



Corporate Social Responsibility – Promoting Innovation and Competitiveness
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Give us real CSR, not just hollow Public Relations

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1. Synopsis

Our main critique on Corporate Social Responsibility (CSR):

- The European Union's CSR process was hijacked by Industry and Enterprise Commissioner Günter Verheugen, with the sole aim of making European companies more competitive and without any consideration about how to seriously improve their social and environmental performances. This is a short-term view. Long-term competitiveness is only guaranteed if corporates not only talk but also act ethically. European companies will only be rewarded by consumers and governments in the long-run if they respect the environment and social and human rights.
- The EU Commission is unfortunately not willing to consider anything beyond voluntary measures. It rejected demands to monitor whether companies actually do what they promise in the framework of the EU-business "Alliance for CSR".
- The EU Commission's proposal on CSR will have "*no real impact*", as the Confederation of European Business (UNICE) has smugly admitted.
- There was a lack of stakeholder consultation before the publication of the EU proposal on CSR on March 2006 ("CSR Communication"). NGOs and trade unions had been involved in two years of discussion in the Multi-Stakeholder Forum, but then the EU Commission agreed with business alone about the wording of the proposal. All significant input from NGOs and trade unions was ignored.
- In general, corporate CSR policies do not focus on the core business. In the case of Shell, funding community projects in Nigeria could be a nice start, but the real issue is that this oil corporate should first clean up the environmental mess it caused in this African nation.
- Corporates mainly use CSR as a hollow public relations tool – especially corporates dealing in the sectors of oil/gas, energy production, chemicals, genetic engineering, pharmaceuticals and mining.

Friends of the Earth Europe demand:

- Voluntary measures will not address most of the social and environmental problems related to companies' operations. We need clear rules and regulations on CSR.
- All corporates must respect international human rights treaties, International Labour Organisations (ILO) conventions, international environmental agreements and national laws. Voluntary initiatives can be successful in some cases, but regulatory measures are necessary to ensure all corporations abide to national and international rules: mandatory reporting, social and environmental duties for CEOs, government contracts and subsidies only to corporates acting ethically.
- The EU Commission should revise its March 2006 proposal on CSR and seriously involve all stakeholders in this process to help prevent global corporate social irresponsibility.

2. The EU and CSR

Last March, the EU Commission published its latest “communication” on Corporate Social Responsibility and launched an alliance with business to promote CSR – but only on a cosmetic level. The proposal did not include NGOs’ recommendations, and the EU-industry alliance on CSR totally lacked substance.

The proposal, drafted by Industry and Enterprise Commissioner Günter Verheugen and Employment and Social Affairs and Equal Opportunities Commissioner Vladimir Spidla, was geared solely towards improving the competitiveness of the industry. It did not seriously tackle the negative impacts of business on the environment and society. Friends of the Earth Europe believes that Commissioner Verheugen has hijacked the CSR process for his own agenda. He organised secret meetings with business, excluded other stakeholders, and therefore made a mockery of the democratic multi-stakeholder approach promoted by the EU.

In the proposal, the Commission claims that the Multi-Stakeholder Forum in 2004 came to a consensus that commitments by industry should be voluntary only. This is wrong. NGOs have consistently been arguing that binding legal measures are necessary to establish a general incentive for responsible corporate behavior.

3. The EU Commission’s Multi-Stakeholder Forum on CSR

In its latest “communication”, the EU Commission also announced a review of the Multi-Stakeholder Forum, to be organised before the end of 2006. This proposal was actually added at the last moment, in an attempt to calm down NGOs and trade unions who had criticized the proposal even before its official launch.

To prepare the review meeting, the EU Commission set up a Coordination Committee, composed of representatives of different stakeholders: business (the Confederation of European Business, UNICE, and Eurochambres), civil society (ETUC and NGOs) and CSR Europe. This Coordination Committee met in July, September and November. NGOs took part in the two first meetings. In November, the European Coalition for Corporate Justice (ECCJ), of which Friends of the Earth Europe is a member, decided not to take part in the follow-up Multi-Stakeholder Forum.

It was not an easy decision to take. We wish to continue a dialogue with the EU Commission about Corporate Accountability (CA) and CSR. But our experience with the previous process leads us to conclude that the Multi-Stakeholder Forum, would not address our views.

