

EN

EN

EN

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

1. CSR IN SUPPORT OF SUSTAINABLE GROWTH AND MORE AND BETTER JOBS

Growth and jobs are the twin challenges the EU must address to ensure prosperity for future generations. Only if the EU acts now in the face of global competition and an ageing population will we safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005.

The revised Lisbon strategy focuses on actions that promote growth and jobs in a manner that is fully consistent with sustainable development, which remains an overarching goal for the European Union. Enterprises, as the motor for economic growth, job creation, and innovation, are key actors in delivering the Lisbon and sustainable development objectives. Through corporate social responsibility (CSR), enterprises, in cooperation with their stakeholders, can help reconcile economic, social and environmental ambitions.

Europe needs business to do what it does best: to provide products and services that add value for society and to deploy entrepreneurial spirit and creativity towards value and employment creation. In its contribution to the March 2005 Spring Council, the Commission recognised that *“voluntary business initiatives, in the form of corporate social responsibility (CSR) practices, can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness”*.¹ In the Social Agenda², the Commission announced that it would, in co-operation with Member States and stakeholders, present initiatives to further enhance the development and transparency of CSR. In the revised Sustainable Development Strategy³, the Commission called *“on the business leaders and other key stakeholders of Europe to engage in urgent reflection with political leaders on the medium- and long-term policies needed for sustainability and propose ambitious business responses which go beyond existing minimum legal requirements.”*

In March 2005, the European Council underlined that *“in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility.”* In the Integrated Guidelines for Growth and Jobs (2005-8), the Council recommended that Member States should *“encourage enterprises in developing their corporate social responsibility.”*

¹ COM(2005)24 final
² COM(2005)33 final
³ COM(2005)658 final

With the relaunched Lisbon Strategy, the EU has committed itself to creating an environment that is more friendly to business and entrepreneurship. As laid down in the Integrated Guidelines and recently confirmed in the Commission's 2006 Annual Progress Report on Growth and Jobs⁴, better regulation and the promotion of entrepreneurial culture are now high on the European agenda. However, improving the overall climate and conditions for business in Europe creates a corresponding need for more self-discipline on the part of the business community. In this context, CSR is increasingly important for the smooth functioning of the market economy. CSR can help bring about both a more responsible business community and a more entrepreneurial and business-friendly Europe.

Against this backdrop, the Commission has reviewed the work that has been accomplished on CSR at EU level, in order to align its approach with the priorities and working methods of the Growth and Jobs strategy. The Commission believes that the potential of enterprises can and should be better harnessed in support of sustainable development and the Growth and Jobs strategy. In keeping with the spirit and priority areas of its 2006 Annual Progress Report on Growth and Jobs, the Commission invites European enterprises to "move up a gear" and to strengthen their commitment to CSR in support of sustainable development, economic growth and job creation. CSR practices are not a panacea and can not on their own be expected to deliver these outcomes but have their role as voluntary business contributions that go beyond minimum requirements laid down in legislation and/or collective agreements. Alongside public policy responses CSR practices can contribute to a range of relevant policy objectives, such as:

- More integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;
- Investment in skills development, life-long learning and employability, which are needed to remain competitive in the global knowledge economy and to cope with the ageing of the working population in Europe;
- Improvements in public health, as a result of voluntary initiatives by enterprises in areas such as food marketing and labelling;
- Better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation;
- A more rational use of natural resources and reduced levels of pollution, thanks to investments in eco-innovation and to the voluntary adoption of environmental management systems;
- A more positive image of business and entrepreneurs in society, potentially helping to cultivate more favourable attitudes towards entrepreneurship;
- Greater respect for human rights and core labour standards, especially in developing countries;
- Poverty reduction and progress towards the Millennium Development Goals.

⁴ COM(2006)30 final

2. MAKING EUROPE A POLE OF EXCELLENCE ON CSR

Much progress has been made on CSR since the Lisbon Council made its first appeal to companies' sense of social responsibility in March 2000. In presenting this Communication, the Commission draws on several years of public debate, consultation and dialogue with enterprises and their stakeholders, to which other EU institutions and Member States also contributed. A Green Paper (2001)⁵, a Communication (2002)⁶, and the setting up of an EU Multi-Stakeholder Forum on CSR (CSR Forum) marked important steps in this process.

