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# *Bringing the European CSR Strategy to the next stage 2015-2019*

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## **CSR Europe's Memorandum**

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## Creating new momentum

The current review and future expansion of the European CSR strategy come at an opportune time: (1) The new EU leaders and Governments are currently shaping the future direction of Europe, with European growth and jobs being the most immediate priority; (2) the final adoption of the European Directive on Non-Financial Information is to be transposed in 28 Member States by Fall 2016; (3) a new European CSR Manifesto will come out of the Universal Expo in Milan in June 2015.

Through the **Enterprise 2020 initiative** and three years of intense participation by member companies and national partner organizations, CSR Europe has fulfilled several proposals for action from the European CSR Strategy. Overall, the Strategy has already achieved some impressive results, for example: the first edition of the **European CSR Awards**, the **European Directive on Non-Financial Reporting**, the EC initiative on the **Product Environmental Footprint**, the Sector Guides in support of the UN Guiding Principles on **Business and Human Rights**, and the Communication on **Engaging the Private Sector in Developing Countries**.

Also, knowing the critical perception that exists towards EU institutions, it is worth noticing that more than half of CSR Europe members (surveyed in December 2013) believed that through the European CSR Strategy, the European Commission (EC) has ‘engaged well’ or ‘engaged very well’ with enterprises.

**President Barroso and President van Rompuy made a strong appeal on CSR Europe in November 2012. In response**, CSR Europe gave birth in 2013 and 2014 to two new **European Business Campaigns: one on Skills for Jobs, and another on Sustainable Living in Cities**. To transform now this synergy between policy and business, we propose the **new EU leaders and CEOs to create and ambitious yet practical “European Pact for Youth”**.

The European CSR Strategy has also shown several **shortcomings** which are highlighted in this Memorandum. For the future European CSR Strategy to have a greater impact, we are confident that these shortcomings can be overcome by the new European Commission and through stronger stakeholder collaborations at national, European and International level. This Memorandum presents a few proposals which we would like to discuss with the new European Commission, the other EU institutions as well as with all relevant stakeholders, who believe that Europe has a leading role in transforming markets to care about people and their environment.

In autumn 2014, CSR Europe will also share some suggestions on how to improve the overall governance, coordination and impact of the European CSR Strategy 2015-2019.

### In a nutshell: our proposals to reinforce the European CSR Strategy 2015-2019

#### 1. Give the European CSR Strategy a human face

The first edition of the European CSR Awards offered a unique occasion to praise and learn from more than 700 CSR projects. The second edition should put even more of an emphasis on partnerships between enterprises, local governments and city actors, rewarding and promoting the entrepreneurial and collaborative talents of thousands of men and women that contribute in a practical way to making Europe a sustainable place to live and work. With the Awards, the EC will give the European CSR Strategy a human face.

#### 2. A European CSR Strategy balancing CSR “compliance” and CSR “innovation”

The future direction and assessment of the European CSR Strategy should be more consistent with the European definition and common understanding of CSR. By including **action proposals**

that support **CSR compliance AND CSR innovation equally**, the Strategy will attract far more enterprises and stakeholders to share best practice, to collaborate and to create impact.

### 3. European Pact for Youth

We propose for Presidents **Juncker** and **Tusk** and Commissioners **Katainen**, **Thyssen** and **Navracsics**, together with selected CEOs, to provide their leadership commitment to the creation of a European Pact that can bring change about business-education collaboration to enhance **STEM, entrepreneurship skills** and **apprenticeships** for youth.

### 4. Put employees at the heart of the European CSR Strategy

We clearly expect **more leadership and intrapreneurship within the new EC** to include action proposals and resources to support enterprises, sector associations and intermediary organisations (2) to experiment and expand new management processes to **rethink careers** and organise **active ageing** at work, (3) to embrace **diversity** as a key driver for an inclusive workplace, solidarity sourcing and higher entrepreneurship, and (4) to manage **health literacy** at large and **mental health** in particular as a strong asset for the wellbeing of people and for the performance of organisations.

