CORPORATE SOCIAL RESPONSIBILITY AS PART OF EUROPEAN SUSTAINABILITY 2020

Dr. Danila Djokić, Faculty of Management, University of Primorska, Slovenia
danila.djokic@fm-kp.si

ABSTRACT
This article analyzes legal documents and the ways which define and frame corporate social responsibility in the context of the European term of sustainability. The article shows the possible measures that could be taken by the corporations in order to execute the goals of sustainability in line with the European Strategy 2020.

Keywords: corporate social responsibility, corporate governance, sustainability, European Commission; European Strategy 2020

I. INTRODUCTION
Europeans value quality of life. They want to enjoy prosperity, clean environment, good health, social protection and equity – all this not only for themselves but for their children and grandchildren as well.

Governments will always be an important part of the solution as they set the framework within which citizens and businesses take decisions. But, sustainable development cannot only be about what governments can do. All stakeholders, businesses and citizens in particular, need to be empowered and encouraged to come up with new and innovative ways to address the challenges and seize the opportunities. (Commission review, pg.2);

To achieve these aims in Europe and globally, the European Union (EU) and its Member States have decided to pursue and respect, on their own and with partners, the comprehensive objectives and principles of sustainability. We are analyzing the legal documents and ways which define and frame corporate social responsibility in the content of the European term of sustainability. The article also shows the possible measures that could be taken by corporations to execute the goals of sustainability in line with European Strategy 2020. The important question that arises is: are the proclaimed objective and goals enough? Have managers and other management bodies understood the idea of sustainability in the way to
bring it into practice? Is legal and regulative framework good enough to support the concept of global sustainability? Will the understanding of corporate social responsibility help manage the sustainability issues faster than before?

II. EUROPEAN GENERAL REGULATIVE FRAMEWORK FOR THE GRADUAL CONSTRUCTION OF THE GLOBAL SUSTAINABILITY
Sustainable development is a key objective set out in the Treaty, for all European Community policies. It aims at the continuous improvement of the quality of life on earth of both current and future generations. It is based on the principles of democracy and the rule of law and respect for fundamental rights including freedom and equal opportunities for all. It brings about solidarity within and between generations. It seeks to promote a dynamic economy with full employment and a high level of education, health protection, social and territorial cohesion and environmental protection in a peaceful and secure world, respecting cultural diversity. (Commission review, pg. 23).

II.1. European Strategy on Sustainable Development in 2005
Key objectives that have been defined in the EU by the Strategy on Sustainable Development could be described as: a) Environmental Protection, b) Social Equity and Cohesion, c) Economic Prosperity, d) Meeting our International Responsibilities.

In accordance with the above objectives, the following guiding principles should be followed:

− Promotion and Protection of Fundamental Rights,
− Solidarity within and between Generations,
− Open and Democratic Society,
− Involvement of Citizens,
− Involvement of Business and Social Partners,
− Public Coherence and Governance,
− Policy Integration,
− Use best available Knowledge,
− Precautionary Principle,
− Make Polluters pay. (Commission review, pg. 23, 24).

II.2. EUROPE 2020 – THE STRATEGY FOR SMART, SUSTAINABLE AND ALL INCLUSIVE GROWTH
In accordance with the European objectives and guidelines grounded in the Year 2005, European Commission (Commission) launched another very important strategic document in the year 2010, called Europe 2020, the Strategy for smart sustainable and inclusive growth (Europe 2020 Strategy).

Europe 2020 Strategy states that Europe can succeed if it acts collectively, as a Union. The EU therefore needs a strategy to help it come out stronger from the crisis and turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. (Europe 2020 Strategy, pg. 3)

Europe 2020 Strategy sets out a vision of Europe's social market economy for the 21st century. The EU needs to define where it wants to be by 2020. To this end, the Commission proposes the following EU headline targets: a) 75% of the population aged 20-64 should be employed, b) 3% of the EU's GDP should be invested in R&D, c) The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right), d) The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree, e) 20 million less people should be at risk of poverty.

European Commission believes that these targets are interrelated and critical to our overall success. To ensure that each Member State tailors the Europe 2020 strategy to its particular situation, the Commission proposed that EU goals are translated into national targets and trajectories. The targets are representative of the three priorities of smart, sustainable and inclusive growth but they are not exhaustive: a wide range of actions at national, EU and international levels will be necessary to underpin them.

