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INSIDE THIS PUBLICATION:

When Compliance Meets CSR

CSR: Irrelevant or Simply Ineffective?

No matter how you dice it, corporate social responsibility (CSR) can be difficult to implement—and the lack of a single definition makes this even tougher. In Europe, CSR has become a mainstream business practice and an intense area of focus for government and regulators. For some companies, CSR means, "going green." Others view CSR as a company's commitment to promoting diversity and ethical behavior that benefits society. As the concept continues to evolve, one thing holds true: CSR is still, primarily, a voluntary initiative. This ebook will explore "true CSR" and will also look at how companies across Europe interpret and address social responsibility and how they are preparing to meet the requirements of the new European CSR directives.

Skepticism about companies' CSR programs has skyrocketed in recent years. One study, "License III: The Effects of Corporate Social Responsibility and CEO Moral Identity on Corporate Social Irresponsibility," by Margaret Ormiston of the London Business School and Elaine Wong of the UC-Riverside School of Business Administration, points out that for every five CSR actions a firm unveils, there is one act of corporate social irresponsibility. In other words, companies that rack up "moral credits" are more likely to engage in socially irresponsible behavior toward the same stakeholders at some point.

British Petroleum (BP) is one such example. In 2008, the CEO of the oil giant, Tony Hayward, touted that the company's safety record is now one of the "best in the industry." Hayward invested time and resources to build a robust culture of safety and launched safety training across the company. BP also received numerous sustainability and CSR-related awards around the globe. Two years later, the Deepwater Horizon explosion occurred—the worst offshore spill in U.S. history. According to reports, it seems that BP and its suppliers were "cutting corners" in health and safety concerns and this accident "highlights the gap between messaging, perception, and reality for the CSR industry," says a GreenBiz report.

While some countries moved ahead and have engaged in CSR regulations, one problem continues to exist: Mandating how much a company should donate/give back to society diffuses the purpose of charitable giving and companies will now be focused on meeting legal requirements instead of building resilient communities.

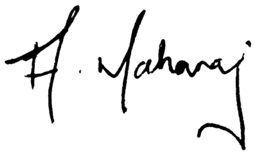
This ebook analyzes regulatory hurdles on the horizon and how companies are dealing with the new CSR changes. This is where the compliance officer comes into play. In"The Compliance Officer's Role in Driving CSR Efforts" the author examines how the compliance officer can help take CSR messaging to a full-compliant program. From benchmarking to providing ideas, the compliance officer ensures that all parties are acting responsibly and in line with regulations.

Doing CSR Right: Measuring Success

To get CSR right, companies must first understand what it means. The article, "EU Companies Face CSR Reporting Mandate in 2016" highlights the current state of the required reporting on CSR in Europe and how this effort is actually reported and measured.

To keep up with an ever changing regulatory landscape, in 2011 the European Union updated its definition of CSR. The old: "a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis." Now, the European Union recognizes that "true CSR" must be aligned with internationally recognized principles and guidelines, such as the Organization for Economic Cooperative Development guidelines for multinational enterprises, the ISO 26000 Guidance Standard on Social Responsibility, and the United Nations Guiding Principles.

CSR remains a work in progress. The articles presented in this ebook outline the current state of social responsibility and provide ways of how companies can use untapped resources such as the compliance officer to build a robust program. Looking ahead, implementing CSR that goes beyond the public image—and what is required by law—while staying in compliance, is all it takes to truly make a difference in the world. ■



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Inside this e-Book:

COMPLIANCE WEEK

Compliance Week, published by Wilmington plc, is an information service on corporate governance, risk, and compliance that features a weekly electronic newsletter, a monthly print magazine, proprietary databases, industry-leading events, and a variety of interactive features and forums.

Founded in 2002, Compliance Week has become the go-to resources for public company risk, compliance, and audit executives; Compliance Week now reaches more than 60,000 financial, legal, audit, risk, and compliance executives.

Is CSR Part of the Compliance Operation?

