

**COMMUNICATION FROM THE COMMISSION CONCERNING CORPORATE SOCIAL
RESPONSIBILITY: A BUSINESS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT
UNICE COMMENTS**

Summary

Business, large or small, has an important role to play in contributing to sustainable economic, environmental and social development in the societies in which it operates.

UNICE therefore generally welcomes the Commission communication on corporate social responsibility (CSR). UNICE agrees with a number of proposals the Commission makes to bring the issue of CSR forward, but not all of them.

UNICE draws attention to the fact that a Community strategy to promote CSR can only be developed in respect of a number of business essentials and by respecting the roles that various stakeholders can legitimately have in this process. If this is ensured, UNICE will engage actively in the process the Commission wishes to launch at European level. Regardless of this, UNICE and its member federations are committed to promote responsible business conduct and play their role as responsible employer and business organisations.

In order to be successful, a European strategy to promote CSR must be geared towards recognition of the multiple CSR efforts of business and towards motivating business to (further) develop their own tailor-made CSR policies and dynamic and innovative solutions.

Activities at European level must focus on increasing knowledge about the business case(s) for CSR, increasing knowledge about CSR practices and instruments and fostering exchanges of experiences. If carefully organised, in a way that will find support among all its stakeholders, the European Multi-Stakeholder Forum could be instrumental in this respect.

A focus on artificial creation of convergence of CSR practices and instruments should be avoided. It is not convergence that is key for enhancing transparency and accountability of CSR practices and instruments. Convergence, if needed, should be market-led if the essence of CSR is to be preserved.

The business community is aware of current and future challenges linked to CSR and the need to deliver appropriate responses. Challenges facing companies with regard to transparency and accountability of their CSR policies are being taken up by companies themselves and are most effectively addressed through market-driven responses.

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1. Introduction

In its communication "Corporate Social Responsibility: a Business Contribution to Sustainable Development" (COM(2002 347 final) the Commission proposes to develop, in cooperation with a large number of stakeholders, a European strategy to promote corporate social responsibility (CSR).

The Commission proposes to build this strategy on a number of principles, such as:

- recognition of the voluntary nature of CSR;
- need for credibility and transparency of CSR practices;
- focus on activities where Community involvement adds value;
- balanced and all-encompassing approach to CSR, including economic, social and environmental issues as well as consumer interests;
- attention to the needs and characteristics of SMEs;
- support for and compatibility with existing international agreements and instruments (ILO core labour standards, OECD guidelines for multinational enterprises).

The Commission proposes furthermore to focus the strategy on the following areas:

- 1) increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries;
- 2) developing the exchange of experience and good practice on CSR between enterprises;
- 3) promoting the development of CSR management skills;
- 4) fostering CSR among SMEs;
- 5) facilitating convergence and transparency of CSR practices and tools;
- 6) launching a Multi-Stakeholder Forum on CSR at EU level;
- 7) integrating CSR in Community policies.

2. General comments

UNICE welcomes the recognition by the Commission in its follow-up communication on CSR of the multiple efforts undertaken by companies to develop their CSR policies and the important contribution that business can make to sustainable development.

UNICE also welcomes the fact that the Commission, in its new communication on CSR, explicitly refers to a number of fundamental principles that must guide and inform any debate on CSR at European level.

It remarks however some contradictions in the communication as to the actual commitment of the Commission to respect those principles and some confusion about the role the Commission can and should seek to play within the framework of a strategy to promote CSR. UNICE believes that a more thorough reflection needs to be undertaken as to where the Commission can truly add value and to what extent the creation of a European dimension in the debate on CSR can add value and is justified. Moreover, in line with the subsidiarity principle, thought also needs to be given to the most appropriate level for promoting CSR.

Business essentials for CSR

For UNICE, recognition of the following fundamental principles is essential in the European debate on CSR:

- CSR is voluntary and business-driven.
Companies perform their social function first and foremost through creation of wealth and employment; they do this within the existing legal framework. In parallel to its statutory obligations, each company can develop other social or environmental activities to the service of society. However, this additional effort must remain voluntary.
- 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. Moreover, these policies will not be static, but develop and be refined on a continuous basis, as new situations and challenges arise.
- CSR is inextricably linked to the three pillars of sustainability relating to economic, social and environmental considerations. The multi-disciplinary character of responsible business conduct and its potential for improving companies’ total performance make CSR a horizontal issue, which should consequently also be explored horizontally at Commission level and be seen in the light of the Lisbon competitiveness agenda.
- Moreover, with companies operating throughout the world, CSR needs to be seen in a global rather than a purely European context. Various initiatives – as demonstrated by OECD, ILO and the UN Global Compact – underpin the global nature of CSR and the need for holistic and flexible approaches.
- CSR is not about shifting public responsibilities on to private companies. A debate on CSR has to respect the distribution of roles between governments and companies: it should not overlook the responsibilities of governments and multilateral organisations *themselves* when it comes to the promotion of democracy and human rights, and the creation of a climate conducive to social and economic progress.

