shifted the focus of RSCM to the electronics industry. Campaigns have targeted, among other things, the food industry (e.g. in connection with chocolate from civil war-savaged Côte d’Ivoire). Public and consumer awareness of these issues is increasing and is putting pressure not only on corporations but also home governments to include their supply chains in their approach to responsibility. More recently, such thinking has also been extended from supply chains to waste and recycling chains. The topic of e-waste, for example, raises questions about the responsibility of consumers and producers for the entire life cycle of a product. This includes issues of sustainable consumption (e.g. considering the lifespan of a product as well as its energy efficiency during use), which go beyond the scope of this Compendium chapter.

In the European Union (EU) and particularly at the European level (see below), the holistic concept of CSR includes the responsibility of corporations across their (international) supply chains. Important EU policy documents, such as the European Commission’s Communication on CSR (2006), as well as all Member States, reflect in their CSR approaches policies and statements to the effect that the scope of responsibility is broadened through the supply chain. In these documents, RSCM is cited as a mechanism for delivering CSR, including in regions and countries that lie outside the legislative boundaries of Member States and the European Union. As an implementation instrument for CSR, RSCM is rarely the focus of policy frameworks or specific initiatives. CSR initiatives focus instead on topics such as HR (especially since John Ruggie’s appointment and reports), corruption or child labour, and refer to RSCM as a mode of delivery and an extension of the corporate duty to respect.

A second explanation for the reduced number of government-only initiatives focusing explicitly on RSCM is that (R)SCM is essentially core business practice and one important area where businesses create competitive advantage. Stringent economic or legal instruments could essentially undermine competitive market dynamics. Furthermore, it is not surprising that government initiatives frequently take the form of public–private partnerships (PPP), in which they cooperate with other governments and multinational or supranational organisations (EU, United Nations), corporations, non-governmental organisations (NGOs) or scientists. Prominent examples of large PPPs include the Extractives Industries Transparency Initiative, the Global Reporting Initiative, the Multi-Fibre Arrangement Forum and the Carbon Disclosure Project. While these initiatives bear relevance

⁽³⁾ R. B. Handfield and E. L. Nichols, *Introduction to supply chain management*. New Jersey: Prentice Hall, 1999.

to RSCM, they are not focused on here because a) they are multi-stakeholder arrangements with multiple drivers rather than government initiatives, and/or b) they are not centrally focused on HR. Only such partnership initiatives with a clear governmental role and drive and a focus on HR are presented in the “partnering instruments” section (see Chapter 3.4.4) of this Compendium chapter. Similarly, a variety of business initiatives and corporate–NGO networks or projects exploring RSCM good practices and joint initiatives in many Member States are excluded from this Compendium, which focuses on government initiatives.

The increasing momentum of and political backing for fair and ethical trade markets, producers and consumers is one important trend in this development. One example is the Ethical Trading Initiative (ETI), which has been funded by the British government since 1998 and has national offices or equivalents in many European countries, including Ireland and Denmark. Fair trade approaches have fully integrated consumer and producer responsibility in a separate supply chain and market. The topics of this approach may relate to public procurement (e.g. European Observatory on Fair Trade Public Procurement) or RSCM if a corporation decides to source some resources from fair trade producers or traders. In the realm of public policy, fair trade policies (other than public procurement guidelines) are generally linked to broader trade policy, such as access to market, standards and subsidies. They therefore relate to macro processes and differ from RSCM in the sense defined above. Fair trade initiatives are therefore included in this Compendium only if a) they provide information and services that specifically support RSCM and b) they are new initiatives since 2007.⁽⁴⁾

The trends described above highlight the increasing relevance of RSCM, particularly as an approach that offers a practical application to general appreciation and acceptance of CSR. In this key area Member State governments are playing a role, particularly in promoting and supporting small and medium-sized enterprises (SMEs) in developing and implementing systematic RSCM approaches (see Chapter 6). The following EU, international and Member State initiatives outline the political frameworks and initiatives that have been put in place since the last Compendium (2007) to address RSCM.

3.3. International public policies to support RSCM

3.3.1. Public policies of the European Commission

“Companies should pursue social responsibility internationally as well as in Europe, including through their whole supply chain.” This statement in the European Commission’s Green Paper on Promoting a European Framework on CSR (2001) indicates the European Commission’s early leadership regarding CSR and RSCM. The Commission’s Communication on CSR from 2006 reasserts that mainstreaming CSR efforts also must involve “assisting enterprises to integrate social and environmental considerations in their business operations, especially those in the supply chain”. Both these statements clearly state the responsibilities corporations carry for their supply chains.

At the EU level the topic of business and human rights, and particularly the UN framework, have become a central theme in its CSR leadership. Promoting the issue of RSCM and human rights, the EC’s Directorate-General (DG) for Enterprise and Industry has introduced a website dealing specifically with business and human rights. The DG also commissioned a study from the University of Edinburgh Law School on the “existing legal framework for human rights and environmental issues applicable to European companies operating outside the EU”. The final report was published in November 2010 and analyses how labour laws can “address corporate violations of human rights both within and outside the corporation (i.e. supply chain and subcontracting relationships)”. The UN framework was also discussed by the European Council of Ministers Working Party on Human Rights in May 2009 and received further political backing from the Swedish EU Presidency, which organised a major European conference on business and human rights in the second half of 2009. Furthermore, the Commission’s High-Level Group on CSR commissioned a study on RSCM (a parallel work package to this Compendium) which will be finalised at the beginning of 2011.

Other European Commission RSCM informational initiatives since the last Compendium have focused on children’s rights by combating child labour. They include support for business cooperation in Europe and Asia between socially responsible SMEs operating in the whole (child) garment supply chain, a Commission Staff Working Document on combating child labour (January 2010) that refers to the work of the High-Level Group on CSR, and support to the Government of Pakistan and civil society organisations in implementing the National Policy and Plan of Action to Combat Child Labour. Recognising poverty as a key driver of child labour, the Commission approaches the issue from various angles,

⁽⁴⁾ Most fair trade approaches are initiatives that began prior to 2007, the starting point of this Compendium.

including development and trade as well as CSR and RSCM. Taking a broad approach, the Commission's activities to promote CSR (2007–08) in Pakistan also include efforts to ensure a safe, abuse-free and sexual harassment-free work environment for all women and men so that they can claim their right to work with dignity, as well as activities to strengthen civil society organisations in their role of promoting basic human and labour rights.

With regard to informational instruments, the European Commission additionally addressed RSCM in the food supply chain in Europe through a variety of actions, including draft standard contracts and a food price monitoring tool. The initiative particularly aims at supporting smaller actors who may be treated unfairly, but does not specifically emphasise human rights. The initiative, like many other RSCM approaches, also aims at fostering consumer rights, which while important are not the focus of this Compendium RSCM overview.

In 2009 the European Commission also hosted a plenary meeting of the Multi-stakeholder Forum on CSR that brought together business, trade unions, Member States, and representatives of NGOs and the Commission. Through this partnering instrument, the EC aimed to review global CSR progress and develop future joint initiatives particularly with regard to the UN framework. One panel focused on the leverage of supply chains to support human rights and decent working standards.

Finally, the European Commission also engages in hybrid instruments. A relevant example is the Portal for Responsible Supply Chain Management, which is part of the European Alliance for CSR. Founded by the European Commission and leading companies in Europe in 2006, the Alliance includes 260 companies and business supporters. Its RSCM platform provides, among others, information concerning RSCM, best practices, codes of conduct and international frameworks. By highlighting "child labour, forced or bonded labour" as a key issue, the portal also integrates human rights. Other key issues are: corruption/bribery, discrimination, freedom of association, collective bargaining agreements, health and safety, compensation and working hours.

Similarly, the European Commission co-funded and partnered with businesses in providing information through the Global CSR website. The site offers nine business cases as examples of practical application. One case is concerned with "inclusive supply chains", focusing on pro-poor economic growth and diversification, and another with ethical trading, though HR are not the focus of attention.

3.3.2. Other multilateral and joint initiatives involving European Member States

The survey of Member State representatives regarding their countries' initiatives for RSCM and human rights highlighted the importance of the Organisation for Economic Co-operation and Development (OECD) and its Guidelines for Multinational Corporations. Most Member States emphasised their activities in the framework of the OECD and the work of the OECD National Contact Points (NCPs) as important policy contributions. Nevertheless, there are substantial differences in the roles of NCPs among Member States, regarding the host ministry as well as the amount and seniority of staff allocated to this task. To ensure compliance with the OECD Guidelines the Czech Republic NCP has been hosted by the Ministry of Industry and Trade since 2009. In the United Kingdom (UK) the NCP is run by the Department for Business, Innovation and Skills and monitored by a Steering Board, set up in 2007 and including four external members representing the interests of UK businesses, trade unions, and non-governmental organisations. The Italian NCP is seeking to highlight HR and the UN framework in the current revision of the OECD Guidelines. It commissioned CSR awareness campaigns in 2009 and funded research in 2010 to assess the impact of adopting CSR measures, including for value chain networks. The French NCP, organised in a tripartite structure of state, employers' organisations and unions, has examined 16 "specific instances" since its creation. Several of them focused on environmental problems.

The publication of the international CSR norm ISO 26000 in 2010 is another important and timely international effort that also addresses RSCM issues and includes a substantial section on HR. Almost 100 developing and developed countries participated in its development, including many EU Member States. The norm covers human rights and recognises the supply chain as a mode of delivering global responsibility, though this is cited primarily in relation to a variety of existing initiatives. After the publication of ISO 26000 consultants are likely to use it as base document for their services and tools, ideally strengthening the integration of HR considerations in RSCM.

3.4. Public policies in the EU Member States

3.4.1. Legal instruments

The Universal Declaration of Human Rights forms the normative basis for international human rights which is further reflected in international law through specific covenants, treaties and other binding legal instruments, as well as in numerous national constitutions. In addition, the US Alien Tort Claims Act provides the option of suing

a corporation or natural person for violating the law of nations or a treaty of the US, irrespective of the nationality of the accused or place in which the crime was committed. These laws do not generally, however, hold responsible those persons who buy or sell from others abusing human and workers rights or the environment.

Corporations also face “soft law” norms and standards that make them responsible for the conduct of their suppliers. Advocacy campaigns have targeted brands and multinational enterprises with consumer boycotts to highlight poor working conditions and human right abuses further down the supply chain. The initiatives and examples given here under the informational, partnering, financial, economic and hybrid headings are evidence that corporations cannot easily ignore the issue of RSCM simply because they are not formally liable for the conduct of their suppliers.

For instance, the Netherlands’ cabinet vision of supply chain management (2008) encouraged the “International Corporate Social Responsibility Initiative” carried out by the Dutch Social and Economic Council, which comprises a joint statement, working plan 2010–12 and annual progress reports (see Box 3.1).

Box 3.1

Example: The Netherlands’ International Corporate Social Responsibility Initiative

The Dutch Social and Economic Council, consisting equally of represented employers, employees and independent experts, advises the Dutch government and parliament on social and economic policy and legislation. Following its advisory report “On sustainable globalisation: A World to be won” (June 2008), the Social and Economic Council launched the International Corporate Social Responsibility Initiative, calling on Dutch trade and industry to actively pursue responsible supply chain practices, and provided in a joint statement basic principles for responsible supply chain management based on guidelines and recommendations issued by the International Labour Organization (ILO), OECD and the International Chamber of Commerce. The Council also set up a special committee that meets twice a year and reports annually on progress made in introducing responsible supply chain practices.

The Belgian Parliament provided the legal basis for a voluntary social label by approving a law that offers companies the possibility of using such a label, which is granted to products with production chains that respect the

eight fundamental International Labour Organization (ILO) conventions. The right to use the label is given by the Ministry of Economic Affairs based on the positive and binding opinion of a stakeholder committee for a maximum of three years, with constant monitoring.

In July 2010 France introduced a reference system (BP X 30-025) concerning best practices for transparent disclosure of the social conditions in which goods are produced and provided in the subcontracting chain. The system is currently being drafted and is expected to improve product traceability.

3.4.2. Economic and financial instruments

Some European Member states also support RSCM approaches by economic means, particularly by providing funding for PPPs, conferences (see Chapter 3.2) or through CSR foundations. Italy’s CSR Foundation, for example, has been active since 2004 in supporting multi-stakeholder initiatives aimed at sustainable trading practices, including monitoring and evaluations. At the provincial level Italian Chambers of Commerce have also provided financial support “for suppliers in developing countries getting certification schemes, such as SA8000 and Forest Stewardship Council (FSC) as part of development aid”⁽⁵⁾. They have policies in place to promote supply chain transparency (such as transparency benchmarks) as well as better information for consumers about the origin and social and environmental conditions in supply chains of consumer products. Between 2001 and 2008 such funding also covered contributions to accessing remedies for victims and forums for dialogue with stakeholders.

Another approach is to give tax breaks or subsidies to reward certification. The Polish government subsidises the Eco-Management and Audit Scheme and International Organization for Standardization certification of Polish companies, some of which supply other Polish and European companies. The German government offers financial or in-kind support for suppliers in developing countries seeking certification, such as SA8000 and FSC, as part of development aid.

The Dutch government provides financial support for the mandate of the Special Representative of the Secretary General of the UN on Business and Human Rights, contributes to the national application of his framework and supports the initiative UN Global Compact Netherlands on human rights (presented at UN Global Compact Business Leaders Summit June 2010), which all consider supply chain issues.

⁽⁵⁾ SA8000 is a workplace standard against with which companies and factories measure their performance.

Besides funding the Ethical Trading Initiative since its inception in 1998 (funding in 2010–11 is organised through a Partnership Programme Agreement, see also Chapter 3.2), the UK Department for International Development (DfID) also funded the Responsible and Accountable Garment Sector (RAGS) Challenge Fund, one of the “Sustainable Clothing Roadmap” industry initiatives of the Department for Environment, Food and Rural Affairs. The fund aims at improving working conditions for “workers in low-income countries in Asia and Sub-Saharan Africa that supply the UK market”. In order to help responsible garment manufacturing “become the norm”, the grant supplies a total of £3 million to support projects over a three-year period (2010–13).

In another initiative focusing on garments, the French government supports Yamana and its Fibre Citoyenne® programme. It offers a set of services to textile companies to help them integrate sustainable development practices. The aims are, among other things, to give decision-makers a better understanding of the textile supply chain and to develop purchasing practices which take quality into account.

Box 3.2

Example: The UK's funding for the ETI

Government funding can help start up and develop important RSCM initiatives. The UK has shown good practice regarding ETI (see Chapter 3.2) by providing the long-term funding commitment often necessary to ensure lasting success. With the Responsible and Accountable Garment Sector (RAGS, see above) Challenge Fund the UK has again given substantial support (£3 million to support projects over the three-year period 2010–13) in order to effect systematic change in a sector notorious for a lack of RSCM.

3.4.3. Informational instruments

Providing information, best-practice examples, exemplary codes and contracts is a typical way for European governments to foster RSCM related to human rights.

- Responsible government bodies differ: foreign ministries (e.g. Finland) or development ministries (e.g. Germany), social affairs and environment ministries, and others.
- Governments spell out the responsibility corporations carry for protecting human rights and refer to their supply chain leverage. For example, the Finnish Ministry of Foreign Affairs states that basic human

rights and core labour standards are an essential part of CSR, even in developing countries. Such statements are made by most Member States government ministries or in policy papers. They give clear normative guidance and support discussion in favour of corporate responsibility throughout the supply chain.

Besides these endorsements by government, specific information on RSCM and HR is provided in a variety of ways, including toolkits, best-practice information, centres and contact points, guidelines, prizes and awards. For example, the Danish Minister of Economic and Business Affairs asked the Danish Council on Corporate Social Responsibility in 2010 to develop guidelines on responsible supply chain management, building on John Ruggie's work and recommendations regarding due diligence processes. The initiative was a response to a documentary revealing the use of child slavery in chocolate production on the Côte d'Ivoire. The resulting guidelines also promote transparency, dialogue and partnerships.

In 2009 the Dutch government adopted a social public procurement policy with contractual clauses for Responsible Supply Chain Management that can also be applied to the private sector. The clauses relate to human rights by stating that suppliers must become aware of adverse human rights impacts, and take the actions that could reasonably be expected of them to prevent and address them, in their supply chain arising from the contract at hand. The policy has a focus on the fundamental labour standards and sets out the steps public buyers and suppliers should take to implement this approach.

Another informational instrument approach is to commission research and evaluation. The French Ministère des Affaires Étrangères commissioned a study by the Commission Nationale Consultative des Droits de l'Homme on corporate responsibility with regard to human rights. Its results were presented at a conference on business and human rights, though the focus was not specifically on supply chains. Poland commissioned the research project “Management of sustainable supply chain” by the Department of Logistics of the Warsaw School of Economics (2007–08). Germany (Ministry for Development and Economic Cooperation), for example, published an evaluation report on “Introducing voluntary social and ecological standards in developing countries” (2008) and held an international conference on “Shaping Globalisation – Scaling Up Voluntary Standards” in the same year with the aim of harnessing recommendations for German Development Policy authorities concerning the effective implementation of social standards; case studies on various projects supported by the German

government or its bodies include, for example, those on Brazil, China, Kenya and Zambia. The Dutch Ministers of Foreign Trade and Foreign Affairs commissioned a legal study in 2009 clarifying the liability of Dutch parent companies for subsidiaries' involvement in violations of internationally recognised fundamental rights.

An example of an informational instrument established prior to 2007 but providing new tools relevant to RSCM is the Danish "Human Rights and Business Project". Supported by Danish International Development Agency (Danida), the Council of Europe, the European Commission, the UN and the World Bank, this institutionalised project of the Danish Institute for Human Rights has developed a variety of new tools since 2007, including:

- HRCA 2.0: the updated and reformatted Human Rights Compliance Assessment tool and database (2010). New features include automatic tailoring to sector and company operations, country risk matching and an intranet plug-in.
- First test briefings from the Country Risk Portal (2010), a free website aiming to help companies "identify, assess and address human rights risks in the countries where they do business or manage supply chains".
- A Global Compact Self Assessment Tool (2010).
- The Polish government in partnership with the union 'Solidarność' also organised expert seminars on human trafficking and forced labour, thus using the informational instrument to convey legal aspects of RSCM. The Dutch Ministry of Social Affairs organised an international conference focusing on a road map to 2016, which included international companies discussing their role in fighting child labour.

The informational initiative "Ethical Fashion", on the other hand, promotes the idea of a sustainable supply chain from the demand side and consumer perspective. It is supported by the Polish government, organised by Polish Humanitarian Action and co-funded by the EU. It includes training sessions for consumers, as well as teachers and lecturers from academia. To raise awareness, the Polish government also cooperated in convening a conference on "How does fair trade contribute to the Polish Economy" in March 2010. A recent Fair Fashion Conference (2009) supported by the Austrian government (as part of the Clean Clothes Initiative) also raised awareness of labour standards in the supply chain, specifically in the garment sector, by addressing public fashion schools all over Austria. Students worked on RSCM issues in workshops and seminars, organised partly with activists from developing countries, and presented their projects during the conference.

Voluntary codes of conduct are another source of information on RSCM. For instance, in Portugal the "Labour Platform" launched a code of conduct regarding "Companies and HIV" in 2008. The Platform brings together representatives from employer and employee organisations, and its code of conduct targets companies both in Portugal and in other Portuguese-speaking countries. The implementation of the code currently involves around 100 companies.

Awareness and information on RSCM can also be spread through prizes and awards. The National Prize of Quality of the Czech Republic for CSR, for example, includes the criterion of proving responsible selection and evaluation of suppliers and their transparency. Another criterion for selection is human rights compliance (which entails rules against discrimination, correct relations with other stakeholders, and the certificate OHSAS 18001) at the level of the organisation and its suppliers. These award criteria clearly communicate RSCM and HR to any company interested in competing. The Slovak Pontis Foundation also awards the Via Bona Award "for projects promoting business transparency and eliminating corruption beyond legislative and regulatory requirements". Representatives of Slovak government agencies (Ministry of Labour, Social Affairs and Family and the Environment Agency) sit on the jury for the award, supporting this initiative with political backing and visibility. While HR is not the primary focus, the award includes the supply chain.

Box 3.3

Example: Consumer awareness campaign in Poland

Various informational initiatives by Polish social partners and grass-roots initiatives show how to promote the idea of a sustainable supply chain from the consumer perspective and how to build a range of capacities regarding RSCM. For example the project "Modnie i Etycznie" ("Ethical Fashion") by Polish Humanitarian Action focused attention on the problems occurring in the supply chain in the fashion industry, by organising training sessions for consumers, as well as teachers and lecturers from academia. The year 2009 also saw the establishment of "Clean Clothes Polska", an informal alliance of organisations agitating for improved working conditions in the global clothing industry, as well as increased social responsibility and engagement in CSR on the part of companies and consumers alike.

Finally, governments sometimes use agencies to support suppliers directly in obtaining certification on social standards that may include HR. The British Standards Institution's Management Systems provide organisations with confidence about the ethics of their extended

international supply chains with third-party certification to SA8000, second-party compliance services to company or trade body standards and an integrated solution for managing supply-chain compliance.

The Dutch Centre for the Promotion of Imports from Developing Countries, supported by the Ministry of Foreign Affairs, provides advisory services and training on CSR to suppliers to the EU from developing countries.

3.4.4. Partnering instruments

Since (R)SCM is integral to business practice, many European Member State governments partner with businesses and sometimes also NGOs in public-private or tripartite initiatives to support RSCM (see Chapter 3.2). Public-private partnerships, networks or joint initiatives on CSR that are more or less related to RSCM exist in all countries for which the consultants could identify RSCM initiatives since 2007 and/or which gave feedback through the High Level Group (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK). The main aim of many partnerships is to inform; they are therefore presented above as informational instruments. Some of these initiatives take the form of hybrids (see below) in that they equally combine the partnering and informational and/or other types of instruments.

An initiative that focuses primarily on partnering is the Irish Fairtrade Network (Fairtrade Mark Ireland) supported by the Ministry of Foreign Affairs and Irish Aid. While the network has existed since 2002, a new grant of €15 million was issued in 2008 to extend the programme from Central America to Tanzania, Kenya, Ethiopia and Uganda. Another €85,000 was provided through the Irish Aid Development Education Funding Scheme in 2009. The aim of the education programme is to promote greater understanding of the role consumers and businesses can play in ensuring greater justice in trade. The public campaign culminated in "Fairtrade Fortnight" in 2009, which included many activities and was supported by the Minister of State. The main focus of the Fairtrade Network is on poverty and hunger alleviation rather than HR. Similarly, DfID has committed to provide £12 million towards Fairtrade's coordinated global expansion, through support for the Fairtrade Labelling Organization. The goal is to bring the benefits of Fairtrade to twice as many producers by the end of 2013 (see Chapters 2.2. and 2.4.2. for fair trade trends and financing instruments).

Another partnering initiative is the Dutch Sustainable Trade Initiative. It is a multi-stakeholder initiative (including government, NGOs, businesses and labour unions) that brings together representatives from the global North and South "to improve the sustainability of international supply chains, by tackling social, ecological and economical bottlenecks for the first chain actors in developing countries". It comprises a variety of sectors (tropical timber and other forest products, soy, nature stone, cocoa, tea, tourism, aquaculture and cotton) and primarily builds the capacities of farmers. The initiative therefore supports their (self-) organisation and training, the introduction of sustainability standards and the marketing of sustainable consumer labels. The sectoral development programmes of the new Action Plan 2011-2015 target labour, land use and water access rights, though human rights are not mentioned.

Also focusing on ethical trade and RSCM, Danida under the Danish Ministry of Foreign Affairs partly financed a multi-stakeholder initiative in 2008 that brings together the Danish Commerce and Companies Agency with trade unions, business associations, NGOs and companies to "promote ethical trade and responsible supply chain management among Danish companies". It aims at promoting good practices particularly related to the UN Global Compact, providing guidelines, identifying challenges and organising workshops, seminars and dialogues.

Another bilateral partnership strengthens the ability of Danish companies and their Indian suppliers to create synergies between social and environmental improvements and core business. Conceptualised and managed by the Danish Federation of Small and Medium-Sized Enterprises in collaboration with the Danish Commerce and Companies Agency, SUSBIZ India carried out a needs assessment, developed and implemented an action plan, and conducts training in India (workshops) and network activities in Denmark (meetings).