### 5. A pragmatic Strategy supporting capacity building

Each action proposal should be elaborated and evaluated with a view to increase the awareness and capacity building of enterprises, intermediary organisations and stakeholders. This is particularly needed for two action proposals:

- For the implementation of the **European Directive on Non-Financial Information**, CSR Europe, GRI, WBCSD, IIRC and CDSB share the analysis that the transposition of the directive on non-financial information into 28 Member States and the development of non-binding guidelines will not be enough to ensure effective and efficient results. Together we propose to the European Commission and to the European Council to develop a **European Action Plan on Reporting and Integrated Performance**, and to the EC to **create an appropriate budget line**.
- Raising awareness and building capacities on **Business and Human Rights** is another must. The EC has supported the development of three Sector Guides on Business and Human Rights. DG Trade, DG Development, DG Enterprise, DG Employment and the EEAS play a key role in advancing the international standards and conventions in Europe and globally. To make them material, we believe that the Strategy should now include action proposals to support enterprises from all sectors to **embed Human Rights in specific business functions such as human resources, purchasing and risk & legal affairs**. But the Strategy would be one-legged if it did not focus on how the private sector can also develop quality **inclusive solutions and new business models to help improve people's lives**. For many enterprises, their impact on human rights is determined by their capacity to create new market opportunities that generate decent jobs and improve sustainable living conditions in low-resource settings.

Finally, to support the European and national CSR efforts of various public institutions and governments, social partners, chambers of commerce, sector associations and other intermediary organisations, we believe that the European CSR Strategy should leverage much more on **Enterprise 2020**, a world class movement uniting **40 National Partner Organisations**, which together: (1) account for a total staff of 1000 experts on shared value creation, (2) serve 10.000 enterprises in integrating sustainability into their core strategy and performance, and (3) provide online access on a yearly basis to 2 million business practitioners and stakeholders on CSR best practice and tools. This would also **generate a stronger co-ownership of the European CSR Strategy and a bottom-up approach** from local and national networks and associations.

## PART 1: Assessment of the European CSR Strategy and how Enterprise 2020 has contributed

### 1.1 Overall assessment of the European CSR Strategy

CSR Europe believes that the European CSR Strategy 2011-2014 has delivered some important results. Several factors have contributed to this positive impact:

1. A clear definition and understanding of CSR;
2. A broad 'Agenda' with clear proposals for 'Action';
3. Shared responsibility of tasks across various DGs within the European Commission;
4. Strong consensus and leadership among organisations in the preparation and negotiation of the EU Directive on the Disclosure of Non-Financial information;
5. CSR Europe's flagship initiative, **Enterprise 2020**, which has secured strong business engagement and wide dissemination of action proposals.

### 1.2 Business & stakeholders' contributions through Enterprise 2020

In the European CSR Strategy, the Commission has referenced Enterprise 2020 as an important initiative that contributes to Europe 2020's objectives. The Commission offered its collaboration to help review progress and define the next steps of Enterprise 2020.

This has resulted in various practical and political outcomes:

1. Through Enterprise 2020, business leaders and CSR practitioners have engaged in several action proposals at national level, through our National Partner Organisations, and at European level, via CSR Europe. In Annex I, we have summarised how CSR Europe and its members have been involved in more than half of the 30 action proposals. Here under some particular contributions:
  - a. CSR Europe's partnership in the **Design Machine** multi-stakeholder sector project;
  - b. CSR Europe's coordination with BITC UK for the **EU CSR Awards**;
  - c. Strong collaboration with Commissioner Andor and DG Employment within the European Year on Active Ageing. On this topic, CSR Europe produced a new analysis on **Active Ageing in Business** and a **practical tool on Rethinking Careers**;
  - d. Development and publication of a **Blueprint on Business Action on Health Literacy**;
  - e. Continuous dialogue and engagement at all levels within the EC, EP and Member States in the preparation and negotiations of the **EU Directive on the disclosure of Non-Financial Information**;
  - f. Development of an assessment tool for companies to manage **Human Rights Complaints** (MOC-A tool), which has been referenced in the three EC Sector Guides on Business and Human Rights;
  - g. Continuous dialogue with DG DEVCO to include **Inclusive Business Solutions** as a core priority within the recently adopted European Commission communication on "Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries".
2. Through Enterprise 2020, high level policy dialogues have taken place with the Presidents of the European Commission, **Manuel Barroso** and of the European Council, **Herman van Rompuy**. At CSR Europe's Enterprise 2020 Summit in November 2012, the Presidents of both institutions raised high expectations for CSR Europe in the area of skills and youth unemployment. In response to this, CSR Europe and its 38 National Partner Organisations launched the **European**

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**Business Campaign on Skills for Jobs** in spring 2013. We now wish to turn this EU policy support and commitment into a practical and effective collaboration with the new European Commission and in particular through the combined support from DG Employment and DG Education.

