

## Cabinet Newsletter

*Newsletter no. 59, 28 October 2011*

Dear Reader,

On October 25<sup>th</sup> Commissioner Antonio Tajani, responsible for industries and enterprises in cooperation with Commissioners Michel Barnier (Internal Market and services) and Lazlo Andor (Employment, Social Affairs and Inclusion) proposed in Strasbourg a "responsible business package".

This package, in line with Europe 2020 flagship, is particularly relevant in the current crisis because it makes corporate social responsibility (CSR) an important tool for European firms' competitiveness. It thus continues on the path launched by Vice President Antonio Tajani to boost European competitiveness whilst creating better conditions for employment in the framework of a sustainable growth.



*Antonio Preto*  
*Head of Cabinet*

These measures are aimed at supporting social entrepreneurship, at reducing administrative burden for small businesses and finally at making the reporting exercise more transparent for extracting and logging industries.

The first part of the "package" is made of two Commission legislative proposals: a revision of the two existing Accounting directives (78/660/EEC and 83/349/EEC) to simplify accounting requirement for small companies; a modernization of the Transparency directive with a new system of reporting for companies in the oil, gas, mining and logging sector.

In the second part of the package the Commission presented two Communications: a communication on **Corporate Social Responsibility (CSR)** and a **Social Business Initiative communication (SBI)**.

For the first time after ten years, the communication on CSR adopted a new and updated definition of CSR in line with international standards. Compared to the previous approach, the current communication is aimed at fostering dialogue among all the stakeholders through the “European CSR Alliance”, strengthening the human right dimension. The Commission pushed also to include CSR requirements in public procurement discipline.

The Communication developed the concept of “creating shared value”. The Commission associates CSR with innovation referring to industries which seek to generate returns whilst creating value for other stakeholders.

The Communication is completed by an “Agenda for Action” 2011-2014 aimed at mitigating the social effects of the current economic crisis through eight lines of actions which make CSR a mainstream concept.

It is also worth mentioning that the adopted communication ended the long lasting debate on whether reporting norms should be mandatory or not. CSR reporting is a key reputational tool for companies as it provides information about how firms operate leading to an increase in consumers and investors’ confidence.

However, the impossibility of covering under the same umbrella both SMEs and big corporations of all economic sectors, the lack of a “one-size-fits-all” policy explains the adoption of a “smart mix” approach of a voluntary and regulatory norms. This pathway has been positively welcomed by all the stakeholders because it aligns the EU discipline with the international standards.

**The Social Business Initiative communication** is targeted not only at associations, foundations and mutual aid societies but also at corporations for which the social or societal objective of the common good is the reason for the commercial activity. A social enterprise is thus an operator whose main objective is to have a social impact rather than make a profit. It aims at strengthening social business access to credit, increasing their visibility on the market, and simplify and improve their legislative framework.

The Communication proposes to continue to ease access to micro-credit through the PROGRESS Microfinance Facility but also to prepare in a timely and appropriate manner the new financing exercise 2014-2020. Therefore, the Commission has made the proposal of a 90million euro European financial instrument to facilitate access to funding for start-up, development and expansion of social enterprises through either EU direct participation or through loans. In order to prepare this new fund, the European Investment

Fund has been creating by 2012 a desk called "Clean Funds" dedicated to investments with a positive social impact.

Furthermore, it suggested to progressive use of the European Development Fund and the European Social Fund to support social businesses.



Vice President Antonio Tajani  
with commissioners Barnier and Andor

The two communications go clearly in the direction indicated by Vice President Antonio Tajani to exit the recent economic crisis recalling the need to maintain the social market economy. The “financiarisation” of the economy over the recent years has hammered public trust in business.

Today, the irresponsibility of the past has to be turned into more corporate responsibility. The fact that this new package is unveiled at the time when the euro crisis is the subject of EU summits reveals that corporate social responsibility is part of the solution for the economic recovery.