

9 January 2012

EU STRATEGY 2011-2014 FOR CSR

KEY MESSAGES

- 1** CSR is driven by business, reflected in the growing number of companies integrating CSR into their business strategies, aware of the benefits of doing so.
- 2** EU policy should not interfere with companies seeking flexibility to develop an approach to CSR according to the specific needs of their stakeholders and their individual circumstances.
- 3** Current legal requirements on disclosure of non-financial information by companies are sufficient. Companies should be able to decide how to best communicate their CSR performance to stakeholders, according to the needs of target groups, the company's possibilities as well as a cost-benefit analysis.

WHAT DOES BUSINESSEUROPE AIM FOR?

- In the context of the European Commission's Renewed EU Strategy 2011 – 2014 for Corporate Social Responsibility (CSR) published on 25 October, BUSINESSEUROPE aims for the EU to support and promote the growing engagement of companies in CSR. This positive development is recognised by the EU.
- The priority for the future development of CSR should be on how it can help to improve business performance. This is the best way to ensure that companies continue to proactively respond to the needs of their stakeholders, to innovate in the area of CSR, and to encourage more companies to integrate CSR in their strategies and processes.

KEY FACTS AND FIGURES

<p>80% of the 250 largest enterprises worldwide now report on their social and ecological behaviour</p>	<p>Global reporting per year increased from almost zero in 1992 to 4,000 reports in 2010</p>	<p>Since 2005 the number of G250 companies engaging stakeholders in a formal way doubled to 62 per cent.</p>
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- EU policy should build on the practical approach that the European Commission has taken in its 2006 CSR Communication, including the CSR Alliance. The approach taken by the Commission in the newly launched strategy risks jeopardizing its great success of the last decade. European business encourages the EU to continue to follow the successful approach of the last years and to respect the voluntary nature of CSR.
- Companies deal with CSR on a global level, many following existing international frameworks and guidelines. Therefore, the EU should give precedence to the international level initiatives rather than trying to establish an overlapping European framework.



EU STRATEGY 2011-2014 FOR CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

1. The European Commission on 25 October published a Renewed EU Strategy 2011 – 2014 for Corporate Social Responsibility (CSR). This was part of a package of measures on responsible business, also including a Social Business Initiative and proposals to revise the Transparency and Accounting Directives.
2. The Strategy puts CSR in the context of the Europe 2020 Strategy, as well as reflecting on the links with the current economic crisis. It also sets a new EU definition of CSR, as the “responsibility of enterprises for their impacts on society”. The strategy presents an agenda for action between 2011 and 2014, as well as a monitoring process for implementation.

GENERAL REMARKS

3. As the Commission highlights, progress has been made in the development of CSR at company level, with reference, amongst others, to a growing number of enterprises signing up to the Global Compact, increasing membership of the Business Social Compliance Initiative and enterprises supporting the CSR Alliance. This is because there is a growing awareness amongst companies that CSR can have a positive impact on their short and long-term business performance. It can help to manage risks, and be a business opportunity, by giving a competitive edge on the market. Many companies are progressively integrating CSR into their company strategies, not because they are forced to do so, but because they believe in the benefits of doing so. Despite the current economic crisis, European companies show no signs of lowering their level of ambition in their CSR activity. BUSINESSEUROPE therefore strongly advocates a business driven approach to CSR.
4. The strategy links CSR to the objectives of the EU 2020 strategy for smart, sustainable and inclusive growth. CSR can be compatible with the EU 2020 strategy goals, if a business-driven, non-regulatory approach is retained. This means CSR remains a tool to help companies to contribute to dealing with internal and external social, environmental and economic challenges. This may include resource efficiency, innovation, improvement of skills and inclusive labour markets.
5. The strategy however, seems to be based on the assumption that the European business community at large is responsible for the current crisis, putting the onus on enterprises to mitigate the social impacts of the crisis. Furthermore it is repeatedly mentioned that the general public is perceived to have a deficit of trust in companies and that companies should repair this. Whilst we agree that the crisis may to some extent have damaged trust in a number of institutions and organizations, including business, nothing is put forward to substantiate these statements. Such statements therefore cannot be used to justify CSR obligations on companies across the board.



6. It is also important to mention that in several member states trust between employers and workers has in fact increased during the crisis, where employers have made efforts to retain staff, despite tough economic conditions, for example through short-term working schemes.
7. Any initiative in the field of CSR should be much more clearly focused on the positive role of business in society, rather than a perceived distrust in business. The positive role of business is in providing jobs and growth, and responding to the challenges, needs and desires of society and consumers in the services and products they provide.
8. The renewed EU strategy rightly recognises that the development of CSR should be led by enterprises themselves, that enterprises must be given the flexibility to innovate and to develop an approach to CSR that is appropriate to their circumstances, and that a strategic approach to CSR is increasingly important to the competitiveness of enterprises.
9. However, these statements are contradicted in the strategy and in some of the specific actions. This includes the new definition of CSR proposed by the commission. The previous definition - the integration of social and environmental concerns in business operations on a voluntary basis - led to progress in the development of CSR. The new definition disregards the achievements at EU level on the basis of the previous approach, which was based on a joint understanding within the EU Multistakeholder Forum.
10. In making specific reference to the need for enterprises “to have in place a process to integrate social, environmental, ethical, human rights and consumer concerns in business operations and core strategy”, the new definition assumes a sense of obligation from companies towards society beyond the existing framework. It also prescribes much more the aspects that companies should include in their approach to CSR. These two elements reduce the voluntary nature of CSR and provide less flexibility for companies to design their own strategies in this field. This change of approach may not only slow down or jeopardize the efforts made in the past but also the positive evolution for the coming years.
11. The strategy highlights the role of public authorities as creating market incentives for responsible business conduct not only through voluntary policy measures but also through complementary regulation. We believe that this more interventionist approach is not the right way forward, as CSR has an added value when it stems from a real belief at company level of its benefits for business performance. This added value cannot be created by public authorities.