Approaching RSCM from a supplier country perspective, the Bulgarian government (through the Ministry of Labour and Social Policy and the General Labour Inspectorate), the relevant branch federations of the two nationally recognised trade union organisations, and the NGO Balkan Institute for Labour and Social Policy formed a multi-stakeholder partnership with a variety of business representatives (e.g. Nike Inc, Adidas-Salomon AG, Levi Strauss & Co, H&M Hennes and Mauritz AB brands and seven suppliers for these brands, including 10 Bulgarian factories with approximately 3,000 workers). The aim of the initiative is to make the Bulgarian apparel industry "a

leader in corporate social responsibility” and thereby also increase its competitive advantage. The European Commission provides some funding; activities include management and employee training as well as impact assessments.

At the 25th Conference of Heads of State and Government of Africa and France, known as the 25th Africa–France Summit, in June 2010 representatives of employers’ organisations approved a CSR charter (Charter for French Companies in Africa) that expresses their commitment to contributing to the progress of Africa, its companies and its people, through their presence or their relations with them. This Charter includes economic, social and environmental commitments. The signatories in particular “undertake to select partners (suppliers, sub-contractors) who comply with local legislation and are informed of international rules regarding business practices, and who refuse any form of corruption or any practice whose aim or effect is to distort healthy and fair competition”.

3.4.5. Hybrid instruments

Most initiatives that European Member State governments engage in take the form of hybrid instruments, which combine at least two of the above types as central elements (see Chapter 1). The most common approach is to combine informational and partnering instruments by organising and supporting multi-stakeholder forums (for instance Belgium, Germany, France, Ireland, UK).⁽⁶⁾

Examples include the Belgian *Cadre de Référence Responsabilité Sociétale de l’Entreprise*, which offers recommendations for national government and Belgian businesses. Created by the Interdepartmental Commission for Sustainable Development, its multi-stakeholder discussion on CSR produced a checklist for supplier relations and developed a toolkit for businesses.

The Austrian ‘B-Fair’ initiative also combines partnering and informational elements. This global fairness campaign was launched as part of Agenda 21 by the national government and local governments and the diocese of Linz in 2006 and subsequently spread. It aims to raise awareness concerning critical situations in producing countries and the influence of consumer choice. It additionally seeks to foster encounters and contact between people living in developed countries and those living in developing countries. The activities include fair breakfasts, consultation for the hospitality sector, information

campaigns for students, cooking classes, campaign days and dialogues between food producers and consumers, among others. The activities are driven and organised by Austrian residents and communities engaged in Agenda 21. Individual activities may focus on HR.

Other hybrids include awards that provide some economic incentives but equally function as informational instruments. The Belgian Development Agency organised a contest through its Trade for Development Centre, with one award focusing on the “Best initiative for the promotion and sales of fair trade products and services within the domestic market and/or in markets of other developing countries” (BE FAIR Award South–South). The prize money of €5,000 may present an economic incentive for some SMEs, though the promotion of general fair trade goals is an equally important aim. The second award focused on women; HR do not receive special attention.

3.5. Conclusions and upcoming initiatives

3.5.1. General conclusions

This Compendium reflects the broad variety of initiatives taken by Member States in the EU regarding RSCM. To some extent this reflects the fact that the economies of some Member States are primarily based on supplying and others on importing components to supply. The initiatives also imply the proximity of RSCM to other CSR topics discussed in the Compendium, particularly reporting, public procurement, SMEs and action plans. For example, some governments have compiled case studies, contact lists of “good” supplier companies and similar tools for public procurement, and have then shared these for general RSCM use.

Despite the variety of initiatives, some conclusions are evident from the Compendium on RSCM: Government RSCM approaches mainly come in the form of informational instruments and partnering instruments – involving a significant informational aspect. Partnering in RSCM is highly evident despite the exclusion of PPPs from this Compendium. Legal and economic/financial instruments, on the other hand, appear to be underutilised in the realm of RSCM promotion.

The focus on informational instruments confirms that RSCM is still a new concept. Yet some visionary businesses have begun developing, piloting and implementing initiatives and tools. Fostering industry collaborations may help spread the reach of individual initiatives among businesses dealing with similar supply chains.

⁽⁶⁾ Those partnerships primarily providing information have already been presented in the informational instruments section, and those emphasising a continuous partnership are found under partnering instruments.

A final salient conclusion is that cooperative (for instance, multilateral and public-private) initiatives outweigh individual Member State approaches and dominate RSCM. The UN framework on HR already provides a common reference point for some initiatives and could function as a further coordination framework among EU Member States on RSCM and HR. This example and other collaborative initiatives (see Chapter 3.2) show that coordination among Member States and with non-Member States, businesses and non-governmental groups is already under way, though further synergies would help achieve a larger impact. On the other hand some divergence remains: many Member States refer in their frameworks to the OECD concept of SCM rather than the EU concept, which holds implications for the corporate responsibility to respect along the supply chain.

3.5.2. Upcoming initiatives

The Nordic Council, which has elected members from of Denmark, Finland, Iceland, Norway and Sweden, plans to launch the “Nordic CSR Compass tool” in December 2010. The informational instrument is intended to foster RSCM by giving SMEs guidance on creating codes of conduct. It is based among other things on the principles of the UN Global Compact and information on human rights provided by the Danish Institute for Human Rights. SMEs will receive guidance on ethical issues that could form the basis for a code of conduct. This could give them a competitive advantage over companies without a similar code of conduct. So far there are no plans to publish company codes in the compass, as it is merely a guiding tool for companies.

4. CSR Reporting and Disclosure

4.1. Definition

This chapter deals with the disclosure of environmental, social and governance (ESG) information. Such information includes sustainability or Corporate Social Responsibility (CSR) reporting, but also any other requirement for disclosure of non-financial information, such as the obligation of organisations to disclose environmental information or certain other key performance indicators that are non-financial. The chapter limits itself to CSR or ESG disclosure via reporting, through either annual reports or specific ESG reports, such as sustainability reports or CSR reports,^(?) and does not include product labels or other forms of ESG communication. In the course of the chapter, specific ESG reports are referred to either as CSR or as sustainability reports. All disclosure of pension funds and other institutional investors is excluded from the chapter; they are dealt with under Socially Responsible Investment (SRI).

4.2. ESG reporting in Europe

The number of companies disclosing information on their ESG performance has grown significantly in recent years. On a worldwide level, according to the most recent statistics the annual global reporting output increased from almost zero in 1992 to an expected total of 4,000 reports in 2010; and despite the financial crisis and the subsequent recession, the growth rate of ESG reporting slowed only marginally during 2009. Although these numbers document a significant increase, it has to be kept in mind that reporting companies still constitute only a small share of global business, with its roughly 82,000 multinational enterprises and many more small and medium-sized enterprises (SMEs).

Since 2005, based on the European Modernisation Directive (see Chapter 4.3 for further details) companies are required to analyse non-financial key performance indicators relevant for the particular business, including information relating to environmental and employee matters. All countries have implemented European requirements; a further and have developed additional mandatory requirements for ESG disclosure.

(?) Corporate Register has distinguished several subtypes of ESG reporting, such as 'Environment in general', 'Environment & Health & Safety', 'Environment & Social', 'Environment & Health & Safety & Community', 'Corporate Social Responsibility', 'Sustainability', 'Integrated', 'Social and Community', and 'Other'. In the current text they are all subsumed under ESG reporting.

France was a pioneer in this field with the 2001 New Regulations Act which required listed companies to insert ESG information in their financial reports. In Denmark, the 1,100 biggest companies, as well as state-owned companies, institutional investors, mutual funds and listed financial businesses must provide information about their CSR policies on a "comply or explain" basis in their annual financial reports, and in Sweden it is obligatory for all state-owned companies to publish a sustainability report. Likewise, management boards of Dutch stock-listed companies and the largest state-owned companies are required to report and be accountable to the supervisory board and stakeholders on issues concerning CSR relevant to their businesses. Other countries have developed voluntary standards or guidelines to support companies or other organisations. They provide guidance on the integration of social and environmental issues in financial reporting or support rankings or awards related to sustainability reporting.

Generally there is a trend towards more government-driven initiatives related to reporting. This trend has also been observed by a recent study published by KPMG, Global Reporting Initiative (GRI), United Nations Environment Programme and the University of Stellenbosch Business School. The study found that standards, codes and guidelines as well as legislation for reporting have increased and that an ever-increasing number of reporting companies and organisations go hand in hand with more regulation, as well as with more guidance for ESG reporting published either by international organisations such as GRI or by individual Member States. Since the last Compendium, most Member States have implemented new regulations for ESG disclosure or provided companies with guidance or incentives to start reporting.

4.3. Public policies of the European Commission

For reporting on non-financial information, the EU has several mandatory instruments with implications for all Member States, such as the Modernisation Directive, the European Pollutant Release and Transfer Register (E-PRTR), the EU Emission Trading Scheme and the Integrated Pollution Prevention and Control Directive. Besides these mandatory instruments, the EU Eco-Management and Audit Scheme (EMAS) has mandatory implications for reporting on environmental issues for those companies that register with EMAS.

The EU Accounts Modernisation Directive 2003/51 amended the Accounting Directives and stipulates that from reporting year 2005 onwards European companies "shall to the extent necessary for an understanding

of the development, performance or position, include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters". Member States may choose to exempt SMEs from those non-financial reporting obligations in their annual reports. Another amendment of the Accounting Directives (Directive 2006/46) introduced an obligation for listed companies to include a corporate governance statement in their annual reports. By November 2009 all Member States had transposed the Modernisation Directive and most of them had transposed Directive 2006/46 (literally) in their national laws. The Modernisation Directive itself does not stipulate any requirements in relation to the type of indicators to be included in annual reports. However, individual EU governments have taken initiatives to provide companies with further guidance in this respect. These initiatives are further analysed in the following sections.

The European Pollutant Release and Transfer Register Regulation 166/2006/EC came into force in February 2006. The E-PRTR Regulation requires operators of facilities to report on emissions and specific substances. The E-PRTR serves as a Europe-wide register of industrial and non-industrial emissions into air, water, and land, and off-site transfers of waste water and waste, and includes information from specific and diffuse sources. Facility-level data are public based on the consent of companies.

The EU Eco-Management and Audit Scheme established in 1995 was revised in 2009 in accordance with Regulation EC No. 1221/2009. EMAS is a management tool for companies and other organisations, requiring them to evaluate, report and improve their environmental performance. One of the aims of the revision, which came into effect in January 2010, is to strengthen the rules on reporting through core performance indicators. To make the environmental statements that have to be published more relevant and comparable, organisations should report the environmental performance on the basis of generic and sector-specific performance indicators as defined by the scheme.

To further advance the discussion on ESG reporting, the European Commission hosted a number of multi-stakeholder workshops between September 2009 and February 2010. Different stakeholder groups (enterprises, investors, civil society, consumers and media, trade unions and public authorities) discussed their views on ESG disclosure and put forward proposals for European policy in this field.

4.4. Public policies in the EU Member States

4.4.1. Legal instruments

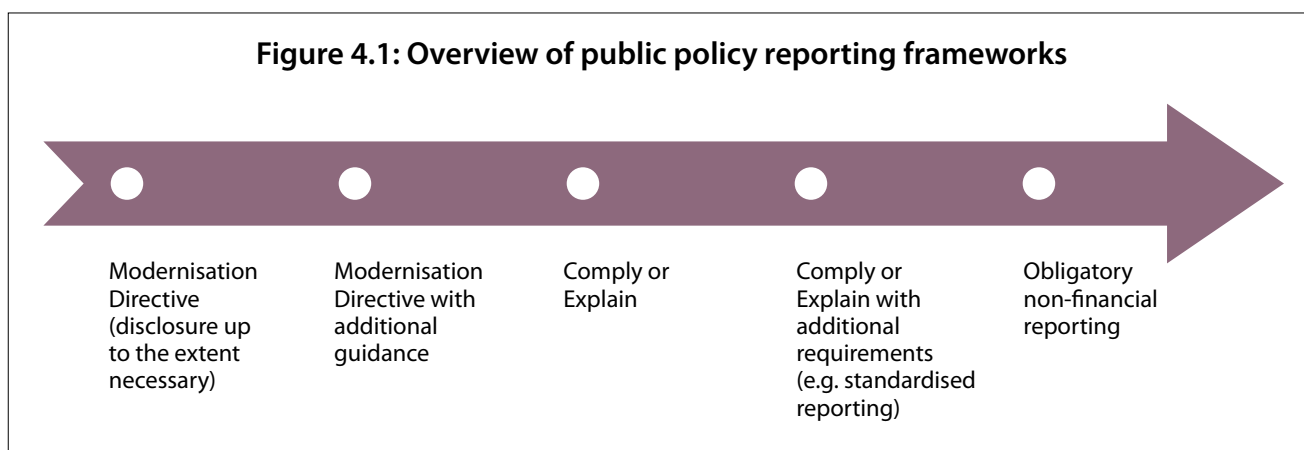
Concerning legal instruments, it is important to note that during the last few years all Member States have integrated the requirements of the Modernisation Directive, and most of them have transposed Article 46 into national law. A survey carried out by the Federation of European Accountants in 2008 showed the following results. All 20 Member States that answered the survey have included Article 46 of the Modernisation Directive literally into their national legislation⁽⁸⁾. Seventeen countries have exercised the option of exempting small entities from having to disclose information on their non-financial performance; Lithuania, Portugal and Spain have not done so. The Netherlands and France provide additional guidance in relation to the implementation of the Modernisation Directive.

One example of the implementation of the Modernisation Directive is the UK Companies Act 2006, which requires all UK companies – other than small ones – to provide information in their annual reports on their strategies, performance and risks (the so-called Business Review). Quoted companies (as defined in section 385 of the UK Companies Act) additionally should disclose, to the extent necessary for an understanding of the business, information on environmental, workplace, social and community matters in their annual reviews, as well as information about company policies in relation to these matters and about the effectiveness of those policies.

Besides implementing the Modernisation Directive, a number of European countries have adopted laws and regulations that go beyond its requirements (see Figure 4.1). Most of them use a "comply or explain" approach instead of permitting companies the option of not reporting, since under European regulation information on ESG has to be included only to the extent necessary.

⁽⁸⁾ Countries that did not answer the survey on the implementation of Article 46 were Estonia, Greece, Latvia, Luxembourg, Malta and Slovakia.

Figure 4.1: Overview of public policy reporting frameworks



In the Netherlands, reporting on CSR issues by the management boards of stock-listed companies became mandatory in 2008 on the basis of “comply or explain” for all stock-exchange-listed companies registered in the Netherlands and with a balance sheet of more than €500 million. The provisions were integrated in 2008 into the Dutch code for corporate governance, which has been legally anchored in the Dutch Civil Code since 2003. It requires companies to explain how they implement international best practice for their management and supervisory boards. Compliance with the provisions of this code is further stimulated by an assigned independent Monitoring Committee for Corporate Governance, which also publishes regular reports on compliance in English. Denmark made reporting mandatory for its 1,100 biggest companies as well as for state-owned companies from 2009 on. Companies have to provide information on their policies for CSR or sustainable and responsible investment, on how the policies are implemented and on their results, as well as on management expectations for the future. Denmark opted not to develop its own standard but to refer to and to encourage the use of international reporting frameworks, such as the UN Global Compact and the related Communication on Progress or GRI and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development. CSR and SRI are still voluntarily; however, businesses without policies on social responsibility are obliged to provide information in this respect. No specific format is prescribed for providing information (in the annual report, as an addendum, on the website, and so forth), but the annual financial statement should make it clear where the stated information can be found. In Denmark the legislation has been an important trigger for increased CSR reporting. A recent study on impacts shows that 91 per cent of the companies examined state that they work with CSR and that 43 per cent of the companies accounting for CSR had not previously reported on CSR in their annual reports.

In France Article 53 of the first Grenelle law of 3 August 2009 sets the target of extending the New Economic Regulation (NER) Act to large enterprises, which are listed according to a number of different criteria (number of employees, annual turnover and existence of subsidiaries, along with a presentation of their contribution to sustainable development). It extends the reporting obligation to majority-owned public companies, requests the support of the government on the harmonisation of the sectoral indicators at the community level, and proposes the introduction at the community level of the principle of the recognition of the responsibility of parent companies for their subsidiary companies in the event of serious environmental damage caused by the company. Finally, it announces that France will propose a working framework at the EU level for the establishment of social and environmental standards allowing for comparison between the companies.

Article 225 of the 12 July 2010 law (the second Grenelle law) calls for a re-examination of the decree implementing the NER Act in the light of changes which have taken place within Europe and internationally.

Box 4.1

Example: GRI reporting by Swedish state-owned companies

Since January 2008, Swedish state-owned companies have been required to publish a sustainability report in accordance with the GRI guidelines. The sustainability reports need to be quality-assured by independent checks.

Reporting for state-owned companies is independent of size or industry, and is based on the “comply or explain” principle. The financial report is required to explain how the GRI guidelines have been applied and to comment on any deviations.

ESG reporting of state-owned companies has increased significantly, and so far more than 94 per cent of the companies have issued GRI reports. Sweden is now the second among European countries in the number of its GRI reports.

The actual effects of the government's reporting requirements on the state-owned companies' sustainability work after two years' experience of them were studied by Uppsala University (commissioned by the Swedish Ministry of Enterprise). The results show that the introduction of the new guidelines has affected the companies to varying degrees. The companies that lacked previous experience of sustainability reporting have gone through a more extensive process of change than those that were already submitting sustainability reports. The study shows also that the reporting requirement has led to increased commitment and awareness, more structured work and more structured processes, and that sustainability issues have moved up the agenda and been given higher priority by managements and boards.

Sweden, Spain and Portugal opted for additional legislation for state-owned companies. Sweden in particular, where reporting has been mandatory from January 2008 onwards, has significantly increased the reporting of its 55 state-owned companies.

Reporting by state-owned companies is required under Spain's Sustainable Economy Law, which was approved by the cabinet in March 2010. As of November 2010 parliamentary approval is still pending. The law also includes various other disclosure requirements, such as of the remuneration of company directors. State-owned companies will have to publish sustainability reports in accordance with commonly accepted standards, within a maximum of one year from the law coming into force. In Portugal the Portuguese Minister's Council adopted a resolution on the principles of good corporate governance of state companies, and made the Minister of Finance responsible for an annual assessment of its implementation.

Other examples of relevant legal initiatives in recent years include mandatory reporting in specific areas. These include Ireland's Credit Institutions Act 2008, under which companies in the financial sector have to issue a CSR report of their activities through the Irish Banking Federation, and the decree issued by the Portuguese Department of Transportation and Communications in 2006, which makes it compulsory for the companies that are under its guardianship to publish a sustainability report. In Cyprus, under the Corporate Governance Code

from 2002, listed companies are required to report on corporate governance. As from 2007, companies listed in the Alternative Market⁽⁹⁾, for which the implementation of the Code was voluntary, have to report on a "comply or explain" basis.

Developments in specific thematic areas are taking place in the UK, for example. The Climate Change Act became law in the UK in 2008 and, in relation to corporate reporting, required the UK government to publish guidance on how companies should measure and report their emissions. It also required the government to review the contribution that reporting on greenhouse gas emissions may make to the achievement of the UK's climate change objectives and to lay a report before Parliament by 1 December 2010. The government must also introduce regulations requiring reporting by companies by April 2012 or explain to the UK Parliament why it has not done so. Additionally, a Carbon Reduction Commitment Energy Efficiency Scheme (CRC) that requires companies to measure all their emissions related to energy use and report on them to the Environment Agency is currently being implemented. Organisations to which the CRC applies have to submit a Footprint Report of their total energy and emissions during the Footprint Year (April 2010–March 2011). Annual reporting is also required (for further information see Chapter 5).

4.4.2. Economic and financial instruments

Only a few countries are using financial or economic instruments to foster CSR reporting.

One example is Spain, which under the Sustainable Economy Law (still to be approved by Parliament) creates incentives for companies to include or develop CSR policies, including reporting. Article 37 stipulates that the government shall provide companies, especially SMEs, with guidance and indicators that provide support for self-assessment in relation to their social responsibility, as well as reporting models or references that are in line with international reporting frameworks. The definitions of indicators and methodologies will be developed in cooperation with the State Council on Corporate Social Responsibility. Companies that achieve the defined minimum threshold can voluntarily request recognition as socially responsible companies.

The Czech Republic is implementing an award for CSR and quality management. The qualification for participating in the National Prize of Quality is the publication of a CSR report, which has to be submitted to the government. The report needs to be developed according to a

⁽⁹⁾ An alternative market is a less regulated market, allowing smaller companies to float shares under a more flexible regulatory system.

specific framework, which is freely available for download. The reports are assessed by independent evaluators, who need to obtain to a consensus on the best report, which will then be published.

The German Ministry of Labour and Social Affairs, together with the German Council for Sustainable Development, is participating in a project to rank the sustainability reports of the 100 biggest German industrial and service companies and the 50 biggest German financial service and commerce companies. Since 2009, there has also been a ranking for the best sustainability reports from SMEs. The objectives of the ranking include making sustainability reporting between German companies comparable, improving constructive competition between companies and fostering dialogue between different stakeholder groups. The ranking is undertaken by independent research organisations.

Other existing instruments include those whereby the government as buyer fosters sustainability reporting through its sustainable public procurement policy rather than as a regulator. One example is the Netherlands, which from 2010 has made disclosure of ESG a requirement for suppliers.

4.4.3. Informational instruments

As the Modernisation Directive does not provide specific guidance on reporting non-financial information, a number of European countries provide guidance to help companies to comply with the statutory requirements. In the UK, the Accounting Standards Board has published a reporting statement which offers best-practice guidance on preparing an Operating and Financial Review. The statement provides voluntary guidance that may help companies to comply with the statutory Business Review requirements.

Italy published a Directors' report on financial statements in 2009. The report was issued by the Italian Accounting Association and can be considered as guidance for the implementation of the Modernisation Directive. The document sets out in detail what must be included in the annual report to comply with the legislative decree that transposed the Modernisation Directive into Italian law.

Additionally, the Public Function Department of the Prime Minister's Office in Italy published guidelines for social reporting by the public administration in 2006, while the Italian national agency for the non-profit sector published in 2009 guidelines for reporting by not-for-profit organisations, specifically referring to the GRI guidelines.

The Dutch Accounting Standards Board published guidelines for the integration of social and environmental activities in financial reporting. Existing guidelines on annual reporting have been reviewed, and guidance on separate social reporting has been issued. The guidelines were updated at the end of 2009, and cover different specific topics such as reporting on responsible supply-chain practices or assurance.

The French Observatory for CSR has developed a web-based platform for CSR reporting on behalf of the government, based on the reflections of a multi-stakeholder committee within the Grenelle environmental framework. It covers the most important reporting initiatives and serves as a framework for CSR. The content of the website will be constantly checked and updated by an expert committee consisting of different stakeholders with an interest in CSR reporting in France.

Another frequently used approach to promoting CSR reporting and to providing capacity building and information to companies is the organisation of events, conferences and seminars. For example, the Polish Ministry of Economy and CSRinfo organise conferences on CSR. The 2009 conference on CSR reporting in practice mainly addressed medium-sized and large companies and discussed trends, practical aspects of reporting, verification and communication of CSR generally.

4.4.4. Partnering instruments

To improve ESG disclosures, government bodies of different Member States participate in multi-stakeholder initiatives, or partner with other stakeholder to improve ESG disclosure in companies.

Further partnering instruments are discussed in Chapter 4.4.5, which deals with hybrid instruments that combine aspects of partnering with either informational or economic instruments.

4.4.5. Hybrid instruments

Besides the aforementioned instruments, each of which can clearly be categorised as one of the four instrument types, a number of instruments combine different functions.

Some instruments combine aspects of informational and partnering instruments. In most cases these instruments provide guidance to companies on how to improve their CSR reporting, and are implemented jointly by the government and other organisations.

