



**European Commission
SPA2 00/93,
1049 Brussels,
Belgium**

To Whom It May Concern:

Unite response to the European Commission public consultation on disclosure of non-financial information by companies

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors.

Given the tight deadline for responses Unite has limited this response to a brief comment and not the formal electronic application with pre-set questions.

Unite and predecessor unions, Amicus and Unifi, have been involved in promoting the CSR agenda for many years and indeed campaigned for a change in Company Law to include recognition of employees as key stakeholders and the promotion of CSR as a tool to promote the interests of wider stakeholders beyond those of shareholders.

As far back as 2003 the UK Government introduced a Bill that would have compelled "economically significant companies" to produce an Operating and Financial Review (OFR) which would provide information on intangibles including environmental and social issues as well as trends and factors affecting the future development, performance and position of the company. However the final content would be determined by the Board of Directors and this would be based upon what they identified as 'material' to the business.

At the time the issue of the size of companies required to report and what should be reported were contentious. SMEs as defined by the Companies Act 1985 were not required to prepare an OFR. It was our opinion at that time, that all companies should prepare a report on their CSR strategy and that a scaled down report should be produced by SMEs. It was also felt that CSR Committees involving employees, should decide the content of the report rather than Company Directors.

Despite significant consultation and generally favourable responses to the production of such a report from all groups including employers, the Government decided to repeal the OFR legislation on 12th January 2005 and replace it with a far weaker and voluntary Business Review Report.

Currently, while many listed companies in the UK do produce a CSR or Sustainability Report, the content is determined by the business which could leave it open to criticism as the company may be less likely to report on more controversial issues.

Unite therefore welcomes EU proposals to formalise the CSR agenda in company reporting.

A number of commentators report CSR as ineffective and as just a public relations exercise. However Unite would argue that the global recession has focused consumer attention towards the effects of corporate greed and perhaps now is a good time to re-evaluate the positive contribution CSR can bring. Engaging in positive dialogue on CSR can bring rewards which indirectly can boost the bottom line.

Research by Business in the Community (BITC) suggests there is a clear statistical link between effective management and governance of environmental and social issues and financial performance. Indeed, it revealed that FTSE companies that actively managed and measured CSR issues outperformed the FTSE 350 on total shareholder return by between 3.3% and 7.7% throughout the period from 2002 to 2007.¹

Unite would stand by recommendations we have made in previous submissions on CSR reporting, that the report should be mandatory not voluntary; that all companies should be mindful of their corporate social responsibility and should be required to report. (A summary of key performance indicators could be accepted for SMEs.); be produced annually along with company accounts; and be standardised in order that they can be compared.

However Unite would also wish to see full stakeholder involvement, including trade unions on decision making bodies including the Board of Directors and CSR committees.

Unite would wish to see the role of Non-Executive Directors reviewed in order to incorporate a stakeholder structure where stakeholders are given the opportunity to influence and challenge decisions to ensure effective and independent monitoring of the social responsibility agenda.

NEDs should also reflect a more diverse mix of society than presently represented and be given sufficient training and skills to enable them to carry out their role efficiently and competently.

¹ www.bitc.org.uk

Unite would agree that key information regarding issues such as employee engagement (e.g. employee training policy, equality and diversity, etc); customer satisfaction (e.g. customer loyalty); public perception of the company (e.g. stakeholder dialogue); environmental policies (e.g. energy efficiency, waste reduction); and innovation (e.g. R&D expenditures) should be disclosed.

Unite would also wish to see information on complaints handling and resolution included.

Unite also agrees that information on compliance with labour and human rights standards in supply chain management should be provided together with information on key suppliers, origin of production, source of raw materials and key production processes.

This should also include information on funding sources including identifying banks that are lending for specific projects as well as highlighting significant risk based initiatives.

It is essential for the legitimacy of CSR that rigorous reporting and auditing is put in place in order to combat any criticism that CSR is merely a PR exercise. This should be independent, credible and transparent.

Unite recognises that CSR requires employers to think differently about their businesses and to adopt a 'social model' using new ideas and innovative employment practices to get the best from its people. Unite would wish to see a socially responsible culture embedded in corporate structures which will produce positive benefits to employees, consumers and the wider community.

Yours faithfully

Rob MacGregor
National Officer

Cath Speight
National Officer

Siobhan Endean
National Officer

For further information on this submission please contact:

Liz Cairns
Research Officer
Unite the Union

Elizabeth.cairns@unitetheunion.org

Telephone: 0845 604 4384

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