By Howard Stock

Corporate social responsibility is big business in Europe. In 2014, French energy company Electricite de France launched a €1.4 billion green bond to fund renewable energy projects that would further the company's business ambitions. The issue was twice oversubscribed, an indication of just how highly European investors now value CSR initiatives at public companies.

Given this focus by the market, companies are understandably eager to communicate the extent of their CSR achievements. The question is, who should oversee the reporting, communication, and implementation of a company's CSR programs? While some companies have created a specific executive function to handle the role, other companies consider CSR as under the purview of compliance.

"We have seen quite a wide diversity of options," says Vincent Brenot, a partner at law firm August & Debouzy in Paris who advises corporate clients on environmental reporting issues. "CSR is handled either by the legal department, or the sustainable department or by a wholly dedicated division of the company—there's not one rule."

British supermarket chain Wm Morrison Supermarkets PLC has rolled CSR into the responsibilities of Stephen Butts, head of corporate responsibility. Butts says Wm Morrison's CSR program is formally incorporated into all the company's governance structures. "Development and progress in our sustainability agenda are reported at the highest level to the Corporate Compliance and Responsibility Committee (CCR)," he says.

The CCR performs an oversight, monitoring, and advisory role for key areas of corporate governance and development, including health, safety, environment, competition, regulatory ethical compliance, and corporate responsibility. Meanwhile, management is accountable for the development and implementation of strategy, financial performance, reporting and control, risk management, and the development of corporate policies and procedures for the group.

"Put simply, our corporate responsibility strategy is our business strategy, which is to be fit for the future by managing resources efficiently, minimizing our impact on the environment, maximizing social benefit, looking after our people, and providing great service for our customers," Butts says.

At a cosmetics company L'Oréal Group in Paris, Chief Sustainability Officer Alexandra Palt reports directly to the company's CEO, with the support of a team of specialists working in sustainability, compliance, operations, and other relevant areas. In keeping with Wm Morrison's program, the goal is to influence the business practices of every area of L'Oréal's business. "We believe that a sustainability strategy can only be successful if it is part of all business decisions made and as such, the responsibility of every employee," Palt says.

While the program doesn't fall under the compliance department's direct responsibilities, compliance plays a vital role in the success of L'Oréal's program by providing vital support and feedback. "Compliance knowledge can help to understand external expectations and integrate them into the company's overall strategy," Palt says. "Compliance managers work closely with the sustainability teams to contribute to the group's sustainable development. We believe that sustainability is an essential part of today's business. Consumers are more and more interested in knowing about the impact of the products they buy, not only on environmental aspects but also with regard to social aspects. This is true across all industries and sectors."

> "Companies now see CSR as a tool with which to communicate with their clients, because customers are more and more interested in CSR as they become more concerned about environmental and ethical standards."
>
> Vincent Brenot, Partner, August & Debouzy

Compliance is already intrinsically linked to CSR in Europe, and its role as a reporting entity is only likely to expand. Article L225-102-1 of the French Commercial Code results from the 2001 NRE Act requires public companies with over €100 million in revenues and/or 500 employees or more to issue a social report, says Marie-Hélène Bensadoun, a partner at August & Debouzy specializing in the labor side of CSR. "It is therefore crucial to clearly identify the objectives, the means, and resources employed to implement CSR so as to determine which legal risks can arise and how to tackle them. Legal advice has a major role in the development of CSR," she says.

Indicating how seriously French regulators take the issue, CSR reports must be verified by an independent counsel. "As this mandatory obligation is linked with the annual accounts publication and business report establishment, the responsibility of establishing the CSR report will logically be added to corporate compliance department," says Christophe Bourdel, a partner at law firm Granrut Avocats in Paris.

Why the focus on France? Because what has been codified in French regulations for the better part of 15 years is serving as a blueprint for CSR disclosure requirements across the European Union, at least for public companies with over 500 employees, but also banks, insurance companies, and other companies that are so designated by because of their activities, size, or number of employees. It is estimated that the new reporting regulations will affect more than 6,000 entities across the European Union as member states adopt the new requirements, with a deadline of April 2016.

