

ROADMAP	
TITLE OF THE INITIATIVE	Communication on Corporate Social Responsibility
TYPE OF INITIATIVE	X CWP (2010) • Non-CWP • Implementing act/Delegated act
LEAD DG – RESPONSIBLE UNIT	ENTR.F.2, EMPL.C.2
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This indicative roadmap is provided for information purposes only and is subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.

A. Context, problem definition
<p>(i) What is the political context of the initiative?</p> <p>(ii) How does it relate to past and possible future initiatives, and to other EU policies?</p> <p>(iii) What ex-post analysis of the existing policy has been carried out and what results are relevant for this initiative?</p>
<p>The European Commission has defined Corporate Social Responsibility (CSR) as “a concept whereby companies integrate social and environmental concerns into their business operations and into their relations with their stakeholders on a voluntary basis.” For enterprises, CSR relates to a wide variety of issues, such as employment conditions and labour standards, freedom of association, well-being at work, non-discrimination and gender balance, local enterprise restructuring and community engagement, new ways of working, stakeholder engagement, human rights, renewable technologies, emissions reductions, energy savings, and bribery and corruption. By definition therefore it also a cross-cutting issue relevant to a variety of European policies, including: enterprise and industrial policy; social affairs and employment; corporate governance and company law; internal market; environment; consumer affairs; trade; development; external relations; human rights; justice and home affairs; research; and education and training.</p> <p>The most recent European Commission Communication on Corporate Social Responsibility dates from March 2006 (COM(2006)136Final). Since then, the context of CSR and the practice have significantly evolved.</p> <p>A number of European and non-European countries have adopted ambitious measures in this field. There has also been progress in the development of international CSR instruments since 2006 (for example, approval of the ISO 26000 guidance standard on social responsibility, the growth of the Global Reporting Initiative and of the UN Global Compact, the design of a new UN framework on business and human rights, as well as the planned updating of the OECD Guidelines for Multinational Enterprises). A business-led CSR Alliance was launched in 2006 as an expression of companies' voluntary commitment to CSR. A number of successful initiatives have been conducted by businesses and some other stakeholders under this umbrella.</p> <p>In 2007 the European Parliament passed a resolution on CSR that called on the Commission to address a number of issues that were, in its opinion, not adequately addressed in the 2006 Commission Communication. In 2010 the European Parliament passed two resolutions calling on the Commission to given greater attention to CSR in its international policies, especially in trade agreements.</p> <p>In its 2008 and 2010 conclusions on the Sustainable Consumption and Production the Council has invited the Commission to reinforce and develop its activities to promote CSR. In its June 2010 conclusions on child labour, the Council stated that it “would welcome a future Commission Communication on CSR which addresses the issue of business and human rights in the global context and gives due consideration to the issue of child labour.”</p> <p>The Commission adopted a Communication on decent work in 2006, and supports global efforts in promoting productive and freely-chosen employment, rights at work including core labour standards, social protection, and social dialogue.</p> <p>The European Commission coordinates and consults with representative stakeholder groups through the European Multistakeholder Forum on CSR, and with representatives of EU Member States through the CSR High-Level Group of Member States representatives. The Commission hosted a plenary meeting of the European Multistakeholder Forum on CSR in November 2010. Many stakeholders expressed a high degree of expectation for European leadership in the field of CSR, and argued that a new communication provided an important opportunity to demonstrate such leadership.</p>