- Several meetings with Commissioner Barnier, the EU Greek and Italian Presidencies, and a group of governments have taken place with CSR Europe, GRI, WBCSD and IIRC to discuss the need for a **European Action Plan on Non-Financial Reporting and Integrated Performance**, which could contribute to an efficient and effective implementation of the EU Directive on the Disclosure of Non-Financial Information.

Please see Annex I for more information on how, through Enterprise 2020, enterprises, national networks and stakeholders have contributed to the European Strategy on CSR.



### 1.3 Shortcomings

In the meantime, the European CSR Strategy also revealed some shortcomings:

- Almost no attention to and minor action in the area of workplace and employability (skills, youth, demographic change);
- No clear direction on how to leverage the “social innovation” dimension of CSR as a way to create new products, services and business models that participate in the “shared value creation” of enterprises;
- Weak visibility of actions taken to enhance market reward in public procurement and investment;
- Almost no progress or poor results in:
  - Improving and tracking levels of trust in business
  - Integrating CSR into education, training and research
- We also experienced an unbalanced leadership within the EC regarding several action proposals. For instance, while the proposal for the European Directive on Non-Financial Information or the EU CSR Awards were driven by strong leadership and resources, too many other action proposals have not benefited from the same level of support.

It is also worth observing that due to a lack of time and resources, **there is a major risk that even the most successful results might have a very low impact as they do not have proper accompanying measures or communication plans, which are essential to ensure their effective implementation and long term viability.**

## PART 2: Strategic direction and top priorities

Based on our assessment of the European CSR Strategy 2011-2014 and on our multiple contributions through Enterprise 2020, we have five main proposals for the future of this strategy:

### 2.1 Give the European CSR Strategy a human face

CSR is about how local business and stakeholder organisations co-build solutions that can positively impact our ways of living, working, learning, purchasing, consuming. The first edition of the European CSR awards was a great achievement as it has demonstrated how important it is for local enterprises and stakeholders to be rewarded both at national and at European level. The European CSR Awards are certainly the most decentralised and bottom up initiative that gives a human face to the European CSR Strategy. It unites some of the best stakeholder projects from Europe showing how a strategic approach to CSR is increasingly important to the competitiveness of SMEs and large companies. The awards also encourage 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.

Therefore, we believe that the European CSR strategy 2015-2019 should move quickly to the second edition of the **European CSR Awards**. On a positive note, due to the first edition, now 30 countries have established multi-stakeholder juries capable of running CSR awards – a vast improvement from the initial 7. We propose, however, to improve the second edition by having a much **stronger focus on partnerships between business, local governments and city actors** (partnerships which go beyond procurement or other types of commercial collaboration and relate to sustainable living in urban areas).

### 2.2 A European CSR Strategy balancing CSR “compliance” and CSR “innovation”

We very much insist that European CSR Strategy focuses equally: (1) on the “compliance dimension” of CSR, including action proposals to support enterprises in their efforts to respond to risks and mitigate negative impacts (in line with International and European standards, principles and guidelines); (2) on the “innovation dimension” of CSR, with clear action proposals to support companies’ efforts to develop products and solutions that create shared value and sustainable living for all. A European CSR Strategy aimed at balancing action proposals on “CSR compliance” AND “CSR innovation” – fully in line with the European definition and understanding of CSR – will create much more confidence and appetite among small, medium and large enterprises, sector associations and stakeholders, thereby enhancing its overall credibility and impact.

This is true for almost all CSR areas. In the area of Business & Human Rights for example, we believe that while supporting a better compliance with the UNGPs on Business & Human Rights, the EC should equally support the efforts of businesses in innovating their services and products at the Base of the Pyramid. Inclusive business solutions can impact the living of millions of people through increased access to jobs, health care, housing, energy, mobility and other fundamental human rights.