Directive 2014/95/EU on disclosure of non-financial and diversity information, which amends Accounting Directive 2013/34/EU, will require large companies to disclose in their management reports information on policies, risks, and outcomes regarding environmental social, and employee programs, plus human rights, anti-corruption, and bribery issues, and diversity in boards of directors, which is intended to provide investors and other stakeholders with a more comprehensive picture of a company's performance.

It doesn't end there. EU Directives 2014/24 and 2014/25, which both address procurement requirements, will require that companies that contract with member states meet minimum CSR standards. These also come into effect in 2016. Furthermore, 79 banks in 35 countries have made demonstrable CSR standards a key factor in their decision to make capital available to companies. Known as the Equator Principles and considered part of a risk management framework, member organizations' loans now account for over 70 percent of international project finance debt in emerging markets, which focuses on the long-term investment potential of infrastructure projects rather than the balance sheets of their sponsors.

In effect, what started almost as a punitive measure aimed at outing abusers of the environmental or workplace standards has now become a badge of honor for the companies keen to report the outcome of their CSR programs. CSR reporting requirements were "just complying with strict anti-corruption rules, or you cannot damage the environment beyond certain levels, and so on. So the companies were trying to avoid criminal activities," Brenot says. "Companies now see CSR as a tool with which to communicate with their clients, because customers are more and more interested in CSR as they become more concerned about environmental and ethical standards."

Indeed, "In Europe and globally, sustainability is becoming increasingly more important, and consumers are expecting companies to act responsibly," L'Oréal's Palt says. "According to studies, the young generation, the millennials, are concerned about economy, environment, and health issues and want business to take measurable action in all these domains of sustainability, in its widest economic meaning. They also want to be an active part of the change, together with businesses."

A case in point, according to a report by index provider MSCI, which examined the boards of more than 6,500 companies globally, public companies with women on their boards are less likely to be hit by scandals such as bribery, fraud, or shareholder battles. Careful to point out that it was diversity that made the difference, not gender, MCSI notes that the number of women on a board should be seen as "a single data point in a matrix of progressive governance indicators."

Regardless of whether it is compliance or a specific CSR function that handles implementation and reporting, CSR is now an inescapable factor in doing business with consumers and investors in Europe, says Bourdel. He recommends that compliance at companies that have yet to set up robust CSR programs take the initiative. And why wait? "CSR will one day be a common standard," Bourdel says, and that day is coming soon. ■

OFFICIAL JOURNAL OF THE EU

Below is an excerpt from the directive 2014/25/EU of the European Parliament and of the Council, addressing procurement rules.

(1) In the light of the results of the Commission staff working paper of 27 June 2011 entitled 'Evaluation Report — Impact and Effectiveness of EU Public Procurement Legislation', it appears appropriate to maintain rules on procurement by entities operating in the water, energy, transport and postal services sectors, since national authorities continue to be able to influence the behavior of those entities, including participation in their capital and representation in the entities' administrative, managerial or supervisory bodies. Another reason to continue to regulate procurement in those sectors is the closed nature of the markets in which the entities in those sectors operate, due to the existence of special or exclusive rights granted by the Member States concerning the supply to, provision or operation of networks for providing the service concerned.

(2) In order to ensure the opening up to competition of procurement by entities operating in the water, energy, transport and postal services sectors, provisions should be drawn up coordinating procurement procedures in respect of contracts above a certain value. Such coordination is needed to ensure the effect of the principles of the Treaty on the Functioning of the European Union (TFEU) and in particular the free movement of goods, the freedom of establishment and the freedom to provide services as well as the principles deriving therefrom, such as equal treatment, non-discrimination, mutual recognition, proportionality and transparency. In view of the nature of the sectors affected, the coordination of procurement procedures at the level of the Union should, while safeguarding the application of those principles, establish a framework for sound commercial practice and should allow maximum flexibility.

(3) For procurement the value of which is lower than the thresholds triggering the application of the provisions of Union coordination, it is advisable to recall the case-law of the Court of Justice of the European Union regarding the proper application of the rules and principles of the TFEU.