For example, the Danish Commerce and Company Agency supports a set of tools to improve CSR reporting by Danish companies. The different instruments range from the CSR Compass, providing guidance on CSR in the supply chain, to guidance for SMEs on how to implement the 10 Global Compact Principles. Most of these tools are web-based and implemented in partnership with other actors. They help companies with specific information on different CSR-related topics and provide practical guidance for implementation.

The official Spanish Credit Institute partnered with a regional savings bank (Caja Navarra) to promote reporting among SMEs. A simple electronic tool for producing a standardised CSR report is provided to the clients of Caja Navarra. More than 1,100 SMEs prepared their first CSR report as a result of the initiative in 2009.

An example of a hybrid instrument combining aspects of economic and informational instruments is the recently updated Transparency Benchmark from the Netherlands. Since 2004 it has been continuously developed and updated by the Dutch Ministry of Economic Affairs in consultation with stakeholders, including investors and companies, to reflect international best practice while lowering information costs for both companies and readers of CSR reports. To achieve this, the Ministry bears the cost of the development of the benchmark and company participation for currently 100 companies. In 2010 this will be extended to a total of 500 companies. These include a number of state-owned companies, at the request of the Ministry of Finance.

In Finland the Ministry of Employment and the Economy, the Ministry of the Environment and different business organisations hold annual competitions on ESG reporting, which since 2008 have been broadened in scope and now additionally include CSR instead of solely environmental reporting.

4.5. Conclusions and upcoming initiatives

4.5.1. General conclusions

Generally, countries are opting for a mix of voluntary and mandatory measures to improve ESG disclosure. While all Member States have implemented the EU Modernisation Directive, they have done so in different ways.

While the Modernisation Directive ensures a minimum level of disclosure, it is in many cases accompanied by additional legislation, guidance or other instruments to support its implementation and to improve the impacts of ESG disclosure.

There is a trend towards the development of regulations that integrate existing international reporting frameworks such as the GRI or the UN Global Compact Communication on Progress, and require the integration of relevant stakeholders so as to reflect change and to facilitate the continuous improvement of regulations.

4.5.2. Upcoming initiatives

The ESG workshops on disclosure that took place between November 2009 and February 2010 served as the basis for the discussion of hypothetical scenarios for the promotion of better and more widespread disclosure of ESG information on the European level. Five different scenarios taking into account regulatory and non-regulatory action have been discussed. The different scenarios include everything from staying with the current approach (the requirements of the Modernisation Directive as they currently are and support for exchange and dialogue) to strengthened mandatory principles and changing the Modernisation Directive to a “comply or explain” approach.

The DG for the Environment has carried out a study of greenhouse gas (GHG) reporting methodologies and initiatives. This is a first step towards the potential development of technical guidance for reporting the GHG emissions of companies, which could then be gradually extended to other environmental aspects. This would serve the final aim of developing a methodology for environmental disclosure.

A number of upcoming initiatives are either planned or still have to be approved by Member State governments. The Spanish State Council on Corporate Social Responsibility has set up a “Working Group on Transparency, Reporting and Standards” in sustainability reports that will present a study on the possible need to regulate the information that should be published in triple bottom-line reports of companies. The Italian National Contact Point, the Italian Bankers’ Association and the Italian National Business Association have been cooperating since the beginning of 2010 to define a set of standards for non-financial reporting, which could be taken into consideration in the appraisal of the firms’ credit ratings by Italian banks. According to the German CSR strategy launched in October 2010, the Federal Ministry of Employment and Social Affairs and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety will publish CSR reports based on GRI and the EMAS declaration, respectively. The reports will be published in the first reporting year following the launch of the strategy.

In Belgium the federal government decided to carry out a trial project concerning the application of ISO 26000 in government agencies. This initiative will be linked to sustainability reporting based on the guidelines of the GRI and will be piloted with the Federal Public Planning Services Division for Sustainable Development.

Other Member States have decided to become more active in ESG disclosure. Thus, Bulgaria has identified the

need to regulate the obligation to draw up social reports in its national action plan. In Poland CSR will be advanced in the form of an inter-ministerial working group (see Chapter 2.2.2). Extensive discussions have been taking place on the future of reporting in Poland. The working group has submitted recommendations on increasing transparency and reliability to the Polish government, which will form the basis for future activities in the area of developing policy measures for ESG disclosure.

5. The Potential of CSR in Tackling Climate Change

5.1. Definition

This chapter sheds light on the European Union's (EU) and Member States' policy initiatives that aim to unlock and strengthen the potential of Corporate Social Responsibility (CSR) in tackling climate change. As governments, civil society organisations and the media have become increasingly adept at holding companies to account for the impacts of their business activities on the climate, it is widely agreed that business plays an important role in mitigating climate change.

Businesses' contribution to tackling climate change in sectors such as power generation, industry and manufacturing, transport, retail or building focuses on innovation and investment in clean technologies, products, services, or production processes such as those related to energy efficiency, renewable energy or sustainable mobility.

5.2. Towards a low-carbon economy: development of CSR and its contribution to tackling climate change in Europe

Recent economic analyses such as the Stern report as well as scientific analysis such as the Fourth Assessment Report of the Intergovernmental Panel on Climate Change make a strong case for early action against climate change. It is in this context that both the public and private sectors in the EU increasingly recognise tackling climate change not only as an obligation but also as a chance to create new business and employment opportunities.

In its Europe 2020 Strategy, the EU Commission sets out the priority of sustainable growth based upon a more resource-efficient, greener and more competitive economy. Member States see major opportunities in the move to a low-carbon economy such as the strengthened competitiveness of companies and the creation of "green" jobs in industry sectors related to climate protection. A similar approach is evident in the world of business. Ever more companies recognise that tackling climate change will create a competitive advantage for them, with the potential to prosper in a low-carbon and resource-efficient economy. It is particularly evident in the context of climate protection that business managers, government officials, academics and consultants attach the highest importance to making the business case for promoting sustainable business practice. Not surprisingly, a 2008 survey from the management consultancy McKinsey finds that most executives think that climate change matters for their companies.

5.3. Public policies of the European Commission

Given that both CSR and climate change are broad topics, there is a need for tools to define how businesses can contribute to tackling climate change. Environmental management systems (EMS) provide a systematic way of addressing and managing the short- and long-term impacts of companies' production processes on the environment. The Eco-Management and Audit Scheme (EMAS) helps companies and other organisations to strengthen their environmental performance, for instance by integrating environmental concerns into their everyday operations, setting periodical environmental objectives (e.g. to reduce greenhouse gas (GHG) emissions or waste) and monitoring their performance, thus creating a cycle of continuous improvement. EMAS can be considered a full-scale voluntary tool to implement the environmental principles of CSR. As part of the Sustainable Consumption and Production and Sustainable Industrial (SCP/SIP) Policy Action Plan presented in 2008, the Commission initiated the revision of EMAS. The latest Regulation (EC) No 1221/2009 (EMAS III) entered into force in January 2010. In November 2010, a major EMAS conference took place in Brussels back-to-back with the annual EMAS Awards. At the conference international speakers informed participants about the latest developments in EMAS (e.g. global applicability of the scheme, introduction of environmental core indicators) and explored how the scheme supports organisations in improving their environmental and financial performance.⁽¹⁰⁾

The revision of the EU Ecolabel also falls under the SCP/SIP Action Plan. Whereas EMAS focuses on production processes, the EU Ecolabel focuses on products and services. It recognises environmental excellence in products and services and thus contributes to their development. The label also serves as a communication tool for companies to influence consumers' sustainable consumption decisions.

Since 2007 the EU has set up various legislative measures that affect businesses' role in tackling climate change. Particularly relevant in terms of companies' contribution to climate protection is the "climate and energy package" and related legislation. The package, introduced in 2008 and finally adopted in 2009, focuses on three key areas: emission cuts, energy efficiency and renewables.

The most prominent initiative of this package is the unilateral commitment of the EU to cut emissions to 20 per cent below 1990 levels by 2020. The EU has also offered to increase its emission reduction targets to 30 per cent by 2020, provided that other major emitting countries commit to their share under a global climate agreement.

⁽¹⁰⁾ Both the EU Ecolabel and EMAS are cross-cutting environmental policy instruments useful not only for reducing GHG emissions but also for reducing other environmental impacts related to, for example, raw material consumption.

The cornerstone of the EU's strategy for cutting emissions is the EU Emissions Trading Scheme (EU ETS), which the "climate and energy package" significantly revised. A single EU-wide cap on emission allowances will apply from 2013 and will be cut annually. Consequently, the number of allowances available to businesses will be reduced to 21 per cent below the 2005 level by 2020. This in turn means that businesses may need to purchase additional allowances if they exceed their emission quotas. EU ETS thus has a direct impact on business by putting a price on their carbon emissions.

Furthermore, energy efficiency achieved by reducing energy consumption and eliminating energy wastage is among the main goals of the EU. Even though the "climate and energy package" includes the target of improving energy efficiency by 20 per cent by 2020, the issue is not directly addressed through specific measures. In support of the "climate and energy package" and its energy efficiency target, the Commission proposed an "energy efficiency package" in 2008. In order to generate fresh momentum in the drive for energy efficiency, it includes a set of energy efficiency proposals designed to encourage energy savings in key areas. For instance, in May 2010 the Energy Labelling Directive (2010/39/EU) was revised so that it applies to energy-using and energy-related products, not to household appliances alone. In addition, the Directive introduces new efficiency classes. It has a significant impact on companies, since the new labels are mandatory for selected products and must be applied by companies to the products they sell. Consumers are thus able to choose appliances on the basis of their energy efficiency; and, in turn, companies are encouraged to produce more energy-efficient products. Given that households account for 25 per cent of energy needs in the EU, raising awareness on energy efficiency of products through labelling and thereby affecting consumer preferences can be an important instrument encouraging companies to contribute to energy efficiency and, as a result, climate protection.

In addition to emission reduction and energy efficiency, renewable energy is a third focus of the "climate and energy package". The EU emphasises that renewable sources of energy such as wind power, solar energy or biofuels are essential alternatives to fossil fuels. The Renewable Energy Directive (2009/28/EC) (RED) sets an overall EU target of 20 per cent renewable energy in total energy consumption by 2020, translated into binding national targets for Member States. A particular emphasis is placed upon establishing sustainability criteria for biofuels. Only biofuels that meet the EU's sustainability requirements can count towards the targets prescribed in the Directive. One of the main criteria is the GHG reduction potential; biofuels must deliver GHG savings of at least 35 per cent compared with fossil fuels, rising to 60 per cent for biofuels from new plants. These criteria have a direct impact on biofuels producers and their

sourcing approach to raw materials or companies whose supply or value chain includes the use of biofuels.

5.4. Public policies in the EU Member States

5.4.1. Legal instruments

Environmental regulations that contribute to climate protection have been implemented in various Member States.

In 2009 France implemented a law on environmental protection known as the first Grenelle law. This law establishes the general public policy on sustainable development. Through it the government sets several quantitative targets relevant to business (e.g. on the reduction of GHG emissions in the transport sector or the increase of the share of renewables). The second Grenelle law, from 2010, provides further details and implements France's objectives on sustainable development set forth in the 2009 Grenelle law. It imposes an obligation on private entities with more than 500 employees in cities and with more than 250 employees in the country to carry out a GHG emissions assessment. The assessments are to be carried out by 31 December 2012 and must be updated every three years.

In 2007 the German government launched the "Integrated Energy and Climate Programme", which includes 14 Acts and ordinances relating to energy efficiency, renewable energy and other issues related to climate protection. However, setting up legally binding GHG emission reduction targets at the international and Member State levels is challenging. The United Kingdom (UK) is the world's first country to have adopted such legally binding targets. The UK government aims to make the transition to a low-carbon economy, while ensuring that the UK benefits from the business and employment opportunities that this transition may bring.

Box 5.1

Example: The UK's Climate Change Act

The UK's Climate Change Act of 2008 has created a new approach to managing and responding to climate change. The Act sets legally binding GHG emission reduction targets for 2020 (reducing GHG emissions by 34 per cent) and for 2050 (reducing GHG emissions by at least 80 per cent). The aim of the Act is to instil greater confidence in making low- or zero-carbon investments throughout many economic sectors, including transport, power generation, residential property and services. Key provisions of the Act are carbon budgets for all major UK government departments to help ensure the emission reduction targets are met. This carbon budget-

ing system, which caps emissions over five-year periods and sets three budgets at a time, has been launched to help the UK stay on track for the 2050 target. The first three carbon budgets, set in May 2009, run for the periods 2008–12, 2013–17 and 2018–22. The newly created Committee on Climate Change (CCC), an independent expert body, advises the government on the level of carbon budgets and on where cost-effective savings can be made across the economy. The CCC submits annual reports on the UK's progress towards meeting targets and budgets.

5.4.2. Economic and financial instruments

Prizes and awards are used by Member States both to encourage businesses to intensify their measures to tackle climate change and to reward those businesses that have already taken ambitious steps in the field of climate protection. Incentives used by Member States particularly aim at spurring technical innovations.

In order to promote solutions for the reduction of GHG emissions, the Polish Minister of Economy annually awards the “eCO₂ Innovation” prize in the “Polish Product of the Future” competition. The prize is awarded to the product with the greatest potential to reduce GHG emissions.

Germany inaugurated the “Innovation Prize for Climate and Environment” in 2009. Awarded jointly by the Federal Environment Ministry and the Federation of German Industries, the prize is for technological innovation by companies in the field of climate change and environmental protection. Five prize-winning categories exist; two of them explicitly address climate change in relation to product and process innovations aimed at reducing GHG emissions. The prize money amounts to €125,000.

In order to promote sustainable production and consumption patterns, the Cypriot government continues to provide grants to support the introduction of EMAS. The aim is to improve the environmental performance of organisations in all sectors through the implementation of the scheme. The initiative, among other things, covers the costs of consultancy for establishing EMAS that result from the verification and validation of the system. Cyprus also continues to financially support the promotion of the EU Ecolabel.

Financial support may also be provided in the form of funding to promote technological innovations that contribute to tackling climate change.

The French Energy and Environment Management Agency (ADEME) set up an industrial assistance fund with a value

of €400 million (for funding over four years starting from 2009). The technical areas targeted are new energy technologies including second-generation biofuels, CO capture and storage, renewable energies, low GHG-emitting vehicles, low-energy buildings, smart-energy networks, and energy converters and storage.

Italy (see Box 5.2) and Germany have launched funding initiatives that focus on innovation, energy efficiency and climate protection.

Box 5.2

Example: Italy's Industrial Innovation Projects (IIP)

Italy supports CSR-driven innovation in the field of climate change by making it more attractive for companies to invest in new technologies or research and development measures. In 2007 the Italian government launched “Industrial Innovation Projects” (IIP) as part of the “Industria 2015” strategy. IIP aims to encourage the development of innovative products and services in strategic areas such as energy efficiency or sustainable mobility. It supports the overall aim of Industria 2015, which is to ensure the strategic repositioning of Italy's industry in the global economy.

IIP explicitly address climate change. The “Energy Efficiency for Competitiveness” project finances highly innovative projects in the private sector, including experimental and industrial research prototypes of services and products having a relevant impact on national production systems or infrastructure. Thirty-seven projects have been selected and financed; the investments, which amount to €500 million, have been co-financed by the government with €200 million nationwide, plus €51 million of structural funds for Convergence Regions. The projects introduce innovation in technologies and services in areas such as solar and wind energy production, bioenergy and waste recovery energy production, and energy efficiency in production processes.

The “Sustainable Mobility” project, in partnership with several research centres, finances projects in the private sector, which aim at developing safer and more eco-compatible systems and vehicles for transportation. Solutions include innovative products such as “green” cars and service innovations such as intermodal transport systems and integrated traffic systems. Twenty-five projects have been selected and financed; the investments, which amount to €450 million, have been co-financed by the government with €180 million, plus €24 million of structural funds for Convergence Regions.

The German Ministry of Economics and Technology and KfW Bankengruppe are providing funding to facilitate access to advice and consultation on energy efficiency as well as low-interest loans from the "Special Fund for Energy Efficiency in SMEs" (2009).

As part of the "National Climate Initiative", which was launched in 2008 with the aim of merging ecological and economic interests, the German Ministry for the Environment provides financial support to the "30 Climate Networks" by bearing one third of the costs. Thirty climate and energy-efficiency networks of companies are being supported from 2009 to 2013. The aim of the project is to substantially reduce energy consumption and CO emissions in participating companies. The scheme involves around 400 medium-sized enterprises, which form local-learning networks of 10–15 members.

In 2010 the German Ministry for Economic Cooperation and Development launched the "develoPPP.de" programme in which German or European companies are supported financially when they seek to contribute to sustainable development through their business operations in developing countries. Several projects within the programme include climate protection among their goals.

5.4.3. Informational instruments

Informational instruments in the context of climate change used by Member States such as fact sheets, workshops, conferences, or guidelines aim both to disseminate information on how business can contribute to climate protection and to educate the public about the necessary steps to take in order to contribute.

With the latest Regulation on EMAS, various Member States have engaged in information and promotion campaigns to support the uptake of the scheme.

For example, in 2010 the Estonian Ministry of the Environment organised several EMAS workshops on improving the environmental management practices of public authorities. Training sessions for civil servants took place throughout the country. The focus of the sessions was on local authorities as key players in local economies through their responsibilities with regard to schools, waste disposal or road maintenance.

The fourth "EMAS Roundtable" took place in Balatonszárszó, near Lake Balaton, Hungary in June 2010. New features of EMAS III, its harmonisation with national law, and several related issues were presented and discussed. The event was organised by the EMAS-registered Lake Balaton

Development Coordination Agency within the "CHAMP Project". Almost all organisations from the national EMAS register took part in the event, along with several potential EMAS-registered organisations.

In addition, a one-day workshop was held in Budapest, Hungary in May 2010 on the topic of EMS and CSR. The event, organised by the Hungarian National Inspectorate for Environment, Nature and Water in cooperation with the European Organization for Quality, attracted many interested participants from companies, certifying bodies and auditing firms.

EMS are not the only approach for companies to improve their environmental performance and actively contribute to climate protection. Innovative products, services and technologies also play an important role for companies to support tackling climate change. In 2007, the Finnish Ministry of the Environment produced a series of fact sheets on companies' "best practice" eco-innovations. Several fact sheets address the issue of climate change, for instance by analysing a business model for the increased use of bioenergy in households. The fact sheets provide to companies and other public and private actors solutions and key success factors to challenges related to climate change and other environmental issues.

According to the EU Commission's Joint Research Centre, there is a growing demand for information about organisations' carbon footprints. Measuring the carbon footprint of a product provides customers and other stakeholders with broad life-cycle information about companies' products. Several Member States, including Poland, Cyprus, the Netherlands, France and Denmark, have launched initiatives in this context.

In 2009 the Polish Ministry of Economy and CSRinfo, a private organisation, organised a seminar titled "Carbon Footprint in Practice". The aim of the seminar was to familiarise companies with the idea of emissions management.

In order to promote emission reductions by businesses, Cyprus launched a comprehensive initiative in 2009. The aim of the "Charter on Climate Change: Emissions Reduction Initiative" is to inform Cypriot companies about climate change and to encourage them to contribute to achieving the national GHG emission reduction goals for 2020. As part of the initiative, advice offered includes simple, practical as well as comprehensive measures to promote environmental protection and the overall accountability of business. For this purpose, an IT-tool has been prepared that helps companies to trace all energy savings activities they have undertaken and to measure the amount of emission reductions they have achieved. It

measures the decrease of their carbon footprint (in tons of CO₂). As of December 2010, the “Charter on Climate Change: Emissions Reduction Initiative” has been signed by 56 Cypriot companies, including most of the largest companies in Cyprus. A report on emission reductions achieved, including data from both individual businesses’ reduction efforts and the sum of all businesses covered, will be presented at the end of each year to measure the results of the initiative.

In cooperation with manufacturers and retailers, the Dutch Ministry of Environment has developed an energy indicator showing the amount of energy an appliance uses (not in kWh, but in euros). This information makes it easier for consumers to check whether an initially more expensive appliance will pay off in the near future as a result of advanced technology leading to energy savings. In order to enable consumers to directly compare products, information on energy use is presented next to the purchasing price of the appliance. The project, which went online in 2010, is implemented on a voluntary basis. The energy indicator complements the existing obligatory energy label. So far, information on energy labels has been given only in kWh. Some appliances (e.g. televisions) already fall within the scope of the energy indicator, for which the obligatory energy label is not yet in force.

Germany, like other EU Member States, committed itself under the Kyoto Protocol to reduce GHG emissions. In 2010 the German Ministry for the Environment launched a brochure on “Activities of German Companies and Institutions on JI/CDM”. The document provides information about business activities with regard to the two climate protection instruments “Joint Implementation” and “Clean Development Mechanism”, which have been established under the Kyoto Protocol for countries to attain their reduction targets under the Protocol.⁽¹¹⁾ The document can be used by other companies looking for examples of how to approach the two instruments.

Box 5.3

Examples: France and Denmark’s web-based carbon footprint tools, the “Bilan Carbone” and the “Climate Compass”

A possible way to inform companies and consumers about businesses’ GHG emissions is to introduce easily accessible online tools. As part of the first Grenelle law of 2009, ADEME introduced a new version of the carbon footprint software “Bilan Carbone” in 2010. Bilan Carbone is a multi-step tool for assessing GHG emissions. After GHG emissions are assessed, a module measures the company’s vulnerability to fluctuations in energy prices and exposure to the taxation of GHG emissions. The tool can be used to account for the GHG emissions of all types of organisation: industrial or tertiary companies, administrations or local authorities. In 2009 2,000 carbon assessments were carried out by companies (85 per cent), communities (10 per cent) and administrations (5 per cent). A subsidy accounting for 50–70 per cent of the cost of such assessments can be requested by SMEs.

As in France, the Danish government has launched a web-based tool, the “Climate Compass”. Introduced in 2008, the Climate Compass offers guidance to companies preparing a climate strategy that reduces their GHG emissions step by step. Companies can calculate their carbon footprint by using the “Carbon Calculator”, an element of the Climate Compass. The Climate Compass also presents case studies disseminating information on how companies have reduced their climate impact and used it to strengthen their competitiveness. The Climate Compass is developed by a partnership between the Confederation of Danish Industries and the Danish Commerce and Companies Agency under the Danish Ministry of Economic and Business Affairs. It has been translated into English, Swedish and Norwegian.

5.4.4. Partnering instruments

Partnerships can be a valuable instrument for climate protection by combining the expertise and resources of different actors. Initiatives often emerge from institutionalised cooperation between the public and private sectors. France, Poland and Portugal have created new institutions designed to strengthen the potential of CSR to tackle climate change.

⁽¹¹⁾ “Joint Implementation” (JI) and “Clean Development Mechanism” (CDM) are two project-based investment mechanisms. With JI, industrialised countries are credited with emission reductions attained when they invest in other industrialised countries. With CDM, industrialised countries attain emission reductions when they invest in infrastructure improvement projects in developing and emerging economies.

Box 5.4

Example: France's "Strategic Committee for Eco-Industries"

The French government launched a partnership in the field of eco-technologies in 2008 under the action plan "Ecotech 2012", which was implemented jointly by the Ministry of Industry and the Ministry of Ecology. The ministries created the Strategic Committee for Eco-Industries, a cooperation authority in which both public actors and private companies participate. The committee's mission is to contribute to structuring the still considerably heterogeneous field of eco-technologies (e.g. renewable energy, energy efficiency) and to lay down an industrial policy for eco-technologies.

In 2008 the Polish Ministry of the Environment launched "Partnership for Climate", a platform for cooperation with business, non-governmental organisations (NGOs) and local governments. The aim of the platform is to undertake joint initiatives at various levels – local, regional and national – to raise awareness of climate protection.

In Portugal, a forum on climatic change issues was established in 2009. The forum is based on a multi-stakeholder approach as it includes social partners, companies, NGOs, universities and public administration. The aim of the forum is to evaluate public policy instruments in the area of climate change.

5.4.5. Hybrid instruments

Numerous Member States employ a combination of several policy instruments, whether through launching strategies and action plans focusing on climate change and CSR or through institutionalised platforms serving various purposes.