The 2002-2004 Multi-Stakeholder Forum did not allow crucial topics to be addressed in the final report: standards and commitments, involvement of stakeholders, transparency requirements, quality of the monitoring and independent verification. The views of NGOs were not reflected in the final report of the forum.

The ECCJ nevertheless took part in the preparation committee for a follow-up meeting to the Multi-Stakeholder Forum, hoping that NGO concerns would be properly addressed this time. But the EU Commission did not support any new proposals beyond the voluntary initiatives announced in the March 2006 “CSR Communication”. In parallel, representatives of UNICE and Eurochambres said they were unwilling to consider any new commitments. This would limit the meeting to an evaluation of existing voluntary initiatives only. This dashed our last hopes that a meaningful Multi-Stakeholder dialogue is possible in the near future.

We have therefore no confidence that our participation in another forum would have any meaningful impact, beyond playing the role of a fig leaf for the EU Commission, UNICE and Eurochambres.

Friends of the Earth Europe and its partners in the ECCJ remain committed to advancing CSR, but only if corporates are held accountable for their activities. A voluntary approach will not guarantee accountability. It is time for the Commission to acknowledge that the voluntary approach is not sufficient.

4. Three examples of Corporate Social Irresponsibility (CSI)

1) Double standards of Western corporates in China

China is considering adopting a law to crack down on sweatshops and protect workers' rights by giving labour unions more power for the first time since it introduced market economy in the 1980s. The law would make it more difficult to lay off workers and underscores the Chinese government's growing concern about the widening income gap and threats of social unrest. US and other foreign corporations have been lobbying against this planned law.

The proposed law is being debated after Wal-Mart Stores from the US, the world's biggest retailer, was forced to accept unions in its Chinese outlets.

Workers' advocates say that the proposed labour law is long overdue, and they accuse the American businesses of favouring a system that has led to widespread labour abuse. "You have big corporations opposing basically modest reforms," said Tim Costello, an official of Global Labor Strategies, a group that supports labor rights policies.

2) Shell and the Nigerian nightmare

The darkest side of Shell is in Africa.

The Federal High Court of Nigeria last April ordered Shell Nigeria and the Nigerian National Petroleum Corporation (NNPC) to end gas flaring in the Iwherekhan community by April 2007. Flaring in the community had continued despite a judgement in November 2005, which found the flaring to be a violation of people's constitutionally-guaranteed rights of life and dignity. Gas Flaring is a human rights violation which damages the health and livelihoods of communities across the Delta, as well as significantly contributing to climate change due to high carbon dioxide (CO₂) emissions.

Nigeria has been the world's biggest gas flarer, and the practice has contributed more greenhouse gas emissions than all other sources in sub-Saharan Africa combined, as well as poisoning localities with their toxic cocktail. The practice costs Nigeria about US\$ 2.5 billions annually, while about 66% of its population live on less than US \$1 a day. Shell Nigeria has said that it does not plan to stop flaring before the end of 2009. Other deadlines to end flaring have repeatedly slipped.

All the major multinational oil companies in Nigeria flare gas, including ExxonMobil, ChevronTexaco, TotalFinaElf and Agip.

3) Green-washing British Petroleum

The British oil corporate BP has been promoting itself as a green and social actor, shamelessly using the slogan "Beyond Petroleum" and a new logo in the form of a green and yellow flower. "Beyond Petroleum" is in fact green-washing. We do not buy it. The reality of BP's CSR policy can be seen in the US.

Texas City, 23 March 2005: An explosion rips through a BP refinery. 15 people are killed and 500 injured in the worst US industrial accident in more than a decade. Last October, the US Chemical Safety Board (CSB) said in a damning report that BP knew it had "*significant safety problems*" at its Texas City refinery and 34 other locations around the world well before the deadly explosion. Cost-cutting helped compromise safety at the Texas refinery, the official report added.

"The CSB's investigation shows that BP's global management was aware of problems with maintenance, spending and infrastructure well before March 2005," said CSB chairwoman Carolyn Merritt. BP did make some safety improvements, though it focused on improving procedural compliance and reducing occupational injury rates, "while catastrophic safety risks remained". She also noted: "Unsafe and antiquated equipment designs were left in place, and unacceptable deficiencies in preventative maintenance were tolerated".