Set up in October 2002, the CSR Forum brought together representatives of business, trade unions and civil society, with the Commission in a facilitating role. The Commission welcomes the CSR Forum's work and final report of June 2004. The Forum succeeded in achieving a measure of consensus among stakeholders with divergent views. A common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR 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 CSR Forum confirmed this definition while further exploring its scope and boundaries. The Forum also reached consensus on the need for further awareness-raising and competency-building activities.

The Commission agrees with stakeholders that the Forum recommendations, if fully implemented by the relevant actors, would help advance CSR in Europe and globally. The critical success factors identified in the report are a valuable guide for enterprises wishing to engage in or further develop effective and credible CSR. In response to the invitation by stakeholders, the Commission will support the organisation of a review meeting with all stakeholders to take stock of progress made in relation to the recommendations of the CSR Forum before the end of 2006.

Awareness, understanding and uptake of CSR have improved over the past few years, partly as a consequence of the CSR Forum and other actions supported by the Commission. At the same time, initiatives by business and other stakeholders have moved forward the development of CSR in Europe and globally.

Nevertheless, the uptake, implementation and strategic integration of CSR by European enterprises should be further improved. The role of employees and their representatives in the development and implementation of CSR practices could be further enhanced. External stakeholders, including NGOs, consumers and investors could play a stronger role in encouraging and rewarding responsible business conduct. Public authorities at all levels should further improve the consistency of their policies in support of sustainable development, economic growth and job creation.

While Europe is working towards sustainable development, economic growth and job creation at home, the EU's vision of long-term prosperity, solidarity and security also extends to the international sphere. The European Commission recognises the linkages between the uptake of CSR in the EU and internationally. In the age of globalisation, many European companies have worldwide operations. The Commission believes that European companies should behave responsibly wherever they operate, in accordance with European values and internationally agreed norms and standards.

⁵ COM(2001)366 final

⁶ COM(2002)347 final

Drawing on the work accomplished over the past five years, the Commission renews its commitment to promoting CSR. The Commission believes that responsible business is good business: long-term success is about making profits while caring about people and planet.

3. A EUROPEAN ALLIANCE FOR CSR

The Commission aims to encourage the further take-up of CSR amongst European enterprises, and to increase support and recognition for CSR as a contribution to sustainable development and the Growth and Jobs Strategy. To achieve this, the Commission believes that a new political approach is necessary. The Commission continues to attach importance to dialogue with all stakeholders, but also wishes to give recognition to enterprises as the primary actors in CSR. The main element of this new approach is therefore an innovative partnership with enterprises, which will take the form of a European Alliance for CSR. The nature and priority areas of the Alliance are described in the document attached to this communication.

The Alliance has an open nature and European enterprises of all sizes are invited to voluntarily express their support. In order to remain accessible to as many European enterprises as possible and to avoid the creation of new bureaucratic burdens for business, the Alliance is not a legal instrument to be signed by enterprises. Rather, it is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders.

The Commission expects the Alliance to have a significant impact on the attitude of European enterprises towards CSR and on their positive engagement with social and environmental issues. In so doing, it should create new partners and new opportunities for stakeholders in their efforts to promote CSR. The Alliance is therefore a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders in the interests of sustainable development, economic growth and job creation. The voluntary commitment of European business to the Alliance and the supportive role of the Commission towards CSR within its policies where appropriate will strengthen the visibility, credibility and delivery of CSR within the EU and abroad. The results of the Alliance should be understood as a voluntary business contribution to achieving the goals of the relaunched Lisbon Strategy.

4. PROPOSED ACTIONS TO PROMOTE FURTHER TAKE-UP OF CSR PRACTICES

The Commission will pursue actions in the priority areas identified in the Alliance document in a manner consistent with the aims and spirit of the Growth and Jobs strategy and the Sustainable Development Strategy. In doing so, the Commission will emphasise the following aspects:

- **Awareness-raising and best practice exchange.** The Commission will further raise awareness about CSR and promote the exchange of best practice as CSR continues to evolve, with a special emphasis on SMEs and on new Member States and acceding and candidate countries. It will do this in a strengthened partnership with business and all relevant stakeholders, including national authorities. Best practice exchange could cover issues such as transparency, supply-chain issues and SME aspects. The Commission will further promote initiatives to make citizens aware of social and environmental issues and the impact of their consumption and investment choices. Consumers play a crucial role in providing incentives for responsible production and responsible business behaviour.