(4) Public procurement plays a key role in the Europe 2020 strategy, set out in the Commission Communication of 3 March 2010 entitled 'Europe 2020, a strategy for smart, sustainable and inclusive growth' ('Europe 2020 strategy for smart, sustainable and inclusive growth'), as one of the market-based instruments to be used to achieve smart, sustainable and inclusive growth while ensuring the most efficient use of public funds. For that purpose, the public procurement rules adopted pursuant to Directive 2004/17/EC of the European Parliament and of the Council and Directive 2004/18/EC of the European Parliament and of the Council should be revised and modernised in order to increase the efficiency of public spending, facilitating in particular the participation of small and medium-sized enterprises (SMEs) in public procurement and to enable procurers to make better use of public procurement in support of common societal goals.

Source: European Commission.

The Compliance Officer's Role in Driving CSR

By Howard Stock

As corporate social responsibility becomes the norm across Europe, it's increasingly clear that companies with more robust CSR programs also tend to have better corporate governance than companies coming late to the game. For compliance officers, involvement with their company's CSR program can be a key differentiator not just in a company's public image, but also how well it is run.

At Novo Nordisk, the Danish multinational pharmaceutical company, with production facilities in seven countries and affiliates or offices in 75 countries, compliance (known at Novo Nordisk as business assurance) "facilitates" each of the company's departments at least every three years to make sure they embody the company's value system—the so-called Novo Nordisk way—related to financial, social, and environmental responsibility.

Scott Dille, project lead for corporate sustainability at Novo Nordisk, explains that the procedure helps to build a cohesive sense of community at a company whose operations span continents. "CSR challenges and successes are extremely important for us to communicate internally, to build this sense of pride and meaning, and really to put action behind the corporate brand and our values," Dille says. "We find that the small things are equally important, especially when it comes to environmental responsibility. Even though double-sided printing and remote light sensors and automatic power-off on computers and printers are all small things, when you're a global organization of 40,000+ people, they all add up."

Beyond the cost savings generated by doing the right thing, "When everyone is onboard it creates a trusting environment where we all know how we should behave, toward each other and our external stakeholders," Dille says. "When everybody knows, and has seen demonstrated, that the Novo Nordisk way is legitimate and nobody is above it, even the CEO, it has meaning. From the shop floor to our executive management, everyone definitely lives by that."

THE ESSENTIALS

Below are the Novo Nordisk Essentials, 10 statements describing Novo Nordisk's business philosophy, known as the Novo Nordisk Way.

1. We create value by having a patient-centered business approach.
2. We set ambitious goals and strive for excellence.
3. We are accountable for our financial, environmental, and social performance.
4. We provide innovation to the benefit of our stakeholders.
5. We build and maintain good relations with our key stakeholders.
6. We treat everyone with respect.
7. We focus on personal performance and development.
8. We have a healthy and engaging working environment.
9. We optimise the way we work and strive for simplicity.
10. We never compromise on quality and business ethics.

Source: Novo Nordisk.

Measuring Success

At Volkswagen Group, based in Wolfsburg, Germany, Gerhard Prätorius, head of sustainability and political communication, says one key challenge with CSR is figuring out how the ongoing measurement and evaluation of sustainability performance can be done in an objective manner by transparent and comparable sustainability indicators—especially important as annual CSR reporting is becoming mandatory across Europe.

"We constantly fine-tune our concept, which is aimed at ensuring that we recognize and manage at an early stage the risks and development opportunities in the areas of environment, society, and governance at every step along the value chain, and further improve our reputation," he says. But there are some hurdles. At a company with 12 distinct brands, 118 production locations and more than 590,000 employees, Prätorius says an additional challenge is keeping up with increasingly complex and expanding stakeholder expectations.

Sustainable development is being recognized as a long-term value driver, so CSR is a challenge that needs addressing. "We learned that our business is not only about horsepower and torque, but about improving the quality of life and about being fit for the future," he says.