Promoting CSR

UNICE welcomes the idea of promoting the concept of CSR throughout Europe and beyond. It highlights the fact that the Commission must target activities promoting CSR where it can add value. UNICE therefore stresses that the Commission’s activities must focus on:

- a) increasing knowledge about the business case(s) for CSR;
- b) fostering exchanges of experiences between companies and between companies and other stakeholders;

- c) increasing knowledge about CSR practices and instruments.

UNICE welcomes the attention given in the communication to the particular situation of SMEs and the proposed ways to bring the concept closer to the attention of SMEs. An assessment should however be made as to whether SMEs will not be reached more effectively through national, regional or local rather than European initiatives.

Policies in support of CSR should respect the voluntary nature of CSR and not be mixed with other policies pursuing different objectives.

UNICE also fully supports the idea of promoting the development of CSR management skills through appropriate channels as well as the idea of fostering research on CSR at European level, which are crucial elements of an overall strategy to promote CSR.

3. On the issue of convergence of CSR practices and instruments: no need for public-authority-led convergence

UNICE strongly disagrees with the Commission's focus on fostering *convergence of CSR practices*, as it already highlighted in its position paper on CSR dated 26 November 2001. The claim that there needs to be convergence of CSR practices is simplistic and disregards one of the fundamental principles linked to CSR: there is no "one-size-fits-all" approach.

UNICE recalls that, in order to be successful, companies' CSR policies must be developed from within the organisation, responding to the concrete situation in which each company finds itself. Development of a CSR policy is a dynamic process, influenced by market conditions, the local setting, national frameworks, cultural and historical aspects, etc. Each company must therefore be able to choose and define its own approach to corporate responsibility. This having been said, it needs to be noted, of course, that 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 a source of inspiration when companies draw up their own approaches.

UNICE highlights moreover that the Commission communication is in itself quite contradictory, recognising on one hand that there is no "one-size-fits-all" approach to CSR and advocating convergence on the other.

UNICE also does not support the Commission's proposal to promote *convergence of CSR instruments*. The Commission argues that the proliferation of different instruments (such as management standards, labelling schemes, reporting initiatives, etc.) that are difficult to compare is confusing for business and other stakeholders as well as society as a whole, and that this may constitute a source for market distortion. UNICE does not agree with this view. It should be recalled that CSR refers to responsible business practices going beyond compliance with legislation in force in the countries of operation. CSR policies are increasingly being developed as an element of competitiveness. The diversity of approaches and instruments is an expression of the innovative and dynamic character of companies' CSR initiatives and a reflection of the multiple different contexts in which companies operate. Taking this into account, the diversity of CSR practices and instruments cannot be regarded as a potential source for market distortion.

Finally, it must be noted that the complexity of the CSR issue, the varying contexts in which companies operate and different expectations of stakeholders have led to the development of a number of CSR instruments, often with business support. This is an ongoing process, which illustrates less an affirmed need for convergence of instruments but rather a real need

for a variety of instruments and innovative solutions, for which companies can opt if they so wish. Should the variety of instruments lead to challenges in terms of transparency or communication with the market place, experience has shown that the business community itself is capable of designing methods to deal with these challenges. Convergence, if needed, should be market-led if the essence of CSR is to be preserved.

4. Bottom-up approach to transparency and accountability of CSR practices

With regard to the Commission's reaffirmed objective of increasing transparency and accountability of CSR practices, it should be noted that it is in the interest of companies themselves to ensure transparency and accountability: companies are increasingly exposed to public scrutiny and faced with the need to communicate with stakeholders. Market and societal pressures to constantly measure, assess, improve and communicate their performance as a corporate citizen are high. Any misbehaviour will quickly prove detrimental and will be disapproved of by investors, consumers and other stakeholders.

However, each individual enterprise is, and must be, free to decide the most appropriate method to monitor implementation of its CSR policy, check whether the objectives pursued are achieved and communicate these results internally and externally. There is no room for prescriptive approaches.

At international and other levels, several initiatives, driven by business consultants, companies and stakeholders, aim at developing voluntary reporting methods that can be taken up by companies if they so wish. So far, this work has demonstrated how difficult and complex the task of developing such methods is. It must also be noted that there is not yet an emerging consensus on the most appropriate method to follow. UNICE therefore sees no benefit in attempts to formalise one approach against another or in duplicating ongoing work by attempts to develop "guidelines and criteria" for CSR measurement, reporting and quality assurance/verification at European level.

The development of benchmarks for measuring and comparing companies' CSR performance should be left to companies themselves and appropriate organisations which already deal with this issue today (financial sector, consultants). Moreover, since CSR is voluntary and CSR benchmarking is a market-driven trend, there is no need for particular public authority intervention.

Some companies may voluntarily choose labelling as a means to increase transparency, if it fits their business activities and market conditions. UNICE recalls however that 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. The true challenge for a company using such a tool lies in ensuring that the label is readable/understandable and credible.

To conclude, UNICE stresses that challenges facing business such as transparency and accountability of its CSR practices will be taken up by business itself. Whereas it is useful to have a debate about these challenges, there is no need for specific public authority intervention. These challenges will and have to be addressed through market-driven responses.