Many Member States have developed or revised sustainable development strategies that cover the issue of climate change. Among the Member States that have set in place such strategies or elaborated on existing strategies since 2007 are the Czech Republic, Germany, Finland, France, Hungary, Malta, Poland, Portugal, Romania, Spain, and Sweden. In general, these strategies, most of them follow-up strategies, summarise the key issues, challenges, objectives and potential solutions with regard to climate change. The strategies highlight the necessity of private sector participation in tackling climate protection. Several strategies also link climate change to energy efficiency.

For instance, Portugal's "National Strategy for Sustainable Development" from 2007 sets out seven objectives of action, including sustained growth, global competitiveness and energy efficiency. In 2010 the Czech government adopted a strategic framework on sustainable development, which contains indicators on the economy and innovation that take into account CSR and climate change.

As well, several Member States have set up or revised national strategies or action plans on climate change. Among the Member States that have done so since 2007 are Austria, Belgium, Finland, Ireland, Malta, Spain, and the UK. National strategies and action plans on climate change, which can be linked to national strategies on sustainable development, provide a framework for reducing GHG emissions. The strategies and action plans on climate change generally refer to the emission targets enshrined in the Kyoto Protocol.

For example, the Finnish National Energy and Climate Strategy launched by the National government in 2008 sets out objectives and concrete actions for various economic sectors in order to achieve the targets set by the EU as part of its climate and energy package. Economic control and guidance mechanisms such as EU ETS or taxes are identified as the main means to achieve a substantial decrease in emissions in Finland. The strategy document also emphasises that the promotion of energy-saving and emission-free energy technologies is a valuable contribution to emission-reduction goals. Furthermore, the strategy encourages business to introduce measures in their corporate strategies for adapting to climate change. This in turn may encourage business to spur innovations in energy-efficient and low-emission technologies.

Malta's final report on the "National Strategy for Policy and Abatement Measures Relating to the Reduction of Greenhouse Gas Emissions", prepared for the Ministry of Resources and Rural Affairs in 2009, identifies policy and abatement measures relating to the reduction of GHG emissions. The report, which inter alia elaborates on the role of industry in climate protection, makes recommendations on policy issues such as the introduction of an integrated energy and climate change programme involving policy sectors such as power generation and transport.

Box 5.5**Example: Denmark's corporate sector's climate responsibility**

Denmark is a frontrunner in the development of an "Action Plan for Corporate Social Responsibility". The plan aims to promote CSR and to help Danish businesses to prepare them for being in the global vanguard of CSR. It contains a total of 30 initiatives in four key areas, one of which is the "Corporate sector's climate responsibility". The Danish government wants to underpin an active role for businesses in meeting global climate challenges by reducing energy consumption and GHG emissions in their own and suppliers' businesses, while also contributing to developing and disseminating global climate solutions. The Danish Ministry of Economic and Business Affairs presented the Action Plan in 2008.

In addition, in 2009 the Danish government launched a business strategy focusing on Danish companies' potential contributions to climate protection. The strategy encompasses several initiatives, including the "Energy Technology Development and Demonstration Programme", the "Business Innovation Fund" for the market maturation of green solutions or business tools such as the Climate Compass (see Box 5.3), and business partnerships within selected sectors (e.g. the marine sector) which aim to facilitate and motivate green growth and reduced GHG emissions.

The Spanish strategy on climate change and clean energy, approved by the cabinet in November 2007, forms part of the Spanish Sustainable Development Strategy and includes a variety of measures that contribute to sustainable development in the area of climate change and clean energy. Particular measures focus on reducing GHG emissions and encouraging resource and energy savings, as well as promoting the rational and efficient use of resources and energy by businesses. One industry sector covered is power generation. Indicators are included in the document to measure how industry meets its requirements.

A few Member States including Belgium, Bulgaria, Germany and Lithuania have set up CSR strategies that identify climate change as a major challenge to be addressed; for instance, Bulgaria's CSR strategy from 2009, launched by the Ministry of Labour and Social Policy, aims to raise awareness of the need for a CSR business culture that seeks to contribute to climate protection.

In order to achieve the emission targets outlined in the UK Climate Change Act, the Department for Energy and Climate Change (DECC) is working with other government departments in helping the UK make the transition to a low-carbon economy. DECC's work is underpinned by the following strategies, which aim to ensure that the UK benefits from the business and employment opportunities the transition will bring:

- *The UK Low Carbon Transition Plan.* The wide plan outlines how the UK will meet the 34 per cent cut in emissions of 1990 levels by 2020, and sets out the key steps to achieving the emission cuts for sectors such as buildings, transport and power generation.
- *The UK Renewable Energy Strategy.* The strategy, a response to the EU Renewable Energy Directive, sets out the role of business and other stakeholders in promoting renewable energy and achieving the goal of 15 per cent of total energy to be generated from renewable sources by 2020.
- *The UK Low Carbon Industrial Strategy.* The strategy outlines the actions businesses and workers can take in order to support a low-carbon economy.
- *Low Carbon Transport: A Greener Future.* The strategy presents measures to transform the transport sector, for example by improving the fuel efficiency of new conventional vehicles.

Although the UK is the only Member State to have set legally binding GHG emission reduction targets, several other Member States including the Netherlands, Germany and Portugal have set non-binding targets in order to meet their commitments under the Kyoto Protocol.

For example, Portugal has launched the National Programme for Climate Changes (PNAC) and the National Plan for Attribution of Emission Licences (PNALE). The PNAC establishes measures aimed at reducing GHG emissions, including the production of electricity using renewable sources. The PNALE (for the period of 2008–12) sets forth the number of licences attributed to each industry and company as part of EU ETS. These licences can be purchased or sold by companies. Additionally, in 2010 Portugal enacted the National Plan of Action for Energy Efficiency (PNAEE). The PNAEE, which sets energy efficiency targets, includes various programmes and measures that particularly focus on industry as the largest consumer of energy.

5.5. Conclusions and upcoming initiatives

5.5.1. General conclusions

The policy initiatives of the EU and Member States make use of the entire range of policy instruments, following the typology applied in this Compendium. Economic and financial instruments are frequently used as well as informational instruments. Both types of instruments generally aim to help companies identify the “business case” for climate protection. A promising approach to providing information on companies’ CSR performance is the launch of online tools that can be used by both companies and consumers to assess or calculate the carbon footprint of products and services. These tools generate quantitative data on companies’ contribution to climate protection.

Several Member States’ policy initiatives link climate change with two core business concerns: innovation and resource and energy efficiency. The underlying rationale of the initiatives is that environmental and economic interests go hand in hand and create a “win-win” situation for the private and the public sectors.

The rationale of the linkage between climate change and innovation is to make use of the innovative power of business to tackle climate change. Initiatives rely predominantly upon economic instruments, aiming to provide incentives for business to invest in innovative industrial technologies that support climate protection.

Several Member States’ policy initiatives also link the challenges of climate protection and improving resource efficiency and energy efficiency. The initiatives reflect the belief that measures taken by business to protect the climate pay off financially through energy efficiency gains, because, by lowering energy costs, companies can make production more cost-effective overall, thus improving their competitiveness.

5.5.2. Upcoming initiatives

As part of its CSR action plan from 2010, the German government plans to further strengthen the “develoPPP.de” programme to promote cooperation between business and development agencies. Additionally, the government aims to promote CSR practices in companies’ raw materials purchasing processes.

6. CSR in Small and Medium-sized Enterprises

6.1. Definition

Small and medium-sized enterprises (SMEs)⁽¹²⁾ are the backbone of Member States' economies. There are approximately 23 million SMEs in the European Union (EU), which provide around 75 million jobs and account for 99 per cent of all enterprises. Collectively, SMEs are important drivers of economic growth, social cohesion and regional and rural development in the EU. Additionally, SMEs collectively have significant impacts on the environment through their activities, products and services. Hence, in order to fulfil the social, environmental, and economic objectives of Corporate Social Responsibility (CSR), an active contribution of SMEs is vital.

Most SMEs have always been well established in the communities where they are located and have made a significant contribution to local socio-economic development. Against this background, SMEs have developed a naturally responsible approach to business even if they may not be familiar with CSR or use the term. Responsible business practices in SMEs are considered to be less formal than those in larger companies.

The European Commission emphasises that "corporate social responsibility" as a term and a definable business concept has been created mainly by and for larger companies. It is thus important to understand that SME responses to CSR may differ because of cultural differences caused by geographical location, ownership structure or strategic direction. For example, a manager in an SME may perceive CSR as being local in scope or the benefits as being intangible. Public policies should thus focus on helping and encouraging SMEs to understand the concept of CSR, to further strengthen their commitment to CSR and to address CSR in a strategic and systematic manner.

6.2. Towards a more strategic CSR approach: development of CSR in SMEs

The European Multistakeholder Forum on CSR in 2004 found that "we know relatively little about the scale and impact of CSR amongst SMEs". Since then the importance of CSR in SMEs has been increasingly acknowledged, and growing interest in the area of CSR and SMEs has been observed both in the EU and in Member States.

The Small Business Act⁽¹³⁾ for Europe from 2008, which is a key policy document on SME policy, recognised sustainable development as a key challenge for SMEs in response to which they need to adopt more sustainable production and business models. The actions outlined in the document are designed to support SMEs as well as social economy enterprises since most of them are made up of SMEs. Similarly, in the EU 2020 Strategy the European Commission stresses the importance of CSR among SMEs for growth, job creation and sustainable development in Europe. Furthermore, a European Expert Group on CSR and SMEs was formed in 2005 and was active until 2007. The Expert Group served as a forum for the collection and exchange of ideas and experience on how best to support CSR among SMEs. Key CSR topics identified by the Expert Group include awareness raising of CSR among SMEs, how to implement CSR strategies in SMEs, and exploring the business case for CSR in SMEs.

Given that SMEs are crucial to their economies, Member States' activities on CSR policies designed for SMEs have increased as well. However, it is too early to conclude that the concept of CSR has fully taken root in SMEs, since CSR as a strategic business practice is a quite recent concept for SMEs in some Member States.

6.3. Public policies of the European Commission

Since CSR was created primarily by and for larger companies, several EU public policy initiatives aim both to familiarise SMEs with the concept through practical approaches such as good-practice examples and to generate information for policymakers on the key CSR challenges SMEs face.

In 2007 the EU presented the report "Opportunity and Responsibility", which highlights ways in which SMEs can best embrace CSR. Topics covered include "SMEs and supply chain" and "the business case of CSR for SMEs". The document, which is the final report of the European Expert Group on CSR and SMEs, outlines how organisations can assist SMEs to improve their social, environmental and financial performance. It aims to provide ideas for new and better policy initiatives.

In addition, the Expert Group produced a series of one-page good-practice descriptions, which explain how organisations have supported SMEs engaging in CSR. For example, one case study focuses on how CSR was integrated into a regional development strategy in north-west England to increase the competitiveness and

⁽¹²⁾ SMEs are defined as enterprises that employ fewer than 250 persons and have an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million. Small and medium-sized enterprises are defined in the Commission Recommendation 2003/361/EC of 6 May 2003.

⁽¹³⁾ The Small Business Act for Europe is a set of ten principles that should guide the conception and implementation of policies at both EU and national levels. It also includes a package of measures such as legislative proposals that translate the principles into action at EU and Member State levels.

attractiveness of a region. The initiative offers training to SME support organisations and develops tools to measure CSR improvements in the region.

Also in 2007, the European Commission launched the free online information service "The European Responsible Entrepreneurship Bulletin". Its aim is to facilitate the exchange of information and ideas among people and organisations around the topics of CSR, SMEs and responsible entrepreneurship.

Given that 20 per cent of European SMEs are in the retail sector, the European Commission presented the "Retail market monitoring report" (SEC(2010)807) in 2010, which assesses issues affecting or likely to affect economic, social and environmental performance. The conclusions drawn from this report will be used to define measures that improve public policy on SMEs.

Providing a practical approach to environmental protection, the European Commission launched the "Environmental Compliance Assistance Programme" (ECAP) in 2007 to support SMEs in complying with legislation. As part of ECAP, the European Commission has initiated several projects aiming to build local environmental expertise of SMEs. These have included capacity-building seminars for SME support organisations in 26 Member States (2007–09), best-practice transfer pilot projects (2009) and an "on-the-job pilot training project" (2010) to support the exchange and transfer of best practices and to cover gaps in the availability of environmental services and expertise to SMEs. Other actions under ECAP include providing tailor-made environmental management systems, targeted information and funding to improve the environmental performance of SMEs and minimising the administrative burden of compliance for SMEs by improving legislation.

To improve the access of SMEs to the Eco-Management and Audit Scheme (EMAS), the European Commission initiated the development of the EMAS Easy methodology (made available in 2008), an easily understood, reduced-paperwork yet nonetheless serious way to implement the scheme. Cluster implementation helps to further reduce the costs of EMAS verification. Pilot projects were organised in all Member States to build capacity in the implementation of this methodology.

In addition to launching information campaigns, the European Commission has co-financed initiatives to support CSR in three industrial sectors: chemicals, textiles and construction. The three projects were launched in 2008 with a duration of 18 months.

Through the "PRISME2" project the EU Commission promoted responsibility of SMEs in the chemical industry. The project, in which the European Commission is partnering with the Centre for Tomorrow's Company from the United Kingdom and the European Mine, Chemical and Energy Worker' Federation from Belgium, is designed to better integrate SMEs in "Responsible Care"⁽¹⁴⁾ and to improve their environmental, health and safety management. The Commission supports the project financially. With the objective of building capacity in SMEs within the chemical industry, partners of the project will become mentors providing SMEs with training and expertise in issues of "Responsible Care", in particular in health and safety.

The "BRE" project aimed to foster CSR within the construction sector by involving some large companies, SMEs that are part of the supply chain, and relevant stakeholders such as business associations, trade unions and universities. The objective of the project was to analyse the relationship between competitiveness and sustainability efforts as well as the value created both for companies committed to CSR and for their stakeholders. The project has produced guidelines to enhance CSR: by analysing 44 best practices in different areas, it shows how the adoption of socially responsible behaviour can enhance the competitiveness of businesses in the construction sector and the territory where it operates. Led by the Italian non-governmental organisation (NGO) Impronta Ethica, the project targeted areas in Austria, Hungary, Italy, Portugal and Spain.

The 'COSMIC' project aimed to analyse the relationship between CSR and competitiveness along the textile/clothing supply chain, including identifying the role played by demand factors and the main voluntary CSR instruments.

Additionally, from 2006 to 2008 the EU Commission co-financed 14 projects through the funding programme 'Mainstreaming CSR among SMEs'. The aim of the project was to support the uptake of CSR practices among SMEs. Seventy-five organisations partnered with the EU in the projects, in which with 450 other organisations were involved. Three thousand SMEs were directly assisted. Projects focused on, for example, training business advisors for SMEs or setting up guidelines for multinational companies showing how best to manage CSR supply chain requirements in a way that maximises the benefits for buyers and SME suppliers alike.

Furthermore, the European Commission has funded the Leonardo da Vinci project "Sustainability and social

⁽¹⁴⁾ 'Responsible Care' is the chemical industry's global voluntary initiative under which companies work together to continuously improve their health, safety and environmental performance as well as to communicate with stakeholders about their products and processes. Further information is available at: <http://www.responsiblecare.org/page.asp?p=6341&l=1>

responsibility through learning in SME". The aim of the project was to transfer and further develop an innovative methodology based on the Balanced Scorecard approach (a strategic performance management tool) to the development of a CSR strategy within SMEs in Europe. Partners from Bulgaria, Cyprus, Latvia, Lithuania, Portugal, Spain and Romania participated in the project between 2008 and 2010.⁽¹⁵⁾

6.4. Public policies in the EU Member States

6.4.1. Legal instruments

Legal frameworks can set obligatory general requirements with regard to the integration of CSR by SMEs and form the basis for additional policy initiatives. For instance, the Italian Workers' Compensation Authority (INAIL) provides grants to support SMEs in the development of CSR policies. The application of the Italian Legislative Decree 81/08 from 2008 requires that INAIL funds micro-enterprises and SMEs that invest in innovative solutions and organisational measures focused on CSR.

Box 6.1

Example: Spain's decree on CSR and SMEs

The vast majority of Spanish companies have fewer than 50 employees. It is thus important for the Spanish government to foster a culture of CSR among SMEs in particular. In February 2010 the Spanish Ministry of Labour and Immigration issued an order (TIN/310/2010) on the promotion of CSR with particular reference to SMEs. Based on the order, awards are granted for activities to promote CSR issues. The focus of the order is on the development of studies, seminars, conferences and reports to disseminate CSR issues among SMEs.

6.4.2. Economic and financial instruments

Barriers to active CSR engagement on the part of SMEs include their lack of financial resources to approach CSR in a strategic manner as well as the lack of financial incentives for SMEs to commit themselves to CSR – as evidenced by their belief that CSR does not add financial value. Economic instruments to support SMEs financially can thus be valuable public policy measures to overcome these barriers.

Box 6.2

Example: Greece's "Green Infrastructure 2010" and "Green Enterprise 2010"

The Greek Ministry of Economy, Competitiveness and Shipping launched two projects related to EMAS in 2010 under the operational programme "Competitiveness and Entrepreneurship". The projects are co-funded by the European Regional Development Fund (ERDF). The first project, "Green Infrastructure 2010", includes activities with regard to the implementation of an environmental management system (EMS). Micro-enterprises and SMEs in the manufacturing sector are eligible for finance. The second project, "Green Enterprise 2010", aims to create favourable conditions for integrating environmental concerns in the operation of enterprises. Micro-enterprises and SMEs are eligible for finance.

In addition to contributing to improved environmental performance, energy-efficiency measures can significantly improve SMEs' financial performance. However, SMEs can face various barriers to initiating energy-efficiency measures. Most SMEs lack not only sufficient knowledge of their energy-saving potential but also financial resources to innovate energy-efficiency technologies. Furthermore, incentives to reduce energy may be too small in light of the rather small share of energy costs in total costs.

Against this background, in 2008 the German Federal Ministry of Economics and Technology together with the KfW bank established the "Special Fund for Energy Efficiency in SMEs" to tackle both informational and cost barriers faced by SMEs. The programme has an advice component and a financing component. The financing element provides SMEs with low-interest loans for investment in energy-conservation measures.

France and Germany have launched initiatives that promote the inclusion of social aspects of CSR by companies. According to the first Grenelle law, from 2009, the French government will support the creation of labels attesting the quality of companies' management of environmental and social issues. The government will also help to set up an accreditation mechanism within the independent certification bodies in charge of issuing such labels. Based on this law, France will provide financial support to SMEs that certify their environmental performance.

Through the "Micro-Credit Fund Germany" (Mikrokreditfonds Deutschland) initiative launched in 2010, the German government financially supports SMEs and entrepreneurs. The fund, which is financed by the European Social Fund

⁽¹⁵⁾ The Leonardo da Vinci Programme funds practical projects in the field of vocational education and training. Initiatives range from those giving individuals work-related training abroad to large-scale cooperation efforts.

(ESF) and the Federal Ministry of Labour and Social Affairs, aims to establish a nationwide funding scheme that particularly supports SMEs and enterprises founded by women and people of immigrant background, as well as social enterprises. Social enterprises have embedded in their corporate strategies one of the ideas of CSR, namely, the promotion of the public interest.

6.4.3. Informational instruments

Additional barriers to SMEs engaging in CSR efforts include the absence of public policies on CSR suitable for SMEs because of a lack of information about SMEs' approach to CSR and a lack of knowledge on the part of SMEs about how to approach CSR in a strategic and businesslike way. Various Member States have launched initiatives that aim to overcome these barriers.

France has launched several initiatives in recent years to support SMEs' CSR initiatives. For example, the French government supports the Centre des Jeunes Dirigeants (Young Managers Centre, CJD), a group of more than 3,300 managers, mainly from SMEs, in the development of a methodology for a "Global Performance Standard" (GPS). GPS, launched in 2008, is based on the concepts of corporate citizenship, social and environmental responsibility, involvement of stakeholders and other relevant CSR topics. Furthermore, in 2007 the French government launched the website "Travailler mieux", which provides information related to improving working conditions specifically targeted at SMEs. In order to understand SMEs' approach to CSR, NetRegs conducted a "SME Environment" survey in 2007 in the United Kingdom. The aim of the survey was to reveal the environmental attitudes and behaviours of SMEs. NetRegs is a partnership between environmental regulators in the UK: the Environment Agency in England and Wales, the Scottish Environment Protection Agency and the Northern Ireland Environment Agency.

The Finnish Ministry of Employment and the Economy (MEE) commissioned and published in 2009 a good-practice brochure on CSR in SMEs to support the implementation of the "Development Strategy of CSR for SMEs" from 2008. The brochure includes company examples of how to implement CSR approaches in order to assist SMEs in developing their own responsible operations, products and services.

The Italian Centre for Social Responsibility, an independent think tank established by the Italian government, published in 2008 a collection of good practices on "Health and Safety in Italian Small and Medium Enterprises – a socially responsible approach". As part of the research a framework on health and safety issues was elaborated in

addition to a platform of good practices in the area. The aim of the initiative was to provide Italian SMEs with a practical tool to be used for benchmarking, monitoring and comparing performance with regard to health and safety issues.

Following the Danish "People and Profit" project, which was carried out between 2005 and 2007 with the support of the ESF and provided training on CSR issues for more than 12,000 managers and employees, a number of online tools targeting SMEs have been developed. One example is the Ideas Compass, a website launched in 2010 where SMEs can gain knowledge about examples of SMEs' good CSR practices. The website instructs SMEs on how sustainability can be strategically integrated into core business activities. The focus of the initiative is on CSR-driven innovation understood as a process focusing on current social and environmental needs, which gives companies an opportunity to develop sustainable products or services. The Ideas Compass was developed by the Danish Commerce and Companies Agency under the Ministry of Economic and Business Affairs with support from Region Zealand, the Nordic Innovation Centre and the insurance company TrygVesta.

Portugal and Finland have used workshops and seminars to increase knowledge about CSR on the part of SMEs and overcome information barriers. The Portuguese Ministry of Economy, Innovation and Development organised several workshops on CSR in SMEs. The workshop "CSR in the context of SME – Contribution to a responsible entrepreneurship" took place annually between 2008 and 2010. The workshops were organised by the Institute of Support of Small and Medium-sized Enterprises and Investment (IAPMEI), a specialised public agency within the Portuguese Ministry of Economy and Innovation, with the support of the European Commission, in order to provide SMEs with a forum to share experiences of CSR. Finland aims to raise awareness among national SMEs of how to implement CSR in daily business operations. For this reason, the MEE, together with Finnish business organisations and civil society organisations, arranged a regional seminar in December 2010 where SMEs as well as consultants of SMEs were informed about CSR and its benefits for smaller businesses. Several regional seminars are scheduled for 2011.

Poland, the Italian Region of Tuscany and the United Kingdom have drafted guidelines designed to facilitate the application of CSR by SMEs. In 2008 the Polish Ministry of Economy commissioned a CSR guide titled "Sustainable business, a guide for small and medium-sized enterprises". The guide provides information on available tools and practices in the area of CSR that can contribute to a competitive advantage for SMEs. Since

Polish SME managers actively contributed to the guide, the document delivers a practical approach to CSR. It promotes a systemic approach to management in areas of social responsibility, for example by providing information about the requirements of ISO 26000.⁽¹⁶⁾

In the Italian region of Tuscany, guidelines for sustainability reporting of SMEs were developed in 2010 by “Fabbrica Ethica”, a political initiative launched in 2001 by the regional government with the aim of steering regional economic development towards social and environmental sustainability. The guidelines are addressed to SMEs as a first approach to comprehensive sustainability reporting. Based on the G3 Guidelines of the Global Reporting Initiative, they were designed in cooperation with regional stakeholders to meet the reporting requirements of Tuscan SMEs. Additionally, the guidelines were tested on six SMEs to assure their practicability and suitability (see Chapter 4.2). In 2009 the British Department for Environment, Food and Rural Affairs (Defra), in partnership with the Department for Energy and Climate Change, published “Small Business User Guide: Guidance on how to measure and report your greenhouse gas emissions”. In a step-by-step process, the guidance document explains how SMEs can measure and report their greenhouse gas emissions.

