



Sector-wide joint position regarding the improvement of policy measures which could favour the adoption of CSR in MTS

D2.3.a

**MTS DESIGN-MTS: *DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector***

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## **Sector-wide joint position regarding the improvement of policy measures which could favour the adoption of CSR in MTS – the DESIGN-MTS Project perspective**

### **Background**

#### ***Policies aimed at fostering CSR in Europe***

The European Commission's (EC) Social Agenda, subsequently supported by the European Council in Nice (EC, 2001), emphasised the role of CSR in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. Following the Nice summit, the EC launched its Green Paper on CSR "Promoting a European Framework for CSR" in 2001 which defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and their interactions with their stakeholders on a voluntary basis". The European Multi-stakeholder Forum on CSR (EC, 2004) further extended the understanding of CSR by concluding that CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations, that commitment of management and dialogue with stakeholders (both internal and external) is essential and when operating in developing countries and/or situations of weak governance, companies need to take into account the different contexts and challenges, including poverty, conflicts, environment and health issues.

In 2006, the European Commission reconfirmed its commitment with a new communication on CSR, stressing the potential of CSR to contribute to the European Strategy for Growth and Jobs and announcing backing for a European Alliance for CSR. Following the initiatives taken by the European Commission, the European Parliament in 2007 unanimously passed a resolution on 'corporate social responsibility: a new partnership' in which it recognised that, "increasing social and environmental responsibility by business, linked to the principle of corporate accountability, represented an essential element of the European social model, Europe's strategy for sustainable development, and for the purposes of meeting the social challenges of economic globalisation" (European Parliament, 2007). The resolution also recognised the need for increasing transparency and credibility of voluntary CSR initiatives and called for 'mandatory reporting on the social and environmental impacts of businesses' by European Businesses. In March 2010, the European Commission in its EU2020 vision for smart, sustainable and inclusive growth made a renewed commitment to "renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust" (EC, 2010), again emphasizing both internal and external dimensions of CSR.

In 2011, the European Commission proposed a new, broader and simpler definition of CSR: "Corporate Social Responsibility is the responsibility of enterprises for their impact on society". Respect for applicable legislation and for collective agreements between the social partners, is a prerequisite for meeting that sustainability. In this new definition, it is recognised that corporate responsibilities are derived from legislative, but also wider, societal requirements. The Commission also notes that enterprises should establish a process to integrate social, environmental, ethical, human rights, and consumer concerns into business operations and core strategy, in collaboration with stakeholders. The aims of CSR are described as (1) maximising the creation of shared value for the owners/shareholders of the enterprise and for their other stakeholders and society at large; and (2) identifying, preventing and mitigating their possible adverse impacts (EC, 2011).

The process of extension, legitimization and global governance has created several leading policies and standards, which have been readily accepted by companies, increasing dramatically their relevance. Some of these international principles are being advocated for implementation by the European Union (EC, 2011): the Global Compact, ISO 26000, OECD Guidelines for Multinational Enterprises, the proposed EC Directive on disclosure of non-financial and diversity information by certain large companies and groups; ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, UN Guiding Principles on Business and Human Rights, etc. The ISO 26000 guide created by the International Organization for Standardization (ISO, 2010) was one of the most anticipated CSR instruments, and the outcome of several years of discussion. It is a comprehensive guide considering social, civil, cultural, and political rights.

While the diffusion of corporate social responsibility practices are still in the nascent stages of development and diffusion in the machine tools sector, a number of examples of good responsible business practices can already be seen within the sector. Furthermore, the sector can also contribute to tackling larger societal challenges due to its strategic place within the industry. Current examples of good practice include promoting fair labour practices (including workers' health and safety) and dealing with various environmental issues (see the European Best Practices Report for more details).

### ***Measures that favour the adoption of CSR in MTS***

The machine tools sector is a very strategic business sector from a CSR perspective having a potential multiplying impact on several sectors of its supply chain. The project DESIGN-MTS – Defining Social responsibility Interventions for a Grounded Networking in Machine Tools Sector aims to encourage and enable the European machine tools industry and its supply chain to take a strategic and integrated approach to CSR in cooperation with relevant stakeholders. To this end, it provides a multi-stakeholder platform on corporate social responsibility in the machine tools sector.

The DESIGN-MTS project – DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector funded under the European Commission CIP 2012 Work Programme seeks to encourage and enable more European enterprises in the machine tools sector across the EU to take a strategic approach to corporate social responsibility in cooperation with relevant stakeholders.

To foster the development of CSR in the sector three key sector wide commitments were elaborated for the DESIGN-MTS project. The project activities were designed to meet some of these commitments as well as set the foundation for longer-term commitments.

