

Ms Frances Gaynor,
Department of Enterprise, Trade & Employment,
Davitt House,
Adelaide Road,
Dublin 2.
11/08/06

RE: Response to letter dated 12th July 2006

Dear Ms Gaynor,

I am writing in response to your letter dated 12th July 2006 seeking IBEC's views on the European Commission's Communication on Corporate Social Responsibility (CSR), published on 22 March 2006.

In line with the view of our sister organisation in Europe, UNICE, we generally welcome and support the Commission's initiative of a European Alliance on CSR as the most pragmatic route for the development of CSR in Europe.

There is a strong business case for getting involved in CSR and many companies in Ireland are already actively engaged in the four CSR priority areas of; the marketplace, the community, the workplace and the environment. While many of the contributions are accomplished on an informal basis, the results are by and large just as effective as more formal exercises.

As a nation of 98% SME's, we must be cautious in our policy approach as we must remember that the capabilities and resources of small and medium sized enterprises are generally more restricted and less influential than MNE's. It is of utmost importance therefore, that we maintain the flexibility that is at the very heart of CSR and tailor Ireland's approach to suit the needs of our economy and society, maintaining competitiveness while continuing to work towards sustainable development. CSR is still a relatively new phenomenon and over time, trial and error will help to educate and inform us about what works and what doesn't work in the Irish situation.

While we are encouraged that the Communication from the Commission confirms the definition of CSR, recognises the voluntary nature of CSR and validates enterprise as the primary actor in CSR, we would ask the Department to exercise restraint with regard to linking CSR to public procurement procedures and the encouragement of "constructive criticism" by non-business stakeholders, as suggested by the Commission. Criticism levelled publicly at a company can have very serious financial implications affecting consumer purchasing decisions, share price and ultimately the profitability of a company.

IBEC has been actively involved in the CSR debate since the publication of our guideline on Corporate Governance and Conduct back in 2001. Since then, we have produced an Information Report and a Guideline on CSR, have set up an IBEC CSR Working Group, have participated on the UNICE CSR Working Group, are a current

member of the UNICE CSR/Social Clauses Working Group and a board member of Business in the Community *Ireland*. In light of the increasing attention CSR is receiving we have prepared a short policy paper which clarifies the views of business in Ireland on CSR. I have attached this paper to this letter for your perusal.

Thank you for the opportunity to input into this consultation process and I look forward to reading the Irish Government's response to the Commission's Communication.

Yours sincerely,

DANNY MCCOY
IBEC DIRECTOR – POLICY

IBEC POLICY ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

INTRODUCTION

Corporate Social Responsibility refers to any voluntary business activity that goes beyond legal compliance, enhancing economic performance and contributing to sustainable development of the environment and the community in which a business operates. CSR is a decision for business and generally a company's CSR activity will fall under one of four priority headings: workplace, environment, community or marketplace.

While at a policy level CSR may seem to be quite an attractive area for legislation, at a practical level it is not without its challenges. Even with the substantial increase of information, tools, best practice awards and case studies, it is evident that CSR continues to be a challenge in terms of its language, its complexity, its interpretation and its cost. High expectations and sometimes unrealistic demands on companies by external stakeholders can also be particularly difficult to control and manage.

IBEC believes that best practice approaches in Corporate Governance and Corporate Social Responsibility can play a leading role in helping Ireland to achieve competitiveness and economic growth. The strategic link between the social environment and competitiveness is well recognised and is reinforced in many forward-looking public policy documents including the report of the Forum on the Workplace of the Future, *Working to Our Advantage a National Workplace Strategy* and most recently in *Towards 2016*, the new national partnership agreement. CSR provides a framework for creating stronger links between a business and its employees, shareholders and the local community as well as providing a blueprint for activities that can help to reduce the operational impact of the business on the local environment. However, it cannot ensure social and environmental improvement in isolation of Government responsibilities.

