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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE
ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS
AND THE EUROPEAN DATA PROTECTION SUPERVISOR**

"Responsible Businesses" package

The Treaty of Lisbon provides that the European Union and its internal market are based on a "highly competitive social market economy". In order to preserve and expand on this model in a difficult economic and financial environment, the EU has adopted the Europe 2020 Strategy with a view to creating the conditions for more intelligent, sustainable and inclusive growth. A number of ambitious political initiatives aim to anchor these objectives in real action:

- In April 2011, in order to relaunch the internal market, the "Single Market Act"¹ (SMA) aimed to highlight the importance of the human element and of confidence as motors of the European economy and integration by reinforcing social considerations in the implementation of policies on business support. This involves increasing corporate responsibility vis-à-vis the social environment, and highlights the special role to be played by socially responsible businesses.
- Alongside this, the "Innovation Union" flagship initiative promotes the concept of social innovation, which for associations and social entrepreneurs means using their creativity for the benefit of vulnerable social groups and meeting urgent social needs which have not been satisfied by the market or by the public authorities.
- At the end of 2010, the "European Platform against Poverty and Social Exclusion" proposed an overall strategy to coordinate national and European policies in order to make Europe more inclusive, and "harness the potential of the social economy" in the fight against poverty and social exclusion.
- In its Communication entitled "An integrated industrial policy for the globalisation era", the Commission notes that a "new approach is needed to the balance between short-term profit maximisation and sustainable value creation in the longer run"².

Growth and competitiveness are at stake, and are possible only through the renewed confidence of EU citizens. We must draw on Europe's propensity for innovation and creativity, while remaining true to our values: responsibility and transparency, but also justice, social inclusion and solidarity. This new inclusive and sustainable growth, which focuses on employment for everyone, therefore involves in particular the reinvigoration of the real economy driven by businesses which create value and are governed in a transparent and responsible manner.

In relation to the above, the "Responsible Businesses" package proposes a range of measures and initiatives to consolidate and expand our economic and social model, which is the cornerstone of the communal lives of 500 million Europeans. Through this initiative, the Commission wishes to encourage and help the business world to contribute to our common effort to reinstate responsibility, confidence and social inclusion at the heart of a more sustainable economic model on our continent, because the prerequisite for sustainable economic performance is social cohesion. In this context, the Commission fully supports business measures and innovative initiatives which increase the employment rate and improve social inclusion while strengthening the global competitiveness of the European economy.

¹ "SMA – Twelve levers to boost growth and strengthen confidence", COM(2011) 206 final of 13 April 2011

² COM(2010)614 final/2 of 17 November 2010

In doing so, the Commission has been listening to the opinions expressed by stakeholders during consultations and public debates held in the European Union since 2010, and notes the keen interest which such issues attract.

The "Responsible businesses" package comprises:

- this introductory Communication;
- the proposal to revise the Accounting Directives³;
- the proposal to revise the Transparency Directive⁴;
- the Communication on Corporate Social Responsibility (CSR)⁵;
- the Communication "Social Business Initiative"⁶.

This package sets out two objectives:

- to create an economic environment which is more conducive to creation and innovation, and which boosts confidence in the business world by simplifying the administrative burdens and obstacles which weigh in particular on small and medium-sized enterprises (SMEs), thereby allowing them to develop and achieve their growth potential. In particular, this involves fine-tuning the rules on the transparency of accounts and business activities. This could reduce the administrative costs by 2.3 billion euros;
- to articulate the Commission's vision and projects for responsible, social entrepreneurship in society. In particular, this involves rethinking the role of businesses in society and the environment of entrepreneurs who come up with projects which are innovative and economically viable and have a strong social impact.

1. Creating a more sustainable economic environment, in particular for SMEs

The purpose of the two legislative initiatives in this package is to strengthen confidence in the functioning of European businesses.

The **Accounting Directives** deal with the annual and consolidated accounts of corporate enterprises in Europe. They reduce the administrative burden weighing on SMEs by creating a simplified system for small companies. They provide greater clarity and comparability between the annual accounts for companies with a strong cross-border dimension and which affect a significant number of third parties. Lastly, they protect users by preserving the information they need.

Through the modernisation of the **Transparency Directive**, the Commission wishes to foster access to the regulated markets for small and medium-sized listed companies. For instance, abolition of the requirement to publish quarterly information should not only reduce the listing costs for small and medium-sized businesses but also encourage long- and medium-term investment and thereby promote socially responsible investment.

These initiatives concerning the accounting standards and transparency are also intended to improve transparency in resource-rich countries, including within the European Union, by creating a sense of responsibility among extraction and forestry businesses. The extraction and forestry companies listed on the European markets and the major non-listed companies

³ COM(2001) 684 final

⁴ COM(2001) 683 final

⁵ COM(2011) 681 final

⁶ COM(2011) 682 final

will publish a report on payments to governments, detailing them by country and, where payments are for one specific project, by project, with a materiality threshold. These reports will give the citizens of resource-rich countries significantly more information on exactly what European companies pay to host governments in exchange for the right to extract natural resources from their countries.

It should be noted that these proposals will be supplemented in 2012 by a legislative proposal aiming to encourage the disclosure of non-financial information.

2. Rethinking the role of responsible, social entrepreneurship in society

The two Communications are complementary and result from a joint Commission initiative and a major preparatory consultation and discussion process.

The Communication on **Corporate Social Responsibility (CSR)** presents a strategy to allow all businesses to contribute more towards achieving the objective of the Europe 2020 Strategy by tapping their potential to create shareholder and societal value. It proposes an updated definition of CSR which is in line with internationally recognised principles and guidelines. The text looks at how to raise awareness of and better reward the responsible practices of businesses in public policies (investments, public procurement, transparency of non-financial information) and of private stakeholders (consumers and investors). It ensures follow-up to the application of the internationally recognised principles and guidelines, and identifies possible ways to implement the UN's Guiding Principles on Businesses and Human Rights. It calls on the Member States to develop real CSR strategies, launches a debate on social issues (demographic change, health, welfare at work, local development), and reiterates the importance of CSR in the world of education.

The **Social Business Initiative** deals more specifically with a type of business whose main mission in its profit-making economic activity is to serve the general interest in social, societal and environmental terms. Such businesses, which account for a significant and growing proportion of the European economy and also help to strengthen the social economy as such, already exist in all the Member States. They are often pioneers of social innovation and change, and use various organisational models – e.g. joint stock companies, cooperatives, mutual benefit companies, associations or foundations – and all reinvest their profits (or at least a large proportion of them) in the achievement of their social goals. Despite their involvement in citizens' and Community initiatives through which they generate new interfaces and links between stakeholders, they nevertheless lack visibility and recognition from the general public, politicians and investors. This Communication therefore pursues the objective of developing a favourable environment for social businesses to encourage the development of initiatives within the internal market which are innovative and economically viable and have a strong social impact. The Communication examines whether sufficient account is taken of the operational methods, specific features and objectives of this type of business in all European policy fields. The text also provides for measures to facilitate access to (private and public) funding for social businesses in order to improve their visibility and recognition, and to create a more favourable regulatory environment, from both the corporate law viewpoint and from the perspective of public procurement or State aid.