



European  
Commission



# CORPORATE SOCIAL RESPONSIBILITY

Recommendations to the European Commission by the subgroup on “CORPORATE SOCIAL RESPONSIBILITY” of the Multi-Stakeholder Platform on the Implementation of the Sustainable Development Goals in the EU

# Key recommendations from subgroup on "Corporate Social Responsibility"

The recommendations were adopted by the members of the subgroup on Corporate Social Responsibility.

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- **Sub-group members:** BusinessEurope, FoodDrink Europe, ESADE.
- **Observers:** OECD

## Preliminary remark

This paper reflects the terms of reference of this Subgroup and the outcomes and discussions of its first two meetings. The approaches and proposals included in this paper illustrate those areas where:

- **Policy coherence** between several EU initiatives is urgent and **stakeholder expertise needs to be optimized**
- **Support to business, to promote their actions, learn from each other, and support to multi-stakeholder action as well as capacity building**, which are crucial to the achievements of the SDGs.

The first section sets the context for the European understanding of CSR, building on a long-standing engagement of companies and 20 years' experience and stakeholder dialogue across Europe, to further evolve in line with the challenges, opportunities and effective implementation of the SDGs.

The good news is that with the UN Agenda 2030 and the Paris Agreement on Climate, there is a movement of time. The SDGs are creating a new momentum to make CSR and sustainability become part of the purpose and core strategy of organizations.

## I. A balanced and encouragement approach towards CSR

### GENERAL POLICY RECOMMENDATIONS

Responsible business conduct (RBC) entails compliance with laws as well as responding to societal expectations, such as those on respecting human rights, environmental protection, labour relations and financial accountability.<sup>1</sup> CSR is the responsibility of enterprises for their impact on society. These two concepts together with other ones like 'Environmental, Social Governance (ESG)', 'sustainable business' and 'shared value creation' overlap in many ways. Depending on business model, they can all be useful in terms of **transforming the SDGs into local business and partnership solutions**. According to the European Commission understanding (EC Communication 2011), CSR is the *process whereby enterprises integrate social, environmental, ethical and human rights concerns into their core*

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<sup>1</sup> "Responsible business conduct (RBC) means that businesses a) should make a positive contribution to economic, environmental and social progress with a view to achieving sustainable development and b) should avoid and address adverse impacts through their own activities and prevent or mitigate adverse impacts directly linked to their operations, products or services by a business relationship. Risk-based due diligence is central to identifying, preventing and mitigating actual and potential adverse impacts, and thus is a key element of RBC." OECD (2015), Policy Framework for Investment 2015 Edition, OECD Publishing, Paris, p. 75.

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*strategy, operations and integrated performance, in close collaboration with their stakeholders, with the aim of:*

- *maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large.*
- *identifying, preventing and mitigating their possible adverse impacts.*

As part of this approach, the EU and **public authorities** are seen to play a *supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation. Such a division of competences between public authorities and the private sector is evident in the UNGP, in relation to human rights, i.e. the first pillar (State duty to protect) and the second pillar (business duty to respect).*

An “encouragement” approach to enterprises integrating and providing solutions for implementation of the SDGs can help the private sector to open up *new business opportunities, make efficiency gains, to better manage short- and long-term risks, to drive innovation, to attract and retain employees, consumers and customers, to undertake due diligence in their supply chains, and to invest in lifelong learnability and employability.* The SDGs also give possibilities to the private sector to build collective **intelligence, collaborative platforms and trust with stakeholders.**

We call on the EU institutions and governments to support such initiatives, to help accelerate the transition to sustainability.

For this supportive role to be successful, it is of utmost importance to take account of the **size and nature of enterprises**, of the **complexity** of a company’s internal processes, including the integration of the efforts and responsibilities of multiple functions, of managing very large supply nets, and of maintaining and engaging stakeholders, including addressing sometimes conflicting expectations.

