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### **EUROPEAN BUSINESS SUPPORTS TRANSPARENCY**

#### PART I: TRANSPARENCY IS THE FUTURE

1. With the European economy going through the deepest recession in decades, transparency and corporate social responsibility (CSR) in general can help rebuild the trust in businesses that has to some extent been damaged by the crisis.
2. In light of this, BUSINESSEUROPE welcomes the Commission's recent initiative to discuss transparency and disclosure of environmental, social and governance (ESG) information in a series of workshops in autumn/spring 2009-10 as well as the path to be pursued in this field.
3. In the wake of the financial and economic crisis, voices are raised against irresponsible behaviour, lack of transparency or insufficient regulation. Due to the systemic nature of the financial crisis, adequate transparency and improved standards are crucial to restore confidence and stability in the financial sector. However, this should not be confused with introducing CSR regulation as a preventive measure to generate more responsible companies. On the contrary, this could prove counterproductive and other methods should be explored.

#### PART II: MODERN BUSINESS IS TRANSPARENT BUSINESS

4. Companies today consider transparency a fundamental element in their business strategy. It allows them to communicate their unique corporate conduct and performance and to engage in dialogue with those affected by the company's decisions, both internally and externally.
5. During recent years, more and more companies across Europe have become increasingly transparent about their business operations and their supply chains. They have understood that it is a good way to identify costs, risks and possible solutions. But each individual company provides transparency in its own unique way. This is because the type and shape of communication and stakeholder dialogue depends on the size of the company, the ownership structure as well as on the sector and the markets in which it operates – and thereby which audiences it needs to reach.
6. A small local company does not use explicit communication because the local community can see the modus operandi on a daily basis. By contrast, a multinational enterprise is held accountable by a worldwide audience and needs to communicate more widely. It might therefore publish CSR reports on its business operations and its supply chains, making this information available on websites, or organise focus groups to interact directly with consumers, suppliers, NGOs, policy-makers, etc.
7. Whether it is a business-to-business company (B2B) or business-to-consumer company (B2C) is also a decisive factor. A B2B company mainly communicates to



other businesses and is held accountable by them through conditional orders, demands for sustainable methods of production, etc. B2C companies communicate with and are answerable to a wider public, in particular their customers, which shows through in informative labelling, Internet hotlines, etc.

8. Because of the great differences among companies and the settings in which they operate, harmonised transparency indicators cannot be recommended. Only a very pragmatic approach will help the individual company to find the appropriate communication strategy, allowing it to take account of the high risk involved in terms of market positioning and information revealed to possible competitors.
9. While companies across Europe are well ahead on transparency and stakeholder involvement, not all companies active in CSR choose to widely communicate or report on their activities. Some companies believe that advertising their CSR activities would devalue their efforts in this area. Other companies, and this is particularly true for SMEs, do not have the necessary resources or skills to report on their activities.

### PART III: LOOKING AHEAD

10. Transparency and CSR is a relatively young discipline but, with rising consumer demands and growing awareness from civil society, it is a discipline that will evolve further. Even today, voluntary reporting is mainstream among large companies and it is expected to become more common in smaller firms in the near future.<sup>1</sup>
11. Consequently, BUSINESSEUROPE finds it pivotal that all initiatives support and encourage the dynamic development that is unfolding.
  - Policy-makers should facilitate dialogue as well as disseminate examples of best practice and the latest research, both within EU and internationally as many European businesses operate on global markets.
  - In this respect, the European Commission has already taken the first step together with the business community by establishing the CSR Alliance. The work of the Alliance, focusing on practical and business-oriented solutions through partnership and exchange of experience should be strengthened in close cooperation with the Alliance partners.
  - Furthermore, policy makers should ensure that the need of information by stakeholders does not entail unworkable bureaucracy for the providers of this information, the businesses. Companies should be able to show transparency in a shape and form that suits the individual company, its sector and markets without having to worry about harmonised report templates, standardised transparency indicators, etc.
  - Finally, greater focus should be put on developing practical tools that facilitate and encourage voluntary transparency initiatives by small businesses, taking into consideration the limited resources of SMEs.

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<sup>1</sup> KPMG International Survey of Corporate Responsibility Reporting 2008