



## **JBCE's Priorities and Recommendations for the European CSR Strategy 2015-2019**

The Japan Business Council in Europe (JBCE) was created in 1999 to represent the interests of almost 70 multinational companies of Japanese parentage active in Europe. Based in Brussels, JBCE represents businesses operating across a wide range of sectors, including IT, consumer electronics, chemicals, car making, pharmaceuticals and textiles. Together, our member companies have annual global sales of €1.4 trillion.

### **JBCE positions on CSR**

JBCE is a committed contributor to the European CSR policy debate and embraces CSR as pivotal to the EU's objectives of sustainable development and a competitive social market economy.

Global businesses face many challenges today. Their ability to source goods and services from different parts of the world needs to be reconciled with local policy priorities and stakeholder expectations.

The fast changing market conditions and shifting demands of different stakeholders mean companies and suppliers now have many ways to work together, including contracts, franchising, licensing, and joint ventures.

In this dynamic environment, global businesses must ensure they comply with the highest principles of responsible business. Stakeholder expectations and requests change rapidly depending on the situation, but companies must win trust and remain ahead of the curve.

Company products can be sold and used all over the world. They may be misused, resulting in human rights abuses. Individual companies cannot be held accountable for every such misuse. Naturally, collaboration with other stakeholders, including governments, is increasingly vital to ensure unified understanding and actions if there are such 'linkage cases' (according to the United Nations Guiding Principles on Business and Human Rights).

## **JBCE priorities on CSR dialogues**

JBCE endorses the European Commission's definition of CSR, as defined in the 2011 Commission Communication, 'A renewed EU strategy 2011-14 for Corporate Social Responsibility' (COM (2011) 681). JBCE points out that the underlying concept of CSR – and its point of departure - is dialogue. The Commission proposed a CSR Multistakeholder Forum in July 2002 to foster a dialogue between the business community, trade unions, civil society organisations, and other stakeholders. JBCE believes dialogue is the best way to advance mutual trust among companies and stakeholders.

Dialogue is also a powerful tool to foster a culture of risk management and innovation. Through dialogue, stakeholders can exchange views on potential future risks, while exploring collaborative opportunities for a unique and viable solution. Understanding stakeholder concerns helps companies become aware of future risks associated with their business strategy and activities. This dialogue is about more than just legal compliance, a short-term measure that may assure today's actions but not necessarily tomorrow's. Risks can emerge when business leaders fail to respond to stakeholder expectations.

## **JBCE's Five Recommendations**

In light of the above context, JBCE recommends the following five points.

### **(1) Highlight innovation**

We propose that the European Commission articulates the proactive nature of CSR that leads to innovation and opportunities. Much has been said of the improved definition of CSR since the publication of the EU strategy (2011-2014). Now is the time for every stakeholder to take part and design actions for the future. Policy instruments therefore need to encourage the uptake of CSR as a driver for European industrial competitiveness. The European Commission should lead policy discussions on promoting actions to maximise positive impacts, while mitigating negative ones.

### **(2) Take a flexible, principle-based approach**

Businesses need flexibility to choose how they reach their goal of sustainable development, in a manner meaningful to their supplier relations. We therefore recommend a "principle-based" approach for evaluation and reporting. This approach allows each company to meaningfully express their business in a dynamic and changing environment. "Rule-based" or "tick the box" approaches do not reflect the real challenges multinational companies face in today's complex value chain, and sometimes do not accurately reflect the ongoing efforts of companies at a local level. A compliance mind-set also has the effect of limiting thinking about longer term challenges. CSR is a journey. The CSR policy tools must be designed to foster innovation and growth.

### **(3) Build an open platform**

The European Commission should take a proactive role in creating an open platform. Dialogue is a powerful tool to understand how our communities work. It is often more useful in building lasting trust than forced transparency measures like naming and shaming. Innovation is fostered through open exchanges among stakeholders, partner countries or regions, governments, and suppliers. As relationships develop, partners are more likely to care about sustainable growth amongst other stakeholders, and to look for common goals. For this reason, we would like to commend the EU-Japan CSR Working Group set up by DG GROW and the Japanese Ministry of Economy (METI) as one of the technical working groups within the EU-Japan Industrial Policy Dialogue. This Working Group has a lot of potential not only to strengthen the relationship between the EU and Japan, but also to create a new platform for dialogue. As a bridge between the EU and Japan, JBCE continues to contribute to the ongoing success of the WG.

### **(4) Create incentives to foster leadership for change**

JBCE calls on the Commission to create incentives for companies that take leadership in identifying, preventing, and mitigating the negative impact of businesses. Done effectively, such incentives would give first adopters a competitive advantage over the followers in terms of reputation and risk management. At present, however, companies taking the lead, for example in tackling human rights issues inside and outside companies, are undermined and sometimes penalized. We would therefore welcome a mechanism in which the first adopters receive more recognition, whereby efforts to improve both the positive and negative sides of CSR are praised, not penalised.

### **(5) Articulate policy linkages across the European Institutions**

Since CSR is increasingly integrated into other EU policies, such as company law, trade agreements, and public procurement, JBCE would like the Commission and other European institutions to articulate such policy linkages when presenting new initiatives and communications. This way, companies can engage in early discussion, highlight shortcomings, and more effectively integrate CSR in company functions.

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