In this regard, the EU could usefully raise awareness on, and encourage enterprises to make use of, **widely supported and flexible CSR tools and frameworks.**

## II. **A ‘market opportunity’ approach**

### **GENERAL POLICY RECOMMENDATIONS**

**A. Engage and promote existing initiatives of European businesses and industry sectors on Sustainability.** The Business & Sustainable Development Commission’s “Better Business, Better World” report, pointed to **10 trillion Euro of economic opportunities annually** if the ambitions of the SDGs are realized by 2030 – and even much more if we take into account environmental costs that we can avoid through more sustainable practices. This Commission also estimates that achieving the SDGs could create **380 million new jobs by 2030.** To capture these opportunities in full and contribute to transformations in markets, we need to support and promote corporate social responsibility and disruptive innovation by sustainability pioneers but also by the business community at large. In the same way the EU CSR Strategies (2002-2006-2011) have helped magnify the CSR movement across Europe, we would like to propose an equally ambitious yet practical initiative to engage European businesses and industry sectors on Sustainability as an integral part of the European Industry Strategy 2030. The aim is to help businesses and industry sectors to accelerate towards more sustainable business practices and in devising solutions to societal sustainability challenges. This would be done through practical supportive measures on learning, sharing, capacity building and new sector and

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cross-sector collaborative platforms. This initiative will enhance the effectiveness, policy coherence and impact of other European Sustainability related actions and/or reforms. We suggest that this proposal is further discussed in the context of the High-Level Industrial Roundtable "Industry 2030", being the place to look at sustainability, in the context of the European Industry Strategy 2030.

**B. Public procurement.** Raise awareness and incentivize public authorities to make use of the possibility, laid by EU law, of integrating environmental and social considerations into their procurement processes and decisions, to also strengthen coherence across EU member states. In the future this could include sectorial discussions, in areas such as textiles.

### PRACTICAL PROPOSAL(S) THAT THE EC COULD SUPPORT

- **In relation to recommendation A**, we propose an EU campaign highlighting European business contribution, solutions and engagement on SDGs (2019-2022). The aim would be to support companies, national and regional CSR networks, business organisations and sector associations to use the SDGs as a driver for further developing their business model, opening new market opportunities and engaging more of their managers, employees & stakeholders. It would also provide support to promote existing initiatives. The results of such a campaign could feed into a **European Year addressing SDGs in 2022 or 2027** - see Chapter 5 of the EU Multi-Stakeholder Platform on SDGs' contribution to the European Commission's Reflection Paper.
- **Moreover, and also in relation to recommendation A**, it is suggested to implement programmes to promote and support awareness and implementation of **due diligence** by companies against human rights and other risks, in line with leading initiatives in this area.
- **In relation to recommendation B**, we propose the European Commission to **facilitate awareness-raising activities of the possibilities provided by EU law and on-demand training on public procurement** on the four dimensions of Sustainable Development.

### III. An approach for youth, future of work and migrants/refugees

#### GENERAL POLICY RECOMMENDATIONS

- A. Put in place the governance structures that encourage engagement between enterprises and education and training establishments, particularly at secondary and tertiary levels.** Building on the basic skills that youth acquire in their early schooling, the aim should be to develop a partnership-based approach to the modernisation of education and training that involves the state, social partners, enterprises, education and training providers and youth organisations. Working together, these actors can help to prepare young people for further education and training. We propose a more intertwined approach between existing EU initiatives on youth, with the aim to help **create a fair and equitable culture of partnership between business, education and youth in Europe**. The ambition is threefold: 1) to prepare young people for continual learning – formal and non-formal –, 2) enhance their employability and employment opportunities and 3) help them to become active and responsible citizens. Fostering a culture in which each partner contributes to better understanding, anticipating and supporting the development of basic, job-specific, transversal and high-end skills - including digital, entrepreneurial, green, STEM and soft skills - is essential

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for enabling young people's sustainable integration into work and for them to grow in their careers and for companies to have a skilled and productive workforce that responds to their needs. As part of this it is important to promote parity of esteem between VET and university education, including by anchoring it to funding sources like Erasmus Pro, which are already fairly well-known. These can help to highlight the importance of vocational training and learning. Work-based training opportunities should be enhanced in both pathways.

- B. Support the world of work on the future of work.** The future of work is strongly linked to sustainable development and will impact many dimensions of life in and beyond employment. Moreover, it will affect all members of society including those who work, those who are not able to work, and those who are unemployed or inactive. The European Pillar of Social Rights offers the EU, Member States and other stakeholders a new momentum to intensify their collaboration in this area, including through reforms. Europe will need to address the megatrends and challenges influencing the world of work (e.g. digitization, automation, artificial intelligence, ageing population, globalization & business re-organization), also by reflecting on how this links to the global level discussions on the future of work. Considering the complexity, large scope and rapid pace of these interlinked challenges, the European Multi-stakeholder Platform on the SDGs offers the European Commission to explore rapidly how they could mutually or complementarily support initiatives and/or reforms focused on people-centred work environments enabling lifelong learnability, employability, job transitions, well-being at work, inclusive labour markets, balancing of caring with employment, all measures that can contribute to the sustainable living of people and to the economic sustainability of enterprises.
- C. Support business to work with public authorities to facilitate integration of migrants and refugees on labour markets**, in close coordination with the **European Platform of Diversity Charters** coordinated by DG Justice.