REMARKS ON SPECIFIC ACTIONS

12. Following on from our active engagement during the development of the strategy, we are pleased to see that some of the actions suggested by BUSINESSEUROPE are included. In particular the pledge of the European Commission to support capacity-building for SME intermediary organisations to improve the quality and availability of CSR advice for SMEs, as well as the launch of a European award scheme on CSR. It can be a challenge to engage SMEs in the debate on CSR, not because there is a lack of willingness, but rather a lack of recognition that many of the actions they take are actually core elements of CSR. Therefore improving the practical advice to SMEs and making it more accessible, is vital.
13. In relation to trade issues, we agree that CSR can be addressed as part of the established dialogue with partner countries and regions with which the EU is conducting trade negotiations, however only in a general way and fully preserving its voluntary nature. Regarding any future proposals in the field of trade and development, we would oppose the introduction of legally binding CSR clauses in Free Trade Agreements, as they could be counterproductive. They would bring risks for EU companies wishing to invest in emerging markets and may deter them from investing in developing economies. This would be detrimental to the economic and social development of such countries. Moreover, companies take a horizontal approach with regard to CSR. Putting demands on companies regarding their CSR activities vis-à-vis individual third countries, does not fit with this holistic approach to CSR.
14. In relation to the review of public procurement legislation, we encourage the EU to continue using the current legal framework, which already enables social and environmental criteria to be taken into account in public procurement. We would not support the introduction of a direct or indirect obligation to include binding social clauses in public procurement contracts. It is important that the selection criteria for public procurement contracts remain linked to the subject matter of the contract. Softening or dropping the condition that requirements imposed by contracting authorities must be linked to the subject matter of the contract would steer contracts to certain suppliers, putting at risk the fundamental principles of non-discrimination and transparency.
15. Current legislation (as part of the Accounting Directive) on disclosure of non-financial information by companies is sufficient. There is a growing understanding and belief in companies that CSR transparency and stakeholder engagement have or could have a positive return. This dynamic development should not be impeded by more rigid requirements at EU level. A voluntary approach to transparency does not mean a lack of commitment. On the contrary, the great efforts made by companies to continuously improve transparency vis-à-vis employees, consumers, local communities, investors and society, show how much transparency and CSR has become a core issue in corporate activity.
16. There are various ways for a company to communicate CSR internally and externally. Depending on the company and relevant target groups, the need to make particular communication efforts also differs. Thus, the type and content of CSR communication is aligned to the company's possibilities, the needs of its



stakeholder groups and cost-benefit considerations. Any action should allow companies the flexibility to continue to seek out the best solutions jointly with stakeholders, avoiding a box-ticking exercise.

17. Those companies that have an understanding of CSR or are leaders in this field, can help other companies to understand the potential business benefits and challenges of CSR and how to make it part of business strategy and operations. This could be particularly useful for SMEs. However, this should only be facilitated through exchanges of experience or promotion of company CSR activities. Companies should not be held accountable for the behaviour of other companies, as suggested in the strategy. Neither should the request to European business leaders lead to the introduction of an EU framework for responsible business conduct. This demand of the European Commission also neglects the successful activities of business federations in promoting CSR and implementing the recommendations of the European CSR Multistakeholder Forum.
18. We welcome that any policy measures at EU level should take into account the many international frameworks, standards and guidelines which already exist in this area, which many companies follow. However, since these are voluntary instruments, the EU cannot oblige companies to commit to them. In addition, it is not appropriate to single out one particular framework, such as the ILO Tripartite Declaration, as this neglects the fact that different instruments provide different tools and companies should be able to choose the one(s) most relevant to their circumstances.
19. In addition, the different types of international guidelines, frameworks and standards, should not be put in the same basket. It is important to distinguish more clearly between instruments developed by public and private bodies, as well as the different roles of the EU and the ILO. In particular, any interpretation of ILO instruments should be based on the fact that they are directed at governments and not enterprises, and should not go beyond this.
20. We agree that it may be useful for the EU to facilitate exchanges on CSR between companies and stakeholders in individual sectors, with the aim of building constructive relationships and increasing understanding between those involved. There should however be no obligation for them to make public commitments, as this is more likely to lead to complex negotiations and conflicts, also questioning the voluntary nature of CSR.
21. Self- or co-regulation exercises can be a useful tool to focus on the specific challenges of a given sector and the needs of its stakeholders. They therefore reflect the diversity of CSR. However, we would not be in favour of the development of a code of good practice, which leads to the setting of specific criteria for such instruments. This would contradict their voluntary nature and their attractiveness. Moreover, the distinction between the approach, the character and the goals of company specific self-regulation instruments, those for specific sectors, and voluntary commitments for instance regarding environmental protection should be clearly recognized. These different types of instruments should not be put into one basket, as this will neither increase their effectiveness, nor will it be of added value for society.



22. The commission highlights that it will work with member states, enterprises and other stakeholders to monitor progress in implementing the specific actions. As part of its workplan, the multistakeholder forum coordination committee will be able to monitor the implementation by all parties which the strategy calls on to take action. Is this really a feasible and appropriate request to all stakeholders? The Commission must at least ensure that this is done in a constructive way without becoming a reporting exercise, as this is not the aim of a Commission communication. Additionally, the Commission should ensure that this does not cause administrative burden.
23. It is also crucial that in implementing the strategy, the Commission ensures that there is a more coherent approach to CSR across DGs. The role of DG Enterprise as driving the CSR agenda and facilitating a multistakeholder approach should be maintained.