

News release

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Make Corporate Social Responsibility reporting compulsory, says regulator

A report published today by the think tank Mutuo calls on the Government to make annual reporting on social and environmental issues compulsory for large companies, giving customers and investors access to information on environmental, employment and ethical investment performance.

From Margins to Mainstream – making social responsibility part of corporate culture, written by Competition Commission member Dr Gill Owen with Labour MP Gareth Thomas (Harrow West), will be launched today at a reception in the House of Commons. Speakers will include Alison Coles, Corporate Communications Director for electricity company Innogy Plc, and Simon Williams, Head of Public Affairs at the Co-operative Bank.

The report identifies The Government's Company Law Review (CLR) as an opportunity to move CSR reporting into the mainstream alongside financial reporting. But the opportunity will be missed if the Government adopts the recommendations of the CLR Steering Group, which recommends that only financial performance should be compulsory for large companies.

Dr Gill Owen: "Ethical considerations are increasingly important to customers and investors, but it is almost impossible to make informed choices without a universal standard of reporting. Mandatory CSR reporting could easily be introduced without over-detailed and costly regulation. For example, occupational pension funds are already required to provide information on CSR, in a move that was initially resisted but is now welcomed by investors and businesses. Standardising CSR could help to reduce costs for

businesses facing requests for information from investors and others in a variety of forms.”

Despite a call from the Prime Minister for Britain’s top 350 companies to produce social and environmental reports by 2001, 75% have ignored the challenge. Companies are currently free to choose whether to report on relationships with employees, customers, suppliers and performance on environmental, community, social, and ethical issues, even including compliance with relevant laws and regulations.

Gareth Thomas MP: “Those companies that have developed high standards of reporting, such as the Co-operative Bank, see good performance on CSR issues as good for business. There is no good reason why other companies should not follow suit, but many are unlikely to do so without regulation.”

-ENDS -

Notes:

Mutuo is an independent think tank promoting mutuality in business and public policy. It is supported by the Co-operative sector and leading financial mutuals, and is chaired by journalist and academic Ian Hargreaves.

Dr Gill Owen is an environmental and energy policy consultant. She is Chair of the Public Utilities Access Forum, a member of the Competition Commission and a former non-executive member of the board of the energy regulator Ofgem.

From Margins to Mainstream is available from Mutuo, 77 Weston Street, London SE1 3SD Tel: 020 7367 4150

Example of reporting on social issues

A good example of setting appropriate standards and reporting requirements comes from the energy sector. Many disadvantaged households – those on low incomes, elderly or disabled - face difficulties paying their bills. Since the 1970s, successive governments and the energy regulators had encouraged voluntary actions on the part of energy suppliers to recognise these problems.

However, the system was ad hoc and there were important differences between gas and electricity that made for inconsistencies and confusion. Furthermore, the development of competition for household energy customers raised a new concern – that many disadvantaged customers were missing out on the benefits of lower prices that competition was supposed to bring. In 1997 the Government asked the energy regulator to produce a social action plan to tackle the problems. The Social Action Plan sets out a range of actions for the regulator and the industry. New licence conditions and systems of monitoring company action have been established. Issues covered include: preventing debt and disconnection; help for elderly and disabled customers; use of pre-payment meters; improving energy efficiency. Companies are required to report regularly to the regulator on actions in these areas.

However, regulation is not stifling initiative as many companies are also developing special schemes to assist their low income customers – in many cases because they also make sound commercial sense. The Social Action Plan has thus both raised minimum standards and encouraged innovation.

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