

Brussels, 16 March 2009

Corporate Social Responsibility (CSR)

What is Corporate Social Responsibility (CSR)?

Corporate Social Responsibility was defined in the Commission's last policy Communication on CSR ("Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR" in 2006) 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".

It is essentially about companies being prepared to take the lead, and illustrate to the Commission and to their stakeholders voluntarily that they take CSR seriously. CSR is always about going beyond the law. Ideally, CSR is a win-win scenario, whereby companies increase their profitability and society benefits at the same time.

The EU's so-called Lisbon Strategy for Growth and Jobs aims to create a business-friendly environment, so EU CSR policy is consequently compatible with this. In the area of employment and social policy, the March 2006 Communication highlighted more integrated labour markets and higher levels of social inclusion as key elements of CSR.

How are companies working on CSR?

The Commission has noticed a steady increase in CSR activity over recent years, not least through the number of CSR reports that many companies regularly publish.

At European level, the Commission has given support to a business-led European Alliance for CSR. This Alliance has created a number of "laboratories" (long-term workshops) focusing on specific themes, ranging from employment and social policy, supply chain issues, reporting, environmental issues, to creativity and innovation in CSR. The laboratories have just come to the end of their first phase of work, resulting in a "toolbox" of CSR solutions to address the issues raised by each of them. In the next stage, the Commission will encourage dissemination of the results and reflect on new issues to address.

What are the advantages of CSR for companies?

Companies work on CSR for a number of reasons:

- **There is often a direct benefit to profitability.** Companies who pay attention to training opportunities, well-being in the workplace, or work-life balance are more likely to command loyalty from their employees. This helps productivity and product quality. In addition, many companies are seriously addressing environmental challenges, whether through reducing emissions from a polluting process, or through reducing the carbon footprint created by the offices they occupy. On the one hand, this is good for the environment, and on the other, it can cut costs. Finally, it stimulates training and new skills in technologies of the future.
- **There is a benefit to company image and reputation.** Good corporate citizens command more respect than ever before, not least because the behaviour of companies is more visible than it has been in the past. Where

consumers are attracted by responsible behaviour (through attention to fair trade issues for example), companies' profitability is likely to benefit. The perception of a company in the eyes of its stakeholders should also be of concern to a company. So a good image of a company among trade unions, non-governmental organisations, investors, the education world, local communities, and the public sector can only enhance its standing and influence.

- **Companies choose to act out their corporate values through CSR.** Corporate governance has come under scrutiny recently and company ethics have consequently become more prominent. CSR and ethics are closely linked.

What is the role of the EU in CSR?

The EU's main role is to raise awareness of CSR, facilitate exchange of best practice across Europe, and organise discussion of topical CSR issues leading to further debate and action. Examples of concrete activities include:

- **A European Multi-Stakeholder Forum for CSR** bringing together employers, employees, NGOs, academics and socially-responsible investors every two years to update each other on their CSR activities and to discuss further steps for the EU in encouraging more CSR take-up. The most recent session took place in February 2009 and tackled issues such as how to report on CSR practices, how to deal with unethical conditions in supplier companies and should CSR should be included in education curricula.
- **A High-Level Group of Member States' representatives** which meets every six months to share different approaches to CSR and encourage peer learning. The high-level group is a mechanism for the Commission to sound out Member States on its own initiatives. The group is also a focus of major dissemination events. In October 2008, the Commission jointly organised with the French Presidency of the EU, and the European Economic and Social Committee a conference on transparency and partnership. In November 2009, the future Swedish Presidency of the EU plans to organise a conference related to the work of UN Special Representative on business and human rights John Ruggie.
- **A Commission inter-service group on CSR** to ensure a coherent approach across the different Commission services concerned. CSR is increasingly a cross-cutting issue, reflecting a trend by companies towards a greater mainstreaming of their CSR activities. It involves the following policy areas: environment; justice, liberty and security; internal market; health and consumer affairs; and external affairs (external relations, trade, aid and cooperation, and development).
- **A study on how CSR can contribute to local employment development**, meaning initiatives to improve local economies and jobs. This study focused on companies' activities which aim to benefit employees, the market (i.e. clients, suppliers, business partners) and/or the physical environment in local communities.
- **A guide on social considerations in public procurement** to clarify how EU rules allow authorities to take account of social aspects in public purchasing. This is an important initiative as some 16% of EU GDP is generated through public procurement. The possible CSR leverage on private contractors is consequently significant.
- **Funding for cross-European research and information-sharing** on themes where project partners have a particular expertise and which fit in with the Commission's CSR agenda.

Is CSR still relevant during this time of economic crisis?

CSR remains a priority for the European Commission. It is part of a long-term strategy and is about quality of life, which is something that should not be put to one side in an economic downturn. Although there might be pressure on companies to reduce their CSR in the short-term, we hope that they will think about the longer term as well.

The Commission would also advocate that companies - especially in the financial sector - pay more attention to ethics and responsibility generally in the light of recent events.

Overall, considerations of short-term social needs and longer-term competitiveness should, we would argue, persuade companies to keep to their CSR strategies through this downturn.

What about the international aspect?

Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities, will participate in a joint Asia-Europe conference on Corporate Social Responsibility taking place on 16-17 March 2009 in Potsdam.

For the past 12 years, the Asia-Europe Meeting (ASEM) has been the main multilateral channel for communication between Asia and Europe, strengthening interaction and mutual understanding between the two regions through dialogue. As one of the “coordinators” of ASEM, the European Commission underpins the process.

The First ASEM Labour and Employment Ministers Conference in Potsdam 2006 created a new central platform for an employment and social policy dialogue between Asia and Europe to help shape the social dimension of globalisation. The 45 ASEM member states met again in Bali in October 2008 and committed themselves to exchange good practices, notably on CSR.

This ongoing dialogue on labour and employment aims to support fair globalisation and make the goals of decent work and good governance key elements of our policies. The collaboration between Europe and Asia is even more important to address the challenges in the labour market and social dimension of the current economic crisis.

Further information

CSR: <http://ec.europa.eu/social/main.jsp?catId=331&langId=en>

ASEM: http://ec.europa.eu/external_relations/asem/index_en.htm

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