

The European Commission has previously defined corporate social responsibility 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. 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. A strategic approach to corporate social responsibility is increasingly important to the competitiveness

of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. Because corporate social responsibility requires engagement with internal and external stakeholders, it enables

enterprises to better anticipate and take advantage of fast changing societal expectations and operating conditions. It can, therefore, drive the development of new markets and create opportunities for growth. By addressing their social responsibility enterprises, they can build long-term employee,

consumer, and citizen trust as a basis for sustainable business models. Higher levels of trust, in turn, help create an environment in which enterprises can innovate and grow. Through corporate social responsibility, enterprises can significantly contribute to the European Union's treaty objectives of

sustainable development and a highly competitive social market economy. Corporate social responsibility supports the objectives of the European 2020 strategy for smart, sustainable, and inclusive growth. Responsible business conduct is especially important when private sector operators provide public services.

Helping to mitigate the social effects of the economic crisis, including job losses, is part of the social responsibility of enterprises. Corporate social responsibility 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. The Council

and the European Parliament have both called on the Commission to further develop its corporate social responsibility policy. In the European 2020 Strategy, the Commission made a commitment to renew the European Union's strategy to promote corporate social responsibility. In its communication on industrial policy, the Commission said it would put forward a new policy proposal on corporate social responsibility. In the Single Market Act, it stated it would adopt a new communication on corporate social responsibility. The economic crisis and its social consequences have, to some extent, damaged consumer confidence and levels of trust in business. They have focused public attention on the social and ethical performance of enterprises. By renewing efforts to promote corporate social responsibility now, the Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and durable employment generation in the medium and long term. The Commission has played a pioneering role in the development of public policy to promote corporate social responsibility. The Commission published a new policy whose centrepiece was strong support for a business-lead initiative called the European Alliance for corporate social responsibility. The policy also identified eight priority areas for European Union action: awareness-raising and best-practice exchange, support to multi-stakeholder initiatives, cooperation with member states, consumer information and transparency, research, education, small and medium-sized enterprises, and the international dimension of corporate social responsibility. This policy has contributed to progress in the field of corporate social responsibility. Through the European Alliance on corporate social responsibility, leading enterprises developed a series of practical tools on key issues. National employers' associations also supported the Alliance and undertook a number of actions to promote corporate social responsibility. In spite of this progress, important challenges remain. Many companies in the European Union have not yet fully integrated social and environmental concerns into their operations and core strategy.

Accusations persist involving a small minority of European enterprises regarding human rights harm and failure to respect core labour standards. Only 15 of the European member states have national policy frameworks to promote corporate social responsibility. The Commission has identified a number of factors that will help to further increase the impact of its corporate social responsibility policy, including: The need for a balanced multi-stakeholder approach that takes into account the views of the enterprises, non-business stakeholders, and member states. The need to better clarify what is expected of enterprises and to make the European Union's definition of corporate social responsibility consistent with new and updated international principles and guidelines. The need to promote market rewards for responsible business conduct, including through investment policy and public procurement. The need to consider self- and co-regulation schemes, which are an important means by which enterprises seek to meet their social responsibility. The need to address company transparency on social and environmental issues from the point of view of all stakeholders, including the enterprises themselves. The need to give greater attention to human rights, which have become a significantly more prominent aspect of corporate social responsibility. The need to acknowledge the role that complementary regulation plays in creating an environment more conducive to enterprises voluntarily meeting their social responsibility. The remainder of this communication presents a modern understanding of corporate social responsibility, including an updated definition, and a new agenda for action. It seeks to reaffirm the European Union's global influence in this field, enabling the European Union to better promote its interests and values in relation to other regions and countries. It will also help to guide and coordinate European Union member state policies and thereby reduce the risk of divergent approaches that could create additional costs for enterprises operating in more than one member state. The Commission puts forward a new definition of corporate social

responsibility as the responsibility of enterprises for their impacts on society. Respect for applicable legislation and for collective agreements between social partners is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process

to integrate social, environmental, ethical, human rights, and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders. The complexity of that process will depend on factors, such as the size of the enterprise and the nature of its operations. For most

small and medium-sized enterprises, especially micro-enterprises, the corporate social responsibility process is likely to remain informal and intuitive. To maximise the creation of shared values, enterprises are encouraged to adopt a long-term, strategic approach to corporate social responsibility and to

explore opportunities for developing innovative products, services, and business models that contribute to societal well-being and lead to higher quality and more productive jobs. To identify, prevent, and mitigate their possible adverse impacts, large enterprises and enterprises at a particular risk

of having such impacts, are encouraged to carry out risk-based due diligence, including through their supply chains. Certain types of enterprises, such as cooperatives, mutuals, and family-owned businesses, have ownership and governance structures that can be especially conducive to responsible business conduct.

