



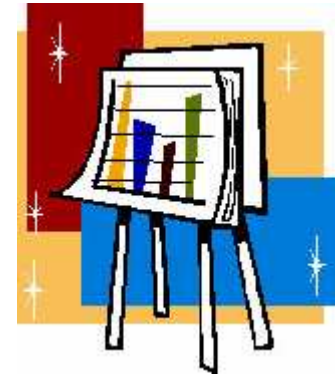
Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations

European Works Councils and Corporate Social Responsibility in the European Energy Sector

Joseph Wilde-Ramsing

Brussels, 24 March 2010

SDA & EPSU meeting on EWCs



Presentation Outline

- **About SOMO**
- **Context and companies in the study**
- **European Works Councils (EWCs)**
- **CSR in the European energy sector**
- **Company endorsement/use of CSR benchmarks**
- **EWCs and CSR: Research findings**
- **Recommendations**
- **Discussion points**



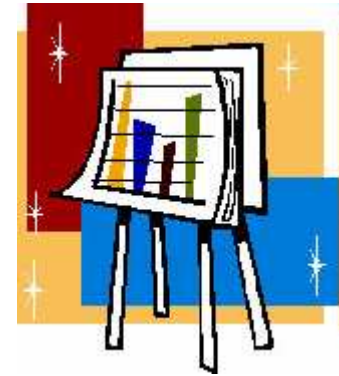
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About SOMO

- **Non-profit research centre since 1973**
- **Roots in union movement**
- **Sectors: Textiles, Electronics, Pharma, Food, Energy**
- **Main aims**
 - **Change through knowledge building**
 - **Strengthening of civil society in global North and South**
 - **Increasing the impact of civil society organisations**



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Context & Point of Departure

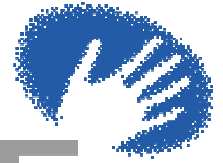
- Energy sector is active across borders
 - 1999 liberalisation of EU energy market
- Employees' representation also increasingly at EU level
 - European Works Council
- Increasing interest for CSR
 - before 2003 no CSR reporting (ECOTECH)
- Aim of the study (part of larger SDA-EPSU):
 - provide trade unions and workers' representatives with critical information on the relationship between the EWC agreements and CSR policies of nine major European energy companies





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Focus on 16 companies



the multi-utility company



Statkraft



Key characteristics

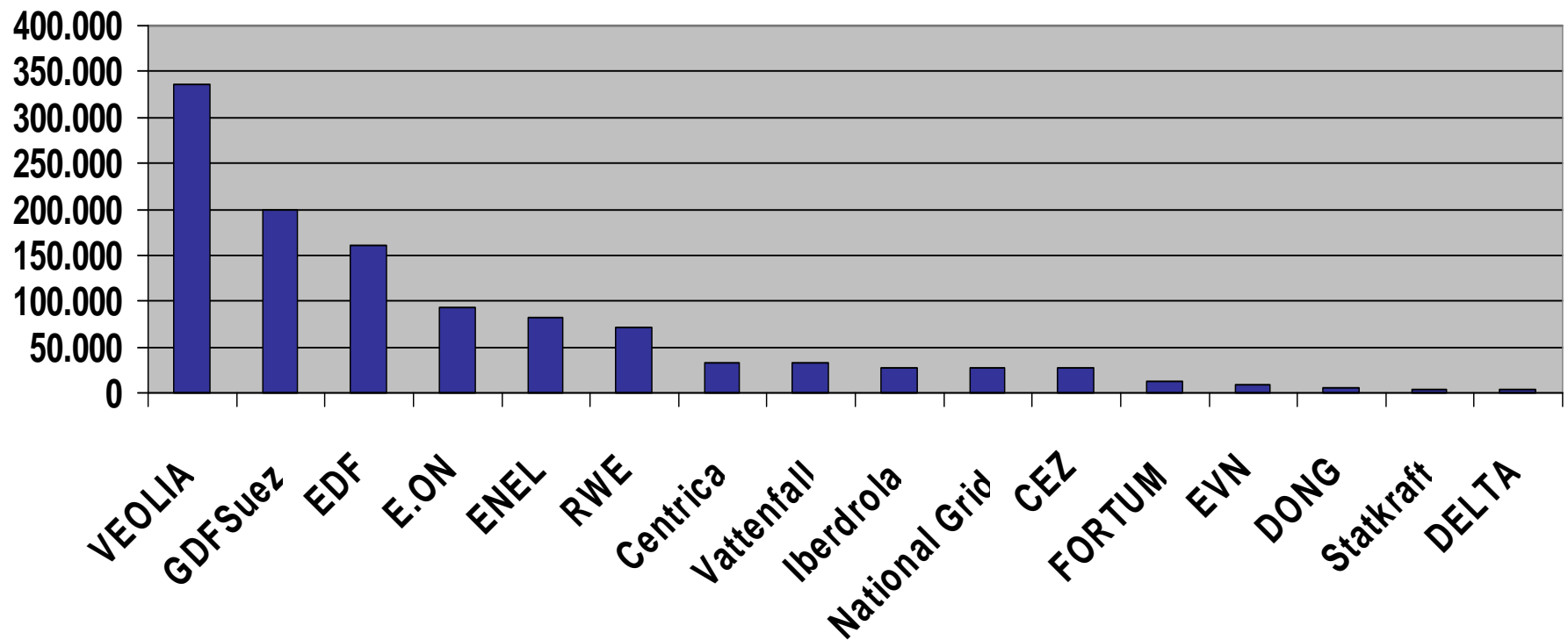
The examined energy companies cover:

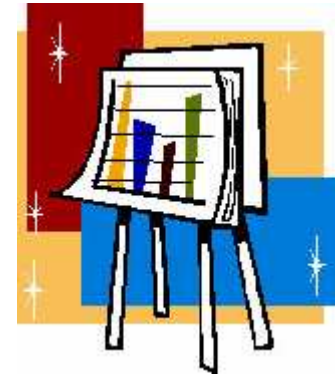
- all of the existing EWCs in the European energy sector
- more than one million employees
- Revenues of over €480 billion (2008)

- 6 out of 16 companies are completely privately-owned without governmental shares
- 3 out of 16 companies are completely government-owned

Key Characteristics

Employees (2009)





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European Works Councils (EWCs)



- EU legal framework since 1994
 - Updated in 2009
- Provisions of EWC directive apply when
 - at least 1,000 employees
 - at least 150 employees in each of at least 2 countries
- Employees have the right to request negotiations to establish an EWC or information and consultation procedure
- EWC have the mandate of information & consultation
 - consultation procedure may postpone management decisions
- 841 EWCs in Europe, which cover 60% of all European workers

Selected company EWCs

Company	EWC since	EWC renegotiated
EDF	2001	2005
GDF Suez	GDF 2001; Suez 1995	2009
ČEZ	2007	n/a
E.ON	1996	2004 and 2006
RWE	1995	1996, 2002, 2005
Vattenfall	1998	2002
Enel	2008	n/a
FORTUM	1999	2006
DELTA	2009	n/a
Veolia	2005	n/a
EVN	2007	n/a
DONG Energy	?	?

Selected company EWCs

Company	Number of seats	Employees per seat	Countries represented
EDF	33	4,876	7
GDF Suez	65	3,077	20
ČEZ	23	1,184	4
E.ON	31/45 (?)	(?)	14
RWE	30	2,200	8
Vattenfall	30	1,093	8
Enel	20	4,125	5
FORTUM	22/23 (?)	640/612 (?)	8/9 (?)
DELTA	9	333	3
Veolia	30	11,200	22/21?
EVN	7	1,490	3
DONG Energy	?	?	?

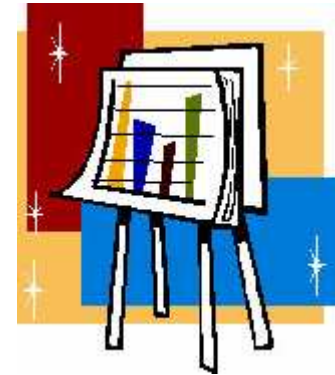


EWCs of the selected companies

- 12 out of 16 examined companies has a EWC
 - 4 that do not: Iberdrola, Centrica, National Grid and Statkraft
- 1995: first EWC in the energy sector (RWE)
- 2009: newest EWC in the energy sector (DELTA)

Size of EWC normally corresponds with overall size of company:

- GDF Suez is largest with 65 members in 20 countries
- EVN is smallest with 7 members from 3 countries



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- Europe: strongest culture of CSR in world
 - CSR well-developed and broadly accepted
 - Lisbon agenda -> CSR rests on common European values
 - European Commission communications (2001, 2002, 2006)

- The EU electricity sector social partners define CSR as:
 - *“voluntarily taking on commitments which go beyond regulatory and conventional requirements...entails the need to monitor standards of social development, respect for fundamental rights, embrace open governments, and reconcile the interests of various stakeholders in an overall quality-driven approach”*

