

**CORPORATE SOCIAL RESPONSIBILITY**

**UNICE POSITION**

**EXECUTIVE SUMMARY**

- It is widely recognised by the business community that companies are corporate citizens and need to act responsibly towards various stakeholders. Ethical, social and environmental considerations have to be part of strategic decisions to invest or do business, and of a company's day-to-day management.
- Many companies are, on a voluntary basis, increasingly developing their own corporate principles, codes of conduct or similar internal management guides. Others pursue good corporate governance in less formal ways. European companies have a long history of adopting voluntary initiatives that go beyond what is required by legislation, internationally developed standards and the traditional role of enterprises.
- There is no "one size fits all" approach to CSR. In order to be successful, CSR policies must be developed from within the organisation and be adapted to its specific characteristics and circumstances. Fostering "coherence" is not a suitable or useful goal in an overall strategy to promote CSR and would hamper creativity.
- It is also essential that companies are free to decide the most appropriate method to monitor implementation of their CSR policy, check whether the objectives pursued are achieved and communicate these results internally and externally. A move towards the definition of standards for social reporting and social auditing at EU level would be unjustified and run the risk of turning voluntary initiatives of companies into a pro-forma exercise, kill creativity, and impose significant cost on companies without bringing any of the desired results.
- CSR is and must remain business-driven. UNICE therefore strongly opposes any attempts to create a European approach to or framework for CSR, which it deems inappropriate and unjustified. A prescriptive or regulatory approach or framework-setting could undermine business commitment to CSR, while a voluntary approach, will firmly embed sustainable good practice within a business. CSR must be developed from within a company, it is not a discipline that can be imposed.
- The European Commission can, however, effectively contribute to the promotion of CSR by fostering the exchange of experiences and good practices between companies at EU level. It is only through recognising companies' efforts in the field of CSR and acknowledging the fact that they develop their individual policies that CSR can and should be promoted.



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**CORPORATE SOCIAL RESPONSIBILITY****UNICE POSITION****INTRODUCTION**

1. UNICE has noted the Commission Green Paper on corporate social responsibility (CSR) and welcomes it as a recognition of the importance of business activity in this field. Through the Green Paper, the European Commission wishes to explore ways to promote CSR throughout the EU. More concretely, the Commission aims at defining a European approach to CSR. It suggests an overall European framework, promoting the quality, coherence, effectiveness, credibility and transparency of CSR practices.
2. The core role of companies is to provide goods and services and be profitable and competitive, so as to create the necessary wealth to reward investment and generate employment in the countries in which they operate. But companies have long realised that achieving sustainable success necessitates more than a focus on financial returns. Responsible business conduct is therefore part of companies' daily lives.
3. Today, companies are expected to live up to demanding and complex expectations in terms of both competitiveness and societal wishes. Corporate citizens need to act responsibly towards various stakeholders. Ethical, social and environmental considerations are part of companies' management strategies. Ignoring this may prove detrimental to their reputation and relations with relevant stakeholders as well as to their ability to produce competitive products, generate wealth and attract or retain qualified staff.
4. Many companies have therefore developed tailor-made responses and, formally or otherwise, defined core values for doing business to which they commit themselves. CSR is business-driven.
5. In order to be successful, CSR policies must be developed from within the organisations and be adapted to their specific characteristics and circumstances. Companies' policies will differ according to their size, the situation in the countries in which they operate, the type of business, etc. There is no "one size fits all" approach to CSR.
6. Recognition of these facts has to form the basis of any debate on CSR.

**THE CONCEPT OF CSR**

7. Corporate social responsibility is a term commonly used in a comprehensive societal context. It refers to the behaviour of companies in relation to various stakeholders,

such as customers, employees, suppliers, contractors and business partners, shareholders, local communities, governments and public authorities, trade unions, NGOs and society at large. Companies may be faced with different and sometimes contradictory expectations of various stakeholders and the challenge to weight, prioritise and reconcile the different interests.

8. Responsible business conduct is inextricably linked to the three pillars of sustainability relating to economic, environmental and social considerations. The challenge is to find solutions reconciling these three pillars.
9. European companies have a long history of adopting voluntary initiatives that go beyond what is required by legislation, internationally developed standards and the traditional role of enterprises. In many instances, these initiatives are closely linked to the company's core competences, so as to naturally complement its key activities. In the case of business operations in third countries, these voluntary initiatives often compensate failures of local public authorities to fulfil their own role.