### PRACTICAL PROPOSAL(S) THAT THE EC COULD SUPPORT

- **In relation to recommendation B**, we would propose the EC to:
  - Support initiatives and/or reforms to address the megatrends and challenges influencing the world of work (e.g. digitization, automation, artificial intelligence, ageing population, globalization & business re-organization), and to connect and reinforce different existing and future projects and coalitions - at European and global level - that are supporting people-centred work environments enabling lifelong learnability, employability, job transitions and inclusive labour markets.
  - Support further research on market opportunities in growth areas in education augmented and virtual reality, addressing disruption, massive open online courses, personalised learning and digital school services. Recent studies have estimated market opportunities to be over 235 Billion Euro by 2025 in these areas.
- **In relation to recommendation C**, we propose to the European Commission to support the development, or expansion at national, regional or local level (depending on the specific member state situation), of initiatives undertaken by **businesses, including as part of multi-stakeholder platforms, and initiatives by social partners** which can be complementary to the efforts of Member States in facilitating integration of migrants and refugees, that have the right to remain, into the labour force. This could include the following topics:
  - **Skills assessment** to identify the upskilling needs of migrants and refugees;
  - **Capacity building for employers and workers** on employing and working with migrants and refugees;
  - **Joint mentoring** for migrants and refugees within companies;

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- **Work-placement training and qualifications.**

For consistency, one pathway could be for the European Commission to support the Diversity Charters to make this a top priority for their diversity initiatives with enterprises and relevant stakeholders.

### IV. Supportive approach to business and human rights

#### GENERAL POLICY RECOMMENDATIONS

- A. **A supportive approach for business to respect Human Rights.** More than 90% of the SDG targets are directly linked to human rights and labour standards. The Platform has strong expectations for the EU strategy 2030 to reflect the UN Guiding Principles on Business & Human Rights, and for Europe to continue to lead by example in an efficient, coherent and visible way.

In the context of the EEAS informal consultation with stakeholders on business and human rights, the European Commission and Member States should develop a coherent and **effective approach to Business & Human Rights**, in close collaboration with enterprises and stakeholders. The objective(s) should be:

- To strengthen **policy coherence** and complementarity across different CSR/RBC related initiatives, both on the external front, by ensuring close alignment with other relevant initiatives developed for instance by other leading organisations such as the OECD and the UN, and at the domestic level, by deeper engaging the numerous relevant services (DG TRADE, DEVCO, EEAS, etc) of the European Commission and **strengthening the role & expertise of EU Delegations** as key interlocutors for small local and multinational enterprises
- To support initiatives in three main ways:
  - **Facilitating** – setting clear overall policy frameworks
  - **Partnering** – combining public resources with those of business and other actors to leverage complementary skills and resources, including blending facilities for private and public investment
  - **Endorsing** – showing public political support for particular kinds of CSR/RBC practice in the market place
- To facilitate creation of **new sector and cross-sector collaborative platforms**, towards responsible sourcing and sustainable supply chains.
- To invest in capacity building on business and human rights with partner countries, such as the EU-ILO-OECD project on Responsible Supply Chains in Asia.
- To create the enabling conditions for global and local players to, for instance:
  - a. incubate and implement **practical and local solutions to help global implementation of the SDGs**, e.g. through sustainability/CSR measures);
  - b. engage with industry sectors or cross-sector platforms with a focus on **due diligence and capacity building which can generate systemic changes of value chains**;



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## PRACTICAL PROPOSAL(S) THAT THE EC COULD SUPPORT

In relation to recommendation A, we propose the EC to facilitate training to strengthen the role and expertise of EC Delegations and other embassies of EU Member States in third countries on protection and respect of human rights.