Box 6.3

Example: Poland’s research project “Sustainable production models in the activity of SMEs”

The Polish Agency for Enterprise Development (PARP) is currently implementing a research project, titled “Sustainable production models in the activity of SMEs – proposal of systemic solutions supporting the implementation of sustainable production models in SMEs”. The aim of the project is to develop recommendations and proposals with regard to potential legislative and institutional instruments to spur the implementation of sustainable production patterns in SMEs. The project has been launched against the background of growing pressure on entrepreneurs from consumers and public administration bodies to meet environmental requirements. The project will comprise qualitative and quantitative research on the implementation of sustainable production patterns by SMEs and the analysis of case studies. The research results will be presented in a report which will constitute the basis for a debate on the introduction of legislative changes.

⁽¹⁶⁾ ISO 26000 is a voluntary guidance standard on social responsibility which was published in 2010.

Given that the EU has emphasised the importance of sustainable production technologies for an energy- and resource-efficient economy through its “Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan”, Poland’s initiative revolving around sustainable production and SMEs is particularly valuable (see Box 6.3).

6.4.4. Partnering instruments

SMEs often face similar challenges with regard to the implementation of CSR, such as employee and community involvement or financing research and development measures to launch innovative products and processes that benefit the environment. Addressing these issues through partnering initiatives can help to share valuable knowledge and expertise as well as to reduce the costs of action and lead to improvements that initiatives aimed at individual SMEs cannot achieve.

Several partnership initiatives have been launched in Portugal in recent years to facilitate SMEs’ engagement in CSR. For example, the Ministry of Economy, Innovation and Development and several business organisations⁽¹⁷⁾ launched a partnership initiative in 2008 to disseminate the “Methodological guide to the Implementation of Social Responsibility Practices”. The objective of the partnership is to provide SMEs with practical examples on the implementation of CSR, such as how to motivate employees to contribute to responsible business practices.

Box 6.4

Example: International “SPIN” project

Several Member States (Denmark, Estonia, Finland, Germany, Lithuania, Poland and Sweden) partner in the project “Sustainable Production through Innovation in Small and Medium sized Enterprises in the Baltic Sea Region” (SPIN)⁽¹⁸⁾, which is subsidised within the framework of the ERDF. The aim of the project is the sharing of experiences to promote innovative solutions for sustainable development, including eco-innovation, environmental technologies and CSR. CSR

⁽¹⁷⁾ Participating business organizations were the CTCV (Technological Center of Ceramics and Glass Industries) as coordinator, IAPMEI, DGAE (Directorate General for Economic Activities), IEBA (Center of Enterprise Initiatives Beira-Aguieira), PRIMUS MG (Promotion and Regional Development) AMP (Regional Agency for Development of the Metropolitan Area of the Port), CEC (Enterprise Council Center), CCIC (Chamber of Commerce and Industry of Center) and RECET (Association of the Technological Centers of Portugal).

⁽¹⁸⁾ SPIN is a €3 million project supported by the Baltic Sea Region Programme 2007–2013 of the European Union. SPIN brings together some of the most important institutions for eco-innovation in the Baltic Sea Region, and is supported by numerous national governments, sector associations, research bodies and transnational NGOs.

in the context of innovation is approached from the perspective of demand and supply, since many SMEs do not have sufficient access to new environmental technologies, whereas other SMEs that develop new environmental technologies and innovative managerial solutions cannot find profitable retail markets.

The activities undertaken by the project partners focus on:

- identifying and meeting the needs of SMEs by way of overcoming the mismatch between the demand for and the supply of innovations for sustainable development;
- developing and testing tools and instruments streamlining the implementation of innovations for sustainable development within SMEs;
- identifying and testing appropriate incentives for SMEs to introduce innovation for sustainable development; and
- ensuring cohesion in creating an international framework within the scope of the promotion of innovation for sustainable development among SMEs in the countries of the Baltic Sea region.

6.4.5. Hybrid instruments

A common explanation for why SMEs do not commit to CSR is the lack of guidance on ways to approach CSR and to reap benefits from strategically embedding CSR in their core business practices.

Multinational guidelines can play an important role in defining norms of desirable and acceptable behaviour of SMEs with regard to CSR. Since SMEs are the centrepiece of the Italian economy, supporting them in the implementation of CSR policies is one of the core tasks of the National Contact Point (NCP). Responsible for disseminating the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD), the Italian NCP identifies to what extent and how these guidelines could be applied to SMEs and how to support them. This is particularly important given that SMEs have fewer financial and staff resources than larger companies. To this end, the NCP's support mainly rests upon three pillars: research activities, information and training activities, and the offer to join networks. From 2007 to 2009 around 60 seminars focusing on CSR and the OECD Guidelines for export-oriented SME clusters (*distretti* in Italian) were held in the Veneto, Lombardy, Emilia Romagna, Lazio, Abruzzo, Umbria, Marche and Liguria regions. In 2010 the Italian NCP, in the form of the Ministry of Economic Development, presented a position paper on the OECD Guidelines, in which it emphasised the importance of promoting the

guidelines among SMEs, given the role they play in many countries' production systems and their growing relevance in the global supply chain.

LUISS Guido Carli University in Rome carried out in 2009 a survey commissioned by the Italian NCP for the OECD Guidelines for Multinational Enterprises, titled "Corporate Social Responsibility within the framework of the OECD Guidelines for Multinational Enterprises: focus on SMEs". It investigated SMEs' practices on the adoption, management and measurement of CSR. The survey also assessed the added value of CSR activities for SMEs and obstacles to be overcome.

In order to analyse how CSR adds value for SMEs, the Italian NCP commissioned two research projects from LUISS Guido Carli University and from Bocconi University in 2010. The aim was to explore the benefits that can be generated for SMEs when implementing CSR within enterprises' networks (such as clusters) and in value chains.

Additionally, in order to promote CSR approaches among SMEs located in southern Italy, the NCP commissioned in 2010 a project from the Istituto Guglielmo Tagliacarne (a foundation of the Italian Union of the Chambers of Commerce) aimed at encouraging transparency and convergence of CSR practices and tools in the region. The project is aimed at responding to the needs of SMEs. It is addressed to different stakeholders such as associations, trade unions, chambers of commerce, consultants, banks and consumer movements, so that these actors can spread CSR among SMEs and align management solutions with principles of social responsibility and sustainable development.

Following a strategic approach to CSR is a key requirement for a company in order to fully reap the benefits of the concept. In June 2010 the Pomerania Development Agency, in cooperation with partner organisations from Poland and Sweden, began to implement the project "Responsible Enterprise" (RespEn), targeted at SMEs in the Pomorskie province in Poland and the Kalmar region in Sweden. The key objective of the RespEn project is to improve the competitiveness of micro-enterprises and SMEs in the southern Baltic region through the implementation of a CSR strategy. The project offers enterprises the opportunity to participate in workshops, study visits and business meetings, thus enabling Polish and Swedish companies to become acquainted with CSR principles, in particular with regard to initiating international commercial cooperation.

In a similar vein, creating or identifying the business case for SME engagement in CSR is a key requirement for a successful CSR approach. However, creating and identifying the business case is also a key challenge for

policymakers. Portugal has launched two partnering initiatives that form the basis for information activities. These activities promote the potential of taking a proactive approach towards environmental and social responsibility to SMEs. The aim of the project “Social responsibility in SMEs” from 2008–09 is to encourage SMEs to adopt more responsible business practices to achieve excellence in CSR performance. As part of the project, current CSR practices of SMEs are assessed and the potential for improvement is identified.

Box 6.5

Example: International cooperation “ERIK ACTION”

CSR as a driver of innovation is frequently seen as making a convincing business case for SME engagement in CSR. For this reason, the regional government of Tuscany in Italy partnered with 10 European regions⁽¹⁹⁾ in the “ERIK ACTION” project, an Interregional Cooperation Programme financed by the ERDF. The project, which ran from July 2008 until June 2010, aimed at improving the effectiveness of regional development policies for innovation and, specifically, for upgrading the innovatory capacity of existing enterprises with regard to topics such as CSR and sustainability. All partners identified innovation as a key priority in regional development and confirmed the importance of the project theme in their current environment. The project resulted in the development of action plans for the exchange of good practice among the partners. The project focused on inter-regional cooperation and sought to establish a sharing process whereby all parties involved communicated their experiences on relevant innovation topics; for example, parties had the opportunity to share experiences on how SMEs can be supported in CSR processes.

Tuscany shared its experiences with its CSR programme, “Fabrica Ethica”. Through various activities such as covering a share of SA8000⁽²⁰⁾ and environmental certification costs for industrial SMEs or providing information to SMEs related to CSR, “Fabrica Ethica” helps focus SMEs’ activities on CSR.

The “SME’s Social Project. Energy, environment and social responsibility”, launched in 2010, aims to encourage SMEs to manage energy, environmental and social impacts efficiently with the aim of achieving improved levels of productivity and competitiveness, reducing costs and building a fairer society. The two initiatives are based on a partnership between industrial associations and the Portuguese Association of Business (Enterprise) Ethics (APEE) in cooperation with Directorate General for Economic Activities (part of the Ministry of Economy, Innovation and Development).

The regional government of Bavaria, Germany, has implemented the “Environmental Pact” (Umweltpakt) to support SMEs by easing their administrative burden and providing practical information about relevant CSR measures. The Environmental Pact is based on the principles of cooperation between the state and business, voluntary action and individual responsibility. The objective of the initiative is to encourage as many companies as possible to implement corporate environmental protection measures. Many projects focus on SMEs; for example, information and competence centres offer practical advice on implementing EMAS. Additionally, manuals on environmental protection measures have been developed for several industrial sectors in cooperation with companies. Proposed measures guide SMEs on how to reduce their environmental impacts and costs simultaneously. Furthermore, financial assistance is provided to companies that plan to implement an environmental management system. As of October 2010 more than 5,550 firms in Bavaria were involved in the Environmental Pact and practising environmental protection, for example by increasingly using recycled products, employing alternative sources of energy, or taking steps to reduce carbon dioxide emissions. The Environmental Pact was initiated in 1995 and enacted initially for a term of five years. Since then the Bavarian State government and Bavarian businesses have signed three new agreements, each again for a term of five years. The fourth agreement for a further five-year term was signed in 2010.

Several Member States outline the role of SMEs in CSR in policy documents that define their general approach to CSR. For example, Belgium and Germany have emphasised the importance of CSR in SMEs in their CSR action plans. Belgium’s action plan on CSR highlights the role of social economy enterprises and sets the goal of financially supporting these enterprises. Germany’s action plan of 2010 outlines a set of planned initiatives with regard to CSR and SMEs that focus on advising SMEs on suitable CSR approaches, supporting SMEs financially and promoting cooperation between larger companies and the SMEs that are part of their supply chain.

⁽¹⁹⁾ Lower Austrian Government, Department of Economic Affairs, Tourism and Technology (Austria), Emilia Romagna Region, Department for Industry (Italy), Alentejo Regional Development Agency (Portugal), Agency for Innovation and Development of Andalusia (Spain), Banska Bystrica Self-governing Region, Slovakia, Bretagne Innovation (France), Flemish Government, Agency for Economy (Belgium), The South-East Regional Development Agency (Romania), LTC AB (Sweden) and University of West Macedonia Research Committee (Greece).

⁽²⁰⁾ SA8000 is a workplace standard against which companies and factories measure their performance.

In 2008 the Finnish MEE published “Development Strategy of CSR for SMEs”. The objective of the strategy is to enhance the competitiveness of SMEs by promoting responsible production. Additionally, it aims to encourage SMEs to integrate CSR into their managing approach, strategic planning and daily business operations by providing information on tools and good-practice examples of CSR “front-runner” SMEs. Additional objectives are to integrate CSR topics into company training programmes and to include CSR criteria in decisions about financial support for SMEs (e.g. credits, investments).

Portugal specifically focuses on the social economy in two policy initiatives. In 2010 the Portuguese Minister’s Council approved the “Support Programme for the Development of Social Economy” (PADES). PADES is a set of stimulus measures that promote the development of the social economy, including resources to promote micro-credit programmes and measures to stimulate employment and entrepreneurship among people who have difficulty accessing the labour market. Also in 2010, the Minister’s Council set up the National Council for Social Economy, a consultation agency of the government to develop public policy designed to promote and develop the social economy in Portugal.

6.5. Conclusion and upcoming initiatives

6.5.1. General conclusions

Most SMEs have a proven track record in responsible business practices such as community involvement or employee support. However, these companies have been accustomed to seeing CSR as “common sense” or simply “the right thing to do” rather than as a topic they need to address strategically.

Given that SMEs often face a lack of knowledge about the strategic implementation of CSR in their core business, policy initiatives predominantly focus on practical informational initiatives to guide SMEs. These initiatives can take the form of good-practice brochures on health and safety issues, guidelines on CSR reporting or workshops on responsible entrepreneurship. Likewise, informational and hybrid initiatives being launched by Member States in various cases focus on how SMEs can unlock the business case, which is not yet always clear to them.

Furthermore, because of their size SMEs are not always able to allocate a sufficient amount of financial and human resources to CSR activities. As a result, EU and Member State policies have been launched to assist SMEs financially or through the establishment of support institutions.

A final conclusion that can be drawn is that policy initiatives cover not only environmental aspects such as greenhouse gas emission reduction but also social aspects of CSR. Initiatives promoting social aspects of CSR particularly focus on working conditions and health and safety issues. Additionally, various initiatives promote CSR as an integrative concept that encompasses both environmental and social dimensions.

6.5.2. Upcoming initiatives

Since SMEs are the backbone of many Member States’ economies, various initiatives are currently being planned or carried out.

As part of its CSR action plan, Germany will launch several policy initiatives aimed at promoting CSR in SMEs. As one of its main policy initiatives, the German government will launch an advisory and training programme – financed by the ESF – to support and improve SMEs’ CSR activities. The programme will offer SMEs practical, tailored assistance in their efforts to strategically incorporate CSR into their business concepts. In addition, the establishment of a central help desk for SMEs on CSR issues as well as an online learning approach towards CSR for SMEs are planned. Furthermore, the government will initiate regional and national events and roundtables to promote the exchange of experience between larger companies and SMEs. The aim of the events is to spur mutual learning that fosters CSR both in SMEs and in larger companies. Germany also plans to set up a micro-credit fund to assist micro and social economy enterprises that contribute to achieving social and environment objectives.

In March 2010 the Portuguese Ministry of Industry, Tourism and Trade invited organisations to bid for the “CSR–SME Initiative”. The initiative aims to raise SMEs’ awareness of the importance of incorporating CSR into their business practices, as well emphasising that SMEs can gain a competitive advantage when integrating CSR in a strategic manner.

In 2010 Defra in the UK commissioned a project to determine the effectiveness of certified environmental management systems, such as EMAS, ISO 14001 and BS 8555, in delivering business and environmental benefits. Key outputs of the project will be the quantification of the environmental and financial savings achieved on an aggregated and individual company basis and the lessons learned about the barriers to and benefits of EMS implementation. This initiative aims to bring the concept of CSR closer to SMEs in particular, and to raise their awareness of the importance of incorporating it into their business practices, as well as bringing them the competitive advantages derived from this integration when it is managed in a strategic fashion.

Within the framework of the Swiss–Polish Co-operation Programme, which aims at reducing economic and social disparities within the enlarged EU, the PARP is preparing a project titled “Increased competitiveness of regions through corporate social responsibility”. The project’s purpose is to raise awareness of CSR issues among employees of Polish SMEs, representatives of regional authorities, investors and other stakeholders. Training sessions and other initiatives focus on presenting financing possibilities for the implementation of CSR in SMEs and on general awareness-raising of CSR topics among SMEs.

The Belgian Ministry for Social Integration has allocated a budget of €300,000 for the “Quadrant-BEL” project, which set up CSR learning networks for enterprises. Between 2004 and 2007 more than 70 SMEs and social economy enterprises from various sectors participated. The first results of the projects were published in brochures and included testimonials from participants, information on SMEs’ CSR experiences and useful tips for SMEs and social economy enterprises. As a result of its success, the Ministry has allocated a continuation budget for the project.

7. Socially Responsible Investment

7.1. Definition

The modern roots of Socially Responsible Investment (SRI) can be traced to the United Kingdom (UK). It was there in the 1920s that the Methodist Church avoided financing companies which invested in the production of alcohol and gambling.

The idea of SRI is similar to the concept of Corporate Social Responsibility (CSR) and can thus be regarded as the implementation of CSR in investment decisions. Sustainable investors consider the following issues in their investment decisions: social factors (e.g. human capital, community development), environmental factors (e.g. industrial pollution, global warming) and ethical factors (e.g. violation of human rights, child labour).

Currently, no universal definition of SRI exists. Eurosif, the European Social Investment Forum, combines different aspects in its definition of SRI as the following:

Socially Responsible Investment combines investors' financial objectives with their concerns about social, environmental, ethical (SEE) and corporate governance issues. SRI is an evolving movement and even the terminology is still very much in the evolving phase. Some SRI investors refer only to the SEE risks while others refer to ESG issues (Environmental, Social and Governance).

Eurosif thus believes that both SEE and ESG issues are relevant to SRI. Furthermore, SRI is based on a growing awareness among investors, companies and governments about the impact that these risks may have on long-term issues ranging from sustainable development to long-term corporate performance. This chapter on SRI is based on Eurosif's definition and sheds light on European Union (EU) and Member States' policy initiatives that aim to raise awareness and strengthen the development of SRI. Regarding the role of investors, the European market for SRI is growing through the increasing demand from institutional investors.

7.2. The SRI market in Europe

Europe represents the most dynamic region for SRI developments in recent years. According to the latest available data of Eurosif, total SRI assets under management in Europe reached €2.665 trillion in the end of 2007.⁽²¹⁾ Over two years – from 2005 to 2007 – the compound annual growth rate of the SRI market amounted to 42 per cent. SRI assets represent in total 17.6 per cent of the asset management industry in Europe.

⁽²¹⁾ Eurosif: European SRI Study 2008 (2008).

In general, national SRI markets in the EU Member States vary in terms of size and growth. Eurosif distinguishes between two segments of SRI: Broad SRI and Core SRI.

Broad SRI is composed of the following strategies: simple screening⁽²²⁾ (including norms-based screening⁽²³⁾ for up to two negative criteria), engagement⁽²⁴⁾ and integration⁽²⁵⁾. Like Core SRI, these strategies can be combined, especially engagement and integration. Broad SRI investors are mostly large institutional investors and therefore experienced with large volumes of assets – often much larger than Core SRI. For this reason Broad SRI represents the “mainstreaming” of SRI.

Core SRI is frequently described as the original form of SRI. The majority of the Core SRI investors are individuals and churches. It is composed of the following strategies: ethical exclusions⁽²⁶⁾, positive screening⁽²⁷⁾ (including best-in-class⁽²⁸⁾ and SRI theme funds⁽²⁹⁾) and the combination of ethical exclusion and positive screening. Among the various strategies for positive screening, SRI theme funds are the most developed in Germany while best-in-class strategies are extensively used in Denmark, Sweden, France and Belgium.

The UK boasts the largest Broad SRI market, followed by the Netherlands and Belgium. Italy has shown a remarkable increase in terms of market size. The difference between Core and Broad SRI varies widely from one country to another, illustrating the various levels of mainstreaming of the national SRI markets as well as the weight of institutional investors. At the European level, Core SRI represents 19 per cent and Broad SRI 81 per cent of the total SRI assets under management.

⁽²²⁾ Simple screening is an approach in which specific criteria are used to exclude given sectors or companies from an investment fund based on their engagement in particular business activities (including for example weapons or tobacco production, or animal testing).

⁽²³⁾ Norms-based screening is a form of negative screening based on companies' compliance with international standards and norms.

⁽²⁴⁾ Engagement refers to the strategy that aims at influencing company behaviour regarding social, ethical and environmental practices through long-term dialogue.

⁽²⁵⁾ Integration involves the explicit consideration of ESG risk factors in traditional financial analysis, whereby corporate governance risk is to be limited to the interaction of governance and social and environmental issues.

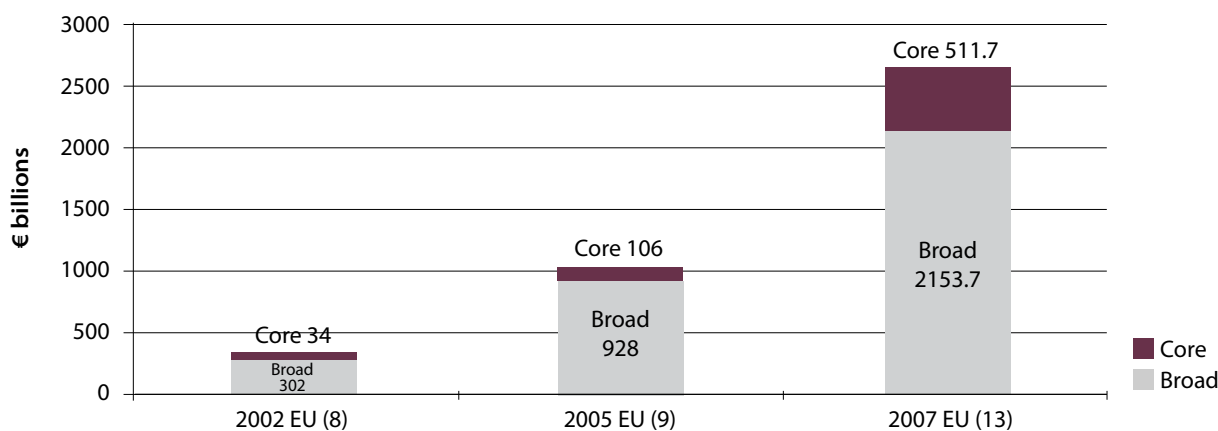
⁽²⁶⁾ Ethical exclusions are made based on at least two negative criteria (i.e. engagement in multiple negative business practices).

⁽²⁷⁾ Positive screening refers to the selection of investments based on positive performance on explicit ESG criteria (e.g. best-in-class or SRI theme funds).

⁽²⁸⁾ Best-in-class is a screening approach that identifies companies from various sectors with exemplary performance on ESG criteria to be included in a portfolio.

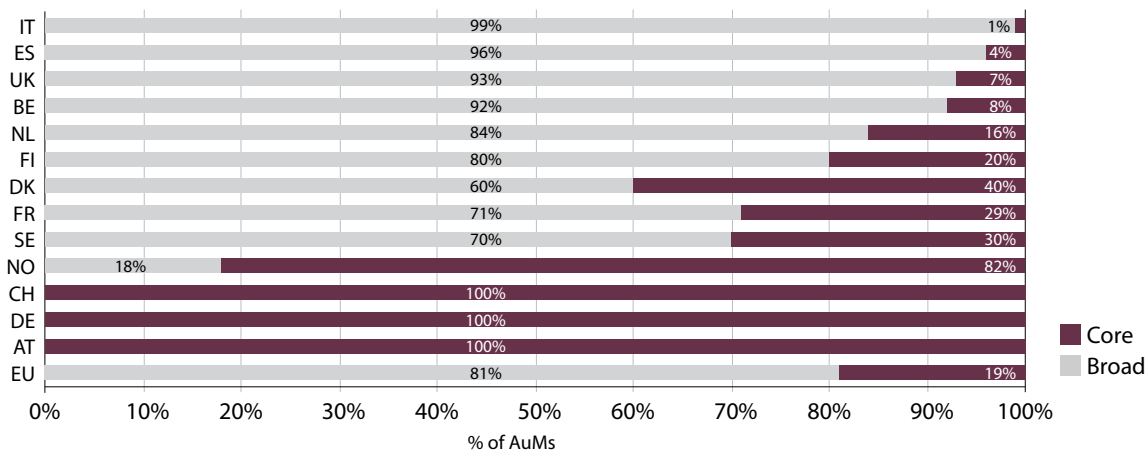
⁽²⁹⁾ Thematic funds focus on particular sectors or issues relating to SRI. SRI theme funds must make an explicit commitment to SRI and employ mechanisms for the consideration of ESG criteria in the composition of their funds.

