



## EUROPEAN COMMISSION - PRESS RELEASE

### **More responsible businesses can foster more growth in Europe**

Brussels, 25 October 2011 - A responsible approach to business means more, and more sustainable, economic growth. This is why the European Commission has presented a package of measures to support entrepreneurship and responsible business.

First, the Social Business Initiative will help this emerging sector to fulfil its unexploited potential. This is complemented by an ambitious strategy for Corporate Social Responsibility to generate a higher level of trust and consumer confidence and improve companies' contribution to society's well-being. Both initiatives reinforce Commission efforts to engage with the private sector on social and environmental issues, especially relevant in times of public budget constraints.

The Commission is also proposing to improve transparency and promote sustainable business among multinationals. Mining and forestry companies would have to be more open about taxes, royalties and bonuses paid worldwide.

Finally, the Commission is proposing to simplify accounting rules for SMEs, potentially saving them up to €1.7 billion per year. The proposals would also reduce burdensome reporting obligations for listed companies, including SMEs, adding further to cost savings.

Commission Vice-President Antonio Tajani, responsible for enterprise and industry policy, said: "This package of measures is in the interests of both enterprises and of European society as whole. It reduces administrative burdens on small and medium-sized enterprises, and sets the conditions for a strong, dynamic social market economy in the medium and long term".

"Social business is one of the pockets of untapped potential in our Single Market " said Internal Market Commissioner Michel Barnier. "Social business is a good example of an approach to business that is both responsible and contributes to growth and jobs. But we need to ensure all companies, not just social businesses, take their impact on wider society seriously: that's why I also want big multinationals – in particular those in the forest and mining industries - to be more open about what they are paying to governments across the world."

Commissioner for Employment, Social Affairs and Inclusion László Andor said "Socially responsible business stems from a realisation that the crisis is not just economic and financial but also about ethics. Values like solidarity, sustainability, inclusiveness and integrity are not always upheld by business and I believe our economies have suffered as a result. This is where social business and CSR can have a decisive impact and thus also contribute to Europe's 2020 goals of more jobs and growth."

## Key elements of the package

### Encouraging responsible business

To increase transparency to the payments made by the extractive and logging industries to governments all over the world, the Commission has proposed to introduce a system of **Country-by-Country Reporting (CBCR)**.

This system would apply to EU privately-owned large companies or companies listed in the EU that are active in the oil, gas, mining or logging sectors. CBCR is a different concept from regular financial reporting as it presents financial information for every country that a company operates in rather than a single set of information at a global level. Reporting taxes, royalties and bonuses that a multinational pays to a host government will show a company's financial impact in host countries. This more transparent approach would encourage more sustainable businesses. In order to cover the various types of companies active in these industries under the CBCR system, the Commission is proposing to revise both the **Transparency Directive** ([2004/109/EC](#)) to cover listed companies and the **Accounting Directives** ([78/660/EEC](#) and [83/349/EEC](#)) to cover large non-listed companies.

Furthermore, the proposed revision of the **Transparency Directive** would prevent investors from secretly building up a controlling stake in a listed company ("hidden ownership"). Such practices can give rise to possible market abuse, low levels of investor confidence and misalignment of investor intentions. Under the Commission's proposal, investors would need to notify all financial instruments that have the same economic effect as holdings of shares.

The Commission's **Communication on Corporate Social Responsibility (CSR)** offers a modernised definition of this concept that is consistent with internationally recognised principles and guidelines. It serves as a strategy that will allow companies to achieve their potential more effectively. It aims at improving trust in business including by launching in 2013 a European award for CSR and creating multi-stakeholder CSR platforms in a number of relevant industrial sectors.

### Facilitating Social Entrepreneurship

Social businesses are companies that have a positive social impact and address social objectives as their corporate aim rather than only maximising profit. Today, the social economy represents 10% of all European businesses and employs over 11 million paid employees. The Social Business Initiative contains a number of actions to support its further development. It proposes ways to improve social businesses' access to funding (including EU funding through the Structural Funds and the future setting-up of a financial instrument to provide social investment funds and financial intermediaries with equity, debt, and risk-sharing instruments), measures to improve their visibility and a simplified regulatory environment (including a future proposal for a European Foundation Statute, forthcoming revision of the public procurement rules and state aid measures for social and local services).

### **Cutting red tape for SMEs**

By proposing to amend the **Accounting Directives** ([78/660/EEC](#) and [83/349/EEC](#)), the Commission aims to reduce the administrative burden for small companies. Simplifying the preparation of financial statements would also make these more comparable, clearer and easier to understand. It would also allow users of financial statements such as shareholders, banks and suppliers to gain a better understanding of a company's performance and financial position. Potential cost savings for SMEs are estimated at € 1.7 billion per year.

Furthermore, under the proposed revision of the **Transparency Directive** ([2004/109/EC](#)), listed companies, including small and medium-sized issuers, would no longer be obliged to publish quarterly financial information. This would contribute to further cost savings and should help to discourage short-termism on financial markets.

### **Next steps:**

The package of proposals for more responsible businesses follows up on the Single Market Act ([see IP/11/469](#)), in which the Commission laid out twelve levers to re-launch the Single Market for 2012 for sustainable, smart and inclusive growth. Two of the key actions identified were the creation and development of small and micro enterprises, by introducing smart regulation and cutting red tape, and the creation of an eco-system conducive to the development of social entrepreneurship.

The proposals to revise the accounting Directives and the Transparency Directive will now be passed to the European Parliament and the EU's Council of Ministers for adoption. The Communication on Social Entrepreneurship forms the starting point for a number of legislative and non-legislative initiatives that are to be rolled out over the next two years. There will be a first opportunity to discuss them with stakeholders at the Conference on Social Economy and Social Business hosted by the Commission on 18<sup>th</sup> November 2011 in Brussels.

More information:

See [MEMO/11/730](#), [MEMO/11/732](#), [MEMO/11/734](#) and [MEMO/11/735](#)

[http://ec.europa.eu/internal\\_market/smact/index\\_en.htm](http://ec.europa.eu/internal_market/smact/index_en.htm)

[http://ec.europa.eu/internal\\_market/social\\_business/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/index_en.htm)

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