<p>In the Europe 2020 Strategy, the Commission mentioned "raising corporate social responsibility among the business community" as a contributor to inclusive growth and stated its intention "to renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long-term employee and consumer trust."</p>
<p>What are the main problems which this initiative will address?</p>
<p>The financial crisis and events such as the oil spill in the Gulf of Mexico have increased citizens' awareness of the need for responsible and ethical corporate behaviour. An important aspect of CSR, especially in the current circumstances, is the way enterprises avoid and manage job losses and seek to create new jobs (for example in green technologies). A credible commitment to CSR by enterprises has become strategically important as a means of rebuilding trust in business in the wake of the financial crisis. Enterprises are faced with stronger and more frequent demands from stakeholders regarding CSR, including from business customers, consumers, investors, civil society and public authorities.</p> <p>In spite of advances in recent years, for many enterprises CSR is still not an integral part of strategy and operations. In some Member States the awareness and uptake of CSR is particularly low in comparison with leading countries. The less than optimum uptake of CSR has several consequences:</p> <ul style="list-style-type: none"> - Many European enterprises miss out on opportunities such as those identified in the 2008 European Competitiveness Report chapter on the links between CSR and competitiveness. - As business practice and public policies develop in other countries and regions of the world, there is a risk that the EU loses its position as a global leader on CSR, potentially putting European enterprises at a competitive disadvantage. - Credible allegations persist of business complicity in human rights abuses, and enterprises in some industries are increasingly exposed to the risk of such allegations. - Instances of irresponsible behaviour by enterprises may have an impact on the level of trust in business generally on the part of citizens. - The full potential of enterprises to cooperate with policy-makers and other stakeholders to address critical social issues in the context of the current economic crisis is not realised. <p>Reasons for low uptake:</p> <ul style="list-style-type: none"> - Enterprises and other stakeholders are often confused by the array of overlapping standards and guidelines in the field of CSR. - The promotion of CSR is not always sufficiently integrated into all relevant European policies. - The EU is not fulfilling all its potential to support the development of and respect for agreed global instruments on CSR. - Although CSR can contribute to competitiveness, there is still insufficient market reward for highly responsible and sustainable companies. - Some enterprises complain that there is a lack of guidance regarding what constitutes adequate non-financial disclosure. - Enterprises lack clear guidance in the field of human rights, and too many enterprises do not have explicit policies in this area.
<p>Who will be affected by it?</p>
<p>CSR is in principle relevant to all European enterprises, regardless of their size and sector, and to their internal and external stakeholders. CSR relates to the role and purpose of business in society and is therefore relevant to all citizens, whether as employees, job seekers, consumers or members of communities affected by company operations.</p>
<p>(i) Is EU action justified on grounds of subsidiarity?</p>

- (ii) Why can Member States not achieve the objectives of the proposed action sufficiently by themselves? (Necessity Test)
- (iii) Can the EU achieve the objectives better? (Test of EU Value Added)

EU action is justified under article 3 of the Treaty, in particular the objective of working for “the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.

EU Member States can, and in most cases do, have their own national policies to promote CSR, as do a number of regional and local authorities across Europe.

However, national, regional and local policies cannot adequately on their own: ensure that different European policies (enterprise and industry, employment and social affairs, internal market, trade, etc.) support the further development of CSR; represent European interests in relevant international processes related to CSR; or promote best practice and convergence of CSR practices and principles across the European Union and globally. These objectives can only be adequately achieved through the further development of a European policy on CSR.

A number of different stakeholder groups, including non-governmental organisations, trade unions, investors and some enterprise networks, as well as some member States, have argued for a more ambitious European policy on CSR. Other stakeholders, such as employers’ organisations and some Member States have argued that CSR is a voluntary business activity which is increasingly considered and practiced by businesses as part of everyday business operations and as a tool to create new value.

B. Objectives of the initiative

What are the main policy objectives?

The main policy objective is to contribute to the Europe 2020 objective of smart, inclusive and sustainable growth through a better and more widespread uptake of CSR amongst European enterprises and globally.

A key objective is to generate higher levels of trust in business on the part of citizens, based on a deeper understanding of the potential and purpose of business to create shared value for owners/shareholders and for other stakeholders and society at large.

A renewed CSR policy will help the EU address contemporary social and environmental challenges, especially as an exit from the economic crisis continues to be sought.

The communication will also serve as a vehicle for European Commission leadership in the field of CSR, providing a strategic framework for companies and other stakeholders, as well as for relevant European policies that influence the development of CSR.