For companies seeking a formal approach to corporate social responsibility, especially large companies, authoritative guidance is provided by internationally recognised principles and guidelines, in particular the recently updated Organisation for Economic Cooperation and Development Guidelines for Multinational

Enterprises. This core set of internationally recognised principles and guidelines represents an evolving and recently strengthened global framework for corporate social responsibility. The European policy to promote corporate social responsibility should be made fully consistent with this

framework. According to these principles and guidelines, corporate social responsibility at least covers human rights, labour and employment practices, environmental issues, and combating bribery and corruption. Community involvement and development, the integration of disabled persons, and consumer

interests, including privacy, are also part of the corporate social responsibility agenda. The promotion of social and environmental responsibility through the supply-chain, and the disclosure of non-financial information are recognized as important cross-cutting issues. The Commission has adopted

communication on European Union policies and volunteering in which it acknowledges employee volunteering as an expression of corporate social responsibility. In addition, the Commission promotes the three principles of good tax governance, namely, transparency, exchange of information, and fair tax competition

in relations between states. Enterprises are encouraged, where appropriate, also to work towards the implementation of these principles. The development of corporate social responsibility should be led by enterprises themselves. Public authorities should play a supporting role through a smart mix of voluntary

policy measures and, where necessary, complementary regulation, for example, to promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability. Enterprises must be given the flexibility to innovate and to develop an approach to corporate social

responsibility that is appropriate to their circumstances. Many enterprises, nevertheless, value the existence of principles and guidelines that are supported by public authorities to monitor their own policies and performance and to promote a more level playing field. Trade unions and civil society organisations

identify problems, bring pressure for improvement and can work constructively with enterprises to co-build solutions. Consumers and investors are in a position to enhance market rewards for socially responsible companies through the consumption and investment decisions they take. The media can raise awareness of

both the positive and negative impacts of enterprises. Public authorities and these other stakeholders should demonstrate social responsibility, including in their relations with enterprises. Corporate social responsibility is applicable to all enterprises. This communication is adopted together with

a complementary, but distinct Social Business Initiative, which supports a specific kind of enterprise, namely, those whose primary purpose is explicitly social and environmental that reinvest profits for that purpose and whose internal organization reflects the societal objectives. The Social Business Initiative

deals with the ecosystem required for social business and social innovation to flourish and contribute to the European social market economy. In recent years several sectoral social dialogue committees have promoted good corporate social responsibility practices and established guidelines. The Commission facilitates

such initiatives and recognizes that corporate social responsibility contributes to and supplements social dialogue. Innovative and effective corporate social responsibility policies have also been developed through trans-national company agreements concluded between enterprises and European or global

workers' organisations. The European Union actively supports Transnational Company Agreement and will launch a searchable database of such agreements. This agenda for action contains commitments from the Commission itself, as well as suggestions for enterprises, member states, and other stakeholder groups. In

implementing this agenda, the Commission will at all times take into account the particular characteristics of small and medium enterprises, especially their limited resources, and avoid creating unnecessary administrative burdens. By giving public recognition to what enterprises do in the field of corporate

social responsibility, the European Union can help to disseminate good practice, foster peer learning, and encourage more enterprises to develop their own strategic approaches to corporate social responsibility. Building on the lessons of initiatives in different member states, the Commission will

support capacity-building for small and medium enterprises intermediary organisations to improve the quality and availability of corporate social responsibility advice for small and medium-sized enterprises. The Commission has launched a wide range of programmes to work with enterprises and other

stakeholders on critical social and environmental issues. The Commission will, therefore, promote dialogue with enterprises and other stakeholders on issues such as employability, demographic change and active ageing, and workplace challenges, including diversity management, gender equality, education and training,

and employee health and well-being. It will, in particular, focus on sectoral approaches and on the dissemination of responsible business conduct through the supply chain. Like all organisations, including governments and the European Union itself, enterprises need to be trusted by citizens. The European

