

# A renewed EU strategy 2011-14 for Corporate Social Responsibility

POSITION PAPER

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## EXECUTIVE SUMMARY

1. The **new definition** of CSR constitutes a **paradigm shift** in EU policy on Corporate Social Responsibility. EuroCommerce regrets that the voluntary engagement of companies is no longer seen by the Commission as a key feature of CSR.
2. EuroCommerce supports the Commission's goal to **enhance the visibility** of CSR and to **promote the dissemination of good practices**, for example by means of a European award scheme or sector-specific multi-stakeholder platforms. Participation in such platforms should however be voluntary and the stakeholders involved should be free to decide on the issues and deliverables.
3. EuroCommerce backs the Commission's goal to **increase citizen's trust in business**. In contrast to the Commission's allegation, we strongly believe that the vast majority of companies are running their businesses in a proper way. Improper practices such as "green-washing" are covered by existing legislation on misleading advertising.
4. **Guidance on** how to start and run a **co- or self-regulation exercise** would be appreciated and a code of good practice for self-regulation exercises could be a helpful tool for companies. Notwithstanding, companies should always have the freedom to decide whether they want to get involved in such an exercise or not.
5. Based on the commerce sector's experience with own brand products and the Retail Forum, EuroCommerce will actively contribute to the **revision of the Sustainable Consumption and Production Action Plan**.
6. With regard to **public procurement**, EuroCommerce asks the Commission to pay utmost attention not to undermine the principle of awarding contracts to the most economically advantageous tender.
7. As far as **CSR reporting** is concerned, EuroCommerce considers the **current requirements** of the "Fourth directive on annual accounts of companies with limited liability" as **sufficient**. Instead of new legislation, the Commission should **promote the already existing guidelines and tools** such as the ones developed by the Global Reporting Initiative (GRI).
8. Regarding **CSR at global level** EuroCommerce is opposed to link social and environmental matters to trade policy – with the exception of the Generalised System of Preferences (GSP) – as they might be misused for protectionist purposes and hamper free trade.
9. For **EuroCommerce** the following points are crucial for CSR to continue to progress in the future:
  - Notwithstanding the Commission's new definition, **CSR needs to be based on the voluntary approach by companies**.
  - **CSR is business-driven** and businesses need to remain in the lead for any CSR initiative.
  - **Public policy should provide a business-friendly environment** that gives incentives to companies to get involved in CSR. CSR initiatives cannot replace public policy.
  - **Close engagement with stakeholders**, wherever possible, is a **key success factor** for the credibility and success of a company's CSR policy.
  - **Public authorities should promote the dialogue among stakeholders** and the dissemination of good practices.
  - **Regulation and additional administrative burdens must be avoided**, in particular for SMEs.

## **1. Introduction**

EuroCommerce welcomes the new communication on “A renewed EU strategy 2011-14 for Corporate Social Responsibility”, the first policy document on CSR from the European Commission since 2006 which gives new momentum to the political debate at EU level.

The world and the business environment have changed significantly during the past five years, in particular with regard to the economic and financial crisis that Europe is currently experiencing. Sustainability issues have become even more important for companies as an integrated long-term CSR strategy can help them to get through the crisis and to remain competitive. Nowadays, CSR is no longer a standalone feature in business strategies. For many companies it is already at the heart of their business operations and part of a competitive strategy through which companies can differentiate themselves from their competitors. By embedding CSR principles within their core business activities, companies are also achieving additional benefits and competitive advantage through efficiency savings and better management practices.

Also at the international level new challenges have arisen. Human rights issues along the global supply chains have moved to the centre of attention and have been subject to discussions among businesses, NGOs and policy makers. The internationally agreed principles and guidance standards, e.g. OECD Guidelines for Multinational Enterprises, UN Global Compact, John Ruggie’s “Protect, Respect and Remedy” Framework, UN Guiding Principles on Human Rights or ISO 26000 have evolved. Consistency of this framework and the EU’s CSR policy is considered by EuroCommerce as very important.

Therefore, EuroCommerce agrees with the Commission that the moment is right to evaluate the developments and achievements of CSR policies and to readjust priorities. In the following, we would like to comment first on the new definition that is proposed by the Commission and then address those proposals which are relevant for the commerce sector.

