

# Position Paper

## UEAPME<sup>1</sup> position on the European Commission's strategy on Corporate Social Responsibility 2011-2014: achievements, shortcomings and future challenges

### Introduction

On 29<sup>th</sup> April, the European Commission launched a public consultation to “seek feedback on the achievements, shortcomings and future challenges of the Commission’s activities on Corporate Social Responsibility (CSR), as outlined in the Commission’s 2011 Communication on “A renewed EU strategy 2011-14 for Corporate Social Responsibility””

Together with the plenary meeting of the multi-stakeholder forum on CSR, to be held in November 2014, the results of the consultation will provide the “most essential input for the Commission’s work on the direction of its CSR policy after 2014.”

### General Comments<sup>2</sup>

UEAPME warmly welcomes this Commission initiative to seek feedback on achievements and shortcomings of a given policy.

However, UEAPME formulated from the start, and also in numerous contacts and meetings with the European Commission, its main comments and concerns on the Communication which unfortunately were not taken into account over time.

Indeed, UEAPME expressed concerns on the Commission’s new strategy on corporate social responsibility as the new CSR definition fails to properly take into account the reality of SMEs. The strategy does not reflect the voluntary nature of CSR, as it was previously the case, and fails to recognise the efforts and specificities of SMEs in the field by concentrating mainly on larger companies. From the start, UEAPME has considered this as a step back. The Commission itself stresses that its CSR strategy is built upon pertinent international CSR principles and guidelines. UEAPME again needs to highlight the fact that these principles and guidelines were developed mainly without input from SMEs and do not take into account the SME characteristics.

UEAPME also spoke against compulsory disclosure of non-financial information by companies, calling on the Commission to properly assess the impact of such a move.

<sup>1</sup> UEAPME subscribes to the European Commission’s Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

<sup>2</sup> UEAPME once again regrets that a broad consultation is only launched in 6 languages and that the Commission prefers to receive contributions in English. This is in contradiction with the principles of an open a broad consultation.

Corporate social responsibility is a rather complex notion, developed for large companies, which is not the most appropriate term for communicating with or engaging SMEs. Therefore, we prefer the term “responsible entrepreneurship”. Responsible entrepreneurship associates the individual entrepreneurial drive and attitude necessary for creating and running a small business with a wider sense of societal responsibilities that often forms part of the personal values of the SME owner-manager.

Responsible entrepreneurship then means how to run a business in a way that enhances its positive contribution to society whilst minimising possible negative impacts on people and the environment. It represents the way in which entrepreneurs interact with their stakeholders on a daily basis: customers and business partners in the marketplace, employees in the workplace, the local community and the environment.

They do all this, and much more, not only by complying with regulation, but often by going beyond minimum legislative requirements, on a voluntary basis. And let there be no misunderstanding: there is a daily involvement, be it informal, of the stakeholders in a small enterprise.

SMEs occupy a privileged position towards social responsible entrepreneurship. This is due to the fact that SMEs have typical characteristics: the internal organisation is mostly informal. Social responsible behaviour of SMEs is performed mostly in local or regional framework conditions, whilst the international operations of multinational enterprises make it possible for them to earn praise for increasing social standards in foreign product locations.

However, it needs also to be taken into account that it is primarily SMEs that lay the economic and social foundation, due to their constant training and employment efforts (they provide for  $\frac{3}{4}$  of employment in Europe). So, it may be clear that social responsible behaviour of SMEs has a completely different form to that of large enterprises, and this requires a suitable methodology.

In the opinion of UEAPME, the considerable legislative framework in place at European as well as at national level already obliges enterprises to act in a socially responsible manner and fulfilling legal expectations is also an important contribution to social responsible behaviour. The future challenges are to give more recognition to SME achievements in CSR and to encourage them to be more active through a bottom-up approach, awareness raising actions and dedicated tools.

As SMEs have limited financial and human resources, the burdens and costs to comply with legislation are disproportionately high for them. Moreover, SMEs do not have the opportunity to “avoid” legislation in a legal way through legal constructions.

The legal framework in the EU Member States may provide different levels of protection, despite the existing minimum standards at European level. As CSR concerns activities that go beyond simple compliance with existing law, it is all the more difficult to tighten up CSR requirements in countries with higher levels of social legislation. Therefore, all measures to strengthen CSR can only be of a voluntary nature.

### **Commission’s activities on CSR**

The most important contribution of the 2011 CSR Communication has been emphasising the importance of CSR with companies and the society as a whole as well as the publication of guiding material on CSR.

Concerning the eight primary activities outlined in the agenda of the 2011 Communication the most important activity streams are: enhancing the visibility of CSR and disseminating good practices, improving and tracking levels of trust in business and further integrating CSR into education, training and research. This appreciation is fully in line with previous UEAPME position papers.

Improving self- and co-regulation processes, improving company disclosure of social and environmental information, implementing the UN Guiding Principles on Business and Human Rights and emphasising CSR in relations with other countries and regions in the world are assessed as less important.

In addition, the implementation of none of the eight priority activities - outlined in the agenda for action of the 2011 Communication – were considered very successful by UEAPME members. The implementation of the activities to enhance the market reward for CSR was even considered as not successful at all, as additional labels in the field of consumption are not convincing and as the measures on public procurement lead to reduced completion and higher prices.

