

Günter Verheugen

Vice-President of the European Commission responsible for Enterprise and Industry

**Corporate Social Responsibility
Essential for Public Trust in Business**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

CSR Forum

Brussels 10th February 2009

Ladies and gentlemen, good afternoon,

Firstly, a sincere thank you to all for attending today. I am very gratified to see such a wide range of stakeholder interests represented in this Forum: employers' organisations, individual enterprises of all kinds and all sizes, chambers of commerce, investment funds, trade unions, academics, government representatives and non-governmental organisations.

I especially wish to acknowledge the presence of so many NGO representatives. Your written and oral contributions to today's discussion have been open and constructive. Your engagement, along with that of other stakeholders, has helped to make this Forum stronger.

We established this Forum with the support of the European Parliament some 6 years ago. Multi stakeholder dialogue has been a central pillar of the Commission's approach to CSR ever since then, and we have every intention that it should continue. I wish to be clear in view of some statements I have heard this afternoon. An open dialogue is essential in a democracy and as far as I will be in charge, nobody will be prevented from expressing his or her views.

It is nearly three years since Commissioner Špidla and I challenged the European business community to step up its commitment to CSR. I think the results have been rather encouraging. I was impressed by the initial results of the CSR Alliance laboratories in December. There certainly is room for improvement but clearly CSR is today considerably more mainstream than it was 3 years ago.

I wish to thank the European Parliament, especially Richard Howitt and Philip Bushill-Matthews who are present today, for their excellent cooperation in giving CSR the political profile it deserves. Without your commitment it is clear that the European concept of CSR would not have advanced as far and as fast as it has.

There can be no doubt that there has been progress in the practice and application of CSR by European enterprises. But the current economic and financial crisis puts everything into a different perspective - far from signalling the end of CSR, this crisis is the moment for CSR to prove its worth once and for all.

Let me offer some reasons why the crisis we are currently experiencing demands an ever more serious and strategic commitment to CSR.

The main one is trust. According to the 2008 Edelman Trust Barometer, about 70% of Europeans trust business less now than they did last year. No doubt this is true for some kinds of enterprises and some sectors more than others. I suspect that trust in SMEs remains relatively high. Nevertheless, this trend is worrying for us all.

I have argued for some time that Europe can only flourish, and can only meet its objectives of sustainable development in all three pillars – competitiveness, environmental protection and social inclusion – if enterprises are trusted and actually trustworthy and valued for their contribution to society. This argument has never been more relevant than it is today.

The task of rebuilding trust in business has to start now. It has to be a priority for the business community. And it has to include a deeper understanding of the purpose of business in society. Sometimes, I have the feeling that people consider that the fall of the communist regimes in 1989 meant that liberal capitalism has won the battle of ideologies once and for ever. Thinking that the market economy system is ever to be accepted no matter how it is actually working and whether it is regulated or not is a serious mistake. Many who have been saying for years that markets are best when left completely alone have been recently proven wrong. We all have to learn some lessons from what has happened in the financial markets and create rules which effectively enable markets to operate in the interest of society.

Clearly, in a market economy, business has to make profit. However, a genuinely European view holds that to achieve this objective in a sustainable way, the economic activities must ultimately serve the interests of society. Enterprises do this through the wealth they generate, the jobs they provide, and the goods and services they offer, while taking care of the environment and local communities where they operate.

But the issue goes a step further – it is a question of ethical behaviour, of ethical standards. The financial turmoil has revealed to us an unexpected degree of selfishness and greed existing in our society. This must be changed. Not by legislation, as ethical behaviour cannot be decreed by law. Instead, we must put in place an environment where such behaviour is not tolerated but punished.

Businesses should start with the way to approach the management of the economic crisis. I strongly believe that the companies to lead us out of the recession will be those which consider CSR as part of their core business strategy. They will be the companies that have developed innovative forms of cooperation with stakeholders in order to bring new products to new markets – think for example of those responsible banks that break new ground in micro-finance for the poor and financially excluded.

They will be the companies that see commercial opportunity in helping to resolve societal problems – such as the car companies that can offer radically more efficient transport or IT companies that help reduce the need for travel altogether.