business community should aspire to be amongst the most trusted groups of organisations in society. There is frequently a gap between citizens' expectations and what they perceive to be the reality of business behavior. This gap is caused partly by instances of irresponsible behaviour by some enterprises, as well

as by cases of some enterprises exaggerating their environmental or social credentials. Sometimes it is caused by an insufficient understanding on the part of some enterprises of fast evolving societal expectations, as well as by an insufficient awareness on the part of citizens regarding the achievements of enterprises

and the constraints under which they operate. The Commission intends to initiate an open debate with citizens, enterprises, and other stakeholders on the role and potential of business in the 21st century, with the aim of encouraging common understanding and expectations, and carry out periodic surveys

of citizen trust in business and attitudes towards corporate social responsibility. Enterprises often participate in self- or co-regulation processes, for example, sector-wide codes of conduct on societal issues relevant to the sector in question. When such processes are designed in an appropriate way, they can

earn stakeholder support and be an effective means of ensuring responsible business conduct. Self- and co-regulation are acknowledged by the European Union as a part of the better regulation agenda. Experience suggests that self- and co-regulation processes are most effective when they are based

on an initial, open analysis of the issues with all concerned stakeholders, in the presence of and if necessary, convened by public authorities, such as the European Commission, and include an effective accountability mechanism for dealing with complaints regarding noncompliance. The positive impacts of corporate social

responsibility on competitiveness are increasingly recognized, but enterprises still face dilemmas when the most socially responsible course of action may not be the most financially beneficial, at least in the short term. The European Union should leverage policies in the field of consumption, public

procurement, and investment to strengthen market incentives for corporate social responsibility. Consumer attention to corporate social responsibility-related issues has grown in recent years, but significant barriers remain, such as insufficient awareness, the need sometimes to pay a price premium, and lack of easy

access to the information necessary for making informed choices. Some enterprises play a pioneering role in helping consumers make more sustainable choices. The revision of the Sustainable Consumption and Production Action Plan may provide an opportunity to identify new measures to facilitate more responsible

consumption. The Commission published a guide on Socially Responsible Public Procurement, explaining how to integrate social considerations into public procurement while respecting the existing European Union legal framework. Socially Responsible Public Procurement can include positive action by public

authorities to help understand respected businesses, such as small and medium enterprises, to gain access to the public procurement market. Member states and public authorities at all levels are invited to make full use of all possibilities offered by the current legal framework for public procurement. The



integration of environmental and social criteria into public procurement must be done, in particular, in a way that does not discriminate against small and medium enterprises, and abides by Treaty provisions on nondiscrimination, equality of treatment, and transparency. By taking adequate account of relevant

non-financial information, investors can contribute to a more efficient allocation of capital and better achieve longer term investment goals. The Commission is supporting capacity-building for investors on how to integrate non-financial information into investment decisions. In this context, the Commission encourages

enterprises to disclose information related to the implementation of good tax governance standards. European asset managers and asset owners, especially pension funds, are invited to sign up to the United Nations Principles for Responsible Investment. Public authorities have a particular responsibility to promote corporate

social responsibility in enterprises which they own or in which they invest. The Commission intends to consider a requirement on all investment funds and financial institutions to inform all their clients about any ethical or responsible investment criteria they apply or any standards and codes to which they

adhere. Disclosure of social and environmental information, including climate-related information, can facilitate engagement with stakeholders and the identification of material sustainability risks. It is also an important element of accountability and can contribute to building public trust in

enterprises. To meet the needs of enterprises and other stakeholders, information should be material and cost-effective to collect. Some member states have introduced non-financial disclosure requirements that go beyond existing European Union legislation. There is a possibility that different requirements

could create additional costs for enterprises operating in more than one member state. A growing number of companies disclose social and environmental information. Small and medium enterprises often communicate such information informally and on a voluntary basis. There are a number of international frameworks