Taking into account the realities of the Irish situation, this paper aims to influence the CSR debate in Ireland through the establishment of a clear unified Irish business position on CSR. To achieve this, the paper shall present the six underlying principles of CSR, the business case behind its success, what areas require discretion and IBEC's CSR portfolio.

GUIDING PRINCIPLES

CSR is based on the following six key underlying principles:

1. *Voluntarism*: CSR is defined by the European Commission as '*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*'¹. CSR is an additional voluntary investment to companies' primary responsibility of generating wealth and employment.

¹ European Commission, '*Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility*', Communication from the Commission to the European Parliament, The Council and the European Economic and Social Committee, p1, 2006

2. *Flexibility*: CSR is a continuous learning exercise that requires regular attention. Company circumstances and expectations of stakeholders can change over time requiring new strategies and additional investment. To be truly effective, each company must be able to choose and define its own approach.
3. *Fluidity* – CSR is a fluid concept, changing with time and thriving on new ideas and innovations. Its focus depends on a number of influences which include, but are not limited to the: type of business; size of the business; sector in which the business operates; location(s) of the business; values and demands of shareholders, staff and local community interests; local legislation etc.
4. *Communication* – CSR acts a communication medium between a company and its stakeholders in the four priority areas of, the marketplace, the workplace, the community and the environment. CSR facilitates the formal communication of values, beliefs and ethics through international, national or locally developed channels and company activities.
5. *Responsibility* – CSR provides a company with a framework for taking ownership of its actions. Responsible business behaviour is the cornerstone of CSR. Corporate governance and financial standards provide a backdrop for CSR development and if CSR is to be credible, principles need to be applied to all aspects of the workplace and future CSR policies. A high-level commitment and buy-in from the board and senior management is required in all instances.
6. *Risk management* – CSR helps to minimise risk factors, through the examination, anticipation and strategic management of possible high risk zones, particularly relating to brand or reputation.

THE IRISH BUSINESS CASE

While CSR is not a new phenomenon, it is getting more and more attention as the natural complement of social activities and business sustainability is gaining recognition. Contemporary developments, values and stakeholder expectations have shifted and to survive companies must develop new activities and processes that reflect the societal, demographic, economic and legislative changes. Better working relationships with stakeholders can result from the greater management of expectations.

The integration of the concept and language of CSR by a company into its day-to-day exchanges with its stakeholders can help to increase external awareness of the values of the business, increase community support for the business, provide a possible wider pool of potential employees, create more positive publicity for the business and increase investor confidence. Corporate reputation is now recognised as a valuable commodity to business and research has found that good risk management and protection of business reputation significantly influences investor relations including, the probability of attracting new investors to the company. Enhanced corporate reputation also affects other areas of the business such as competitiveness.

By differentiating a company from its competitors, CSR can provide competitive advantage. Consumer purchasing decisions are increasingly done in accord with personal interests and values. The ethics of a company and the considerations given by that company to the community and the environment in which it operates can influence whether a product is purchased or not. For example, the 'Fair Trade' label carries considerable weight among consumers and therefore has a greater competitive advantage than other products in the same categories.

In addition to expressing the values of the company, risk management, influencing purchasing decisions and increasing competitiveness, IBEC believes that CSR activities are worthwhile as they can help to protect the future sustainability of a business. CSR encourages the integration of policies and procedures that create more robust links with stakeholders and reduce the long-term impact of the business on the environment, thereby ensuring the future availability of raw materials integral to the success of the business. CSR together with corporate governance enables greater transparency which can help to boost consumer confidence in the business.

THE IRISH BUSINESS POSITION – KEY RECOMMENDATIONS

- *CSR is a decision for business*

CSR was developed by business for business. It is essentially market-driven and closely linked to an organisation's core competencies. It needs to be refined on a continual basis and is largely dependent on resource allocation, the nature and the size of the business. Therefore, while stakeholder dialogue is useful in gathering information on values, interests and expectations, IBEC is of the view that the final decision in relation to the focus and breadth of CSR practices should rest firmly with business.