- **Research.** There is a need for more interdisciplinary and action research on CSR, in particular on links at the macro- and meso-levels between CSR, competitiveness and sustainable development. Research should also address CSR in relation to issues such as innovation, corporate governance, industrial relations, and the supply chain. CSR as practiced and experienced by SMEs is an important research topic in its own right, but should also be adequately reflected in other areas of CSR research. Additionally, the Life Cycle Social Impacts of processes, products, and services deserve more investigation. Building on the four CSR research projects financed under the 6th Research Framework programme, the Commission will support further research into CSR and related topics as part of the forthcoming 7th Framework Programme.
- **Education.** For CSR to become a mainstream business practice, the right knowledge and skills need to be developed among future entrepreneurs, business leaders, company managers and employees. CSR is also a lifelong learning issue. The Commission invites business schools, universities and other education institutions to incorporate CSR and related topics into education, as a cross-cutting issue, in particular into the curricula of future managers and graduate students.
- **SMEs.** SMEs make up the vast majority of enterprises in the European Union. The collective impact of CSR as practiced by SMEs is therefore critical if the potential of CSR to contribute to growth and jobs and sustainable development in Europe is to be fully harnessed. The Commission recognises that a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR, whether or not they know or use that term themselves. It also requires the active cooperation of mainstream SME intermediary organisations and support providers. The Commission will facilitate the exchange of experience and ideas about how best to support and encourage CSR amongst SMEs in Europe.
- **Support to multi-stakeholder initiatives.** Involving stakeholders enhances the effectiveness of CSR initiatives, by ensuring a coherent and more supportive approach to CSR. With the aim of fostering greater awareness of CSR and further enhancing its credibility, the Commission will continue to support CSR initiatives by stakeholders, including social partners, and in particular at sectoral level.
- **Mainstreaming CSR into European policies.** Just as CSR should not be an ‘add-on’ for enterprises but rather integrated into all business operations, so too it needs to be integrated appropriately into relevant European policies, particularly those that are most relevant to sustainable development and the Growth and Jobs Strategy. The Commission believes that CSR has a role to play in modern social, employment, environmental, industrial and consumer policies, as well as in policies on issues such as trade, development assistance, innovation, SMEs, entrepreneurship and education and training. Where it has not already done so, the Commission will seek to integrate CSR into such policies, and encourages Member States to do likewise.
- **The international dimension of CSR.** The Commission will continue to promote CSR globally through dialogue and cooperation with third countries, business and other stakeholders with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals. The ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, the OECD Guidelines

for MNEs and the UN Global Compact, as well as other reference texts and instruments, provide international benchmarks for responsible business conduct. The Commission is committed to promoting awareness and implementation of these instruments and will work together with other governments and stakeholders to enhance their effectiveness.

The Commission will propose references in international trade agreements to the promotion of CSR. This is complementary to the entry into force on 1 January 2006 of the new EU “Generalised System of Preferences Plus”, granting additional tariff preferences to vulnerable developing countries that have ratified and effectively implemented the main international human/labour rights, environmental protection and governance principles.

The Commission will further strengthen its co-operation with the ILO to promote decent work, including through a pilot project on trade and decent work indicators. The Commission will also present a communication on decent work in the course of 2006.

The Commission will further explore possibilities to finance CSR related projects in third countries as part of its development assistance, including in the context of trade and economic cooperation. Amongst other things, projects could address the promotion of respect for core labour standards, and, in recognition of increasing consumer interest in production conditions, could also promote CSR in production and distribution networks. The Commission will examine how to further promote CSR in the framework of the Cotonou Agreement and the New Strategy for Africa⁷, and will propose that this issue be discussed during the EU-Africa Business Summit to be held in autumn 2006.

The Commission will follow with interest other relevant international processes, such as the work of the UN Special Representative on Human Rights and Transnational Corporations and Other Business Enterprises, and the possible development of an ISO guidance standard on social responsibility.

- **Cooperation with Member States.** There is a broad consensus in Europe about the definition of CSR, although its precise nature and characteristics nevertheless vary between different national and cultural contexts. Moreover, Member States have at their disposal a broad range of instruments to encourage CSR. Cooperation with Member States and acceding countries, in particular through the Group of High-Level National Representatives on CSR, is therefore an important aspect of Commission policy on CSR. Within Member States, the regional level can be an appropriate level for actions in support of CSR, especially as far as SMEs are concerned.