## **2. A new definition - paradigm shift in European CSR policy**

In its communication the Commission puts forward a new definition of CSR as the “responsibility of enterprises for their impacts on society”. While EuroCommerce can agree in principle with this more general wording, this new definition constitutes a paradigm shift in EU policy on Corporate Social Responsibility. EuroCommerce regrets that the voluntary engagement of companies is apparently no longer seen by the Commission as a key feature of CSR. From EuroCommerce’s point of view, the new definition does not do justice to the great voluntary efforts and achievements that can be witnessed in commerce and other sectors. Therefore, EuroCommerce would recommend the Commission to continue to highlight the voluntary nature of CSR in future communications and initiatives.

Furthermore, the Commission proposes that “public authorities should play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation.” Since the debate on CSR was launched at EU level in 2001, the Commission has abstained from regulation in the field of CSR and we have witnessed significant progress during the past ten years. EuroCommerce sees a danger that regulating CSR will not ensure more CSR-type behaviour but less because the competitive incentive for companies to differentiate their offer and to innovate might be constrained. Therefore, EuroCommerce does not see the need for the Commission to propose legislation on CSR in the future.

## **3. An agenda for action 2011-2014 - comments on specific proposals or initiatives**

### **3.1. Visibility and dissemination of good practices**

EuroCommerce supports the Commission's goal to enhance the visibility of CSR and to promote the dissemination of good practices, for example by means of a European award

scheme or sector-specific multi-stakeholder platforms. Even though the commerce sector would welcome the setting up of sector-specific multi-stakeholder platforms, EuroCommerce would recommend to maintain the European Multi-Stakeholder Forum for CSR as it is. It is important that the European Multi-Stakeholder Forum for CSR continues to bring together companies, stakeholders and policy makers for a regular stock-taking exercise and to discuss CSR in a more general way.

Nonetheless, EuroCommerce believes that there are a number of sector-specific matters of concern that would be worth addressing in separate fora. Participation in such platforms should however be voluntary and the stakeholders involved should be free to decide on the issues to be tackled as well as the way how the work is organised and what kind of results are delivered. The Commission should limit its role to being a facilitator and broker.

The Retail Forum for Sustainability which is co-chaired by the European Commission and EuroCommerce is a very good example for a sector-specific multi-stakeholder platform. EuroCommerce is pleased that the Retail Forum is mentioned in the communication and invites its members to move forward. Members of the Retail Forum make individual public commitments and they also publish the progress they make on their commitments. A key factor for the success of such an initiative is that naming and shaming exercises are avoided as this would deter companies from making public commitments. The focus should always be put on co-building solutions instead.

### **3.2. Trust in business**

EuroCommerce backs the Commission's goal to increase citizen's trust in business. Only companies that are trusted by their customers can be successful in their business. However, we do not agree with the Commission's observation that there is a frequent gap between citizens' expectations and business behaviour and we would appreciate some evidence for this allegation. While EuroCommerce does not deny that there are black sheep among businesses, we strongly believe that the vast majority of companies are running their businesses in a proper way. This includes also companies' CSR policies. Most of the companies are highly committed to their CSR initiatives and get involved because they believe in what they are doing and they can see the benefits. In any case, EuroCommerce does not see the need for specific legislation on "green-washing" as this should be seen as misleading marketing which is already sufficiently regulated.

### **3.3. Self and co-regulation**

EuroCommerce welcomes and encourages the companies' work of self-regulation and voluntary engagement with their stakeholders. This kind of work increases transparency and also helps stakeholders understand the complexity of supply chains. In this respect guidance on how to start and run a co- or self-regulation exercise would be appreciated and a code of good practice for self-regulation exercises could be helpful for many companies. Such a code of good practice should however be a very general tool since there is no one-size-fits-all approach and sector-, industry- or even company-specific matters need to be taken into account in any self-regulation process. Furthermore, participation in a co-regulation exercise should be voluntary for companies and the parties involved should be free to decide upon the content of such an exercise. Again, as mentioned before, the Commission should limit its role to being a facilitator and broker.