Prätorius adds that companies should make sure to communicate their CSR efforts loudly if they want to stay relevant in an ever-more CSR-aware society. Because CSR is now so important to brand identity, Volkswagen founded a dedicated communications team whose sole responsibility is summed up in its title: "Experience Communications and CSR."

Brigitte Dumont At Orange, a pan-European mobile telecommunications products and services company headquartered in Hatfield, United Kingdom, the notion of CSR became a major part of the way the company is governed about five years ago. While Orange had undertaken CSR initiatives before that, management's adoption of CSR as a business objective has changed the face of the company, and the number of people whose roles are dedicated to CSR has doubled, says Brigitte Dumont, director of CSR at Orange.

Required Reading

From a compliance perspective, Dumont says the Grenelle Act—known as Grenelle II—that passed into law in France in 2012 determined that larger companies, such as Orange, must report annually on 42 CSR-based indicators. "However, because Orange had previously established a CSR program that had already fulfilled the relevant criteria, we were ahead of the curve," she says.

Today, Orange has a clear-cut CSR strategy that addresses its responsibilities toward society, customers, employees, the environment, and its goals from both a responsibility and compliance perspective to create shared value for Orange and its numerous stakeholder groups across its 30-country

> "Regulation in areas like CSR will continue to increase, and companies will be subject to even stricter reporting processes."
>
> Brigitte Dumont, Director of CSR, Orange

footprint. "The Orange board understood many years ago that in order to create a sustainable business, Orange had to make CSR integral to the company's strategy," Dumont explains.

While Orange's size means maintaining a companywide CSR program is a challenge, it's also an opportunity, Dumont says. "Orange has a CSR network with local representatives in each market it operates in," she says. "These correspondents help to ensure that our initiatives are in line with the challenges and sentiment of those markets." This means programs of specific interest to certain markets will receive special attention, whereas the same issue won't be at the forefront of markets where the issue isn't of local concern.

"Societal thinking at a particular time will also determine where we act," she says. "Compliance helps us to benchmark ourselves against the minimum required standards, which we aim to exceed," noting that prior to Grenelle II, Orange was already exceeding its duties in the 42 indicators. "As such, we just had to tweak our program in order to be fully compliant."

Orange's CSR program remains a work in progress, especially since it uses numerous suppliers in order to run its business. "We must also engage the needs of sub-suppliers across the chain to ensure that each touch point is acting responsibly and in line with regulations," Dumont says. To keep the program current, the company is actively engaging stakeholders in its "Essentials2020" program, which addresses how the CSR strategy will look in practice for the next five years. "Consultation is important as it helps us to apply what the business can achieve in order to be responsible," Dumont says.

In order to ensure a CSR program doesn't become unmanageable, Dumont advises compliance officers to focus only on the CSR initiatives that make sense to the individual company and its stakeholders. "From a compliance perspective, not all CSR requirements are relevant for everyone," she says. "We need to be very sector-based if we are to address the different challenges that different industries create. For instance, Orange may not need to allocate a huge amount of resources to explain its water consumption as, relatively speaking, we are not a large or even moderate user. However, other areas are more important for us than they would be in other sectors—energy consumption for example."

Once the plan is set, companies must be careful to communicate the details of their programs, but again, not to overreach realistic boundaries, which can pose a significant reputational risk. "The most important element here is being totally transparent, rather than trying to market a program in a more favorable way," Dumont says. "We have seen unfortunate cases where companies have 'green washed' the realities of their exploits—they communicated way beyond the reality of what they were achieving."

Lastly, Dumont advises compliance and CSR offices not to go at it alone—work with industry groups and with peer companies to develop meaningful common standards between different operators. Taking the initiative in this regard can help stave off any potential negative impact from what will likely be a slew of new CSR-related regulations down the road. "Regulation in areas like CSR will continue to increase, and companies will be subject to even stricter reporting processes," Dumont says, which demonstrates just how much common ground compliance and CSR now share. ■

CSR APPROACH

Creating Value for the Group and for Society

Below is an excerpt from Orange's CSR program, which discusses the key levers of the company's CSR program.