- ECCJ (civil society coalition) definition (2007):
 - *“A process whereby a company assumes responsibility, across its entire supply chain, for the social, ecological and economic consequences of the company’s activities, reports on these consequences, and constructively engages with stakeholders”*

CSR in the energy sector

- Energy sector vital for development; environmental impacts
 - Climate change & rising electricity demand; infrastructure & jobs
- Social issues
 - impact on social wellbeing of a country or community
 - social issues often overshadowed by economic and environmental
 - Joint statement on CSR by electricity industry social partners (2009):

“CSR is based on a positive attitude of management towards trade unions”

“Full integration of stakeholders such as trade unions into the process of developing CSR policies”



Critical issues for CSR in the energy sector II

■ Environmental issues

- Electric power industry is the world's *largest emitter of carbon dioxide*
- Ecological consequences



■ Economic issues

- Power companies should contribute to sustainable economic development in the host countries
- Fair payment of taxes

■ Cross-cutting issues: Supply chain

- Suppliers/Contractors – can be a risk



Benchmarks: Internationally accepted CSR initiatives



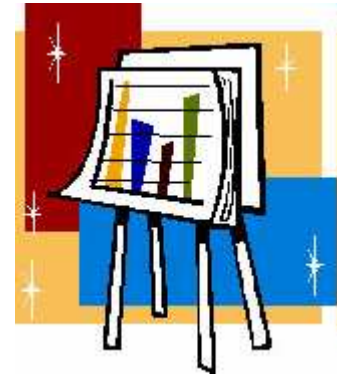
OECD
Guidelines for
Multinational
Enterprises



Carbon Disclosure Project

UN Global
Compact
Ten Principles





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Endorsement / use of CSR benchmarks

- 8 additional companies: EDP (PT), EnBW (DE), ESB (IR), GazNatural (SP), MVV (DE), S&S (UK), Tennet (NL), Verbund (A) – Total 24 companies
- 38% of the companies make use of **all** these initiatives
Centrica, EDF, EVN, GDF Suez, Iberdrola, National Grid, RWE, Vattenfall and Veolia.



- 13% of the companies has not incorporated any of these initiatives: DELTA, EnBW and TenneT

Endorsement of CSR benchmarks

- 70% is member of the UN Global Compact
→ *those that are not*: ČEZ, DELTA, EnBW, ESB, Fortum*, Scottish and Southern, TenneT and Verbund
- 38% has an explicit reference to the OECD Guidelines on MNEs in CSR policy
those that do: Centrica, EDF, EVN, GDF Suez, Iberdrola, National Grid, RWE, Vattenfall and Veolia Environment
→ Cases against: EDF, National Grid, Vattenfall



Use of CSR reporting standards

- 67% uses GRI reporting standard
 - *those that do not*: ČEZ, DELTA, EnBW, ESB, MVV, TenneT and Scottish and Southern
 - 63% of these companies uses EUSS
 - DONG, Enel, E.ON, EVN, RWE and Vattenfall

- 80% uses CDP for reporting on CO2 emissions
 - *those that do not*: DELTA, DONG, EnBW, Statkraft and TenneT





Supply/Value chain

- **Centrica: “Group responsible procurement and supplier management policy”**
 - Indicators and targets for assessment and monitoring
- **DONG Energy: “Code of Conduct for Suppliers”**
 - UNGC; ethical, social and environmental requirements
- **EDF: “Supplier’s Charter for sustainable development”**
 - ILO Core Conventions and Global Compact – OHS & environment
 - Subcontractors; use external auditors to verify
- **E.ON: “Responsible Procurement Policy”**
 - UNGC – human rights, working standards, envrion., transparency
 - Internal auditors



Supply/Value chain

- **Enel: “General information” clause in “all contracts”**
 - Clause makes adoption of Enel’s Code of Ethics explicit
 - Also obliges supplier to apply Collective Bargaining Agreement
- **EVN: “Code of conduct”**
 - UNGC, OECD Guidelines on MNEs, ILO Conventions
- **FORTUM: “Suppliers Code of Conduct”**
 - UNGC; the 10 basic principles on sustainability
 - Suppliers need to verify their compliance and checks by the buyer’s auditors
- **GDF: “Ethics charter” also applies to suppliers**
 - “Code of Conduct Governing Suppliers Relationships”