Stringent budget cuts throughout BP caused a progressive deterioration of safety at the Texas City refinery. The CSB report revealed that a 2004 internal audit of 35 BP business units, including Texas City, found significant common gaps, including a lack of leadership competence, pointing to "*systematic underlying issues*", widespread tolerance of non-compliance with basic safety rules, and poor implementation and monitoring of safety management systems and processes.

Meanwhile, BP is desperately trying to buy its way out of this scandal. Attorneys for the some 1,000 plaintiffs said BP have agreed to donate \$12.5m to Texas A&M University's process safety centre; \$12.5m to the University of Texas Medical Branch burns unit; and \$5m to the College of the Mainland's safety training for refinery and chemical plant workers. The donations will be made in the name of the 15 who died. BP had also agreed to provide \$1m to the cancer centre at St Jude's Children's Hospital in Memphis and \$1m to a Louisiana school.

Alaska, 2 March 2006: A spill of some 267,000 gallons (1 million litres) of oil is discovered at Prudhoe Bay field on Alaska's North Slope region. Reports said that BP officials had already been warned about potential problems in Alaska in 2004.

The Financial Times even published parts of an email in which a BP manager had been informed that troubles were brewing in Alaska. "*Commencing during your watch, Bob, BP began orchestrating inspection procedures,*" Chuck Hamel, an advocate for BP workers in Alaska, told BP manager Bob Malone. "*By design or happenstance, you and your colleagues at the senior level of BP surely have been insulated from direct knowledge of these activities, while reaping the benefits of the operational cost savings... The end result, though, is that there now exists a clear and present danger to the workers, the facilities and the environment.*"

The US government in July said BP "*failed*" to meet its responsibilities to rid its Alaska pipelines of sludge – a necessary step to enable high-tech corrosion tests that could prevent another massive oil leak.

The company last summer also had to shut down 12 Alaskan oil wells after whistleblowers said some 50 had been leaking.

"Beyond petroleum"? What "beyond petroleum"?

5. Ten principles for a true Corporate Accountability

- 1) Reporting on impacts on Human Rights, Society and Environment
- 2) Legal accountability
- 3) Social and environmental duties for CEOs
- 4) Independent audits of CSR policies and publication of outcome
- 5) Registration of all existing codes of conduct and verification of these codes against minimum internationally applicable standards
- 6) A leadership role for EU institutions and member states, to ensure that corporates meet the highest standards wherever they operate
- 7) Government contracts and subsidies only to corporates acting ethically.
- 8) Involvement of all stakeholders in developing CSR and CA policies.
- 9) Responsibility throughout the supply chain: a corporation's social responsibility should cover all of its suppliers, subcontractors, licensees, alliances and anyone serving the company
- 10) Respect from corporations for international human rights and health treaties, International Labour Organisations (ILO) conventions, international environmental agreements and national laws, and the OCDE convention on combating bribery of foreign public officials in international business transactions.

More info:

- <http://www.foeeurope.org/corporates/Index.htm>
- www.corporatejustice.org
- On corporates in China: <http://www.tradeobservatory.org/headlines.cfm?refid=89257>
- On Shell:
http://www.foe.co.uk/resource/press_releases/shell_ordered_to_appear_by_11042006.html;
Shell environment and society website:
http://www.shell.com/home/Framework?siteId=envandsoc-en&FC2=/envandsoc-en/html/iwqen/the_environment_and_society_site/zzz_lhn.html&FC3=/envandsoc-en/html/iwqen/the_environment_and_society_site/the_environment_and_society_site_25052006.html
- On BP in Texas: <http://www.ft.com/cms/s/f506cfe2-6884-11db-90ac-0000779e2340.html>;
<http://www.ft.com/cms/s/3ac40732-7020-11db-9da6-0000779e2340.html>; BP Environment and Society, <http://www.bp.com/productlanding.do?categoryId=4520&contentId=7014704>; on BP in Alaska: <http://news.bbc.co.uk/1/hi/business/5057954.stm>;
<http://search.ft.com/searchArticle?queryText=bp+alaska&javascriptEnabled=true&id=060809009761>;
<http://search.ft.com/searchArticle?page=2&queryText=bp+alaska&javascriptEnabled=true&id=060720011165>

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