Figure 7.1: Core and Broad SRI in Europe, 2002–2007



Source: Eurosif European SR Survey 2008

Figure 7.2: Share of Core and Broad SRI in total SRI assets under management (AuMs) by country



Source: Eurosif European SR Survey 2008

7.3. Public policies of the European Commission

The EU Commission uses various tools to promote SRI and aims to encourage national efforts in this area. Thus, the EU public policy instruments address diverse target groups such as financial experts, policymakers, businesses, non-governmental organisations (NGOs) and academic institutions.

Though the issue of SRI is not mentioned in the current communication on CSR, at least some aspects are addressed by European development policies within

the renewed EU Sustainable Development Strategy. The strategy states that the European Investment Bank should consider sustainability issues in its investment decisions (European Council 2006).

In 2010 the European Commission launched a Europe-wide public debate on how to ensure adequate, sustainable and safe pensions as well as on how the EU can best support national efforts. The consultation ran until the end of November. Subsequently, the European Commission will analyse all responses and consider the best ideas for future action addressing these issues at the EU level.

As well, in 2010 the European Transparency Code will be drafted in order to harmonise the response process across Europe and improve the visibility of the Code and the funds' responses. This code aims to create more clarity on the principles and processes of SRI mutual funds; its development was financed by the European Commission. As of June 2010 there were about 60 signatories to the SRI Transparency Code, representing more than 350 SRI funds. In addition, a logo specific to the Transparency Code was created that can be used by signatories once their responses to the Code have been reviewed by their respective national Social Investment Forum.

In the wake of the financial crisis of 2008–09 and its consequences, the European Union and its Member States are determined to prevent such a situation recurring. In June 2010 the European Commission published the Green Paper "Corporate governance in financial institutions and remuneration policies". This paper elaborates on the concept of corporate governance in financial institutions, deficiencies and weaknesses in corporate governance, initial responses as well as options for the future.

7.4. Public initiatives in the EU Member States

7.4.1. Legal instruments

Pension funds are oriented towards the long term in their investment decisions; they manage substantial amounts of assets and could be a leading example for other market players in considering SRI. As mentioned in the last Compendium, seven EU Member States currently have specific national SRI regulations in place that cover their pension systems: UK (2000), France (2001), Germany (2001), Sweden (2001), Belgium (2004), Austria (2005) and Italy (2004). In the succeeding years the seven member states partly extended the regulations. In 2008 the French government asked the "Additional Civil Servants' Pension Scheme" to manage all of its funds (which amounted to €6 billion at the end of 2009) according to SRI standards. In other Member States disclosure requirements on pension funds are still being discussed. In Spain, for instance, a proposed law presented by the government in 2007 and pending approval by the Spanish Parliament would mandate the allocation of 10 per cent of the Social Security Reserve Fund (worth €47 billion) to equities conforming to the principles of SRI.

Pension funds are not the only target group of legally binding agreements; private investors are also addressed. After the financial scandals of 2005–06, the Italian Parliament passed a law to protect small investors. This Act introduced several measures pushing for more transparency. One measure obliges financial institutions (banks, insurance agencies, asset managers, and so on) offering products labelled as "ethical" or "socially responsible" to provide further

information on criteria, processes, resources and results to enable investors to evaluate the providers' claims. The second Grenelle law, from 2010, even obliged open-ended investment companies (called sociétés d'investissement à capital variable) and investment management companies in France to act transparently in relation to their investment policy. In July 2010 the French government asked these companies to disclose how they integrate ESG objectives in their investment decisions.

Furthermore, under the law of the modernisation of the French economy of 2008, corporate savings schemes are also geared towards sustainability. The law enables salaried employees to invest a part of their holdings within the corporate savings scheme in the mutual investment fund "Solidarity Enterprise", which was founded within the framework of this law.

With the Dublin Convention on Cluster Munitions⁽³⁰⁾, various EU Member States forbid the financing, use, production and repair of mines and cluster munitions, as in Belgium (2007–09) and the UK (2010). The British government has already stated that it plans to work with the financial sector, NGOs and others on a voluntary code of conduct to prevent further indirect financing of such weapons.

Box 7.1

Example: Belgium's law against financing of weapons

In March 2007 Belgium became the first country to publish a law forbidding the financing of the production, trade and use of anti-personnel mines and cluster munitions, and with it a prohibition of financing any Belgian or foreign company that produces, uses, repairs, offers, sells, distributes, imports, exports or stocks such weapons. It also forbids granting any kind of credit, loan or bank guarantee to such companies. A similar law on depleted uranium weapons was enacted in June 2009. However, the government has not yet issued a decree applying the law to a specific list of prohibited companies. Therefore, it appears that negative screening on weapons is not yet technically a legal requirement. The Belgian government has asked research organisations to complete a minimum norm definition study; the basic proposition would be to take all international conventions signed by the government as a basis for SRI products and to create a blacklist of companies and countries. The study may form the basis of a proposed law.

⁽³⁰⁾ The Convention was adopted in Dublin by 107 states on 30 May 2008 and signed on 3 December of the same year. The Convention became binding international law for the State Parties when it entered into force on 1 August 2010.

Finally, SRI in general is also encouraged through legislation. In August 2009 a French law established that socially and environmentally responsible investment would be encouraged by stimulation mechanisms and informational campaigns.

7.4.2. Financial or economic instruments

In the last few years business models have been developed for the successful inclusion of a hitherto largely neglected population in corporate value chains. Thereby the concept of micro-finance often takes centre stage. In Germany the revision of the Investment Act (latest modification: April 2010) allows the public distribution of micro-finance funds. It can therefore invest in micro-finance institutions that grant micro-loans to micro and small entrepreneurs in developing and emerging countries. Moreover, some micro loan funds have been set up in Finland as well. One of these is the WomenBank administered by Finn Church Aid founded in 2007. The aim of WomenBank is to support women's entrepreneurship in developing countries. In this way, the well-being of the whole society improves sustainably.

The Agence Française de Développement (AFD), the French government agency responsible for development assistance, in 2009 defined a strategy to control environmental and social risks in its portfolio. It also aims to improve the quality of operations financed by the AFD regarding social and environmental aspects. The AFD uses 32 indicators. A unit within AFD was created to implement this policy and provide support to projects and project supervisors. This policy applies to direct project financing and projects conducted with financial intermediaries.

Even in countries in Europe there were and are people who are largely excluded from banking services. The Program of Support for the Development of the Social Economy in Portugal, approved by the Minister's Council in March 2010, promotes micro-credits and measures to stimulate employment and entrepreneurship among populations that have difficulties accessing the labour market.

In November 2009, the Warsaw Stock Exchange⁽³¹⁾ launched Poland's first index of socially responsible companies. The primary aim of the initiative is to raise investors' interest in companies demonstrating exceptional involvement in CSR initiatives. Currently the index is performing in line with expectations, that is, it is more stable and less volatile than other indices, at the same time ensuring a profitable rate of return.

7.4.3. Informational instruments

Educational activities on SRI such as conferences, seminars or training courses primarily address expert audiences, in particular asset and fund managers, scientists and government representatives. These activities focus mainly on the integration of ESG criteria into investment decisions, possibilities for engagement on ESG disclosure and corporate governance (see also Chapter 4.4.3). The free online training course on "Green and Ethical Investment" of UK Sustainable Investment and Finance, for instance, which is supported by the British Department of Environment, Food and Rural Affairs, addresses financial advisers and includes a test upon completion of which advisers receive a certificate and access to further information services about green and ethical investment. In 2009 a seminar organised by the Polish Ministry of Economy aimed to take advantage of experience of the development of the SRI concept worldwide. The participants used such lessons to set priorities for the working group for responsible investments within the framework of the Group for Corporate Social Responsibility Issues in Poland. Financial education also empowers consumers, allowing them to make responsible decisions concerning the financial products they purchase. In July 2010 the Spanish Savings Bank Confederation gave its support to the Spanish National Plan on Financial Education. Financial education facilitates access to financial services and to the adequate and responsible use of financial products, improving the relationship and confidence between financial institutions and their customers and society in general. To raise awareness of effective engagement between investors and companies on CSR and ESG, disclosure was the subject of a conference in 2010 organised by the Ministry of Economic Affairs of the Netherlands and the Norwegian Embassy. Educational activities can thus pursue different objectives such as the qualification of financial experts, exchanging experience and fostering engagement.

Informational resources may take the form of specialised studies, reports, IT-based tools or websites addressed to a wide target group extending from the general public to financial service providers. Such informational websites aim to facilitate communication on SRI, build knowledge and awareness, give special product information and promote best practices on SRI, such as the portal www.odpowiedzialne-inwestowanie.pl in Poland. Based on existing initiatives, studies and reports on behalf of governments aim to generate knowledge enabling companies and investors to consider ESG factors in their business and investment practices.

⁽³¹⁾ The Warsaw Stock Exchange was founded by the State Treasury, which also holds the largest stake (almost 35 per cent).

For example, a German study on behalf of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety examined how the greenhouse gas intensity of various financial investment products in the German market could be compared. Research also actively promotes shareholder engagement. In the Netherlands researchers analysed the relationship between CSR and corporate governance; one of their key recommendations focused on changes in the corporate governance code to empower shareholders in their dialogue with companies.

In the context of the EU-funded programme PROGRESS, the Government of Cyprus in cooperation with the Cyprus Chamber of Commerce and Industry, Accountability UK and the Institute of Social Innovation in Greece has undertaken a project named “Strategies and Tools to Promote Responsible Investment”. Within the framework of this project, the computer-based PROGRESS ESG Risks Assessment tool was produced. The tool enables asset owners or investment managers to undertake a basic assessment of companies’ ESG practices and to take these extra-financial factors into account in their investment decisions.

Governments also use guidelines and standards to enable companies and investors to consider ESG issues in their investment decisions. Two initiatives in Austria and Poland include a focus on environmental issues as well as on SRI principles. In January 2008 the Austrian Ministry of Agriculture, Forestry, Environment and Water Management published the guidelines of the Austrian Environmental Label for green funds. This label guarantees the ethical, social and environmental credentials of mutual funds’ investment policies. The Austrian Consumer Information Association and various experts developed these guidelines on behalf of the Ministry, and included specific and transparent criteria. The Polish Financial Supervisory Authority in cooperation with different financial institutions and scientific experts also prepared 16 universal principles, the so-called Canon of Good Practices of the Financial Market.

Box 7.2

Example: Germany’s campaign on “Climate and Finance”

The project aimed to raise awareness among consumers as well as financial service providers of climate-friendly financial services and to strengthen their comprehension of relevant interrelationships. In addition, the campaign served as a platform for its partners to present their climate-friendly products and dedication to climate protection to their customers.

Despite the financial crisis of 2008–09, the national campaign on “Climate and Finance” aroused great interest among German financial service providers. The kick-off event of the campaign was a conference with high-ranking participants including the Federal Minister for the Environment. The partners of the campaign reached consumers through extensive information materials and various public relations and other activities and events, and informed them about climate-friendly financial investments, credits, and provisions. Beyond that, a website, an interactive short film, a trailer (shown in 850 postal offices) and a travelling exhibition served as further ways to communicate the campaign’s aims.

To raise awareness on SRI among different stakeholder groups, campaigns offer various possibilities in terms of the focus issues or target groups. In May 2008 the first informational campaign of the Warsaw Stock Exchange aimed to inform private investors about the nature of stock exchanges and mechanisms for investing in the capital market. In contrast, a German campaign concentrated specifically on environmental aspects. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety organised the national campaign in January 2010 on “Climate and Finance” in cooperation with a large number of German financial service providers. The French Sustainable Investment Forum also decided to launch a French National SRI week in October 2010 with the support of the French Ministry for Sustainable Development.

As mentioned in the introduction of this chapter, institutional investors are among the major drivers in the financial market. In this context guidelines and standards also target institutional investors. One of the most important international initiatives in this area is the promotion of the United Nations Principles of Responsible Investments (UNPRI). For example, Denmark’s Action Plan for Corporate Social Responsibility propagates the UNPRI along with other international principles. In September 2010 the Danish Government prepared a guide to responsible investment (based on the UNPRI) targeted at Danish institutional investors. The guide also includes accessory advice for institutional investors on how to inform clients about their policies for responsible investment in line with the Danish reporting requirements. In Finland the Ministry of Employment and Economy also published guidelines that include the UNPRI. The Finnish guidelines included information about ISO 26000 and the Global Reporting Initiative G3 Guidelines. Another example of statutory provisions is the “action doctrine” adopted by the French Deposit and Consignment Office (CDC) in December 2008. The CDC was one of the first financial institutions to sign the UNPRI. According to the “action doctrine”, the

CDC should fully implement the UNPRI in its investment policy. This also means that CDC invests only in companies that publish appropriate information on environmental, social and corporate governance matters.

In the UK the so-called Stewardship Code was published in July 2010. It aims to enhance the quality of engagement between institutional investors and companies to improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Financial Reporting Council seeks to achieve this by setting good practice on engagement with investee companies to which institutional investors should aspire.

Since 2007 in the Netherlands, the Financial Supervision Act has obliged Dutch institutional investors to include a statement about their compliance with best practices applicable to them in their annual reports or on their websites.

7.4.4. Partnering instruments

Networks and partnerships appear to be implemented less frequently than other SRI policies; only two partnering initiatives were identifiable on the national level. One partnering initiative in Germany focuses on environmental aspects. In December 2009 the Federal Environment Minister announced a “dialogue on climate change in economics and politics”, which will be implemented to discuss technological possibilities for reducing greenhouse gas emissions and the conditions necessary for that purpose. Until the end of 2010 the Federal Environment Ministry and German businesses will discuss four main topics, including climate protection through sustainable investments. A working group of 20–25 experts will deal with climate protection barriers of the current regulatory framework, reflect on incentives for broader markets and consider the establishment of benchmarks for Carbon Accounting for Investments.

In the Netherlands, the Cabinet Vision on CSR for 2008–11 pays particular attention to market parties taking an interest in socially responsible investment by enhancing corporate governance and driving the adoption of CSR by companies. It also targets other stakeholders playing a key role in stimulating effective dialogue with companies on CSR.

7.4.5. Hybrid instruments

To foster SRI, governments also combined different instruments – in particular, partnering instruments with financial or informational instruments. Two initiatives in Germany and UK interlinking financial and partnering instruments aim to encourage the reduction of CO₂

emissions and to promote low-carbon energy production. The German global fund on climate protection founded in June 2010 helps small and medium-sized enterprises and private households in developing and emerging countries to invest in energy efficiency and renewable energy. In total the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety as well as the KfW Development Bank allocate more than US\$100 million for the purchases of the fund. In addition, the government expects an increase to over US\$500 million until 2015 with the involvement of the private sector. The creation of a Green Investment Bank in the UK – one main element of the new Energy Bill introduced in 2010 – also aims to support investments in low-carbon projects to transform the economy. It will control £2 billion of equity, half of which will come from asset sales with the rest matched by private investment. Thus the initiatives in both Germany and the UK focus on financial remedies to environmental issues.

Three national CSR institutions in Spain and Poland, as well as a roundtable in Denmark, could also be classified as hybrid instruments. In these cases the governments combine partnering instruments with informational instruments. As part of the partnership they support individual initiatives: for instance, definition of SRI, analysis and best-practice cases (national and international), awareness-raising campaigns, studies on profitability and SRI, and the development of skills for reporting and promoting SRI.

In Spain, the Working Group on Socially Responsible Investment of the State Council on Corporate Social Responsibility deals with a variety of subjects related to SRI, such as research on the profitability of SRI, international experience, experience with private and public investment products and services, capacity building and encouraging reporting and aspects of SRI related to financial education. A document presenting conclusions and recommendations is expected to be approved by the Plenary Session of the State Council on Corporate Social Responsibility and become available in the last quarter of 2010.

In Poland a working group for responsible investment also exists, operating within the framework of the Group for Corporate Social Responsibility Issues. It holds discussions on investment projects management, taking into account ESG factors. The working group consists of two sub-teams dealing with responsible investments from the perspective of portfolio and infrastructural investments.

In 2008, in collaboration with Princeton University, the Danish Commerce and Companies Agency (DCCA) held a roundtable conference titled “The Promise of Socially

Responsible Investing". Leading academics and economists, investors and CEOs from around the world were brought together with the aim of establishing an agenda for research in responsible investment. The conclusions of the roundtable were presented at a conference reporting on the subject. Following the Princeton roundtable, the DCCA initiated a partnership with the UNPRI to promote a research agenda on the integration of responsible investment into mainstream investment strategies (via the UNPRI Academic Network).

7.5. Conclusions and upcoming initiatives

7.5.1. General conclusions

Achieving sustainable development is not just a matter of good will and commitment; it is also a question of financial resources. SRI is an important lever to promote sustainable development by providing the necessary capital for innovation.

SRI is based on a growing awareness among investors, companies and governments about the impact that ESG risks may have on long-term issues such as sustainable development or corporate performance. Although awareness of SRI has continued to increase in the European Union over the last years, the number of recent initiatives remains limited. Nevertheless, certain trends on SRI can be identified.

Recently adopted public policies of the European Commission promote SRI mainly in the fields of European development policies, regulation of pension funds and the consideration of ESG issues in investment policies, as well as corporate governance in financial institutions. These issues are also among the public initiatives in the EU Member States.

In relation to development policies micro-finance has gained increasing significance. The growing number of micro-funds alone indicates this development. In recent years business models have been developed for the successful inclusion of hitherto largely neglected populations. Micro-funds invest in micro-finance institutions that grant micro-credit to micro and small entrepreneurs in developing and emerging countries.

Although pension funds control vast assets, so far only UK, France, Germany, Sweden, Belgium, Austria and Italy have specific national SRI regulations in place that cover their pension systems. The role of such regulations in promoting SRI cannot be overestimated; they should set the tone for all other pension funds to act accordingly.

The corporate governance of financial institutions has gained increasing importance through the "wake-up call" of the financial crisis of 2008–09 and its consequences. The Member State and European initiatives range from code of conducts, like the Stewardship Code in the UK, to regulation by law, such as the disclosure regulation on ESG issues in France.

In general, various initiatives have promoted the transparency of SRI in recent years. Mainly informational instruments – studies, guidelines as well as websites and conferences – focus on this issue.

7.5.2. Upcoming initiatives

According to experts, the major challenges for SRI in the future include the mainstreaming of SRI, overcoming scepticism about the importance of SRI, the adoption of tax incentives, the training of financial advisers and providing guidance on best practice to institutional investors in the EU, as well as the expansion of roundtables and partnerships.

Within the framework of Lithuanian GATES (social and environmental business innovations), businesses are to be more involved in discussions on responsible investment. Therefore, a one-day training course will be conducted.

In Belgium, the Federal Public Planning Service for Social Integration has commissioned a study of the possible legal formulation of an SRI minimum standard. In the action plan the so-called CSR/SRI work group will make its own contribution to this initiative. The SRI minimum standard can then be used as the basis for the further implementation of sustainable pension saving or other initiatives (e.g. fiscal stimuli for SRI products).

8. CSR and Education

8.1. Definition

CSR in education means systematically integrating Corporate Social Responsibility (CSR) issues into curricula and teaching and learning processes.⁽³²⁾ However, this may be a difficult task since CSR is an abstract and interdisciplinary concept that can convey a wide variety of meanings.

Generally, CSR can be understood as a business practice that promotes sustainable development. It revolves around contribution of business to environmental, social and financial sustainability and is part of a broader governance approach that shapes markets and rules for businesses to pursue value creation for society and investors alike. Against this background, educational initiatives that do not directly focus on CSR topics such as Climate Change Education and Education for Sustainable development can also make a valuable contribution to carrying forward CSR in education by promoting businesses' understanding of their responsibility towards sustainable development, thus strengthening the capacity of business to manage sustainable development as well as the capacity of expert stakeholders in the field of CSR.

Educational initiatives can be addressed at different levels of education:

- *primary education* understood as the first five to seven years of formal, structured education;
- *secondary education* understood as middle schools, gymnasiums, lyceums or high schools;
- *higher education* understood as undergraduate and postgraduate education in colleges and universities;
- *vocational education* understood as technical education which prepares people for careers that are based in manual or practical activities; and
- other education that focuses on lifelong learning and may include executive or management education in universities and professional adult education and training aimed at employees.

For CSR to become a mainstream business practice, educational initiatives may target different audiences. For example, initiatives may be directed at pupils, students, entrepreneurs, company managers, employees or civil servants. Likewise, public policy initiatives

may address intermediaries such as teachers or trainers in order to ensure that CSR issues are continuously and actively integrated into teaching and training activities. The aim of education initiatives on CSR is to promote understanding of the critical pressures on our wider ecology and society based on current ways of living (e.g. unsustainable production and consumption systems, demographics, social injustice, or poverty) and to help individuals (such as pupils, students or executives) to make informed choices about the contribution of business to sustainable development. Individuals may play roles as consumers who indirectly affect the ways that business produces on the basis of their informed choices. Additionally, individuals may play roles as (future) entrepreneurs or company managers who are responsible for sustainable business practice or as civil servants responsible for developing and implementing public CSR policies in government agencies. Ideally, CSR should thus not be understood as an isolated practice or teaching subject but as a cross-cutting approach embedded in the wider concept of sustainable development.

8.2. Development of the integration of CSR in education

The financial crisis of 2008–09 and earlier corporate scandals in Europe and North America (Shell, Enron, WorldCom and others) have raised serious concerns about the way that business, politics and economics are taught in higher education. Not surprisingly, universities and business schools in particular are being urged to rethink their approach towards management education as a result. Furthermore, with mounting scientific evidence of climate change and its likely adverse impacts on humans and ecosystems, the issue of whether more investment is necessary to bring sustainability issues into primary- and secondary-level curricula is currently being discussed. In this way, future generations could be already sensitised to the global challenges that they will face in their professional lives before they receive professional and vocational training.

A 2008 global survey conducted by The Academy of Business in Society (EABIS), the European Foundation for Management Development and Nottingham University Business School identified both positive and negative trends in CSR in higher education. Overall there was evidence that CSR was gaining traction as a legitimate subject in management studies. Undergraduate programmes tended to include a foundation course on the role of business in society, while there was a clear rise in the number of specialised Master's programmes and support for Ph.D. students in this field.

⁽³²⁾ The Compendium does not include public policy initiatives focusing on academic activities outside the curriculum, such as research, knowledge exchange and extra-curricular sustainability-focused activities. Additionally, the Compendium does not include information on specific CSR-relevant courses or programmes developed at European universities since 2007.

However, at business schools and universities there was little evidence of mainstream progress in MBA and general Master's programmes or in executive education offerings. Most increases in teaching activity were seen in elective modules on CSR and/or business ethics, but not in the core curriculum or in the form of dedicated degree courses. This may be because many higher education institutes see CSR and sustainability as a stand-alone part of the business and economics curriculum, and not a critical "game-changing" factor in the global and European economies.

The policy of integrating CSR as an essential element in education has matured not only in higher education but also at other levels of education, both internationally and in the European Union (EU). However, CSR has yet to become a mainstream subject in education.

Internationally, several initiatives have been launched that envisage a role in education for sustainability and responsible business practice. In 2002 the United Nations (UN) Decade of Education for Sustainable Development (2005–2014) was adopted. Its objective is to integrate the principles, values and practices of sustainable development into all aspects of education and learning. The United Nations Principles for Responsible Management Education (UNPRME), a UN-backed global initiative developed to promote CSR and sustainability in business education, were adopted in 2007. They seek to achieve continuous improvement among institutions of management education in developing a new generation of business leaders who bring CSR and sustainability into common business practice. Currently, more than 320 organisations, among them many European business schools, have signed the initiative. In 2009 a group of students at Harvard University Business School drafted a statement of principles titled "The MBA Oath: Setting a Higher Standard for Business Leaders". The oath, which received considerable attention internationally, is a voluntary pledge on the part of current and graduating Masters in business administration (MBAs) to "create value responsibly and ethically". Twenty per cent of the graduating class of 2009 at Harvard Business School signed the oath.⁽³³⁾ Focusing on higher education, the United Nations Development Programme, with financial support from the European Social Fund, is also promoting CSR in education in the EU. It has launched a project in Lithuania, aimed at creating access to education about CSR in order to improve the understanding of the concept of CSR and its key elements particularly among (future) business leaders. As part of this project, CSR modules for higher education are to be developed.

