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the inside track #03

Highlighting CSR Issues of the moment

CSR – All quiet on the EU front?

Publication in the late spring of the Multi-Stakeholder Forum Report, led to expectation of further development of the European CSR Agenda. However with a changing of the guard at the European Commission and at the European Parliament for the 2004-2009 term of office, work on developing new EU level CSR initiatives is on hold.

What does this mean for the CSR professional?

From 1 November there will be 2 new Commissioners with shared responsibility for CSR policy at the European Commission, Vladimir Spidla (Employment and Social Affairs), and Günther Verheugen (Enterprise and Industry). They will adopt the same model of shared policy responsibility for CSR as their predecessors, and will co-ordinate closely with other colleagues in the Commission dealing with Development (Louis Michel), Trade (Peter Mandelson) and Environment (Stavros Dimas). Neither faced any questions on their plans for CSR at the European Parliament recently, a clear indicator that CSR is not currently being given a high priority by Europe's political classes.

A Communication on CSR Policy previously due this year has now been postponed until next Spring, to allow the incoming Commissioners a fresh look at the subject. But, we can expect things to get under way from next month onwards, as soon as the new Commissioners have taken up their appointments.

Within the European Parliament, two of the influential figures from the last term Richard Howitt (UK) and Philip Bushill-Matthews (UK) have been re-elected for the 2004-2009 term and can be expected to play an important role in future Parliamentary discussion on CSR. It is likely that their involvement in debate will be reactive, as and when the European Commission has produced their draft policy communication.

Meantime, a number of events related to CSR are being undertaken. The Directorate General for Enterprise is sponsoring a series of 60 seminars and workshops across all 25 member states as part of a pan-European awareness-raising campaign.

The campaign was launched at a conference held in Brussels on 12 October (<http://europa.eu.int/comm/enterprise/csr/>).

It runs until June 2005, and seeks to promote best CSR practice with SMEs. Meanwhile, under the Dutch Presidency, a conference on CSR is planned for November in Maastricht, but this is more in the form of a trade fair and exhibition showcasing CSR developments rather than an event designed to advance the debate at the level of EU policy (<http://www.csr2004.nl/>).

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the virtuous circle comment: #03

TVC's perspective on the changes.

We asked one of our Brussels team to consider what these developments could mean for CSR Professionals.

These changes may increase the importance of the national level changes now under way, and their potential to impact on Europe's future agenda.

The clear messages are that:

- 1. Business has an important window of opportunity to influence the EU's agenda.**
- 2. OFR in the UK could have a much wider and more influential impact on CSR policy developments at the EU level.**

Looking ahead to the regulatory environment likely in the next 5 years, President Barroso has signalled that he wishes to make a cornerstone of his Presidency a stronger focus on growth, jobs and prosperity. In this context, we can anticipate that the Commission will not be motivated to intervene with new legislation at EU level if it can achieve its objectives through a policy of enabling, and facilitating the spread of best practice.

So the new Commissioners will be receptive to new ideas - and it is likely that they can be influenced by own initiatives undertaken by companies. Where businesses wish to be more pro-active in seeking to influence opinion formers and decision makers at EU level, the next 6 months present an excellent opportunity to raise company profiles, to reach out to the new administration and to make their views known.

At the same time, the receptive environment of a new administration with fresh officials in charge of policy responsibility for CSR, also means that national governments in the process of implementing change could have a major impact on the way that future EU policies for CSR are shaped.

For example, the new requirements of the UK's Operating and Financial Review - which go considerably further than was required by the EU Accounts Modernisation Directive, have added attraction to the EU Institutions in placing responsibility firmly with companies - and not the regulator - to determine what processes are needed to identify, analyse and report on risk to their businesses.

In an environment where the EU Institutions will be looking to minimise the need for regulatory intervention, and to delegate responsibility for implementation down to national or regional

level, successful models from individual countries will be held up as benchmarks for the rest of Europe to copy.

A good example is the European Commission's recommendation that all listed companies in the EU adopt the UK's model of corporate governance - despite strong resistance from Germany.

Our advice

Our experience of EU developments suggests that it would be complacent to interpret that "no visible action" means "inaction".

As a consequence, in the current regulatory environment, a prudent course of action for Companies CSR and Corporate Affairs management would be the dual strategy of :

- 1. Maintaining joined-up lobbying with the DTI on the implementation of OFR as an integral part of your company preparations for compliance.**
- 2. Planning an outreach programme to the EU institutions to advise the new officials about the lessons from OFR that business can share, in order to help them to formulate better informed policy.**

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