This corresponds very closely to the conclusions of our 2008 Competitiveness Report. In it we argue that the competitiveness advantages of CSR are increasingly linked to innovation and to the creation of new value in a sustainable way.

Ladies and Gentlemen,

Rebuilding trust, managing the human dimension, and seeing sustainability as an opportunity for new business are key to to overcome the economic crisis. But beyond that - if we are really to build a more sustainable system in the medium term, then we will also need a shift in values, including amongst enterprises and those who lead them. President Obama was right to talk of the need for “a new era of responsibility”.

I call also on relevant education institutions to grasp the seriousness of this challenge. This may even provide the basis of an idea for a new Alliance laboratory.

Future managers and entrepreneurs not only need new skills to manage their companies in the best way, they also need teaching institutions that reflect the new set of values I am calling for. In this context we will launch a campaign on responsible entrepreneurship for young people, together with Junior Achievement Young Enterprise.

Before concluding, I want to pick up on some of the ideas put forward by different stakeholders in the context of today's meeting.

As you know, I believe that CSR should remain a voluntary concept, and I will not make any proposals that would risk undermining that principle. But this certainly does not exclude a role for the Commission in facilitating joint work between stakeholders in the field of CSR, whenever it can add value. And let me be clear – defining CSR as a voluntary concept does not mean that its boundaries are fixed once and for all – regulation and CSR while being mutually exclusive are dynamic and evolving. CSR in twenty years will certainly encompass some other commitments than it does today.

One issue that stands out for particular consideration in the context of the current crisis is that of transparency and the communication of non-financial performance by companies. The work of the Alliance laboratory on this topic has been timely and impressive. Investors who are able to value the role of CSR in the future prosperity and sustainability of a company can be hugely influential in creating the new economy to which we aspire. If companies expect a premium and reward from the market and from other stakeholders for their CSR performance, then they may wish to communicate their achievements in a transparent and credible manner. It is in their interest and I very much encourage the companies concerned to approach this issue very seriously. I also understand that quite a number feel the need to have a framework in which this can be done and I invite companies, investors and other stakeholders to work together on this issue.

CSR is important in the EU, but it also matters abroad. My services will examine how we and other stakeholders can further project the European point of view on CSR in our relations with third countries and in relevant international fora. We have already made first important steps to establish a dialogue with China. Next week, we will be addressing CSR in our annual industrial policy dialogue with Japan.

The international dimension of CSR does not stop with the engagement of third countries. Our citizens expect European companies operating abroad to represent their values and their identity as Europeans, starting with respect for human rights and for the laws of the countries in which they operate. This is what the European Alliance on CSR has itself committed to.

As I have learnt over the last year through fruitful contacts with the NGO community and others, this is not a trivial issue. It is not a purely CSR or enterprise issue either. I will therefore encourage my fellow Commissioners responsible for the different aspects of this matter to further deepen our knowledge about the nature and scope of the existing EU legal framework applicable to European companies operating in third countries, for example through an analytical report with multi-stakeholder involvement. It is in our interest and in the interest of obtaining a level-playing field for our businesses to remind each and everybody that human rights are universal and should be globally respected.

Finally, CSR should never be only associated with the most economically advanced countries in the EU or attributed only to large companies. It is important to spread the message all around the EU. We will try to contribute to this by launching in the coming weeks a new funding programme that supports multi stakeholder platforms for the development of CSR at national level. Our aim is to focus on countries where CSR is currently less well developed. We hope that such platforms will, amongst other things, play a strong role in further supporting the uptake of CSR amongst SMEs.

Ladies and gentlemen, this is my second and last meeting of the CSR Forum during my term in office. I am deeply convinced that these meetings have proved their worth and I will propose to my successor to continue to re-convene the forum at regular intervals.

In particular, as the economy swings back to recovery, and I sincerely hope it will, we will have an opportunity to assess the extent to which all stakeholders have risen to the challenges of today's crisis. We will by then know how successful we are in forging a new culture of responsible business. And we will be able to see to what extent the responsible practices of all stakeholders have contributed to limit the damage of this crisis and to provide new opportunities for sustainable growth and job creation.

I thank you all for your commitment to this process. And I call on you all to re-double your efforts to make the EU a global pole of excellence on CSR.