The Commission therefore put forward seven flagship initiatives to catalyse progress under each priority theme:

- "Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs.
- "Youth on the move" to enhance the performance of education systems and to facilitate the entry of young people to the labour market.
- "A digital agenda for Europe" to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms.
- "Resource efficient Europe" to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency.

- "An industrial policy for the globalisation era" to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally.

- "An agenda for new skills and jobs" to modernise labour markets and empower people by developing their skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including through labour mobility.

- "European platform against poverty" to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society.

These seven flagship initiatives will commit both the EU and the Member States. (Europe 2020 Strategy, pg. 4)

II.3. AN INDUSTRIAL POLICY FOR THE GLOBALISATION ERA

As part of the Europe 2020 strategy, the Commission will thus regularly report on the EU’s and Member States’ competitiveness and industrial policies and performance.

It is estimated that a review of Member States’ industrial and business policies could lead to better coordination and pooling of the use of available resources, and legal instruments could generate more value for money. This is the more important the less resources are available, and the more comprehensive and fragmented policy frameworks have become in recent decades. This goal therefore presumes closer co-operation with Member States and monitoring the success and competitiveness performance of policies at the European and Member State level. (Reinforcing Economic Coordination, pg.11)

The Commission will work closely with stakeholders in different sectors (business, trade unions, academics, NGOs, consumer organisations) and will draw up a framework for a modern industrial policy, to support entrepreneurship, to guide and help industry to become fit to meet these challenges, to promote the competitiveness of Europe’s primary, manufacturing and service industries and help them seize the opportunities of globalisation and of the green
economy. The framework will address all elements of the increasingly international value chain from access to raw materials to after-sales service. (Europe 2020 Strategy, pg. 15)

The Commission proclaimed it will work also on EU level, where the following field activities would be taken:

- Establishment of an industrial policy creating the best environment to maintain and develop a strong, competitive and diversified industrial base in Europe as well as supporting the transition of manufacturing sectors to greater energy and resource efficiency;

- Development of a horizontal approach to industrial policy combining different policy instruments (e.g. "smart" regulation, modernised public procurement, competition rules and standard setting);

- Improvement of the business environment, especially for SMEs, including through reducing the transaction costs of doing business in Europe, the promotion of clusters and improving affordable access to finance;

- Promotion of the restructuring of sectors in difficulty towards future-oriented activities, including through quick redeployment of skills to emerging high growth sectors and markets and support from the EU's state aids regime and/or the Globalisation Adjustment Fund;

- Promotion of the technologies and production methods that reduce natural resource use, and increase investment in the EU's existing natural assets;

- Promotion of the internationalisation of SMEs;

- Development of an effective space policy to provide the tools to address some of the key global challenges and in particular to deliver Galileo and GMES;

- Enhancement of the competitiveness of the European tourism sector.

On the EU level, the Commission will work also:

- To ensure that transport and logistics networks enable industry throughout the Union to have effective access to the Single Market and the international market beyond;

- To review regulations to support the transition of service and manufacturing sectors to greater resource efficiency, including more effective recycling; to improve the way in
which European standard setting works to leverage European and international standards for the long-term competitiveness of European industry. This will include promoting the commercialisation and take-up of key enabling technologies;

− To renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust.

III. CORPORATE SOCIAL RESPONSIBILITY IN THE FRAMEWORK OF EUROPE 2020

The EU believes corporate social responsibility can contribute to the competitiveness and sustainability performance of European industry. The financial crisis showed that a new approach is needed to balance the short-term profit maximization and sustainable value creation in the longer run. European companies need to take into account their contribution to sustainable growth and job creation and consider the interests of the employees and citizens affected by business decisions. Sound business ethics and values can contribute to the recovery from the crisis. (Integrated Industrial Policy, pg. 22)

To enable these goals, Commission will:

− Put forward a new policy initiative on corporate social responsibility addressing emerging issues such as business and human rights, and company disclosure of environmental, social, employment-related, and governance information (2011);

− Monitor EU industry’s voluntary initiatives aimed at resource sustainability. (2011 onwards);

− Examine before 2012 the possibility of an initiative on the Ecological Footprint of Products.