#### **IS GREATER COHERENCE NECESSARY TO IMPROVE EFFECTIVENESS OF CORPORATE RESPONSES?**

10. The Green Paper suggests that greater convergence or coherence in these voluntary approaches could improve their effectiveness and reliability. Such a claim is simplistic and points in the wrong direction.
11. Each company must be able to choose and define its own approach to corporate responsibility. The nature of a company's operations, its operating environment, the legislative framework, its own values and goals, the demands of various stakeholders will affect the substance of corporate responsibility and shape a company's approach. Companies must be able to set different goals for different issues, in line with the demands facing them and their capacities to respond.
12. Moreover, corporate practices must be owned by management and shared by employees if corporate values are to be truly adhered to. Commitments are developed from within the organisation and can therefore only be company-driven. This is an important condition for their effectiveness.
13. It should also be noted that companies' approaches are not static but will develop and be refined on a continuous basis, as new situations and challenges arise.
14. Moreover, what suits a large business will not necessarily be suitable for a small company. For example, it may make sense for a large company trading on the international market to adopt formal corporate governance principles for all its operating centres, whereas a small company may not need formal internal procedures to ensure good corporate governance within the enterprise and at local and regional level. Moreover, MNEs may be able to take voluntarily certain measures that go beyond what a small company can do.
15. As far as SMEs are concerned, the European Commission should acknowledge that CSR is also a living reality at SME level that exists without codes of conduct or a European framework. SME approaches are developed in a specific regional and local context. They may be less formal and are often not widely publicised, but have a considerable positive impact. It needs to be recognised that SMEs make important contributions to the economic and social fabric of the country in which they operate.
16. Consequently, there is no "off-the-shelf" single solution for business that could be promoted and little room for standardised responses, if a CSR practice is to be successful and dynamic. Fostering coherence does not seem to be a suitable or

even useful goal in an overall strategy to promote responsible business practices. Actual behaviour is what really matters.

## **HOW TO ENSURE CREDIBLE AND TRANSPARENT CSR APPROACHES**

17. When a company voluntarily decides to introduce CSR policies, for example in the form of a code of conduct, it is essential that the enterprise is free to decide the most appropriate method to monitor implementation of its policy, check if the objectives pursued are achieved and communicate these results internally and externally.
18. UNICE fully agrees that companies which decide to introduce voluntary corporate principles, codes of conduct or similar tools, should ensure that they are effective. Companies should also make sure that the information that they disclose is accurate.
19. However, while some companies prefer to involve third parties to help verify or certify a company approach, the vast majority of businesses use 'in-house' auditing procedures, which often involve the company's internal stakeholders. 'In-house' auditing procedures are an integral part of business operations, with a high level of accuracy and credibility. Internal follow-up mechanisms are as legitimate as external auditing procedures, with the advantage that they are usually less onerous in terms of administrative and financial burdens. UNICE therefore asks the European Commission to take into account the existence of a variety of external and internal monitoring and evaluation methods, which all have their legitimacy. It is important to leave the company the choice of adopting the method it deems most appropriate and efficient.
20. Many large companies which have opted for a formalised CSR policy are working to develop models for social reporting, using a triple bottom-line approach. However, UNICE stresses that each company must individually assess whether an annual social report is appropriate.
21. UNICE would not be in favour of defining standards for social reporting and social auditing at EU level. Firstly, as stated above, companies that implement voluntary practices must also be free to choose how they verify them and communicate on them. Moreover, the variety of companies' approaches would make it difficult to agree on a single social reporting framework. Any imposition of EU-wide social reporting or auditing requirements would be unjustified. It would also turn voluntary initiatives of companies into a pro-forma exercise, kill creativity, and impose significant cost on companies without bringing any of the desired results.
22. Furthermore, it is not necessary to think in terms of regulation or standardisation. It should be recognised that companies are increasingly exposed to public scrutiny and the need to communicate with society at large. Company websites and electronic fora play an important role in fostering transparency and business' dialogue with a variety of stakeholders. Market and societal pressures to constantly assess and improve their performance as a corporate citizen are high. Any misbehaviour will quickly prove detrimental and will be disapproved by investors, consumers and other stakeholders.
23. Some companies may also voluntarily choose labelling as a means to increase transparency, if it fits their business activities and market conditions. However, as the Commission rightly points out, labelling is only possible for certain products and niche markets. Firstly, the more complex the product, the more difficult it is to control all the supply chain at a reasonable cost. Secondly, the vast majority of customers may simply not be able or willing to pay higher prices for some products. Contrary to what the Commission seems to imply, ensuring better coherence of social or environmental labels will not help to overcome these difficulties.