Such training should respect the division of competences between national authorities and companies, in line with the UNGPs. It should have the objective of strengthening the capacity of enterprises to deal with challenges regarding human rights in their supply chains, as well as how to provide information to businesses and other stakeholders on the legal framework, political situation and possible challenges in actively engaging in certain countries or regions. It could be structured in three phases:

- PHASE 1. Learning and sharing experience on Sustainable Supply Chains (SSC).: half day training of EC delegation staff, half day training other embassies representatives
- PHASE 2: Discuss and explore collaboration
- PHASE 3. Piloting a project

## V. An ambitious research & innovation approach

### GENERAL POLICY RECOMMENDATIONS

**Investing in innovation and research.** Collaborative and sustainable interdisciplinary science, research and innovation into key societal, economic and environmental challenges will play an increasingly key role in identifying and delivering solutions for a more sustainable Europe. **To achieve a long-term transition towards the SDGs**, it is crucial that the current and future European Research programmes **invest in social, ecological, business-model, institutional and technological innovations.**

## PRACTICAL PROPOSAL(S) THAT THE EC COULD SUPPORT

- Step 1: Support the identification and promotion of industry-led transformation of business models and business strategies, including value-chain transformations, innovation between different sectors of the economy, as well as innovation in public-private partnerships;
- Step 2: Analyse and promote how these innovations contribute to achieving the SDGs, including to increase understanding and showcase where joint approaches have added value in contributing to the Sustainability agenda.
- Step 3: Put a system of mutual learning in place to assist enterprises that wish to monitor how innovations can contribute to sustainability, including in terms of indicators.
- Step 4: Disseminate the outcomes, including by highlighting qualitative shifts in practice, strategy, advancements or model cases and impacts, that others may learn from.

Moreover, a second practical proposal, more focused on Circular Economy, could be as follows:

- While there is a European Circular Economy Stakeholder Platform, we would like to propose to the European Commission (R&I), this group, as well as other existing business platforms on

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Circular Economy, to widen their research, with a strong business engagement and orientation that goes beyond environmental goals, to examine ways to shift to novel **Business Models** while searching for both market failures and policy failure that hinder the broad implementation, use and acceptance of these models.

### VI. A monitoring, transparent and trust approach

#### GENERAL POLICY RECOMMENDATIONS

All stakeholders, including enterprises, should be encouraged and supported in taking action on sustainability, to monitor progress and engage with relevant stakeholders on the outreach and impact of their activities and/or policies on sustainable development. To reach this objective, we propose the European Commission together with civil society and other key players to consider, among others, the EU Non-Binding Guidelines on Non-Financial Reporting<sup>2</sup> and assess how they can inspire and support all relevant players in society in reporting on progress on the SDGs implementation. This will allow governments, business, investors and civil society actors **to highlight in an accurate and integrated narrative their respective contributions and collective progress towards the SDGs.**

#### PRACTICAL PROPOSAL(S) THAT THE EC COULD SUPPORT

A few concrete examples of how the European Union could support enterprises, investors and stakeholders:

- As one element of engagement with stakeholders and shareholders, it will be important to monitor the different reporting requirements for companies, at EU, national and regional level, including at an appropriate moment, the transposition and implementation of the non-financial reporting directive. It would also be useful to look at the uptake of international frameworks for reporting, CSR in general and stakeholder engagement, such as those based on the OECD Guidelines for Multinational Enterprises and assess how to avoid duplication and inconsistencies.
- With the gradual roll-out of the Commission's Action Plan on Sustainable Finance, it will be important to look at the challenges and opportunities of disclosure relating to **sustainable investments and sustainability risks**, including the impact on access to finance for the real economy. The Platform proposes to make the **European Lab on Corporate Reporting** the principal place for companies, investors and stakeholders: (1) to learn from each other on quality and efficient reporting processes; (2) to discuss specific ESG/Sustainability/CSR reporting challenges including in relation to the existing EU financial and non-financial information reporting obligations for companies.

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<sup>2</sup> Guidelines released by the European Commission in 2017 on the methodology for reporting non-financial information according to the EU Directive for the Disclosure of Non-Financial & Diversity Information (Directive 2014 /95/EU)



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- To capture the detail and variety of innovation and action, a complementary action would be a more systematic identification and unpacking of programmes and business model transformations, which help progress towards implementation of the SDGs. The aim would be to provide a platform for replicability and scalability of sustainable models. This could include: 1) identification, 2) analysis, 3) and promotion of actions, beyond policies, that are implemented at country and pan-European level by different stakeholders, including the private sector, individually or through multi-stakeholder partnerships. This would require resources, e.g. to develop a form of repository or similar. Where relevant, this could also provide input to the European Lab for Corporate reporting.
- In response to the **OECD and EU expectations on Responsible Tax Behaviour and Transparency**, to assess (1) the links in enterprises between management of sustainability and tax policies; (2) to facilitate the exchange of best practices in the field of responsible tax behaviour and tax transparency; (3) to engage business, investors, civil society and policy makers committed to **restore confidence in tax systems and tax responsibility which are a crucial resource for the implementation of the SDGs**