Do the objectives imply developing EU policy in new areas?

The European Commission already has a policy to promote CSR. However, certain issues, such as: clarifying EU expectations of companies in the field of CSR; creating greater market reward for responsible enterprises; human rights; and/or company disclosure of environmental, social and governance information, should be given more prominence in the context of the Europe 2020 objective of achieving smart, sustainable and inclusive growth.

C. Options

- (i) What are the policy options being considered?
- (ii) What legislative or 'soft law' instruments could be considered?
- (iii) How do the options respect the proportionality principle?

(i) What are the policy options?

1. Continue Commission CSR policy as it is. This involves a combination of different awareness-raising actions, exchange of good practice, and political encouragement for business-led actions in the field of CSR.

2. Enhance Commission CSR policy in a number of areas, including: creating greater market reward for responsible enterprises, through the promotion of more responsible consumption, investment and public

procurement; the integration/mainstreaming of CSR into other relevant European policies; the avoidance of business complicity in human rights abuses; promoting better and more widespread disclosure by companies of environmental, social and governance information in a way that is useful to companies themselves, their investors and other stakeholders; European support for the development of and respect for agreed global instruments on CSR (including the United National Global Compact and the OECD Guidelines for Multinational Companies); and specific employment-related challenges of Europe 2020 (e.g. skills and jobs, local enterprise restructuring and community engagement, youth unemployment, poverty platform)

(ii) What legislative or 'soft law' instruments could be considered?

A variety of soft law instruments are available for the further promotion of CSR, such as the further integration of social and environmental criteria into public procurement, the promotion of respect for international CSR guidelines and standards, benchmarking exercises, and the issuing of further guidance if needed; integration of CSR into relevant education curricula; addressing CSR in EU dialogues with third countries; and capacity-building on CSR for enterprises (especially SMEs) and other stakeholders

New or revised legislation could be considered with regard to company disclosure of environmental, social and governance information and, possibly in a later stage, to business and human rights.

(iii) How do the options respect the proportionality principle

Both options respect the proportionality principle since the action would not go beyond what is necessary to achieve the objectives. However, this would be assessed in more detail in the case of any legislative proposals.

D. Initial assessment of impacts

What are the benefits and costs of each of the policy options?

1. Continuing Commission CSR policy as it is.

Likely impacts: The European Union could risk losing its position as a global leader in the field of CSR. European enterprises would probably continue to get political and rhetorical support to further develop their CSR, but the full potential of European public policy to promote CSR, and to foster market reward for socially and environmentally responsible enterprises, might not be realised. Enterprises would continue to be subject to many different standards and expectations from stakeholders. The legitimate expectations of stakeholders for more responsible business practices, especially strong in the context of the crisis and towards the financial sector, would not be met as fully as they could be. CSR would risk remaining to be seen by some as just a publicity exercise. Levels of trust in business and the extent of ethics in business would be lower, and the transition to a sustainable European and world economy is potentially slower and more difficult.

2. Enhancing policy on CSR.

Likely impacts: The EU consolidates its position as a global leader in the field of CSR, exporting its standards and practices to other regions of the world and helping to create a more level playing field. European enterprises operate in an environment that rewards CSR and encourages them to further innovate in this field. New markets open up in socially and environmentally-friendly products and processes. The legitimate expectations of stakeholders for responsible business behaviour are met to a large degree, and the social dimension of globalisation is strengthened. There is a high level of trust in enterprises on the part of citizens, ethics in business is more widespread, and the transition to a sustainable European and world economy is faster and smoother than it would otherwise be.