5. CONCLUSION: THE NEED FOR AN ALLIANCE AMONG ALL STAKEHOLDERS

The Commission strongly believes that CSR can contribute to sustainable development, while enhancing Europe’s innovative potential and competitiveness, thereby also contributing to employability and job creation. Further promoting CSR is central to the new partnership for

⁷ COM(2005)489 final

"growth and jobs" in the context of the renewed Lisbon Strategy. The Commission calls on all parties involved to contribute to the implementation of this ambitious new initiative.

A closer partnership with Member States, business (through the Alliance described in annex) and stakeholders in the European Union is the best way to encourage the further take-up of CSR amongst European enterprises with a view to maximising their contribution to sustainable development and to growth and jobs.

ANNEX

MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY

CSR MATTERS TO ALL OF US

Corporate Social Responsibility (CSR) matters because it mirrors the core values of the society in which we wish to live. It matters to individual companies, big or small, who through innovative products and services, new skills and stakeholder engagement can improve their economic, environmental and social performance in the short and long term. It matters to those who work in and for companies, for whom it can help to create a more rewarding and inspiring working environment. It matters to those who buy from companies, to consumers who are paying more and more attention to the social and environmental credentials of the products and services they buy. It matters to the local communities where companies operate, who want to know that they are living amongst organisations that share their values and concerns. It matters to investors who feel that responsible business behaviour needs to be encouraged. It matters to people in other parts of the world who expect European based companies to behave in accordance with European and international values and principles. And it matters to our children and future generations who expect to live in a world which respects people and nature.

STRIVING FOR A SUSTAINABLE MARKET ECONOMY

A strong business commitment to CSR as well as an overall supportive role of public authorities towards CSR has become particularly important over the last 15 years as regard its contribution to the respect for human rights and the rule of law as well as the sustainable functioning of democracy and market economy, be it on a local, national, European or global scale. In order to be a successful economic model, the market economy needs to build on some essential prerequisites: on the one hand an effective and coherent legislative and regulatory framework; on the other hand, self limitation and self control as much as a proactive climate of innovation and entrepreneurship, fairness and trust: all these are necessary elements to combine high levels of economic success, environmental protection, social cohesion and welfare. To this end, leading enterprises in Europe are more than ever undergoing a process of searching, learning and innovating as regards their governance, management, stakeholder dialogue and product development, thereby making corporate and product responsibility a natural part of their everyday business practice and competitiveness. Small companies, as a key driver for growth and jobs in Europe, have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CSR. Against the background of globalisation and the associated structural changes, companies are making these shifts in the expectation that the other stakeholders also commit and shoulder their share of the risks and opportunities of responsibility and innovation. Dialogue with stakeholders helps companies to anticipate and deal with social and environmental issues which may affect future competitiveness.

A EUROPEAN ALLIANCE FOR CSR

In this context, the European Commission together with members of the business community are laying the foundations of a European Alliance for CSR. This is an open Alliance for enterprises sharing the same ambition: to make Europe a Pole of Excellence on CSR in support of a competitive and sustainable enterprise and market economy. The essence of this initiative is partnership. This partnership is based on agreement that the priorities of the European Strategy for Growth and Jobs fully respond to the challenges of increasing global competition, demographic trends and a sustainable future.

The delivery of this strategy is crucial for securing Europe's sustainable growth as much as the European way of life. The Alliance is built on the understanding that CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. The Alliance seeks to promote CSR as a business opportunity creating win-win situations for companies and society and recognises that CSR is a voluntary business approach which reflects the diversity of European business. While enterprises are the primary actors in CSR, public authorities at local, national and European level have a supportive role to play in promoting it. The Alliance initiative builds on previous discussions with business and stakeholders. In particular, it draws the lessons from the European Multi-Stakeholder Forum on CSR, a major initiative facilitated by the European Commission. The Forum provided a platform for European representatives of business, employers, trade unions and civil society organisations to engage in an innovative process of learning and dialogue and to agree recommendations for more and effective CSR practice. It will also capitalise on the European Campaign to promote CSR among SMEs and the multitude of other business and employer driven initiatives. Another key driver for this Alliance is the European Roadmap for Businesses on CSR - 2010, whereby leading companies and business networks have set out their vision and priorities for a competitive and sustainable enterprise from a European perspective.