- *Support and co-operation is needed for business*

IBEC produced an Information Report on CSR in 2004 to address the widening information gap and growing misunderstandings about CSR. This was complemented in July 2006 by a shorter user-friendly Guideline on CSR aimed mainly at SME's. The complexity of the concept and the interests of different stakeholders are proving challenging and have resulted in a plethora of diverse terminology, language, focus and tools. IBEC is of the view that further educational supports are needed to build upon IBEC's work to increase knowledge and understanding of CSR by business and the media in Ireland leading to greater take-up.

- *Too soon for Irish or EU standards and regulations on CSR*

IBEC believes that Ireland must provide the opportunity for companies to explore the concept, obstacles, barriers and success factors in the Irish context through networking and the exchange of best practice before a more formal route is examined. IBEC is of the view that the Irish Government has a key role to play in this regard, developing and supporting business networks, promoting research and developing a modern legal framework and environment for CSR to thrive. Regulation of CSR is unnecessary and would only serve to interfere with market forces and stifle progress made and creativity by shifting the focus from maximum participation for competitive advantage purposes to minimum compliance.

- *Social and economic policy development remains the responsibility of Government*

CSR was developed by business for business and CSR starts where the law ends. While business recognises its social responsibility towards the marketplace, workplace, environment and community and understands its many benefits, IBEC is of the view that ultimately the advancement of social and economic standards and policy development rests firmly with individual States and governments. Individual States and Governments are also responsible for the local enforcement of national and international human rights standards and protective legislation.

- *Enough CSR standards and performance management tools available*

New voluntary CSR standards and performance measurement tools continue to be developed, adding to an already complex landscape. Another standard would just be lost in an already crowded and confused field. As mentioned by the Dutch Government at the conference, on “*The Role of Public Policies in CSR*” in Venice on 14th November 2003, their research has found that a “bottom up” approach is better than “top down”. In relation to CSR, we are on a learning curve and we need to explore the feasibility of the tools and standards that have been developed already before developing new ones.

IBEC PORTFOLIO

Initiatives

In 2001, IBEC produced detailed Corporate Governance and Conduct Guidelines and we are still extremely active on providing advice to member companies in this area. In relation to CSR, we have also been progressive and monitor developments at national, European and international level on an ongoing basis. To give some indication, we have a dedicated environmental and waste management unit in IBEC, we co-ordinate a European work experience programme for the unemployed and our health and safety unit trains approximately 1000 managers and employees per year through seminars, courses and in-company training sessions. In addition, IBEC has produced documents on childcare and immigration and integration of non-Irish nationals, participates in numerous social inclusion projects (many funded under EQUAL), is a founding partner of the IBEC/ICTU Workway disability project and supports and participates on committees organising national anti-discrimination events.

Publications

On the 22nd November 2004, IBEC held a Business Information Seminar on CSR. At the seminar we launched a comprehensive and practical report on CSR with the objective of explaining CSR and the different initiatives in an accessible way for busy business people. Building on all of this work we produced a short user-friendly Guideline on CSR in July 2006 targeted towards SME's. Based around 10 frequently asked questions, this publication provides a quick reference tool for companies looking for a general understanding of CSR. A section of the IBEC website is now dedicated to CSR (www.ibec.ie/0/CSR_000) containing all of the latest news, information and developments on CSR pertinent to business.

Working Groups

Finally, IBEC actively participated in the UNICE CSR Working Group which completed its work as part of the European Multi-Stakeholder Forum (EMF) in September 2004. This working group was established to provide employer organisations across Europe with the opportunity to feed into the deliberations and outcomes of the European Multi-Stakeholder Forum (EMF). IBEC is now represented

on the follow-up group, the UNICE (European Employers' Body) CSR/Social Clauses Working Group, which inputted into the European Commission's consultation process and was involved in the launch of the European Alliance on CSR in March 2006. IBEC is on board of Business in the Community *Ireland* as a founding member, is an active member of the International Organisation of Employers (IOE) CSR Working Group and at the request of member companies we also set up our own working group on CSR in 2002.