## **MAIN ACTORS AND STAKEHOLDERS**

24. UNICE recognises the importance of an active and open dialogue with various stakeholders in the development of CSR approaches. However, the responsibility of companies vis-à-vis this variety of stakeholders cannot all be put on the same level. The legitimacy of these stakeholders will also vary.
25. By involving their stakeholders in a dialogue, companies in turn will expect responsible and constructive contributions. If companies are to be able to demonstrate CSR, stakeholders and other interest groups must also contribute to creating an atmosphere conducive to dialogue.
26. Many companies are active in promoting corporate responsibility to their subcontractors and suppliers. Like “good neighbouring schemes”, such approaches can be effective measures to stimulate responsible business conduct. However, in view of the enormous diversity in many supply chains and the large number of suppliers or subcontractors, companies cannot always be expected to control the whole supply chain or reasonably be held responsible for every element in it. There are practical and legitimate limits, which must be recognised.

## **THE ROLE OF GOVERNMENTS**

27. The Green paper focuses mainly on the responsibilities of companies. Nevertheless, UNICE stresses that the Commission fails to address an equally important issue: the role and responsibilities of governments. UNICE insists that any debate on CSR has to respect the distribution of roles between companies and governments. It should be recognised that CSR is not about shifting public responsibilities on to private companies.
28. It is a clear responsibility of national governments to promote democracy and the respect of human rights, to provide the appropriate legal framework for protecting the social and economic rights of their citizens, to create a climate conducive to economic and social progress and to provide appropriate infrastructures. Where the framework in place in a given country is seen by the international community as inappropriate or insufficiently enforced, the main responsibility for trying to induce changes in that country's policies lies with governments, international institutions or the EU. It is their task, bilaterally or via the various routes available to them, to work towards improving the situation in those foreign countries which come under criticism.

## **A ROLE FOR THE EU**

29. Common principles for responsible business conduct have been established at international level, within the framework of OECD, ILO and the UN. These initiatives are widely recognised in the business community and often considered as a source of inspiration when companies draw up their own approaches.
30. In the light of work already undertaken at international and national level, UNICE would not consider it opportune to launch separate initiatives at EU level, adding another layer to ongoing debates. The development of a Commission-sponsored code would, for example, ultimately only serve to compound what the Green Paper identifies at the same time as a ‘problem’: the proliferation of initiatives.
31. However, the European Commission could play an important role in supporting fora for the exchange of good practices between companies. Such an exercise should not seek to promote coherence towards “best practices”. It should simply support an

exchange of experiences between companies and help to make CSR practices visible so that companies can learn from each other and are encouraged to define their own suitable approaches.

32. Furthermore, the European Commission, together with EU governments, can play a role in encouraging the development of appropriate legal frameworks for protecting the social and economic rights of citizens, and the creation of a climate conducive to economic and social progress in those countries that come under criticism.
33. With regard to core labour standards, ILO must remain the competent organisation to define international standards and the mechanisms of ILO are the appropriate tool to ensure their implementation. UNICE supports the approach proposed in the Commission Communication on trade and core labour standards<sup>1</sup> which consists in:
  - a. actions at international level (improving ILO mechanisms, increased support by the EU to technical assistance programmes of ILO, etc.);
  - b. actions at EU level (strengthening of the mechanism to encourage respect of core labour standards within GSP, better integration of core labour standards into the EU development policy).

## CONCLUSIONS

34. Companies are corporate citizens and need to act responsibly towards various stakeholders. Ethical, social and environmental considerations have to be part of strategic decisions to invest or do business, and of a company's day-to-day management.
35. Many companies are, on a voluntary basis, increasingly developing their own corporate principles, codes of conduct or similar internal management guides. Others pursue good corporate governance in less formal ways. The approaches to and levels of CSR vary, and are influenced by a multitude of factors.
36. It is only through recognising companies' efforts and acknowledging the fact that companies develop their individual policies that CSR can and should be promoted.
37. UNICE strongly opposes any attempts to create a European approach to or framework for CSR, which it deems inappropriate and unjustified. CSR is and must remain business-driven. A prescriptive or regulatory approach or even framework-setting could undermine business commitment to CSR, while a voluntary approach, will firmly embed sustainable good practice within a business. CSR must be developed from within a company, it is not a discipline that can be imposed.
38. UNICE sees however a twofold role for the European Commission:
  - it should, together with national governments, encourage third countries to create a climate conducive to economic and social progress;
  - it can effectively contribute to the promotion of CSR by fostering the exchange of experiences and good practices between companies at EU level.

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<sup>1</sup> "Promoting core labour standards and improving social governance in the context of globalisation", COM(2001) 416 final of 18 July 2001.