COMMITMENT 1 – Raising awareness on CSR in MTS

COMMITMENT 2 – Facilitating the implementation of a strategic approach to CSR in MTS

COMMITMENT 3 – Supporting a coordinated management of a CSR platform in MTS

In addition to these commitments guidelines for MTS enterprises have been elaborated (see 'Guidelines for enterprises of MTS' for more details) which suggest actions including good practices from the sector and aim at raising CSR awareness; facilitating the implementation of a strategic approach to CSR; and fostering a coordinated management of a CSR platform in the sector. Although an SME-dominated sector, integrating CSR thinking in the business strategy can help the industry meet increasing societal and customer expectations. This can consequently help create greater business and social value, with a positive impact on the image of the sector. The guidelines are divided into three key priority areas.

**People:** People are the most important assets of the industry. The human resources function is critical to achieving success in any organization and enterprises are expected to take an active role in promoting wellbeing of their workforce as far as employability, workplace solutions and active aging are concerned. This also implies that enterprises build trust with and contribute to the local community where they have a business base.

**Environment:** Enterprises are encouraged to provide environmental-friendly solutions in order to maximize the sustainability of the manufacturing along the value chain. All the products and services provided by the industry are expected to meet environmental standards in the design, manufacturing, distribution and after-sale phases. This holistic approach includes both managerial and technical practices used to improve the environmental performance of the sector along the value chain.

**Fair Operating Practices:** Businesses exist in a fierce and global competitive environment. Nevertheless, they are expected to compete fairly and by complying with laws. This also implies that enterprises develop long-term and reliable relations with suppliers and buyers along the value chain.

The project has further developed training modules, which are targeted at two key stakeholders, a) National MTS associations (Module 1) and b) MTS enterprises (Module 2). The aim of the training modules is to provide information and raise awareness with regard to the strategic value of CSR in MTS and create new skills as well as changes in values and behaviour aimed at promoting responsible business practices in MTS companies and provide information to MTS associations, so they can support MTS companies and assist in diffusion of good practice. These training modules targeted at MTS companies are relevant for Employers/Owners (in SMEs) and Managers (in larger organisations) as well as employees and worker representatives. The courses are linked to the joint sector wide commitments, guidelines and to core areas from ISO 26000.

To further promote and enhance CSR practice at the enterprise level, the development of initiatives both at the policy and enterprise level aimed at fostering CSR in European MTS enterprise can play a key role. On the basis of the developments and results from the project this sector-wide joint position paper identifies priority areas where decision makers can take action to create a favourable environment for CSR in the MTS sector within the existing policy context.

## **Priority areas for the Machine Tools Sector**

On the basis of the activities carried out in the project five priority areas were identified where there was further scope for improvement and where action should be targeted to foster the adoption of CSR in the machine tools sector.

The findings highlighted the importance of further improving the priority of CSR in MTS. To achieve this, activities must be undertaken to improve CSR awareness and understanding for stakeholders through education and awareness raising programmes.

CSR activities are an intrinsic part of everyday business for all companies in the sector, due to nature of the business and focus on sustainability. As most companies operate in a business to business (B2B) context, there is less demand from companies on communicating and reporting CSR related

activities, which usually remain informal and intuitive. To further the adoption of more strategic and formalised CSR-related activities, there is a need to develop practical competence of stakeholders by focusing on skills development, monitoring performance, information sharing and transfer of innovation initiatives.

The findings also indicated that only few immediate drivers to incentivise early adoption of CSR existed in the sector. There is therefore the need to create sectoral incentives for CSR adoption and engagement through the establishment of incentive/award programmes for MTS enterprises and their partners in the value chain.

A number of good organizational practices on how MTS organizations undertake CSR activities were identified. While most machine tools companies are SMEs operating in a B2B sector generating highly innovative and sustainable solutions for their customers, there is limited demand from their customers on reporting and communicating CSR as well as limited resources to do so. There is therefore limited flow of information regarding these organizational practices and lack of dissemination and communication of these activities to stakeholders. The need to improve communication is important for developing and enhancing CSR capability of MTS enterprises. This can be achieved by sharing good practice and lessons learnt as well as communicating them to stakeholders.

Lastly, a number of initiatives have been developed to promote the development and implementation of CSR, the availability of a large number of tools and instruments can lead to fragmentation of priorities and requirements which can be confusing for stakeholders. There is therefore the need to align policy approaches towards CSR and sustainability highlighting their relevance to industry and specific sectors including MTS.

The policy position paper (deliverable 4.2b) discusses the priority areas in more detail and provides recommendations for key stakeholders.