for the disclosure of social and environmental information. Integrated financial and non-financial reporting represents an important goal for the medium and long term, and the Commission follows with interest the work of the International Integrated Reporting Committee. In order to ensure a level playing field, as announced in the Single Market Act, the Commission will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors. An impact assessment of possible options for this proposal, which will also include a competitiveness proofing and small and medium enterprises test, is currently ongoing. The Commission is also developing a policy to encourage companies to measure and monitor their environmental performance, using a common life-cycle-based methodology that could also be used for disclosure purposes. All organisations, including civil society organisations and public authorities, are encouraged to take steps to improve the disclosure of their own social and environmental performance. The further development of corporate social responsibility requires new skills as well as changes in values and behavior. Member states can play an important role by encouraging educational establishments to integrate corporate social responsibility, sustainable development, and responsible citizenship into relevant educational curricula, including at the secondary school and university levels. European business schools are encouraged to sign the United Nations' Principles for Responsible Management Education. High-quality academic research supports the development of business practice and public policy in the field of corporate social responsibility. Further research should build upon the results of projects financed under the sixth and seventh European Union Framework Programmes. The Commission will explore opportunities for financing further research and innovation on corporate social responsibility and supporting corporate social responsibility principles and guidelines in research funded still under the seventh Framework Programme, as well as under its successor, Horizon 2020, and in building the European Research

Area. Many public policy measures supporting corporate social responsibility are best carried out at the national, regional, and local levels. Local and regional authorities are encouraged to make smart use of the European Union structural funds to support the development of corporate social responsibility,

especially among small and medium enterprises, and to partner with companies to better address problems, such as poverty and social inclusion. The European Union should promote European interests in the international corporate social responsibility policy developments, while at the same time ensuring the

integration of internationally recognized principles and guidelines into its own corporate social responsibility policies. In order to advance a more level global playing field, the Commission will step up its cooperation with member states, partner countries, and relevant international fora to promote

respect for internationally recognized principles and guidelines and foster consistency between them. This approach also requires European Union enterprises to renew their efforts in respecting such principles and guidelines. The Organisation for Economic Cooperation and Development Guidelines are recommendations

addressed by governments to multinational enterprises. The Commission welcomes the adherence of non-Organisation for Economic Cooperation and Development countries to the Guidelines. In addition to governmental endorsement, the Guidelines have a distinctive implementation and grievance mechanism. The network

of National Contact Points established by all adhering countries can assist enterprises and their stakeholders in resolving practical issues, including through mediation and conciliation. Improving the coherence of European Union policies relevant to business and human rights is a critical challenge. Better

implementation of the United Nations Guiding Principles will contribute to European Union objectives regarding specific human rights issues and core labour standards, including child labour, forced prison labour, human trafficking, gender equality, non-discrimination, freedom of association, and the right to

collective bargaining. A process involving enterprises, European Union delegations in partner countries, and local civil society actors, in particular human rights organisations and defenders, will raise understanding of the challenges companies face when operating in countries where the state fails to meet its duty to protect human rights. Internationally recognized corporate social responsibility guidelines and principles represent values, which should be embraced by the countries wishing to join the European Union, and the Commission will, therefore, continue to address them in the accession process. The Commission promotes corporate social responsibility through its external policies. It will continue, through a mix of global advocacy and complementary legislation, to aim at disseminating internationally recognized corporate social responsibility guidelines and principles more widely and enabling European Union businesses to ensure they have a positive impact in foreign economies and societies. The Commission will make relevant proposals in the field of trade and development. Furthermore, where appropriate, it will propose to address corporate social responsibility in established dialogues with partner countries and regions. The European Union development policy recognizes the need to support corporate social responsibility. By promoting respect for social and environmental standards, European Union enterprises can foster better governance and inclusive growth in developing countries. Business models that target the poor as consumers, producers, and distributors help maximize the development impact. The search for synergies with the private sector will become an increasingly important consideration in European Union development cooperation and in European Union responses to natural and man-made disasters. Enterprises can play an important role through the volunteering of employees in this regard. The future European Voluntary Humanitarian Aid Corps may provide one means of better exploiting synergies with the private sector. The Commission intends to identify ways to promote responsible business conduct in its future policy initiatives towards more inclusive and

sustainable recovery and growth in third-world countries. The Commission will work with member states, enterprises, and other stakeholders to periodically monitor progress and to jointly prepare a review meeting. In preparation for the meeting, the Commission will publish a report on the implementation of the

agenda for action set out in this Communication. This endeavor will require more coordinated interaction between the European Multi-Stakeholder Forum on corporate social responsibility and the High Level Group of corporate social responsibility representatives of the member states. On the basis of this

communication, the European Commission would welcome discussions with and commitments for the Council, the European Parliament, the Economic and Social Committee, the Committee of the Regions, enterprises, and other stakeholders. The Commission calls on European business leaders, including those from the financial

sector, to issue an open and accountable commitment to promote, in close cooperation with the public authorities and their other stakeholders, the understanding of responsible business conduct by a much larger number of European Union enterprises.