A more widespread uptake of CSR amongst European companies and globally can help to address the following issues:

- It can help businesses to better integrate social and environmental issues into their operations and strategies. It is therefore part of the transition to a sustainable economy, for example by driving environmental innovations and investments in people.
- To the extent that social and environmental performance is increasingly valued by the market, CSR can be an important component of company competitiveness. Leading companies increasingly see that CSR can contribute to business excellence and to long-term financial performance.
- CSR can help to improve the accountability of business, thereby strengthening the trust of citizens and the

<p>legitimacy of the economic system as a whole. In this context, CSR is part of the exit strategy from the current economic crisis. CSR is important in the fight against corruption and in combating human rights and environmental harm. It is part of the social dimension of globalisation.</p> <p>- It can encourage a more level playing field in the EU and globally.</p>
<p>Could any or all of the options have significant impacts on (i) simplification, (ii) administrative burden and (iii) on relations with other countries, (iv) implementation arrangements? And (v) could any be difficult to transpose for certain Member States?</p>
<p>The option of an enhanced European policy could reduce administrative burden by clarifying the different demands made on enterprises and promoting the convergence of different national and international CSR tools and instruments. New or revised legislation with regard to company disclosure of environmental, social and governance information, could reduce the potential for different national disclosure requirements, so reducing administrative costs for enterprises established in more than one Member State. At the same time, such legislation could, depending on its scope and content, result in increased administrative costs for some enterprises. This could also be the case, for some possible new measures in the field of business and human rights, depending on their scope and content. However, an EU policy that helps to improve the human rights performance of business could have positive impacts in terms of reduced costs from litigation and from operational disruption caused by conflict with communities negatively affected by business activities.</p>
<p>(i) Will an IA be carried out for this initiative and/or possible follow-up initiatives? (ii) When will the IA work start? (iii) When will you set up the IA Steering Group and how often will it meet? (iv) What DGs will be invited?</p>
<p>If this Communication indicates the possibility of future legislative proposals by the Commission (e.g. regarding company disclosure of environmental, social and governance information), then such proposals would be subject to impact assessment on an individual basis at the appropriate time.</p>
<p>(i) Is any of options likely to have impacts on the EU budget above €5m? (ii) If so, will this IA serve also as an ex-ante evaluation, as required by the Financial regulation? If not, provide information about the timing of the ex-ante evaluation.</p>
<p>(i) No.</p>

E. Evidence base, planning of further work and consultation

<p>(i) What information and data are already available? Will existing impact assessment and evaluation work be used?</p> <p>A very wide range of studies and information is available on different aspects of corporate social responsibility. In 2010 the Commission published a study on the legal framework on human rights and the environment applicable to EU companies operating outside the EU. Other studies on current practice with regard to sustainability reporting, current practice on how companies manage CSR-related issues in their supply chains, a compendium of Member States policies on CSR, and a model for cost-benefit assessment of socially-responsible public procurement are pending publication.</p>
<p>(ii) What further information needs to be gathered, how will this be done (e.g. internally or by an external contractor), and by when?</p>
<p>(iii) What is the timing for the procurement process & the contract for any external contracts that you are planning (e.g. for analytical studies, information gathering, etc.)?</p>
<p>(iv) Is any particular communication or information activity foreseen? If so, what, and by when?</p>
<p>[...]</p>
<p>Which stakeholders & experts have been or will be consulted, how, and at what stage?</p>
<p>The European Commission is in contact with a wide range of representative stakeholders through the European Multistakeholder Forum on CSR and with Member States through the CSR High-Level Group of Member States representatives. A plenary meeting of the European Multistakeholder Forum on was held on 29-30 November, with the aim of exchanging views about the possible content of a new Communication on CSR: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/multi-stakeholder-forum/2010-meetings/index_en.htm</p> <p>The High-Level Group of Member States representatives met 3 times in 2010, and there are likely to be 3 meetings held in 2011.</p>

In 2009-10 the European Commission hosted a series of multistakeholder consultations on the issue of company disclosure of environmental, social and governance information (http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/index_en.htm).

Between November 2010 and January 2011 the Commission organised an online public consultation on company disclosure of environmental, social and governance information, and is currently analysing the results of that consultation.

The Commission currently has a public consultation open on a possible revision of the public procurement Directives.