As far as the organisations were already able to judge, the implementation of the effectiveness of the other activities they were only considered somewhat useful. Indeed, the activities to enhance the visibility of CSR and the dissemination of good practices lack sustainability of the effort.

The activities to better align European and global approaches to CSR are too complicated for SMEs or are considered not relevant for them.

As already mentioned above, the biggest shortcoming of the 2011 Communication was that it did not make any differentiation between CSR in big enterprises and in SMEs. An SME approach in the Commission agenda, despite the existence of the Small Business Act and its principles, was completely lacking.

At the time of the publication of the Communication, “Chapter 4.1. Enhancing the visibility of CSR and disseminating good practices” had created high expectations among UEAPME Member organisations. Indeed it stated that *“By giving public recognition to what enterprises do in the field of CSR, the EU can help to disseminate good practice, foster peer learning, and encourage more enterprises to develop their own strategic approaches to CSR. Building on the lessons of initiatives in different Member States, the Commission will support capacity-building for SME intermediary organisations to improve the quality and availability of CSR advice for small and medium sized enterprises.”*

However, the only activity in this field was the highly appreciated Networking event for organisations that advise SMEs on CSR held in Berlin on 11-12<sup>th</sup> June 2012.

However, it had already been decided upon before the adoption of the 2011 Communication. So no initiatives to support capacity building for SME intermediary organisations were taken, which is a major shortcoming of the Commission strategy.

Any new Commission policy in the field of CSR should contain such an action.

### **Future issues on CSR and main challenges for an EU policy on CSR**

Any future EU policy in the field of CSR should take into account the possible burden and the consequences of it for the competitiveness of the European enterprises. Even more, it should lead to an improvement of the competitiveness and should be the main objective.

It should make enterprises encompass the principles of CSR and act accordingly without however making it compulsory for them. Hence achieving more ownership by the business community without creating undue burdens for enterprises or adding to the complexity of the regulatory environment.

It should also encourage and facilitate the sectors to take up CSR and CSR related issues in order to facilitate small enterprises and SMEs to integrate CSR in their strategies.

Social responsibility has to be part of normal business practice and it has to be a supportive concept for SMEs, consequently:

- European policy should respect the voluntary nature of CSR and recognise the efforts and specificities of SMEs. Other measures by SMEs, which have similar effects like CSR, should be acknowledged and taken into account.
- It has to support capacity-building for SME intermediary organisations to improve the quality and availability of CSR advice for small and medium sized enterprises.
- Education on the (social) responsibility of enterprises can avoid unjustified perceptions of the general public towards the business world.

Although we are convinced that a social responsible entrepreneur is a stronger, more competitive entrepreneur, CSR has and will have more impact on the sustainability of the EU economy as a whole than on the medium/long term competitiveness of the EU economy.

The role of the European Commission in CSR is, according to UEAPME, to raise awareness and visibility of CSR amongst all societal actors and to support enterprises in implementing CSR.

On the other hand, we do not see enhancing market reward for CSR (through public procurement, investment or consumer policies) or implementing of the UN Guiding Principles on business and human rights as main objectives for the future EU policy. Indeed, enhancing market reward for CSR (through public procurement, investment or consumer policies) has not been shown to be effective and could hamper access to markets for SMEs which do not have equivalent means to comply with formal CSR requirements. These options should not be part of the future EU policy.

However, in the last years, more and more SME have become active in the international market in order to remain competitive with the big international chains and companies.

It goes without saying that our small enterprises are committed to respecting human rights. However, they do not have the means, knowledge or power to guarantee that their providers or sub-contractors in third countries are respecting human rights. For many years, UEAPME, together with some NGOs, has tried to solve this dilemma but unfortunately these NGOs either do not have the means to help our SMEs or are not even allowed to operate in the most problematic third countries. That is why we are asking to pool resources together: the U.N, the ILO, the European Commission or EU Embassies should provide databases to our small enterprises with reliable counterparts in third countries. The information provided by the public authorities must be easy to access and legally sound in order to protect SMEs from unjustified allegations.

Concerning the due diligence concept, an impact assessment needs to be conducted on the feasibility for SMEs to understand and apply this concept. Support measures for SMEs have to be foreseen by the Commission.

## Conclusion

The fact that there is interest in corporate social responsibility is an indication of the important position entrepreneurs hold in present-day society. This position has become all the more crucial as company stakeholders have become organised, have acquired a power of expression and have become recognised.

It is a characteristic of our society that both policy and the population assume that everyone, when carrying out their work, will behave as much as possible in a conscientious and responsible manner so as to achieve a sustainable qualitative society and world. Appreciation of values, morally responsible behaviour, dedication to

decent human relationships and to a cleaner environment – these are the present-day interpretations of good citizenship.

This applies fully to businesses, but once again, not ONLY to businesses. The entrepreneur is expected to behave responsibly, as are all other social groups and stakeholders. Corporate social responsibility is therefore not the entrepreneur's systematic reminder of his responsibilities. The concept of 'corporate social responsibility' offers the entrepreneur a framework for structuring and interpreting the responsibility that the business is adopting.

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