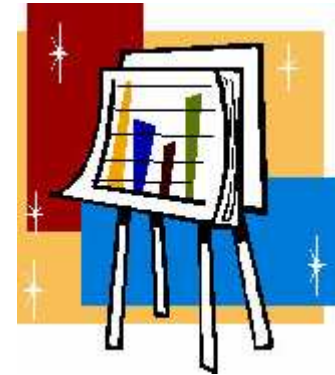
Supply/Value chain II

- **Iberdrola: “Supplier Contracting and Relationship Policy”**
 - UNGC; Assessment on quality, economic-financial situation, plus OHS, environment & social responsibility
 - CSR requirements are part of Iberdrola’s general contracting conditions
- **National Grid: “Human Rights policy”**
 - Pledge that suppliers need to respect fundamental rights
 - Increase practical implementation of principles
- **RWE: Code of Conduct applies to suppliers**
 - “works to enforce UNGC principles in business relationships”
 - Compliance officers, internal & external auditors



Supply/Value chain III

- **Statkraft: Ethical guidelines**
 - Monitoring and verification (incl. unannounced visits)
 - Sellihca – Nordic (incl. DONG, Vattenfall, FORTUM and E.ON) qualification system of suppliers, 2,000 approved suppliers
- **Vattenfall: Code for suppliers**
 - UNGC; register and self assessment
- **VEOLIA: “Purchasing charter”**
 - only business contracts when sure human rights are respected
- **ČEZ and DELTA**
 - No info on website



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Respondents on the effectiveness of CSR policies

- A majority considers their company's policy to be insufficient to tackle uncertainty among employees and climate change
 - CSR policy only image building
 - lack of willingness by the management to work on CSR
 - too much focus on shareholders
 - three respondents valued their company's efforts and promises for the future

Respondents on the effectiveness of CSR policies

- A majority also considers that trade unions could do more on CSR
 - Would appreciate more information exchange
 - CSR a matter of specialist of which employees feel not much connected with – bring in more expertise
 - Coordination and monitoring of CSR efforts could be improved
 - Positive response to electricity sector social partners' joint statement on CSR

Survey on EWCs and CSR

- Many respondents feel that CSR is generally understood to be beyond legal purpose of EWC
- Yet, almost all EWC members consider it important to be more directly involved in discussing CSR issues
- Advantages of discussing CSR issues in EWC:
 - make use of knowledge and cultural differences (unwritten national WC procedures & traditions)
 - combine efforts, more pressure
 - Danger: “Greenwashing”
- EWC agreements and references to CSR (e.g. EDF and GdfSuez) or points of departure (e.g. CEZ)



Survey on EWCs and CSR

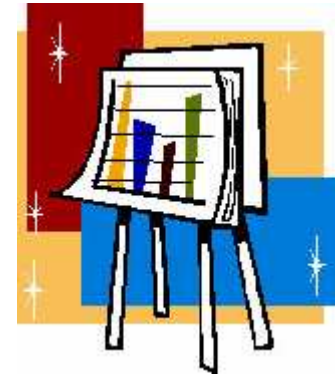
- Currently, the involvement of EWCs in developing/implementing CSR policies is unsatisfactory
 - Sometimes information, but rarely consultation (e.g. CSR report)
 - EWCs lack possibilities, mandate and resources
 - time and money
 - expertise to discuss CSR policies (prevent ‘green washing’)
 - mandate and/or expertise to monitor and evaluate practices





Survey on EWCs and CSR

- Some examples of EWC involvement in CSR development
 - EDF: Initially involved in negotiating IFA on CSR, but implementation done by Group Dialogue Committee on CSR
 - EWC secretary a member of the Dialogue Committee
 - GDF Suez: EWC supports national union negotiators monitoring IFA
 - But EWC only gets presentation of CSR report
 - E.ON & FORTUM: EWCs discuss CSR issues but not involved meaningfully in developing policy or CSR report
 - EVN: EWC discusses CSR issues but cannot overturn decisions
 - Vattenfall: EWC previously involved in CSR issues, but now largely impossible due to time/resource constraints
 - VEOLIA: no discussions as European committee is not operational (?)