⁽³³⁾ The usefulness of the oath is critically discussed in both academia and the business world.

8.3. Public policies of the European Commission

Tackling climate change is one of the EU's key challenges. In 2006 the European Commission launched the "You control climate change" campaign that aims to raise awareness about climate change and what individuals, mainly in their role as consumers, can do to help reduce greenhouse gas (GHG) emissions. The campaign website is constantly being updated and includes a section dedicated to pupils and teachers. For example, presentations and brochures for both pupils and teachers are available that explain how consumption and production patterns can cause climate change and set out the measures individuals can adopt to help protect the climate.

Additionally, in 2009 the European Commission published the teacher's guide titled "Your World, Your Business" to give teachers ideas about how they could introduce to their students the concept of an entrepreneur who takes social and environmental concerns into consideration. The guide and accompanying videos were prepared by the European Commission in cooperation with the not-for-profit association Junior Achievement–Young Enterprise. It is available in 24 different languages and is being distributed to thousands of schools across Europe. The targeted audience is pupils aged 16–19 and their teachers.

In 2009 the Council adopted the "Strategic framework for European cooperation in education and training", which emphasises the key role of education in achieving a prosperous, fair and environmentally sustainable future for Europe. High-quality pre-primary, primary, secondary and higher education and training are important elements of the strategic framework. Additionally, the framework highlights the importance of lifelong learning, since people's skills must be constantly renewed to enable them to meet new challenges.

8.4. Public policies in the EU Member States

8.4.1. Legal instruments

Legal initiatives may be valuable instruments for integrating principles related to CSR and sustainable development into education systems.

In France, education for sustainable development is used to encourage citizens to adopt more sustainable lifestyles. The first Grenelle law, from 2009, which establishes the general public policy for sustainable development, states that education in sustainable development is to be carried out by all disciplines and is to be incorporated into the daily operation of the educational institutions.

In the Polish education system, spreading knowledge about the principles of sustainable development was included in the Education System Act as well as in a regulation on core curricula. For example, a regulation enacted by the Polish Ministry of Education in 2008 on the core curriculum for pre-school education and on general education in particular types of schools contains numerous provisions referring to sustainable development and sustainable production and consumption.

Spain has enacted a motion on education that specifically addresses the concept of CSR (see Box 8.1)

Box 8.1

Example: Spain's motion on CSR education

In Spain, the motion passed by the Congress of Deputies on CSR (Point 9) states: "Promote cultural, educational and training expansion of CSR, and introduce sustainable development and CSR as content at the different levels of education." The motion particularly addresses the inclusion of CSR in secondary and higher education institutions (e.g. business schools), as well as in professional training.

In Finland, sustainability issues, particularly environmental questions, are included in school curricula, such as the national core curricula for vocational studies (2008–10). The National Board of Education coordinates these curricula. The goals of education for sustainable development in Finnish national core curricula are, among other things, to increase understanding of the connection between human well-being, the economy and protection of the environment, and to establish vocational education that provides the prerequisites for the more sustainable development of industry branches.

8.4.2. Economic and financial instruments

Instead of raising awareness of CSR issues directly through informational initiatives or enacting provisions to promote the integration of CSR in educational activities, public policy may also focus on providing financial support to educational institutions.

A regional office in Tuscany, Italy, financially supports 21 Tuscan schools from almost all provinces that will develop territorial projects in the field of CSR and build partnerships with local stakeholders. Each project received a maximum of €10,000. The projects will be carried out between September 2010 and May 2011, and are focused on CSR issues such as: environment, fair trade, and health. The projects' municipalities play a fundamental role in

involving civil society in the implementation of the education projects.

Box 8.2

Example: Germany's National Climate Initiative

Under the banner of the "National Climate Initiative", launched in 2008 by the German Ministry for the Environment with the goal of lowering CO₂ levels, several educational campaigns have been funded to support the inclusion of CSR issues in school curricula. Activities include provision of teaching aids and materials, teacher training and the implementation of model projects. For example, its Action on Climate! programme finances, climate action days in 1,000 schools.

8.4.3. Informational instruments

Educational institutions such as primary and secondary schools and universities hold great potential for raising awareness of the importance of promoting CSR and sustainability issues such as climate protection. Informational initiatives can take the form of educational material such as textbooks, workshops or websites.

The German Ministry for the Environment launched the internet platform "klimawink" in 2008 as the first social bookmark community in the area of environmental education to support change processes in the education sector and to improve awareness of climate issues. Teachers have developed the initiative by providing information about educational opportunities with regard to climate protection.

The German Federal Ministry of Food, Agriculture and Consumer, in cooperation with the Youth and Education Foundation (Stiftung Jugend und Bildung), has held a workshop on how to integrate CSR into school curricula. Fifteen teachers from Baden-Wuerttemberg, Bavaria, Berlin, Hesse and North Rhine Westphalia participated in the workshop, which took place in March 2010 on the didacta⁽³⁴⁾ fair in Cologne. The results of the workshops will be an integral part of an upcoming education package for schools. Also presented at the didacta fair was education material on the topic of renewable resources aimed at primary and secondary education. Developed by the Federal Ministry of Food, Agriculture and Consumer protection in partnership with the Agency for Renewable Resources, this material discusses the role of renewable resources for climate protection and

⁽³⁴⁾ 'didacta' is the largest trade fair for teachers from all education sectors within Europe.

sustainable development; it is applicable across disciplines and can be used in subjects such as chemistry, biology, business and politics.

Between 2007 and 2010, officials of the Finnish Ministry of Employment and Economy (MEE) visited universities and other educational institutions to give lectures about CSR in order to raise awareness of this topic. Additionally, they guided some postgraduate students writing dissertations or undertaking studies on CSR.

Achieving sustainable production and consumption patterns, through fostering resource-efficient and eco-friendly production processes and products and raising consumer awareness, is one of the core key objectives of the EU.⁽³⁵⁾ In order to raise consumer awareness of these matters, the Ministry of the Environment of the Czech Republic launched the educational programme “(Don’t) Buy It” to explain to primary and secondary schoolchildren the issue of sustainable production and consumption. The aim of the programme is to help pupils and students understand the information they find on the packaging of various products. By using practical examples and informational material, the activities in the programme focus in particular on sustainable consumption, on household shopping and use of products, on means of exploiting natural resources and on the life cycle of products. A downloadable educational kit aims to explain the issues of sustainable production and consumption to schoolchildren in an enjoyable format.

In October 2009 the Polish Ministry of the Environment hosted an international conference dedicated to education for sustainable development. The participants discussed how sustainable production and consumption issues could be integrated into education.

In addition to environmental issues, Member States’ policy initiatives include social issues such as health and safety, labour rights and financial sustainability, or cover all aspects of CSR. In the Netherlands, in view of the growing number of children and teenagers getting into debt during the financial crisis of 2008–09, because of a lack of awareness and knowledge of how to balance income with foreseeable expenditures, a group of companies in the financial sector cooperated with the Ministry of Social Affairs, tax authorities and the Institute for Budget Planning to design a website and related school materials with clear information, specially targeted to this group of young people.

The Italian Centre for Social Responsibility (I-CSR), which is active in training initiatives on CSR, has developed and carried out the “CSR in schools” project over recent

years. Implemented in cooperation with the Veneto Centre for Productivity, the G. Rumor Foundation and the Chamber of Commerce of Vicenza, the project focuses on providing pupils from secondary schools in the Province of Vicenza with basic knowledge on CSR elements and instruments. The ongoing project “CSR in schools”, which reached its fifth year of implementation in 2010, also involves local small and medium-sized enterprises (SMEs), thereby providing pupils with information on SMEs’ CSR policies on the basis of practical case studies.

Instead of focusing on pupils or students, recent Member States’ initiatives focus on the development of teachers and trainers who act as crucial intermediaries. The Fabbrica Ethica Project in Italy provides an example of such initiatives (see Box 8.3).

Box 8.3

Example: Italy’s Fabbrica Ethica Project

The regional government of Tuscany in Italy has launched an educational initiative in secondary schools and universities in recognition of the fact that pupils and students are future consumers, employees and entrepreneurs.

From 2005 to 2010 several activities were carried out focusing particularly on the training and development of teachers. The activities were part of the Fabbrica Ethica Project, whose aim is to steer regional economic development towards social and environmental sustainability. Teachers were invited to attend seminars, workshops and conventions in order to discuss how CSR topics could be integrated into curricula.

Additionally, in 2010 all Tuscan secondary schools were invited to host classroom meetings where teachers and pupils, with the support of external experts and SME representatives, spoke about a broad set of CSR issues such as occupational health and safety, labour rights, human rights, CSR management system standards, sustainability reporting and consumer concerns. Carried out with the collaboration of a non-profit association, which moderated the meetings, almost 1,300 students and 35 teachers were actively involved in these meetings in 64 schools. Many of the 35 teachers had participated in training sessions of the Fabbrica Ethica Project since 2005, demonstrating their interest in including CSR issues in their everyday teaching activities.

⁽³⁵⁾ More information on activities of the EU Commission is available in the “Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan”.

In order to promote CSR in adult education, the Italian National Institute for Occupational Safety and Prevention (Istituto Superiore per la Prevenzione e la Sicurezza del Lavoro) carried out a research project to provide trainers and experts responsible for the health and safety education of employees with necessary CSR training. The research was finalised in 2007.

8.4.4. Partnering instruments

Global CSR challenges such as climate change or human rights call for coordinated and broad educational interventions in order to generate a common understanding of key challenges and potential solutions. Partnership approaches may be based upon different actor constellations. For example, they can be based upon cooperation between Member States and international organisations or upon cooperation between Member States' schools and companies.

A partnership approach to promote CSR in education was also initiated in France. The programme "Telecom passport Circle" may serve as an example of the implementation of CSR within the framework of school-company cooperation. The partnership initiative was renewed in 2009 by telecommunications companies (Alcatel-Lucent France, Devoteam, Ericsson France, France Telecom ITS (Orange), Gemalto, Nokia Siemens Networks France, SFR), the national Confederation of Mutual Credit, SMI Etap/F1, and several public authorities such as the Ministry of Higher Education and Research. It rests upon three objectives. One of them is linked to CSR education as it aims to encourage equal opportunities and social progress in companies and administrations by strengthening access to relevant company representatives. In order to achieve the objectives, companies proposed to continuously support young people on the basis of individual or collective tutorials or on the basis of complementary help for students during critical stages of their education. As of autumn 2009, 46 colleges, 24 schools of engineers, 16 management schools, and more than 500 tutor schools had participated in the programme.

The UN Global Compact may serve as an example of a culturally shared understanding of CSR. As part of the implementation of the UN Global Compact and with the involvement of the Italian National Committee on Microfinance, the Italian Ministry of Foreign Affairs is encouraging the Italian Network of Universities to increase the number of Master's degrees on microfinance as a tool of socially responsible action by future finance intermediaries. A similar approach applies to education in business schools, which can play a vital role in developing future company managers who act responsibly and ethically. The Italian Ministry of

Foreign Affairs, in partnership with the Italian Global Compact Network, is encouraging the adoption of teaching methods and content focused on the most relevant CSR multilateral instruments by the Italian network of business schools.

8.4.5. Hybrid instruments

Integrating CSR into education is particularly effective when a large set of intermediaries such as teachers are addressed through one campaign. I-CSR in cooperation with national and international partners⁽³⁶⁾ developed the 18-month (November 2008–April 2010) CREaTION Project. The project was co-financed by the European Commission. The objective of the project was to promote and integrate CSR and sustainability themes into secondary school curricula through the development of a training model and the training of teachers to educate pupils on CSR topics. The training model included interactive audio-visual tools and games and case studies of CSR champions presented during lessons. The project involved 34 schools, 55 teachers and more than 1,000 students in Italy, the United Kingdom and Romania (13 schools and more than 400 students in Italy) and dealt with core subjects such as organisations and business behaviour, health and safety at work, equal opportunity and diversity, responsible consumption, energy savings, environmental protection and community involvement. Following the success of the Project, I-CSR is planning to promote the adoption of the training model in order to achieve a more complete coverage at national level and to integrate CSR and sustainable development into general school curricula. Generally, I-CSR is active in training initiatives involving SMEs, public authorities, chambers of commerce and schools in order to provide trainers and teachers as well as workers and students with basic knowledge about CSR culture, practices and instruments.

Developing and launching CSR modules for higher education can be a valuable tool to disseminate information on how to embed CSR in business practice as these teaching models are designed for future business leaders.⁽³⁷⁾ For example, Bulgaria (see Box 8.4) and Germany highlight the importance of integrating CSR in education in their CSR action plans.

⁽³⁶⁾ National partners: Province of Milan and Clerici Foundation; international partners: UK Business in the Community, CSDR Democratic Trade Union Confederation of Romania and the Association of Journalism and Mass Communication Studies of Bucharest University.

⁽³⁷⁾ A subsequent step could be to bring CSR modules into standardised accreditation.

Box 8.4

Example: Bulgaria's core objective regarding CSR education

Bulgaria's Action Plan on CSR from 2009 introduces several tasks to be achieved for the implementation of the national CSR strategy, also launched in 2009. One core objective of the plan is to establish and strengthen the capacity of expert stakeholders in the field of CSR. To achieve this objective, it is proposed to develop and implement educational programmes on CSR such as the integration of knowledge and skills in business ethics in various subjects in secondary education, and the development of training modules on CSR for civil servants.

Germany's CSR action plan, launched in 2010, emphasises that value-oriented education, which includes questions of ethics and ecology as well as awareness of sustainability issues, is a prerequisite for comprehensive sentencing and competence in the global economy. It is thus argued in the strategy document that only when the principles of sustainability and CSR are embedded in every level of education (from primary and secondary education to vocational and higher education and lifelong learning) and taught to (future) employees, (future) consumers and (future) business leaders, will sustainability and CSR issues have an impact on business-related decisions (e.g. purchasing).

8.5. Conclusions and upcoming initiatives

8.5.1. General conclusions

The key purposes of the promotion of CSR in education are developing knowledge and upgrading the qualifications of students, teachers, academic staff, trainers and employees, as well as raising awareness of the scale and nature of the present and future social, environmental and governance challenges that business and society face.

Although the EU and Member States have launched various policy initiatives to integrate CSR into education in accordance with the purposes listed above, in the EU, at both EU and Member State levels, the public policy approach is still rather fragmented. Policy initiatives are largely private-led; alliances of companies, business schools and other institutions, accreditation bodies (for business schools), faculty and university-level forces, as well as student associations are the main drivers of the introduction, development and implementation of CSR education.

Member States' policy initiatives considered in this Compendium mostly take the form of informational approaches that seek to raise awareness of the importance of promoting CSR and sustainability issues in education. In addition, some Member States have taken further steps by integrating CSR or sustainable development into their legal frameworks of education in order to establish them as core subjects to be taught in different levels of education.

Environmental as well as ethical and social issues are almost equally integrated into education initiatives. Various campaigns at both EU and Member State levels address the issue of climate change by recognising that educational institutions can play an important role in raising awareness of this pressing sustainability issue. Initiatives with regard to climate change mainly focus on primary and secondary education. Against the background of the financial crisis of 2008–09, several initiatives focus on business ethics, particularly in business schools. Many public policy initiatives focus on CSR and education at the individual level and the required skills and capabilities of managers to contribute to responsible business. Initiatives address pupils and students as well as teachers and trainers. The focus on teachers is particularly relevant with regard to complex topics such as climate change. Teachers are interpreters of a subject and can familiarise pupils in primary and secondary schools with the issue of climate change and help them gain a sound understanding of the underlying scientific concepts, potential impacts on humans, ecological systems and economies, as well as how to protect the climate.

A final conclusion that can be drawn is that the vast majority of initiatives are initiated by individual Member States. Broad educational interventions that rest upon the cooperation of several Member States were identified in only two cases.

8.5.2. Upcoming initiatives

CSR in education is quite a new concept. Not surprisingly, however, several initiatives are currently planned or ongoing. In August 2010 the Danish Council on Corporate Social Responsibility discussed recommendations on further embedding CSR in the broader educational system in Denmark. The Council, appointed by former Minister of Economic and Business Affairs Lene Espersen, consists of 17 members representing Danish interest groups and trade organisations. Its purpose is to support and contribute to Danish companies' work on CSR.

In Spain, the State Council on Corporate Social Responsibility has set up a Working Group on Education and CSR. The State Council was created in 2008 to

strengthen and promote CSR policies. It is the framework of reference on this issue in Spain. The group has prepared a working document dealing with subjects related to the incorporation of CSR into the educational system, the dissemination of training and information on CSR, CSR in universities and business schools and curricular innovation and research. The document is expected to be approved by the Plenary Session of the State Council on Corporate Social Responsibility and available in the last quarter of 2010.

As part of its CSR action plan, Germany will launch a large number of initiatives aimed at promoting CSR in education. For example, the Federal Government aims to further strengthen networks between schools and business such as the existing SCHULEWIRTSCHAFT network run from the Federal Ministry of Economics and Technology and the Netzwerk SchuleWirtschaft Ostdeutschland project of the Federal Ministry of the Interior. The Federal Government plans to improve CSR-related education for specialist teachers and aims

to develop practical teaching material for vocational education. In order to achieve this, seminars on social and environmental sustainability will be organised (e.g. seminars on CSR education at didacta fair). As for academic research, the federal government plans to promote international research networks that focus on the management of socio-economic aspects in business. It is planned to transform these networks into interdisciplinary competence centres. In addition, German universities are to be encouraged to endorse UNPRME via incentives. For this purpose, the government will examine whether CSR topics can be linked to funding schemes or whether university award schemes could be launched.

The UK Government recently approved a study to be conducted by Nottingham University Business School and other university research centres to map how and where CSR and sustainability are currently being taught in secondary and higher education.

9. Green, Social and Sustainable Public Procurement

9.1. Definition

Most of this Compendium describes public initiatives by means of which governments generate an environment that is conducive to Corporate Social Responsibility (CSR). However, there are two fields where government assumes a more active role, namely, investing and consuming. Government as investor is described in Chapter 7. The present chapter focuses on green, social and sustainable public procurement, in which governments reward responsible companies by taking into account environmental and social aspects of the products and services they offer.

Public procurement worth €2 trillion annually amounts to some 17 per cent of the EU's gross domestic product, according to estimates made by the European Commission. Public procurement therefore has considerable potential to support CSR among European businesses. There are three conceptions of public procurement that go beyond purely economic considerations. The broadest conception is sustainable public procurement (SPP), under which public authorities seek to achieve an appropriate balance between the three pillars of sustainable development – economic, social and environmental – when procuring goods, services or works. Green public procurement (GPP) is the process in which public authorities take environmental concerns into account in tendering for goods, works and services. Finally, socially responsible public procurement (SRPP) refers to procurement operations that take into consideration the promotion of employment opportunities, decent work conditions, social inclusion and social economy, small and medium-sized enterprises (SMEs), accessibility and design for all, fair and ethical trade issues, and wider voluntary adherence to CSR, while respecting the principles of the European Union's (EU) treaty and of the EU public procurement directives.

While SPP can be seen as the overarching concept, embracing both social and environmental considerations, GPP is the most commonly used concept. However, SPP is used only for Member States that explicitly employ the term, for instance in their action plans (see Chapter 9.3.5). Initiatives in support of green or socially responsible public procurement are referred to as GPP or SRPP, respectively. Apart from these three types, there is also public procurement

promoting innovation or energy efficiency, which is not necessarily part of GPP, SRPP and SPP as defined in this Compendium. Initiatives that aim at supporting environment-friendly or social innovations are given due recognition in this chapter.

9.2. Public policies of the European Commission

For many years now the European Commission has been a driving force of GPP and, to a lesser extent, SRPP in Europe. In its 2003 Communication on "Integrated Product Policy: Building on Environmental Life-Cycle Thinking" it stressed the importance of GPP and called on Member States to introduce National Action Plans (NAPs) on GPP. A year later the Council and the European Parliament adopted two directives aimed at clarifying, simplifying and modernising existing European legislation on public procurement. Directive 2004/18/EC and Directive 2004/17/EC provided Member States with the legal basis for including environmental and social considerations in the contract-award process. Thus, the two directives facilitate GPP and to some extent SRPP⁽³⁸⁾, but do not mandate it. Before the directives were adopted, the Commission issued an Interpretative Communication in 2001 to clarify options for considering environmental criteria. Although superseded, the Communication still offers guidance on some aspects of GPP.

Since implementing this hallmark regulation the European Commission has been promoting the voluntary uptake of GPP policies among EU Member States. Most of these initiatives are informational in nature, which means that they include guidelines, toolkits, awareness campaigns, communications, studies and evaluations.

In July 2008 the Commission published "Public procurement for a better environment" [COM (2008) 400]. This communication set a target whereby 50 per cent of all public tendering procedures should comply with common core GPP criteria by 2010. Ten priority product and service groups for GPP were identified based on a number of factors including the scope for environmental improvement, levels of public expenditure and potential impacts on the supply side (see Table 9.1).

⁽³⁸⁾ Within certain limits, public procurement can be used to counter racism and institutional discrimination as well as to promote equal opportunities for minorities, men and women and disabled persons.

Table 9.1: Priority product and service groups for GPP

<i>First set of criteria</i>	<i>Second set of criteria</i>
Construction Food and catering services Transport Electricity Office IT equipment Textiles Paper Furniture Cleaning products and services Gardening products and services	Windows Thermal insulation Hard floor-covering Wall panels Combined heat and power (CHP) Road construction and traffic signs Street lighting and traffic lights Mobile phones

Following the communication, the Directorate-General (DG) for the Environment published the first set of common GPP criteria in December 2008. It was part of the “GPP toolkit”, which consists of strategic, legal and operational modules. The toolkit is a collection of reference documents, fact sheets, products sheets and background reports for contracting authorities. Ten criteria cover 10 product groups. For each product group there are two types of criteria. The core criteria, which address the key environmental impacts, are suitable for use by any contracting authority across the Member States. The comprehensive criteria are for those who wish to purchase the best environmental products available on the market. By virtue of being clear, justifiable and ambitious as well as based on a life-cycle approach and scientific evidence, the GPP criteria are meant to ease GPP adoption among public administrators as well as companies. For public administrators a set of common environmental criteria considerably reduces the administrative burden, while companies (especially SMEs with small administrative overheads) benefit from them, notably when operating in several Member States.

In July 2010 the Commission made available a second set of GPP criteria for eight new product groups (see Table 9.1). A new procedure had been adopted in April 2010 to develop the new criteria in order to make the process more transparent and to enhance synergies among various policy instruments (such as GPP, Ecodesign, EU Ecolabel). An informal GPP Advisory Group (AG) has been set up for this purpose. It consists of one representative per Member State as well as three representatives of other stakeholders (civil society, industry and SMEs). In addition to the AG, a larger informal group of national GPP experts has already been operating for several years, primarily discussing broader GPP policy issues.

Besides offering common environmental criteria and guidance on them, the European Commission has initiated a comprehensive awareness campaign and training on GPP. The DG for the Environment funded training for 40 national GPP policy and procurement experts in 19 Member States in 2009–10 and national GPP conferences across the EU. Aiming at promoting dialogue, sharing best practice and networking among GPP stakeholders in the host countries, the conferences attracted more than 2,000 delegates.

Focusing on SRPP, the DG for Employment, Social Affairs and Inclusion published a study on social considerations in public procurement in July 2008. The project resulted in six case studies, a legal and policy review, an overview of SRPP practices in Member States and “Proposed Elements for taking account of the Social Considerations in Public Procurement”. The results were used to draft an SRPP guide on “Social Considerations in Public Procurement”, which will be published at the beginning of 2011. In 2010 a cost–benefit analysis of SRPP was carried out for the DG for Employment, Social Affairs and Inclusion. The aim was to provide a practical tool for public buyers to facilitate consideration of social aspects in public procurement.

