Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth

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PURPOSE : to present a renewed EU strategy 2011-14 for Corporate Social Responsibility

BACKGROUND : the European Commission has previously defined Corporate Social Responsibility (CSR) in its 2001 Green Paper 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".

The Commission details the progress made since its Green Paper and a business-lead initiative called the European Alliance for CSR. Indicators of progress include:

- the number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011;

- the number of organisations with sites registered under the Environmental Management and Audit Scheme (EMAS) has risen from 3 300 in 2006 to over 4 600 in 2011;

- the number of EU companies signing transnational company agreements with global or European workers' organisations, covering issues such as labour standards, rose from 79 in 2006 to over 140 in 2011.

In spite of this progress, important challenges remain. **Many companies in the EU have not yet fully integrated social and environmental concerns into their operations and core strategy**. Accusations persist of the involvement of a small minority of European enterprises in human rights harm and failure to respect core labour standards. Only 15 out of 27 EU Member States have national policy frameworks to promote CSR. The Commission has identified a number of factors that will help to further increase the impact of its CSR policy, including the need to better clarify what is expected of enterprises, and the need to promote market reward for responsible business conduct, including through investment policy and public procurement.

The Council and the European Parliament in its resolutions of 2007, and 2011 have called on the Commission to further develop its CSR policy. Furthermore, in the Europe 2020 Strategy, the Commission made a commitment to renew the EU strategy to promote Corporate Social Responsibility. In the Single Market Act it stated that it would adopt a new communication on CSR by the end of 2011.

The **economic crisis and its social consequences** have to some extent damaged consumer confidence and levels of trust in business. They have focused public attention on the social and ethical performance of enterprises. By renewing efforts to promote CSR now, the Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and durable employment generation in the medium and long term.

CONTENT : the Commission presents **a modern understanding of CSR**, including an updated definition, and a new agenda for action. The main features are as follows:

Definition: the Commission puts forward a new definition of CSR as "**the responsibility of enterprises for their impacts on society**". Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to **integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy** in close collaboration with their stakeholders, with the aim of:

- maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;

- identifying, preventing and mitigating their possible adverse impacts.

The complexity of that process will depend on factors such as the size of the enterprise and the nature of its operations. For most small and medium-sized enterprises, especially microenterprises, the CSR process is likely to remain informal and intuitive.

The new definition is **consistent with internationally recognised CSR principles** and guidelines, such as the OECD Guidelines for Multinational Enterprises, the ISO 26000 Guidance Standard on Social Responsibility and the United Nations Guiding Principles on Business and Human Rights.

Agenda for action: the new CSR policy puts forward an action agenda for the period 2011-2014 covering 8 areas. This agenda contains commitments from the Commission itself, as well as suggestions for enterprises, Member States, and other stakeholder groups. In implementing this agenda, the Commission will at all times take account the particular characteristics of SMEs, especially their limited resources, and avoid creating unnecessary administrative burdens.

Enhancing the visibility of CSR and disseminating good practices: 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.

The Commission intends to:

- create in 2013 **multi stakeholder CSR platforms** in a number of relevant industrial sectors, for enterprises, their workers and other stakeholders to make public commitments on the CSR issues relevant to each sector and jointly monitor progress;

- launch from 2012 onwards **a European award scheme** for CSR partnerships between enterprises and other stakeholders.

Improving and tracking levels of trust in business*:* there is frequently a gap between citizens' expectations and what they perceive to be the reality of business behaviour. This gap is caused partly by instances of irresponsible behaviour by some enterprises, as well as by cases of some enterprises exaggerating their environmental or social credentials. The Commission intends to:

- address the issue of **misleading marketing** related to the environmental impacts of products (so-called "green-washing") in the context of the report on the application of the Unfair Commercial Practices Directive, and consider the need for possible specific measures on this issue;

- initiate an **open debate** with citizens, enterprises and other stakeholders on the role and potential of business in the 21st century, with the aim of encouraging common understanding and expectations, and carry out periodic surveys of citizen trust in business and attitudes towards CSR.

***Improving self- and co-regulation processes**:* the Commission will launch a process in 2012 with enterprises and other stakeholders to develop a code of good practice for self- and co-regulation exercises, which should improve the effectiveness of the CSR process.

***Enhancing market reward for CSR*:** this means leveraging EU policies in the fields of consumption, investment and public procurement in order to promote market reward for responsible business conduct. The Commission will:

- facilitate the better integration of social and environmental considerations into public procurement as part of the 2011 review of the Public Procurement Directives, without introducing additional administrative burdens for contracting authorities or enterprises, and without undermining the principle of awarding contracts to the most economically advantageous tender;

- consider a requirement on all investment funds and financial institutions to inform all their clients (citizens, enterprises, public authorities etc.) about any ethical or responsible investment criteria they apply or any standards and codes to which they adhere.

Improving company disclosure of social and environmental information: one source estimates that about 2,500 European companies publish CSR or sustainability reports, which puts the EU in a position of global leadership. However this is still only a small fraction of the 42,000 large companies operating in the EU. In order to ensure a level playing field, the Commission will present a **legislative proposal on the transparency of the social and environmental information provided by companies in all sectors.**

Further integrating CSR into education, training and research: the Commission will explore opportunities for **financing further research and innovation on CSR**, and supporting CSR principles and guidelines in research funded still under the 7th Framework Programme, as well as under its successor, Horizon 2020, and in building the European Research Area. It intends to provide **further financial support for education and training projects on CSR under the EU Lifelong Learning and Youth in Action Programmes**, and launch an action in 2012 to raise the awareness of education professionals and enterprises on the importance of cooperation on CSR.

Emphasising the importance of national and sub-national CSR policies: the Commission intends to create with Member States in 2012 a **peer review mechanism** for national CSR policies. It invites Member States to develop by mid 2012 their own plans or national lists of priority actions to promote CSR in support of the Europe 2020 strategy, with reference to internationally recognised CSR principles and guidelines and in cooperation with enterprises and other stakeholders, taking account of the issues raised in this communication.

Better aligning European and global approaches to CSR: the EU should promote European interests in international CSR policy developments, while at the same time ensuring the integration of internationally recognised principles and guidelines into its own CSR policies. The Commission intends to monitor the commitments made by European enterprises with more than 1 000 employees to take account of internationally recognised CSR principles and guidelines, and take account of the ISO 26000 Guidance Standard on Social Responsibility in its own operations. Furthermore, it invites all large European enterprises to make a commitment by 2014 to take account of at least one of the following sets of principles and guidelines when developing their approach to CSR: the UN Global Compact, the OECD Guidelines for Multinational Enterprises, or the ISO 26000 Guidance Standard on Social Responsibility.

The report further notes that improving **the coherence of EU policies relevant with business and human rights** is a critical challenge. The Commission intends to:

- work with enterprises and stakeholders in 2012 to develop **human rights guidance for a limited number of relevant industrial sectors**, as well as guidance for small and medium-sized enterprises, based on the UN Guiding Principles on Business and Human Rights.

- publish by the end of 2012 a report on EU priorities in the implementation of the UN Guiding Principles, and thereafter to issue periodic progress reports.

Lastly, it invites EU Member States to develop by the end of 2012 national plans for the implementation of the UN Guiding Principles.