### **3.4. Market reward for CSR**

#### **3.4.1. Consumption**

Many commerce companies promote sustainable consumption in particular through their own brand products. With their own brands, retailers and wholesalers have greatly promoted the sale of organic and fair trade products, for example, and made them more affordable. Traders have also taken initiatives to reduce packaging of their own brand products or replace traditional with biodegradable packaging. Furthermore, own brands allow retailers

and wholesalers to drive product developments which exceed public policy goals for food with healthier ingredients or better labelling information. Based on this experience and the outcomes of the Retail Forum for Sustainability, EuroCommerce will actively contribute to the revision of the Sustainable Consumption and Production Action Plan.

### **3.4.2. Public procurement**

Given the volume of public procurement in the EU, public authorities can without a doubt drive economic and societal developments with the requirements that they set for tenderers. In light of the diversity of CSR measures which often are based on values, in particular social initiatives, EuroCommerce doubts however whether it will always be possible to make objective comparisons and whether environmentally and socially responsible public procurement can be undertaken without discrimination and without undermining the principles of fair competition. EuroCommerce therefore asks the Commission to pay utmost attention not to undermine the principle of awarding contracts to the most economically advantageous tender.

### **3.5. Disclosure of social and environmental information**

As regards the disclosure of non-financial information, EuroCommerce asks the Commission to refrain from measures that would increase administrative burdens and impose additional costs on companies, in particular on small and medium-sized enterprises (SMEs). In times of economic crisis, mandatory CSR reporting would be the wrong signal to send to companies. Many retailers and wholesalers already report extensively about their CSR commitments and achievements. Commerce companies need to maintain their flexibility on if, how, and when they disclose information about their social and environmental impacts and commitments.

For companies opting to disclose social and environmental information EuroCommerce would particularly like to refer to the framework and reporting guidelines already outlined by the Global Reporting Initiative (GRI). Generated through a multi-stakeholder consensus approach, the GRI principles are widely accepted as the standard for defining report content on economic, environmental and social performance as well as for ensuring the quality of reported information. EuroCommerce sees no need to duplicate or re-define at EU level how social and environmental information should be disclosed. The Commission should instead promote the already existing guidelines and tools such as those of the GRI.

Otherwise, EuroCommerce considers the current requirements of the “Fourth directive on annual accounts of companies with limited liability” as sufficient. For further details we would like to refer to the EuroCommerce position paper of 24 January 2011.

### **3.6. European and global approaches to CSR**

In a globalised world with global supply chains, internationally agreed CSR principles and guidance tools are of great value when it comes to the promotion of CSR. The long-term goal should be to reach a level playing field of internationally agreed environmental and social standards in order to avoid negative effects on competition.

EU policy should promote these principles and guidance tools at global level, for example in the ILO, Multilateral Environmental Agreements or bilateral meetings with third countries. EuroCommerce is however opposed to link social and environmental matters to trade policy as they might be misused for protectionist purposes. One exception is the Generalised System of Preferences (GSP) which gives developing countries that fulfil certain social and environmental criteria preferential access to the EU market through reduced tariffs and which is not discriminatory. EuroCommerce supports a simple, stable and predictable GSP as well as preferential rules of origin that facilitate its use by EU importers.

With regard to the commitments that the Commission will invite companies to make in order to take account of internationally recognised CSR principles it would be useful to know more details about what exactly the Commission expects from companies. In any case, the

Commission should ensure that the competitiveness of companies is not affected in a negative way and that naming and shaming exercises do not take place.

## 4. Conclusion

Overall, EuroCommerce is pleased with the Commission's new CSR strategy and its general direction. Given that the communication only contains an overview of the initiatives that are mapped out for the coming four to five years, there are obviously still some open questions that need to be clarified during the implementation process.

For EuroCommerce the following points are crucial for CSR to continue to progress in the future:

- Notwithstanding the Commission's new definition, CSR needs to be based on the voluntary approach by companies.
- CSR is business-driven and businesses need to remain in the lead for any CSR initiative.
- Public policy should provide a business-friendly environment that gives incentives to companies to get involved in CSR. CSR initiatives cannot replace public policy.
- Close engagement with stakeholders, wherever possible, is a key success factor for the credibility and success of a company's CSR policy.
- Public authorities should promote the dialogue among stakeholders and the dissemination of good practices.
- Regulation and additional administrative burdens must be avoided, in particular for SMEs.

EuroCommerce is willing to enter into a detailed debate on the new CSR strategy and the initiatives that are outlined in the communication and to contribute constructively to its implementation.

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### **EuroCommerce and the commerce sector**

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 95% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 31 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.