

Christian Noyer: The history and future of corporate social responsibility

Welcome speech by Mr Christian Noyer, Governor of the Bank of France, at the Symposium ICCA – EABH, Paris, 27 October 2008.

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Minister,
Chairman,
Ladies and gentlemen,

It is a great pleasure to welcome you to the Banque de France today together with the founder of the Institute for Corporate Culture Affairs, Manfred Pohl, who has organised this event. I would also like to thank Ms Kosciusko-Morizet for doing us the honour of joining us in this debate, in her capacity as Secretary of State for the Environment. Welcome to all! I wish to thank those who have come from neighbouring countries, and especially those who have travelled from further a field to take part in this symposium.

This symposium is being held in this prestigious setting that is rich in history: the Golden Gallery of the Hôtel de Toulouse. It is in this Hôtel that the Banque de France set up its headquarters two hundred years ago to this year. Much time would be required to recount the history of this building. I should at least mention that this Gallery was designed at the start of the 17th century by François Mansart for Mr de la Vrillière, a minister of Louis XIII. It was then renovated in the style of the day at the start of the following century by Robert de Cotte, the First Architect of Louis XIV, for the Count of Toulouse, the legitimated son of the Sun King and its new owner.

Naturally, this place provides an appropriate setting for putting matters into perspective. This is most apposite for the discussions to which Mr Pohl invites us today, because they should be considered from both a historical and forward-looking perspective. Japanese philosophy teaches us that visiting the past teaches us new things.

This privileged setting nevertheless does not isolate us from the world. The turmoil that we are experiencing gives a particular significance to your work. The current financial crisis and the unprecedented financial cooperation between countries to preserve financial stability should add a new dimension to the debate on Corporate Social Responsibility.

I therefore hope that this approach in perspective will shed light on both the implications of the Corporate Social Responsibility (CSR) and its potential role as a force for change in a globalised world.

CSR is a concept whereby companies and financial institutions not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, employees, shareholders, customers, suppliers, and civil society represented by NGOs. Companies (including banks) must take on new responsibilities that go beyond a simple policy of “paternalism” vis-à-vis their suppliers, customers and employees, such as that practised up until recent times.

I would now like to discuss three questions in particular.

The first is whether CSR is a stable concept or one that is still evolving? This concept broadly stems from that of sustainable development, which is defined as development that meets present needs without compromising the ability of future generations to meet their own. Its blueprint was set out at the 1992 UN Conference on Environment and Development in Rio de Janeiro (the first Earth Summit). It is based on the principle of development that is economically efficient, socially equitable and ecologically sustainable. CSR, whose initial objective was accountability, still largely appears to be an evolving paradigm closely linked to the current transition towards a new economic model.

In this respect, Rio brought to the fore the need for an ISO standard at the company level in order for companies themselves to take account of their impact and change their processes as part of a preventive approach. The UN addressed this dimension and brings together, under its aegis, the initiatives of the major companies that adhere to a relatively general charter. The Johannesburg World Summit on Sustainable Development (also known as Rio Plus 10 or the Second Earth Summit), largely focused on companies wishing to take centre stage in the protection of the planet and adopt a proactive role.

The ethical dimension of CSR lends strength to the questions of stakeholders and employees as to how their funds are used. The financial turmoil of recent months may provide new avenues for analysing or developing CSR.

My second question is: will the concept of CSR, whose global spread has been promoted by globalisation, result in new forms of managerial responsibility?

It is vital that, in companies, the CSR approach feeds into risk management.

Banks, for instance, seek to better understand, beyond their direct impact (environmental footprint), their indirect role through the projects, investments or businesses they choose to fund, i.e. through the financing of a more sustainable economy.

Some experts have even introduced the concept of “sustainable finance”. This is the notion whereby the banking sector commits to ensuring transparency, long-term governance, well-informed choices and sustainable markets. In 2003, the network of NGOs, Banktrack, defined a benchmark against which civil society could measure the commitment of the banking sector in terms of sustainability.

The current financial crisis left no doubt as to the fact that financial institutions exert a substantial indirect impact on society and its economy. This impact may be considerable in both directions and go far beyond the mere financing of projects or management of risk.

Perhaps confidence in the financial sector could be rekindled thanks to such notions, with a return to fundamentals: simplicity (of products in particular, circuits and funding of companies or virtuous projects), transparency, ethics and balance.

My third question is: can CSR give rise to an alternative or complementary regulatory approach that could reinforce global regulation policies?

This would imply that the taking into account of CSR in management models would result in a certain form of self-regulation, for example with recognised codes of conduct.

Different incentives are contributing to this, such as pressure from direct stakeholders and NGOs and regulatory incentives, in particular in terms of reporting.

Lastly, I would like to say a few words about the Banque de France. I wish to stress that, as a company, CSR is of great importance. Its current sustainable development strategy combines a two-pronged approach: an Environmental Footprint Reduction Programme and a review of its tasks in the light of sustainable development. In this respect, the Banque de France will, for example, seek to develop the financial culture of the public, spread best practice in the fight against money laundering, encourage economic and financial research in new fields, such as the development of “carbon finance”.

I attach great importance to these subjects, and my wish is to see the Banque de France adopt its own sustainable development charter, which formalises its commitments. This should be achieved by the end of this year and will no doubt further enhance the actions of the Banque de France.

In the light of this collective awareness of the environmental (finitude and fragility of natural resources), economic and societal implications, central banks perform their task of preserving financial stability while taking into account and anticipating events. This approach, as recent developments have shown, has to be increasingly systemic and co-operative, involving companies, banks, governments and central banks. The interactivity between the

players and the combination of their respective responsibilities should constitute a virtuous basis for a “sound financing of a sustainable economy”. “Sound financing of a sustainable economy” and “financial stability” are mutually reinforcing concepts.

I would like to thank you for giving me the opportunity of presenting these considerations, before handing the floor to Ms Kosciusko-Morizet. Minister, please allow me to stress the formidable efforts you have made, both at the national and European level together with President Sarkozy and Mr Borloo, to provide sustainable solutions to the current challenges. You take a long-term view by calling for “a common battle” – these are your own words– in favour of the economy and the environment. This is clearly an “awareness” that we have to share collectively today!