IV. HOW TO PROCEED

The above reasoning shows that while the economic and financial crisis shifted the focus of industrial competitiveness policies towards short-term rescue and recovery actions, the attention of policy makers will have to focus on long-term structural challenges. This particularly means maintaining global competitiveness, climate change, energy, population ageing, skills and knowledge. In the context of fiscal consolidation, competitiveness strategies cannot be built on major spending programmes, but are more likely to address structural
reforms in areas such as improving the business environment, modernizing public administrations, improving companies’ ability to innovate or enhancing energy efficiency. At the same time, policy measures may be needed to accompany ongoing structural change within and across industries. (Integrated Industrial Policy, pg. 31)

The EU understands Corporate Social Responsibility as an essential part of an industrial policy for the globalisation era. Corporate Social Responsibility should be used as a key element in ensuring long term employment and consumer trust from the year 2005 until present. Member States should enhance the social dialogue, corporate social responsibility and private-public partnerships to foster cooperation and common responsibilities to achieve sustainable production and consumption.

The guidelines stating that Member States should enhance corporate social responsibility to foster cooperation and common responsibilities lead us to the question of how these issues could be realised in the framework of the particular company. It looks obvious the goals could not be reached solely and entirely through the regulative framework. The results will come, if corporate governance structures of the companies of each and particular country will accept the goals as their own.

Policies, strategies and recommendation on the EU level are undoubtedly progressive and good. What we need to work on in the future are the ways, which is going to make them work. Among them, we have to use also ethical standards and create good practices. Regulations can force certain behaviour, which is proclaimed as good and progressive. But it is on the other hand necessary to strengthen the awareness, as well.

In this aspect, soft law helps introduce the ways in which we should move forward. Principles, standards and codes determining what company governance is the governance that follows and maintain sustainability, should be used. For example, OECD Principles of Corporate Governance (OECD Principles 2004) have already taken the leads.

OECD Principles 2004 suggest companies that, in addition to their commercial objectives, are encouraged to disclose policies relating to business ethics, the environment and other public policy commitments. Such information may be important for investors and other users of information to better evaluate the relationship between companies and the communities in which they operate and the steps that companies have taken to implement their objectives. (OECD Principle 2004, pg. 50, 51)
Besides the moral awareness of the obligation we have to the world, earth and living, and the understanding of the values that should be built gradually, the regulators could help by imposing the disclosure measures in companies' reporting system.

Companies should use disclosure as principle, method and tool to provide to the public, investors, stakeholders, (creditors, distributors, employees) the corporate information on environmental, social, employment-related and governance issues.

Disclosure also helps improve public understanding of the structure and activities of enterprises, corporate policies and performance with respect to environmental and ethical standards, and companies’ relationships with the communities in which they operate. The OECD Guidelines for Multinational Enterprises are relevant in this context. (OECD Principle 2004, pg. 49)

We may therefore expect the Principle of disclosure and transparency to be further used in EU Regulations and Directives regarding the orientation and goals of the EU Industrial Policy. The companies should use the principle of disclosure and transparency, in the sense written in the EU Industrial Policy. This leads us to the conclusion that we may expect the principle of disclosure and corporate social responsibility to influence further understanding of European Good Corporate Governance practice which will then be followed by the Member States as well.

REFERENCES

Communication from the Commission Europe 2020 - A strategy for smart, sustainable and inclusive growth; Brussels, 3.3.2010; COM(2010) 2020 (Europe 2020 Strategy);
Communication from the Commission to the European Parliament, The Council, The European Bank, The Economic and Social Committee and the Committee of the Regions; Reinforcing economic policy coordination; Brussels, 12.5.2010; COM(2010) 250 final; (Reinforcing Economic Coordination)

Green paper EU development policy in support of inclusive growth and sustainable development Increasing the impact of EU development policy Brussels, 10.11.2010; COM(2010) 629 final; (Green paper EU)

Communication from the commission to the European Parliament, the council, the European Economic and Social Committee, and the committee of the Region; A twelve-point EU action plan in support of the Millennium Development Goals; EUROPEAN COMMISSION; Brussels, 21.4.2010; COM(2010)159 final (EU Commission Millennium Development);
