Lecture on corporate social responsibility

Non-Financial reporting: implementation and best practices

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GLOBAL
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Contents

EU directive

- The new EU Accounting Directive 2014/95/EU will make the reporting of non-financial information mandatory for at least 6,000 companies in the European Union as of 2017.
- With this Directive the European Union establishes new mandatory environmental, social and governance (“ESG“) reporting requirements covering all areas of Corporate Social Responsibity (“CSR“).
- It targets companies with more than 500 employees with total assets of more than €20 million and a sales revenue of more than €40 million, which are “of public interest”.

Non-financial reporting and company reputation

- A 2011 survey on corporate reputation found that expanding transparency and reporting positive deeds were the two most important ways to build public trust in business.

- The 2013 Boston College Center for Corporate Citizenship and EY survey revealed that more than 50% of respondents issuing sustainability reports stated that those reports helped improve firm reputation.

Benefits: internal

- Increased understanding of risks and opportunities
- Emphasizing the link between financial and non-financial performance
- Influencing long term management strategy and policy, and business plans
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
- Avoiding being implicated in publicized environmental, social and governance failures
- Comparing performance internally, and between organizations and sectors

Benefits: external

- Mitigating negative environmental, social and governance impacts
  Improving reputation and brand loyalty

- Enabling external stakeholders to understand the organization’s true value, and tangible and intangible assets

- Demonstrating how the organization influences, and is influenced by, expectations about sustainable development

Implementation in Germany

- The German Federal Ministry of Justice and Consumer Protection is planning new reporting obligations for corporations. The ministry published a draft bill on the CSR Directive Implementation Act on 11 March 2016

- The Directive was supposed to be declared a German law until 6. December 2016 yet there is still an ongoing debate

- Act is to be adopted by the German Bundestag in the beginning of 2017

Basic Criticism

- Responsibility is basic value
- Cannot and should not be regulated

Procedural Criticism

- Very Vague
- 1:1 Transfer from the EU Directive

NGO's Criticism

- More corporate involvement to solve global problems
- There should be stricter regulation
- There should be legal obligation, accountability and measurability (up to Compliance)

Corporate Criticism

- Lack of Resources and additional Costs
- Less flexibility
- More red tape

How to reach Acceptance?

- Right mix of regulations and voluntary actions
- Regulations
  - Companies want to protect their reputation - Only those that are in public eye
  - Government has better overview
- Voluntary Actions
  - Intrinsic motivation
  - Business Case
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Current Situation

- Big companies are already reporting
- We need stepping stone for those that do not
- There are many potential multipliers and intermediaries (regional, sectoral)

GIG Recommendations

- Using existing guidelines
- Industry specific guidelines
- Be involved and report on CSR in core business
- Strategic engagement with legislative stakeholders

Good Example – Possible Multipliers

- German Codex for Sustainable Development
- TÜV Rheinland
- Bundesverband der Deutschen Industrie e.V.
- Bundesvereinigung der Deutschen Arbeitgeberverbände
- IHK

Thank you for your attention!