### 2.3 A European Pact for Youth

The latest trends from Globescan show that “jobs and growth” is scoring number 1 among CEOs’ top priorities. This priority is echoed in the survey that CSR Europe has conducted in summer 2014 with its 38 National Partner Organisations. These trends, in the present European context, give a clear

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indication that skills and jobs should be at the heart of the European CSR Strategy. Indeed, the way it was referenced in the current EU strategy 2011-2014 resulted in almost no impact. We know that business-school collaborations can be extremely instrumental in enhancing youth employability through STEM, Entrepreneurship and Apprenticeship type of programmes.

As one specific idea for this, we would like to suggest the creation of a “**European Pact for Youth**” to magnify the use of “best practices” on business-education collaborations. For this Pact to be forceful, we propose for Presidents **Juncker** and **Tusk** and Commissioners Katainen, Thyssen and Navracsics, together with selected CEOs, to provide their leadership commitment. This Pact could serve as a platform to connect and reinforce a variety of important projects, and through that contribute to the growth and jobs agenda. To be effective, the Pact will need to be ambitious yet practical and therefore start to focus on:

- Developing an objective and an accompanying KPI to measure progress on business-education alliances and of impact on youth employability. Note that recent Eurochambres’ proposal asking Europe to increase the share of apprenticeships among VET programmes from 27% today to 50% by 2020 is a good example in this context.
- Creating a European initiative (e.g. “CAROLUS”) aimed at organising exchanges between school teachers and managers, and business practitioners. The same way ERASMUS has become one of the top successes of Europe to enhance mobility, language and cultural diversity among youth, this new initiative could serve the European strategy on jobs and growth through a systemic cross-fertilisation between education and business for youth.

#### **2.4 Put employees at the heart of the European CSR Strategy.**

We also propose new actions for collaboration on **demographic change and active ageing**. We would welcome that in the Agenda for Action, the European Commission makes strong proposals to businesses, governments, social partners and intermediary organisations (e.g. Public Employment Services - PES) to work together in “**laboratories**” to further test and consolidate the promising work that was developed by leading companies on **rethinking careers** in 2012-2014.

Finally, the European CSR Strategy should incorporate some smart actions to be able to magnify some of the early initiatives taken by the EC DG Justice for enterprises to embrace **diversity** as a key driver for inclusive workplaces, solidarity sourcing and higher entrepreneurship, or by the EC DG SANCO on wellbeing at work and in particular, on **mental health and stress**.

#### **2.5 A pragmatic strategy supporting capacity building**

CSR Europe, like other referenced organisations such as WBCSD, has developed a benchmark assessment with companies showing that today, on average, the management of non-financial performance has 46% maturity and 61% integration within enterprises. These results show that much remains to be done for CSR to become an integrated part of the thinking, management and performance of companies.

To accelerate the mainstreaming of CSR, we propose the new European Commission focus on the following two priority actions:

- a. European Action Plan on Integrated performance and reporting

We propose that the EC, together with some Member States and leading networks on reporting and integrated performance, develop a European Action Plan (EAP) that will ensure an efficient and effective implementation of the Directive on the Disclosure of Non-Financial information.

Building upon initial discussions with Commissioner Michel Barnier, the Greek and Italian EU Presidencies, some governments and EU officials, CSR Europe together with GRI, IIRC and WBCSD are acting today as an open platform with the goal to propose how this European Action Plan could best benefit enterprises, investors, governments, and the EU institutions as well as other regional players in the world. To date we see three important objectives for such a Plan:

- To promote and support practical projects for enterprises, investors and governments to develop and use non-financial information that will help enterprises integrate sustainability into their strategy, management, and value chain and thereby enhance their integrating performance. This plan should accelerate the awareness and capacity building of enterprises, investors and governments to develop and use non-financial information in line with the **European Directive on Non-Financial Information**. A European Action Plan should ensure that local players in all 28 Member States can be better equipped with national, European and international world-class initiatives that are currently being used. For more information please see the Background Doc in ANNEX 2 which we provided upon the request of the EU Italian Presidency;
- To convene the European leaders and stakeholders once every two years to take stock of the quantity and quality of reports across Europe which are in line with the requirements of the Directive. During such forums, participants will analyse current practices to identify where new efforts could be dedicated to improve reporting;
- It could also establish a European Advisory Body that would have a double function:
  - From the state of play of practices on reporting, it could discuss how to enhance the correlation with competitiveness;
  - Discuss how Europe can strive for transparency at an international level and drive consistency with other international and regional frameworks.

b. Business & Human Rights... through compliance AND innovation!