The Alliance lays the foundations for the partners to promote CSR in the future. It evolves around the following three areas of activities:

- Raising awareness and improving knowledge on CSR
- Helping to mainstream and develop open coalitions of cooperation
- Ensuring an enabling environment for CSR

RAISING AWARENESS AND IMPROVING KNOWLEDGE ON CSR

The Alliance will explore and support creative ways to exchange and disseminate CSR best practice, initiatives and tools with a view to making them relevant to business practitioners, policy leaders, consumers, investors and the wider public at all appropriate levels across Europe and abroad. Special attention will be paid to promoting CSR amongst enterprises of all sizes in a way that is better in tune with today's and tomorrow's realities and challenges.

The Alliance reaffirms that, building on existing initiatives, there is a need to further promote multi-disciplinary research on CSR at European level, in particular on its impact on competitiveness and sustainable development. Closer integration with universities and scientific experts as well as continuous dialogue and cooperation with civil society are essential in this respect.

An important contribution to Europe's future competitiveness and sustainability will depend on education taking a leading role in the CSR agenda. The Alliance will encourage the integration of CSR and sustainable development related topics in traditional courses, in the curricula of future managers and graduate students, in executive education and in other educational institutions.

HELPING TO MAINSTREAM CSR AND DEVELOP OPEN COALITIONS OF COOPERATION.

Considering the wide-ranging nature of CSR and the diversity of the European and international business landscape, the partners of the Alliance have identified several priority areas for action:

- Fostering innovation and entrepreneurship in sustainable technologies, products and services which address societal needs
- Helping SMEs to flourish and grow:
- Assisting enterprises to integrate social and environmental considerations in their business operations, especially those in the supply chain
- Improving and developing skills for employability
- Better responding to diversity and the challenge of equal opportunities taking into account the demographic changes alongside the rapid aging of the European population
- Improving working conditions, also in cooperation with the supply chain
- Innovating in the environment field with a special focus on integrating eco efficiency and energy savings in the product and service creation process
- Enhancing pro-active dialogue and engagement with all relevant stakeholders
- Further addressing the transparency and communication challenge to make the non-financial performance of companies and organisations more understandable for all stakeholders and better integrated with their financial performance
- Operating outside the borders of the European Union in a socially and environmentally responsible way as companies do inside the European Union

These priority areas will be addressed by “open coalitions of cooperation” bringing together interested companies ready to tackle these issues in the form of “laboratory meetings” in order to explore and to develop joint operational projects, in partnership with relevant experts and stakeholders and with the support of the European Commission and/or other institutions.

ENSURING AN ENABLING ENVIRONMENT FOR CSR

With the new European Strategy for Growth and Jobs and through its initiative on better regulation, the European Commission and EU Member States have committed themselves to set up and strengthen a business-friendly environment in which entrepreneurs and enterprises can flourish and grow.

In addition, the European Commission will step up its policy of promoting the voluntary and innovative efforts of companies on CSR, by encouraging good practices and their dissemination in a strengthened partnership with business and all relevant stakeholders as well as the national authorities. It will do this also by being consistent across the policy areas and integrating the promotion of CSR where appropriate. To succeed in their joint mission, the partners of the Alliance will capitalise on equivalent alliances developed at national level and will inspire and support similar initiatives in countries where there is interest in doing so. The Alliance supports the organisation of a review meeting with all stakeholders at the end of 2006 to take stock of progress made in relation to the recommendations of the European Multi-stakeholder Forum on CSR and of other trends, developments and innovations in CSR.

CONCLUSION AND NEXT STEP

Commitment, mutual trust and dialogue are vital for the success of this Alliance. The Alliance will be what its partners will deliver on the agreed initiatives and priority areas. The partners agree that for coordination and communication purposes, the Alliance will rely on cooperation between the European Commission and existing business driven structures actively involved in the CSR domain. The partners of the Alliance agree to take stock through high level meetings and to also communicate the Alliance results in the context of the European Strategy for Growth and Jobs.

Time has come to make Europe a Pole of Excellence on CSR. The Alliance is formed to make it happen.