5. Specific comments on the delineation of government and business responsibilities and on the international dimension of CSR

Whereas the Commission recognises that “adopting CSR is clearly a matter for enterprises themselves”, it claims that there is a role for public authorities and moreover, for “CSR public policies” (a term which may be considered a contradiction in itself) to help shape globalisation in a positive way. UNICE concludes from this that there is still some confusion throughout the communication about the respective role of companies on the one hand and of governments/public authorities on the other.

Whereas the OECD guidelines for multinational enterprises and the principles and values they outline are widely recognised in the business community, the Commission’s invitation to more generally link access to subsidies for international trade promotion, investment, export-credit insurance, and access to public procurement at national level more and more to adherence to and compliance with these particular guidelines is seen with some concern. De facto, this could mean an alteration of the voluntary character of the guidelines and the imposition of one particular guideline model. This also points to a more fundamental contradiction inherent in the Commission communication: recognition of the voluntary nature of CSR on one hand and the call for the introduction of varying degrees of conditionality on the other.

In its communication, the Commission makes reference to the ILO core conventions and the UN declaration of fundamental human rights, which businesses support and should respect in their operations.

It must be highlighted at the same time that it is primarily a responsibility of governments to promote democracy and human rights, to adopt and enforce international conventions and provide the appropriate legal frameworks for protecting the economic and social rights of their citizens. These public responsibilities cannot simply be shifted on to private companies.

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, relevant international bodies or the EU.

This does however not rule out a responsibility on the business side. Companies operating in those countries widely recognise their responsibility to do business in accordance with generally accepted, often international, principles of responsible business conduct.

Equally, a debate on CSR should not overlook the responsibilities of NGOs, both to be fully representative and accountable for their own activities and conduct, and to base their work on sound research and positive engagement with both government and the business community.

6. Specific comments on the proposal to create a European Multi-Stakeholder Forum on CSR

The centrepiece of the communication on CSR is the proposal to create a European Multi-Stakeholder Forum on CSR.

UNICE recalls that multi-stakeholder fora to debate CSR issues already exist at national as well as at international level. With companies operating globally, any debate on CSR at European level cannot be separated from the ongoing global debate.

UNICE stresses that activities at European level that will bring major stakeholders together must focus on:

1. raising the level of understanding of CSR by fostering dialogue between the business community, trade unions, NGOs and other relevant players;
2. raising awareness about the variety of existing, widely recognised CSR instruments and initiatives;
3. fostering exchanges of experiences and exchanges about CSR practices and instruments, thereby enabling a constructive dialogue about concrete cases and issues.

UNICE stresses furthermore that the European Multi-Stakeholder Forum, which will be composed of a large number of different organisations, European and international, with varying degrees of representativeness, can only serve as a place for open debate about various CSR issues and for exchange of experiences. A starting point for the debate should be to develop clarity on the concept and an atmosphere of trust and cooperative spirit, and to raise the level of understanding of CSR, its benefits and complexity.

It would however be inappropriate to conceive the Forum as a place where the participants are expected to conclude agreements or define guidelines or guiding principles or a “common EU approach”. In order to be successful, activities promoting CSR at European level must focus on encouraging businesses in the development of their own tailor-made CSR policies and fostering innovation. Businesses should be encouraged and not hindered in their attempts to find dynamic and innovative solutions.

A balanced composition of the Forum and particularly its Round Tables is an important factor for the Forum’s success. Ensuring appropriate involvement of employer and business organisations is crucial, as is the active involvement of a large number of CSR practitioners from companies, an element which deserves strong emphasis. It would be a fundamental error to disregard the fact that CSR is business-driven and essentially a company management issue, and therefore that companies have an essential role to play in informing the debate. As a consequence, 50% of the seats in the Forum and Round Tables must be allocated to representatives of the business community.

Major stakeholders will have to agree jointly, and in advance, upon meeting agendas and issues for discussion within the Forum. The number of issues chosen should not be too large, in order not to run the risk of creating an unmanageable number of Round Tables. For practical and organisational reasons, the Round Tables need to be launched successively and in a balanced way.

The Chair of the Forum and of each of the Round Tables must be independent and neutral, and not attempt in any way to pre-empt the debate.

UNICE looks forward to discussions in the coordination committee to organise the Forum in the most logical, effective and transparent way. Appropriate time needs to be given to designing the follow-up structure and preparing future work, in order to get the process off on the right foot and establish the Forum as a useful place for debating CSR and for taking the promotion of CSR forward at EU level.

7. Conclusions

Business, large or small, has an important role to play in contributing to sustainable economic, environmental and social development in the societies in which it operates.

UNICE therefore generally welcomes the Commission communication on CSR. It agrees with a number of proposals the Commission makes to bring the issue of CSR forward, but not all of them.

UNICE draws attention to the fact that a Community strategy to promote CSR can only be developed in respect of a number of fundamental principles which UNICE has highlighted in this paper, and by respecting the roles that various stakeholders can legitimately have in this process.

If this is ensured, UNICE will engage actively in the process the Commission wishes to launch at European level.

Regardless of this, UNICE and its member federations will continue to promote responsible business conduct and play their role as responsible employer and business organisations.