Corporate Social Responsibility: a new definition, a new agenda for action

The European Commission’s new strategy on corporate social responsibility (CSR), part of a package of measures on responsible business (see IP/11/1238), aims to help enterprises achieve their full potential in terms of creating wealth, jobs and innovative solutions to the many challenges facing Europe’s society. It sets out how enterprises can benefit from CSR as well as contributing to society as a whole by taking greater steps to meet their social responsibility.

What is corporate social responsibility (CSR)?

In its new Communication, the European Commission has put forward a simpler definition of CSR as “the responsibility of enterprises for their impacts on society and outlines what an enterprise should do to meet that responsibility.

Although there is no "one-size-fits-all" and for most small and medium-sized enterprises the CSR process remains informal, complying with legislation and collective agreements negotiated between social partners is the basic requirement for an enterprise to meet its social responsibility.

Beyond that, enterprises should, in the Commission's view, have a process in place to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders. The aim is:

- to maximise the creation of shared value, which means to create returns on investment for the company's shareholders at the same time as ensuring benefits for the company's other stakeholders;
- to identify, prevent and mitigate possible adverse impacts which enterprises may have on society.

Important features of the new definition are:

- Recognition of the importance of core business strategy. This is consistent with the approach taken by leading enterprises for whom social responsibility and sustainability have become an integral part of the business model. The Commission’s 2008 competitiveness report concluded that CSR is most likely to contribute to the long-term success of the enterprise when it is fully integrated into business strategy.
- Development of the concept of “creating shared value”. This refers to the way in which enterprises seek to generate a return on investment for their owners and shareholders by means of creating value for other stakeholders and society at large. This links CSR strongly to innovation, especially in terms of developing new products and services that are commercially successful and help to address societal challenges.
- Explicit recognition of Human rights and ethical considerations in addition to social, environmental and consumer considerations.
Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment. Certain regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibility.

This is the first time in 10 years that the Commission has changed its definition of CSR. Its previous definition was: “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 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. It should provide greater clarity for enterprises, and contribute to greater global consistency in the expectations on business, regardless of where they operate.

**What EU policy actions will cover corporate social responsibility?**

The new CSR policy presented today puts forward an action agenda for the period 2011-2014 covering 8 areas:

- **Enhancing the visibility of CSR and disseminating good practices:** this includes the creation of a European award, and the establishment of sector-based platforms for enterprises and stakeholders to make commitments and jointly monitor progress.

- **Improving and tracking levels of trust in business:** the Commission will launch a public debate on the role and potential of enterprises, and organize surveys on citizen trust in business.

- **Improving self- and co-regulation processes:** the Commission proposes work with business and other organizations to develop a code of good practice to guide the development of future self- and co-regulation initiatives.

- **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.

- **Improving company disclosure of social and environmental information:** the new policy confirms the Commission’s intention to bring forward a new legislative proposal on this issue.

- **Further integrating CSR into education, training and research:** the Commission will provide further support for education and training in the field of CSR, and explore opportunities for funding more research.

- **Emphasizing the importance of national and sub-national CSR policies:** the Commission invites EU Member States to present or update their own plans for the promotion of CSR by mid 2012.

- **Better aligning European and global approaches to CSR:** the Commission highlights the OECD Guidelines for Multinational Enterprises, the 10 principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy, and the ISO 26000 Guidance Standard on Social Responsibility. The Commission aims to monitor the commitments of large European enterprises to take account of internationally recognized guidelines and principles. It will also present a report on EU priorities for the implementation of the UN Guiding Principles on Business and Human Rights, and develop human rights guidance for a limited number of industrial sectors and for small businesses.
A report on the implementation of this action agenda will be published in time for a review meeting scheduled for mid 2014.

Why is corporate social responsibility important today?
A strategic approach to CSR is increasingly important to a company's competitiveness. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. It also encourages more social and environmental responsibility from the corporate sector at a time when the crisis has damaged consumer confidence and the levels of trust in business.

- Through CSR, enterprises can significantly contribute to the European Union’s treaty objectives of sustainable development and a highly competitive social market economy. CSR underpins the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth, including the 75% employment target. Responsible business conduct is especially important when private sector operators provide public services.
- CSR requires engagement with internal and external stakeholders so it enables enterprises to anticipate better and take advantage of fast-changing expectations in society as well as operating conditions. This means it can also act as a driver for the development of new markets and create real opportunities for growth.
- By addressing their social responsibility, enterprises can build long-term employee, consumer and citizen trust as a basis for sustainable business models. This in turn helps to create an environment in which enterprises can innovate and grow. The economic crisis and its social consequences have to some extent damaged levels of trust in business, and have focused public attention on the social and ethical performance of enterprises, including on issues such as bonuses and executive pay.
- Helping to mitigate the social effects of the crisis, including job losses, is part of the social responsibility of enterprises. In the longer term, CSR offers a set of values on which to build a more cohesive society and on which to base the transition to a sustainable economic system.
- By renewing efforts to promote CSR now, the Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and lasting job creation for the medium and long-term.

What progress has been made at EU level and what challenges remain?
European policy on CSR to date has contributed to progress in the field of 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.
- The Business Social Compliance Initiative, a European, business-driven initiative for companies to improve working conditions in their supply-chains, has increased its membership from 69 in 2007 to over 700 in 2011.
- The number of European enterprises publishing sustainability reports according to the guidelines of the Global Reporting Initiative rose from 270 in 2006 to over 850 in 2011.

Despite 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 failure of a small minority of European enterprises to respect core labour standards and human rights. Only 15 out of 27 EU Member States have national policy frameworks to promote CSR.

The new strategy introduces important new elements which can help further extend the impact of European efforts to encourage corporate social responsibility.

More information:
MEMO/11/732, MEMO/11/734 and MEMO/11/735