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Recommendations for EWC Members

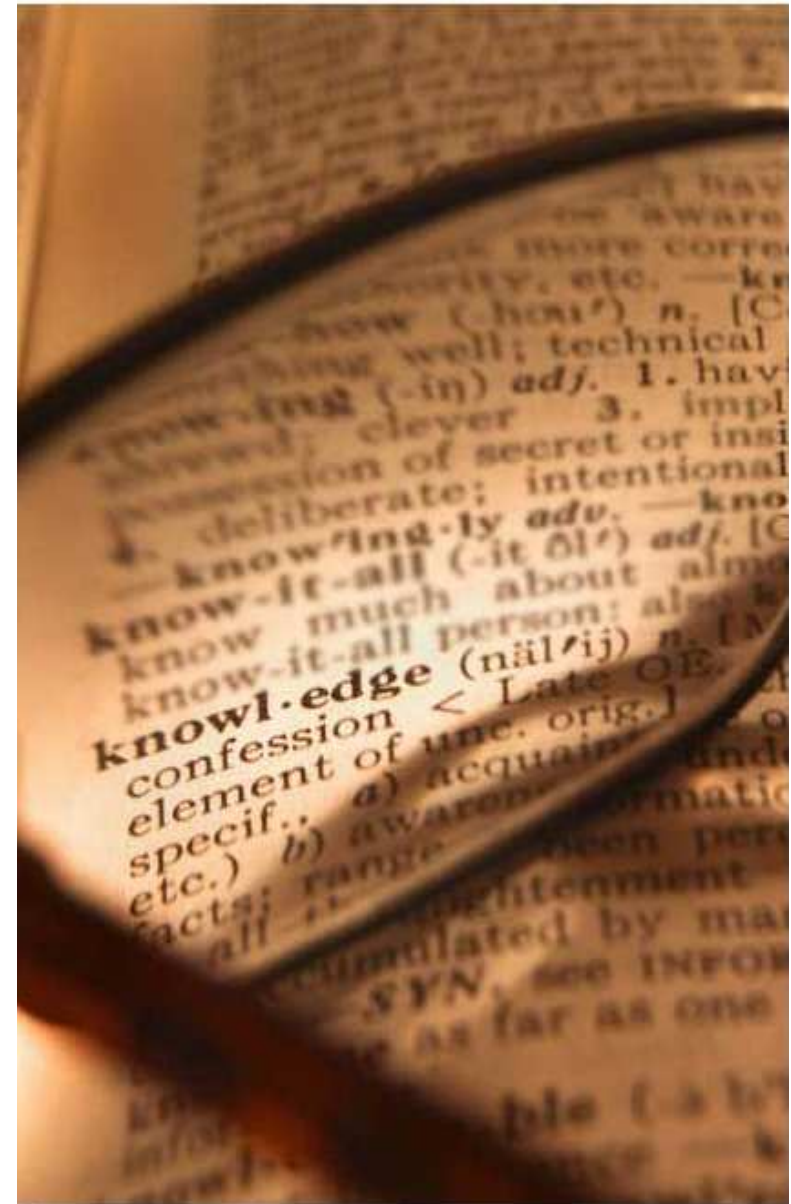
- Include CSR issues in (re)negotiated EWC agreements;
- Ask company management to directly involve the EWC in the development, implementation and monitoring of the company's CSR policy;
- Require impact assessments that assess social and environmental implications and impacts in developing countries in cases of restructuring, merger or acquisition proposals;
- Make use of trade unions and NGOs that have specific knowledge and expertise on CSR issues to be better prepared for negotiation on CSR issues and prevent green washing;

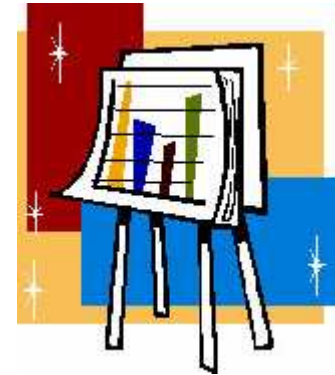
Recommendations for EWC Members

- If possible, nominate an employee representative to the company's board and ask that person to take CSR issues into account;
- Consider using the OECD Guidelines complaint procedure to directly engage company management if there have been violations of CSR standards and norms, including labour-related issues;
- Encourage transparent reporting by requiring your company to use the GRI G3 guidelines and the Electricity Utility Sector Supplement.
- Unions/EWC should seek to negotiate a CSR policy

Recommendation to trade unions

- Get more involved in implementation and verification of CSR agreements
- Develop toolkit or centre of expertise on CSR to assist EWC representatives in their efforts and negotiations on CSR
 - engage strategic coalitions of unions, NGOs and academics or other centres of knowledge





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Discussion points

- What can you (we) do to increase EWC influence in CSR? What's the next step?
- Which of the recommendations seem feasible / desirable?
- Are there other recommendations for EWCs and/or unions (national/international) you feel useful?
- Who feels like others can learn from their experience? Highlight advantages/best practices – success issues
- Centre of expertise and collaboration with NGOs and unions?



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Thank you for your attention!

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