The Commission also funded several research projects in order to further develop its GPP policy. This includes a 2009 study on statistical information on GPP in the EU commissioned by the DG for the Environment. Its purpose was to implement a methodology for measuring GPP in Europe, in order to assist Member States and the Commission when monitoring compliance with the targets set in the 2008 communication. In addition, a current study project initiated by the DG for Internal Market and Services is mapping Member States’ policies on and practices of sustainable public procurement. The results of this study will also provide insights into existing attempts

(specific tools and initiatives) of achieving supply chain sustainability in public procurement. Finally, the DG for Internal Market and Services will also launch a consultation on public procurement, in relation to other policy areas such as social and environmental, in 2011.

9.3. Public policies in the EU Member States

9.3.1. Legal instruments

Following the European Commission's definition and practice in the majority of EU Member States, GPP is seen as a voluntary option. The two EC directives provided the legal basis for using environmental and social criteria without making them mandatory. Some Member States have extended their procurement law after having transposed it. For instance, Finland renewed its law on public procurement in 2010. The changes clarify the possibilities of considering social criteria in public procurement, such as basic human rights, equal treatment and non-discrimination.

However, a few Member States take a different approach and make GPP legally binding. The most comprehensive mandatory approach is the one adopted in Portugal, as the whole of central government is required to apply environmental criteria (see Box 9.1). In Germany a decree on the sustainable procurement of timber was adopted in January 2007. A general decree on the procurement of energy-efficient products and services was issued in January 2008. It requires administrations at federal level to use life-cycle costing in their procurement procedures to ensure energy-efficient and environment-friendly public procurement.

Box 9.1

Example: Portugal's Green Framework Agreements

Portugal is the only EU Member State in which GPP is legally binding. Its NAP for 2008–10 sets several criteria and targets. In 2010 they became part of the framework agreements established by the National Public Procurement Agency (ANCP). The ANCP frameworks are mandatory for the whole of the central public administration and optional for local procurement authorities.

The ANCP was set up in 2007 to centralise the procurements of the national government and to promote GPP. It oversees compliance with the GPP National Action Plan targets by seeing the letters of commitment and reports on inclusion of GPP in tendering that other departments are required to submit to the ANCP as well as a track of their own

launch tenders. To monitor the introduction of green criteria, the ANCP uses the Ministry Purchasing Units network that centralises information on the acquisitions of each ministry.

As a result of the ANCP framework and its monitoring of procurement practices, Portugal managed to exceed the targets set in its NAP. While it envisaged applying GPP sustainable criteria to a total of 30 per cent of tenders by number and value in 2009, central government administrators actually applied them to 41 per cent of tenders by number and 61 per cent of them by value.

9.3.2. Economic and financial instruments

Many instruments used to support GPP, SRPP and SPP fall within the category of economic instruments, as they have a positive impact on business in terms of encouraging companies to adhere to certain non-economic criteria in order to win a tender. For instance, mandating environmental and social criteria in public procurement or setting sustainable procurement targets for certain priority product groups through NAPs supports, at least indirectly, businesses that operate in the desired manner or offer the specified products and services. However, there are public initiatives in which the contracting agencies assume a more active role by financing sustainable innovations through procurement. This means that they literally invest in pre-commercial products and services and thus become part of the innovation process. The Small Business Research Initiative in the United Kingdom (UK) is one example of what such procurement may look like (see Box 9.2). In Finland the Finnish Funding Agency for Technology and Innovation is devising instruments to allow procurement authorities to invest in innovative environmental technology.

Box 9.2

Example: The UK's Small Business Research Initiative

The Small Business Research Initiative (SBRI) is a pre-commercial procurement scheme that was first launched in the UK in 2001. It was significantly revised in April 2009. The new SBRI programme aims to use government procurement to drive innovative products and services to meet the future procurement needs of departments. The SBRI thus also aims to support early-stage, high-technology SMEs by providing them with greater access to research and development opportunities. Competitions for new technologies and ideas are run in specific areas and aim to engage a broad range of companies in short-term development contracts. The SBRI thus has two advantages: it enables government departments and public sector organisations to

procure new technologies with managed risk through a phased development programme, and it provides companies with paid contracts for the critical stage of product development.

Though the SBRI supports innovation in general, government departments have used it to procure sustainable goods and services. Past competitions included, among other things, highly efficient lighting systems for Whitehall, retrofitting UK social housing stock and technologies that help children to take more exercise.

National awards are another type of economic instrument. Their rationale is to trigger competition among contracting agencies to acquire good reputations for their GPP practices. Since 2008 the Swedish Environment Management Council (SEMCo) has awarded two prizes annually to purchasers and suppliers: "Excellent Green Purchaser" and "Excellent Green Supplier". The award ceremony is held during the annual Green Procurement conference in Stockholm. The purpose of the awards is to highlight good examples of purchasers and suppliers who work seriously and innovatively with green public procurement. In addition to a prize sculpture, winners receive the right to use a prize symbol in their marketing. In Italy the Ministry of Economy and Finance and its procurement agency Consip in 2009 published "Award on Sustainable Projects and Green Public Procurement". The award is meant to publicise and reward Italian public administrations and private enterprises that have achieved important results in, respectively, environmental sustainability and GPP. The prize is a live tree that has to be planted on the winners' premises or donated to a public park. So far the prize has been awarded in 2009 and 2010.

9.3.3. Informational instruments

Informational instruments are widely used to introduce the relatively new concepts of GPP, SRPP and SPP to public administrations. Many Member States issue guidelines and manuals, provide training for contracting agencies and commission studies in order to raise awareness about these concepts.

Training is a necessary step for supporting the implementation of GPP, SRPP and SPP practice. It is provided in most EU Member States. In June 2010 training for public administrators was available in 18 Member States. In the UK, the Centre of Expertise in Sustainable Procurement is carrying out an analysis of sustainable procurement training needs in order to improve capability. Best practice is also shared between government departments through the Capability Building for Sustainable Procurement working group. In France, several ministries, among them

the Environment and Energy Management Agency, offer training sessions to regional and local authorities on responsible public purchasing.

Practical guidelines are also among the common instruments for raising awareness about GPP, SRPP and SPP. In 2009 the German Federal Ministry of Labour and Social Affairs, the German Federal Ministry of Economic Cooperation and Development and the German Association of Cities published "Social criteria in procurement law – guidance for local authorities". In France, the fundamental standards defined by the International Labour Organization (ILO) serve as references for the social aspects and criteria in the guides developed by the SPP study group (Groupe d'étude des marchés développement durable). However, it should be noted that many guidelines are also mandatory for central government and are thus hybrid instruments (see Chapter 9.3.5).

Research has been undertaken to identify opportunities for GPP, SRPP and SPP in specific Member States. In April 2008 the Polish Ministry of Economy in cooperation with the Public Procurement Office published "A new approach to public procurement. Procurement and small and medium enterprises, innovation and sustainable development". The document highlighted, among other things, the need for the wider use of criteria relating to environmental protection and CSR in awarding contracts. It thus laid the foundation for Poland's SPP NAP (see Chapter 9.3.5).

9.3.4. Partnering instruments

Although GPP, SRPP and SPP are primarily a government matter, many other stakeholders are involved as well. Stakeholder consultations, for instance, can offer useful input during the drafting of action plans and development of criteria. In Slovenia the 2009 GPP NAP was drafted by a working group established for this purpose in cooperation with relevant stakeholders (major contracting authorities, some municipalities, non-governmental organisations (NGOs), representatives of suppliers, Chamber of Commerce and Industry of Slovenia, experts' circles, and so forth). In Romania work on the GPP NAP started in 2007 through rounds of consultations with stakeholders (central administration, local administration associations, NGOs, suppliers), followed by an inter-ministerial advisory phase. Other initiatives are more general. Sweden's SEMCo, for instance, launched an annual conference in 2008 with the aim of creating a forum for the exchange of experience and dialogue between target groups.

9.3.5. Hybrid instruments

Like informational instruments, hybrid public policies form an important group of instruments. This is particularly as a result of the action plans that have been implemented throughout Europe. Hybrid instruments, however, also include working groups or committees that prepare new criteria as well as guidelines and decrees that are not enshrined in law but are mandatory for public administration by executive order.

In 2003 the European Commission in its communication on "Integrated Product Policy" encouraged Member States to draw up publicly accessible NAPs for greening their public procurement. The NAPs should contain an assessment of the existing situation and targets for the next three years, specifying the measures that would be taken to achieve them. The NAPs are not legally binding but provide political impetus to the process of implementing and raising awareness of GPP and in some cases SPP. The recommendation to adopt NAPs was restated in the Commission's "Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy" in 2008.

Since 2003 21 Member States have adopted NAPs. Some of them have already adopted their second NAP, for instance Cyprus and Poland. Two Member States (Hungary and Romania) are currently adopting NAPs and four others (Bulgaria, Estonia, Greece and Ireland) are preparing an action plan (see Chapter 9.4.2).

Most action plans apply the Commission's targets and the first and second sets of product priority groups. However, some Member States go beyond these recommendations. For instance, in 2005 the Dutch government announced it would apply 100 per cent sustainable procurement by the central government (core departments and executing agencies) by 2010. Also, while the Commission's targets and criteria are limited to GPP, some Member States have chosen to use the broader SPP concept. The UK published its "Sustainable Procurement Action Plan" in March 2007; it refers to the "social cost of carbon" and contains social clauses and consideration of social enterprises from the Third Sector, among others. Similarly, the French NAP also employs the term SPP. In March 2007, the French government adopted its "National action plan for the sustainable purchases on the open market" for the period from 2007 to 2009. It calls on the public agencies (ministries, authorities and territorial collectivities, hospitals and public institutions) to make use of sustainable and therefore socially responsible procurement. The NAP proposes voluntary objectives and offers genuine assistance for the implementation of the responsible purchase policies, while providing examples of good practice. After a review in 2010, a revised plan is expected to be launched in 2011. The

Dutch public procurement policy for sustainability will very soon be extended with contract clauses concerning a due diligence approach towards the ILO fundamental labour standards and human rights for all procurement above the EU thresholds. For some products and product groups, where multi-stakeholder supply chain initiatives are in place to support business in respecting additional labour or fair trade standards, the contractual due diligence clause extends to those standards. SPP is also used in the action plans of Austria (2010), Belgium (2009), Denmark (2010), Finland (2009) and Poland (2010). Moreover, Germany's "Alliance for Sustainable Procurement" employs the term as well (see below).

Box 9.3

Example: Austria's National Action Plan on SPP

Austria has long been one of the leading Member States on SPP and a member of the "Green 7", that is, the seven Member States with the most advanced GPP practices according to a 2009 study. In July 2010 it published its two-part "Austrian Action Plan on SPP". The first part is general and includes information on definitions, targets, measures and implementation. The second part addresses contracting agencies and offers guidance on the implementation of the action plan. It identifies 16 product categories with several sub-product groups and technical specifications. Core GPP criteria are applicable to 16 product categories, namely, graphic paper and printing paper; cleaning service and detergents; IT devices; food and catering services; textiles; furniture; vehicles; horticulture products; electricity; construction; civil engineering; home appliances; interior fittings; office supplies; toilet paper; and (green) events. Advanced GPP criteria are applied for five pilot priority groups – electricity, paper, detergents, road vehicles and IT – which will be evaluated until 2012. By then target quotas will have been set and the percentages of goods subject to sustainable procurement will be increased and monitored each year from then on.

Going beyond GPP NAPs, the Austrian action plan also includes the Commission's guidance criteria for SRPP. Thus it aims to contribute to "good" and decent working conditions through support for social inclusion and accessibility for disabled people, for SMEs and CSR in general, and for fair and ethical trade. Further elements of the action plan include the extension of existing procurement networks, the establishment of two working groups to solve budgetary issues and to elaborate SRPP criteria, monitoring, and an evaluation in spring 2013.

As GPP, SRPP and SPP cut across departmental boundaries, inter-ministerial working groups and other partnering bodies are used to develop and revise action plans and to develop criteria. In Spain an inter-ministerial committee was established to implement and to monitor the GPP NAP in 2008. The committee receives progress reports from each contracting agency, prepares biannual reports on the state of GPP, and collaborates with national and international initiatives, networks and working groups that deal with GPP. Germany launched an SPP working group of representatives from the states and the federal government in May 2009. It evolved into an "Alliance for Sustainable Procurement" with representatives from the local, state and federal levels. The alliance aims to increase the number of tenders to which environmental criteria are applied. Currently the group works mainly on four product groups: green IT, green electricity, public transport, and wood and sustainable forestry. Further activities are planned on textiles, social aspects and the establishment of a national centre of excellence on public procurement. In the Netherlands draft criteria for the national Sustainable Public Procurement Programme have been developed through stakeholder dialogue and assessed for legal validity by an interdepartmental procurement law working group.

As noted above, the number of legally binding instruments has so far been limited. Yet many guidelines or decrees are mandatory, if not by law then by executive order. For instance, in the UK the "Government Buying Standards" of the Department for Environment, Food and Rural Affairs include 60 product groups at two levels, "mandatory minimum" and "best practice". The Standards are mandatory for all central government departments; they were updated in 2010. Likewise, the Belgian federal government updated its mandatory "Guide sustainable procurement" in March 2008 (see Box 9.4). In addition to the guide, the Belgian government issues federal circulars regarding SPP. The circular from July 2009 refers to the acquisition of private vehicles intended for government services and for public utilities.

Similar circulars exist in France. In 2008, the French Prime Minister sent to all ministers a "Circular for an exemplary state", which includes 20 objectives in total, of which 12 are linked to GPP. Among other things, it aims to expand the use by all purchasers of social clauses for the integration of unemployed and disabled people. By 2012, 10 per cent of all the calls for tenders in industrial sectors in which the labour force comprises at least 50 per cent of manual work will have to include "social clauses". Moreover, each minister has to provide an annual progress report according to the prescribed objectives and defined indicators. From 2010 onwards, a financial "no-claims bonus" mechanism

rewards the environmentally efficient ministries and penalises those that do not achieve the aims of responsible management.

Box 9.4

Example: Belgium's "Guide sustainable procurement"

The "Guide sustainable procurement" is a website with comprehensive information on a wide variety of environmental aspects and labels. The Federal Public Planning Service for Sustainable Development issues and updates the guide regularly; the last major update was in March 2008. The guide contains SPP sheets for more than 250 product groups, and sets out detailed environmental and social criteria applying to them. The latter are based on eight ILO core norms, equal opportunities and support for Belgium's community-based economy, among others.

Before the methodology for the guide was adopted, reactions and advice had been sought in a stakeholder consultation process. To guarantee the social scope and quality, it was submitted to the civil society at the end of 2009. In addition, a help desk was set up for federal contracting agencies applying the guidelines, which is mandatory for them. Because of its large number of product groups including both environmental and social criteria, and stakeholder participation in updating it, the Belgian Guide offers a good example of a hybrid instrument.

In April 2009, Finland adopted a resolution on "Sustainable Choices in Public Procurement". The aim is that by 2015 all procurement in the central government must take environmental criteria into consideration especially for products and services in energy, building and commuting. Municipal and local government have to do so in at least 50 per cent of their procurement decisions by 2015. The targets are mandatory for central government, but voluntary (though recommended) for municipalities and state enterprises. The Romanian draft action plan sets voluntary and mandatory targets for GPP. For 2010 all targets were voluntary, but from 2011 they have been replaced by mandatory ones. The National Environmental Guard, which is responsible for monitoring GPP implementation, can take action against the authorities to enforce the NAP targets.

9.4. Conclusions and upcoming initiatives

9.4.1. General conclusions

GPP is clearly on the rise. Following the Commission's procurement directives and its informational initiatives, all Member States engage in GPP. This becomes most apparent in the development of action plans on GPP and SPP. Almost all Member States have an action plan in place, which is the basis for a strategic approach to GPP or SPP, respectively. In most Member States the action plan is confined to GPP. However, SRPP-related initiatives are gaining momentum and some of the more advanced Member States and more recent action plans already use the broader SPP concept (such as Austria, Belgium, Denmark, France and the UK). Moreover, including environmental and social criteria in public procurement is still a voluntary option. Nevertheless, many Member States have issued documents such as decrees, circulars or guidelines that are binding for their administrations. Some countries, including Portugal and Germany, have even adopted legally binding instruments, while others are considering doing so.

As for the different types of public policies on GPP, SRPP and SPP, informational and hybrid instruments abound. Legal initiatives are also used in some Member States. Partnering and economic instruments are in less demand. This is surprising given that public procurement takes place on several government levels and across different departments at the same time. It is less surprising, however, that economic instruments are rarely found. Public procurement itself can be considered an instrument that uses economic incentives to change the structure of supply.

9.4.2. Upcoming initiatives

In 2011 the Commission will evaluate the Public Procurement Directives and review the current state of GPP in the Member States. The results will be compared with the Commission's target to apply GPP to 50 per cent of the product categories specified in the GPP toolkit. The results will also serve as the basis for setting future targets and for the Commission's new Green Paper on how to use public procurement to pursue other policy objectives as laid down in the Europe 2020 Strategy. The evaluation includes a comprehensive study, which began in July 2010, commissioned by the DG for the Internal Market. It examines Member States' experience in integrating sustainability and innovation policies in public procurement. It has three parts. In the first part, national policies and strategies are reviewed. The second contains a survey on the extent to which contracting authorities actually implement sustainability and innovation goals, and the means they adopt to that end. The final part will enquire, in light of the intermediate data, whether products and services are indeed environmentally friendly, socially responsible or innovative. Results are expected in March 2011.

Adopting an action plan is an important step on the way to a coherent GPP or SPP approach. GPP NAPs are to be adopted in Hungary and Romania and are currently being prepared in Bulgaria, Estonia, Greece and Ireland.

Appendix I: Country Overview

This country overview provides references to all Member State CSR public policy initiatives mentioned in this Compendium. It should therefore not be treated as an exhaustive account of all existing Member State initiatives but is confined to the limits of this Compendium (see Chapter 1.2).

Austria

CSR and climate change.	38
CSR in SMEs.	47
GPP, SRPP and SPP	68
RSCM.	22, 24
SRI.	52, 54, 56

Belgium

CSR and climate change.	38, 39
CSR in SMEs.	47, 49
CSR policy framework	12, 14, 16
CSR reporting and disclosure	32
GPP, SRPP and SPP	68, 69
RSCM.	20, 24
SRI.	52, 53, 56

Bulgaria

CSR and climate change.	39
CSR and education	62
CSR policy framework	12, 16
CSR reporting and disclosure	32
GPP, SRPP and SPP	68, 70
RSCM.	23

Cyprus

CSR and climate change.	35, 36
CSR policy framework	13, 14
CSR reporting and disclosure	29
GPP, SRPP and SPP	68
SRI.	54

Czech Republic

CSR and climate change.	38
CSR and education	60
CSR reporting and disclosure	29
RSCM.	22

Denmark

CSR and climate change.	37, 39
CSR and education	62
CSR in SMEs.	44, 45
CSR policy framework	12, 13, 14, 16
CSR reporting and disclosure	28, 30

GPP, SRPP and SPP	68
RSCM.	21, 22, 23, 25
SRI.	54, 55

Estonia

CSR and climate change.	36
CSR in SMEs.	45
GPP, SRPP and SPP	68, 70

Finland

CSR and climate change.	36, 38
CSR and education	59, 60
CSR in SMEs.	44, 45, 47
CSR policy framework	12, 14
CSR reporting and disclosure	31
GPP, SRPP and SPP	66, 68, 69
RSCM.	25
SRI.	53, 54

France

CSR and climate change.	34, 37, 38
CSR and education	58, 61
CSR in SMEs.	43, 44, 47
CSR policy framework	12, 14, 15, 16
CSR reporting and disclosure	26, 27, 28, 30
GPP, SRPP and SPP	67, 68, 69
RSCM.	20, 21, 24
SRI.	52, 54, 56

Germany

CSR and climate change	34, 35, 36, 37, 38, 39, 40
CSR and education	59, 61, 63
CSR in SMEs.	43, 45, 47, 48
CSR policy framework	12, 14, 15
CSR reporting and disclosure	30, 31
GPP, SRPP and SPP	66, 67, 68, 69
RSCM.	20, 21
SRI.	52, 53, 54, 55, 56

Greece

CSR in SMEs	43, 47
GPP, SRPP and SPP	68, 70

Hungary	
CSR and climate change	36, 38
CSR policy framework	12
GPP, SRPP and SPP	68, 70
Ireland	
CSR and climate change	38
CSR policy framework	14
CSR reporting and disclosure	29
GPP, SRPP and SPP	68, 70
RSCM	23
SRI	52
Italy	
CSR and climate change	35
CSR and education	59, 60, 61
CSR in SMEs	43, 44, 45, 46, 47
CSR reporting and disclosure	30, 31
GPP, SRPP and SPP	67
RSCM	20
SRI	53
Lithuania	
CSR and climate change	39
CSR in SMEs	45
SRI	56
Malta	
CSR and climate change	38
Netherlands	
CSR and climate change	37, 39
CSR and education	60
CSR policy framework	12, 14
CSR reporting and disclosure	27, 28, 30, 31
GPP, SRPP and SPP	68, 69
RSCM	20, 21, 22, 23
SRI	53, 55
Poland	
CSR and climate change	35, 36, 38
CSR and education	58, 60
CSR in SMEs	44, 45, 46, 49
CSR policy framework	14
CSR reporting and disclosure	30, 32
GPP, SRPP and SPP	67, 68
RSCM	20, 21, 22
SRI	53, 55
Portugal	
CSR and climate change	38, 39
CSR in SMEs	44, 45, 47, 48
CSR policy framework	14, 15
CSR reporting and disclosure	29
GPP, SRPP and SPP	66
RSCM	22
SRI	53
Romania	
CSR and climate change	38
CSR and education	61
CSR in SMEs	47
GPP, SRPP and SPP	67, 69, 70
Slovakia	
CSR in SMEs	47
RSCM	22
Slovenia	
GPP, SRPP and SPP	67
Spain	
CSR and climate change	38, 39
CSR and education	59, 62
CSR in SMEs	43, 47
CSR policy framework	15, 16
CSR reporting and disclosure	29, 31
GPP, SRPP and SPP	69
SRI	52, 55
Sweden	
CSR and climate change	38
CSR in SMEs	45, 46, 47
CSR policy framework	14, 15
CSR reporting and disclosure	28, 29
GPP, SRPP and SPP	67
RSCM	25
SRI	52, 56
UK	
CSR and climate change	34, 38, 39
CSR and education	61, 63
CSR in SMEs	44, 45, 48
CSR policy framework	14
CSR reporting and disclosure	27, 29, 30
GPP, SRPP and SPP	66, 67, 68, 69
RSCM	21, 23
SRI	52, 53, 55, 56

Appendix II: Links

The following list contains links to Member States' websites where further information on country-specific information can be found.

Austria http://www.bmask.gv.at http://www.netzwerksozialeverantwortung.at	Latvia
Belgium http://business.belgium.be/fr/gerer_votre_entreprise/entreprise_durable	Lithuania
Bulgaria	Luxembourg
Cyprus	Malta
Czech Republic http://www.mpsv.cz/en/3894	Netherlands http://www.rijksoverheid.nl/onderwerpen/maatschappelijk-verantwoord-ondernemen http://www.oecdguidelines.nl http://www.internationaalondernemen.nl/dossiers/mvo.asp http://www.mvonederland.nl
Denmark http://www.csrgov.dk http://www.csr-kompasset.dk http://www.csrinnovation.dk	Poland http://www.csr.gov.pl1
Estonia	Portugal http://www.planotecnologico.pt/InnerPage.aspx?idCat=672&idMasterCat=334&idLang=1&site=estrategiadelisboa http://www.ces.pt http://www.rsopt.com http://www.apee.pt
Finland http://www.tem.fi/index.phtml?s=3232	Romania
France http://www.developpement-durable.gouv.fr/Strategie-nationale-de,17803.html http://www.orse.org http://www.ademe.fr http://www.reportingcsr.org	Slovakia
Germany http://www.csr-in-deutschland.de http://www.csr-weltweit.de	Slovenia
Greece	Spain http://www.mtin.es/es/sec_trabajo/autonomos/economia-soc/RespoSocEmpresas/index.htm
Hungary	Sweden http://www.regeringen.se/sb/d/2657
Ireland	United Kingdom http://www.bis.gov.uk/policies/business-sectors/low-carbon-business-opportunities/sustainable-development/corporate-responsibility
Italy http://www.i-csr.it	

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