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IS EUROPE AT A TURNING POINT FOR CORPORATE REPORTING? THE VOICE OF STAKEHOLDERS

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Introductory comments

- 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.
- 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.
- In line with this, transparency about CSR is also making progress. This is for example demonstrated by the rapid increase in CSR-reports since the mid-1990s. According to a 2011 study by KPMG, 95% of the 250 largest enterprises worldwide now report on their social and ecological behaviour. And we are convinced that this trend will continue.
- BUSINESSEUROPE is disappointed by the European Commission's decision to propose a legislative initiative on disclosure of non-financial information.
- The proposed regulatory approach is running the risk of de-motivating all companies that have embarked on genuine CSR activities on their own.
- Instead of applying a ticking-the-box approach, the business-driven purpose of CSR - to contribute to business goals by addressing social and environmental challenges over and above what is required by law - must be safeguarded.



Business key concerns

1. Maintaining the voluntary nature of CSR

The success of CSR lies within its voluntary nature. CSR has always been business driven, since business has to adapt its CSR activities to very individual and specific situations.

In 2011 the renewed strategy on CSR for 2011-2014 seemed 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.

By contrast, we believe that 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.

In particular, we have concerns about the **EU definition of CSR**, used by the Commission in its communication of 2011, as “responsibility of enterprises for their impacts on society”. 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.

2. Recognising the link between CSR activities and reporting on CSR

Some of you may say that the voluntary nature of CSR activities is not affected by a mandatory reporting on CSR.

However, by making reporting on specific CSR areas mandatory, the draft directive would of course put pressure on companies to put a CSR policy in place to tackle these issues.

And this will happen regardless of whether these issues are relevant to the company. This could transform CSR into what no one of us wants: **Merely a box ticking exercise.**

By contrast, we want a broader application of “**comply or explain**” based on the Danish system.



3. Under-evaluation of administrative burdens

We believe that the proposal will add much more **red tape** than assumed. The proposal estimates that the new requirements on non-financial information and diversity will add up to costs of 1,200 – 5,300 Euros per company / per annum.

We believe that these figures **are far too low**. They only take into account the direct costs linked to the drafting of a statement. But there are many other costs involved to put in place the measurement, control and/or coordination tools needed to comply with the proposed disclosure requirement.

Other studies - Centre for Strategy and Evaluation Services, 2011 - estimate the total costs of all disclosure requirements in the field of non-financial information to add up to around 155.000 – 604.000 Euro per annum per large company with more than 250 employees and up to around 8.000 – 25.000 Euro per small companies with less than 250 employees.

In particular, we fear that new reporting requirements will especially **overburden SMEs**. We have taken good note that the Commission raised the proposal's threshold up to 500 employees (regarding the diversity statement to listed companies only). For many of the 18000 companies covered this would represent an unjustified burden in terms of costs and administration.

Thank you for your attention.