Respect for human rights is now a business imperative. There are clear expectations for companies to make a policy commitment, exercise due diligence and engage in remediation, as outlined in the UN Guiding Principles on business and human rights. Nevertheless, there is still little clarity on how companies can improve their processes and practices in a way that is consistent with those expectations.

CSR Europe's work focuses on practical guidance on: (1) how to embed human rights throughout departments, and (2) how companies can effectively address internal and external human rights complaints. We intend to deepen our focus by also including the local perspective, aiming to coordinate approaches and actions to address the gap in practical guidance for companies dealing with human rights, adapting them to national contexts and expectations.

As a result, and building upon the strong leadership the Commission has taken on Business and Human Rights, we would strongly recommend for the next European CSR Strategy to continue the work on:

- A stronger inter-service approach (ENTR, DEV, EEAS, EMPL) whereby the Commission, companies and stakeholders could develop new synergies for more impact. For instance, the Commission could collaborate with business and stakeholder organisations to more



effectively implement objectives that have been integrated within trade and policy agreements between Europe and other regions (see chapter on sustainability in Free Trade agreements).

- Another example could be to see how we can make progress by implementing some of the action proposals of the European Commission communication on "Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries", in particular concerning actions 11 where the EC proposes to strengthen action-oriented private sector platforms and networks that facilitate knowledge sharing, partnerships and incubators providing for the match-making between businesses and actors. After 7 years of continuous dialogue between enterprises, civil society, development agencies, and considering how US and Japan are engaging fast with businesses in this area, we are ready with many other to collaborate with EU support to transform some of its proposals on CSR and inclusive business solutions into smart action and value for all key players involved.
- The European action plan should include proposals and possible funding to support actions at European AND national level to support the integration of human rights in the core business and functions. For instance, we would consider the possibility for the Commission to:
  - Provide financial support for roundtables in all 28 Member States;
  - Support the extension of guides for companies through the inclusion of national focus and supporting the implementation of the UNGPs;
  - Develop, together with CSR Europe and Enterprise 2020 and other interested parties, a European online platform for businesses, which could also support the EU's leadership role on Human Rights.

All these activities will reinforce Europe's position in the work of the UN on Business and Human Rights and the central role of the private sector in poverty reduction, as well as the achievement of the UN Sustainable Development Goals.

## 2.6 A decentralized and bottom-up European CSR Strategy

In 2011-2014, CSR Europe mobilised its corporate members and National Partner Organisations to take an active part in more than half of the 30 action proposals of the European CSR Strategy. CSR Europe therefore developed several channels of communication and engagement such as:

- Collection of best practice;
- Collaborative projects;
- Development of tools;
- Consultations, webinars and meetings;
- Direct engagement with the EC Commissioners and services;
- European conferences and a Summit;
- Business leadership in EC Expert Groups;
- Tailored meetings with government representatives and members of the European Parliament, ongoing information on negotiations and results (See Annex 1).

As a result, 50% of the enterprises, which were surveyed during a workshop in December 2013, do believe that the EU is "well engaged" or "very well engaged" with business. Still 43% of those being interviewed believe that the EU engagement is still not sufficient or should be improved. A strong majority also agrees that more enterprises would engage with the various DGs of the European Commission if the European CSR Strategy were more balanced between "compliance" and "innovation" and more focused on capacity building.

This survey confirms our assessment that our current investment in the European CSR Strategy could have far greater impact in the future. Many of the action proposals, as well as many stakeholders and governments would indeed gain far more traction and reach wider and sustainable results, if the EC would reinforce the role of Enterprise 2020 in the European CSR Strategy and in the National Action Plans on CSR and on Business and Human Rights.

United in Enterprise 2020, 40 national networks are (1) building upon a committed staff of 1000 experts in shared value creation; (2) serving 10.000 enterprises on social innovation & integrated and transparent performance; and (3) providing 2.000.000 business practitioners & stakeholders access to online best practice and tools on a yearly basis. Considering the broad complexity of issues being addressed in the European CSR Strategy and the need to improve EU-Business engagement both at European **AND** national and local levels, it would be advantageous to leverage this growing European movement of players.

Therefore, we would like to meet soon with the new European Commission to discuss how this could be done from a strategic point of view as well as from a practical perspective in relation to concrete action proposals and resources.