At Orange, we move forward with the conviction that digital technologies are a powerful lever for economic and social development. The incredible potential for progress and innovation that they bring about must be made available to as many as possible. Orange's CSR policy is therefore built around this belief in shared progress. Promoting the emergence of solutions that are at once more inclusive, sustainable and collaborative, it introduces new strategies to create value for society as a whole, and for Orange. Incorporated into the Group's strategy, the CSR policy brings together all of its subsidiaries around three levers of sustainable performance: trusted support for our customers, localized support for economic and social development and supervision of our environmental equation.

By listening constructively to our stakeholders, and backed by an internal culture that fosters innovation, our commitment to corporate citizenship means that everything we do is for a single purpose: using digital technologies to speed up progress for society.

Approach:

Trust, environment, economical and social development are the key levers of our company responsibility. It would have no sense without echoing people and society expectations. This is the reason why we ground our CSR strategy on a structured and active dialogue with all our stakeholders.
Furthermore our responsibility strategy relies on clear governance principles asserted by the top management of the company. An approach which has been this year reinforced by the publication of a transparency report of the administration queries on customers data.

Source: Orange.

EU Companies Face CSR Reporting Mandate

In 2016, EU firms will have to file an assessment of their environmental and social impacts

By Bennett Voyles

Two decades ago, "triple bottom line reporting" was an idealistic concept bandied about the lecture halls of more progressive business schools. Today sustainability reporting has become the norm among some of the world's largest companies, albeit on a largely voluntary basis.

In 2016, social and environmental reporting will reach another milestone: If all goes according to schedule, major European Union companies will be required to file an annual assessment of their social and environmental impact.

The EU Council's 2014 directive imposes an obligation on the roughly 6,000 companies in Europe that have 500+ employees to "report or explain" their performance on a variety of sustainability matters. At the moment, EU Commission analysts estimate that about 2,500 large companies submit social and environmental information, but on a purely voluntary basis.

The disclosures will be extensive. Each company must provide detail on its overall sustainability police, employee diversity, and environmental and social effects, plus data on employee working conditions, the company's respect for human rights, and any corruption or bribery transgressions. Companies will have to describe their policies in these areas and the outcomes of those policies, or offer a persuasive explanation of why they don't have any policies.

"Previously, they would disclose the risks and if they had any policies, but on a voluntary basis, while under the new rules they will actually have to disclose what they are doing, what's their policy, and what kind of measures they take to prevent, mitigate, and remedy any adverse impact," says Anil Yilmaz Vastardis, a lecturer in law at the University of Brighton.

One area of significant uncertainty is how far down its supply chain a company will need to document its environmental and social impact. Vastardis says that the language of the directive is vague on this score; the rule only specifies that the company must disclose enough to present a clear picture of the situation. "We don't know yet how far down they need to go," she says.

If deep dives are required, that could be a mixed blessing, according to Wim Bartels, global head of sustainability reporting & assurance for KPMG in Amsterdam. "It's one of the most difficult areas, I think, in the sense of access to information as well as control over improvements," he says. "At the same time, for a number of companies, it's also the part [of the requirements] that can have the highest impact."

Some clarification may arrive when the European Union offers additional guidance in early 2016, when the new standards are supposed to take effect, but companies in each member state will face their own particular concerns.

For example, the directive is neutral about whether countries require auditors to review the reports. The EU Council agreed that the auditor must verify that the report exists, but did not insist that the auditor assess its contents. The EU directive does permit member states to require an auditor's assessment, at their own discretion. The law is also vague about the fines or other penalties in the event of noncompliance.

> "There will be a stronger relation between the EU's directive and the transparency benchmark. They will probably change the benchmark a bit to make it compliant with the EU directive."
>
> Jos Reinhoudt, Senior Knowledge Manager, MVO Nederland/CSR Netherlands

Some countries will take a more activist line than others, experts predict.

British companies may have an easier time adapting to the new regulations than some other EU members, because the United Kingdom may not go beyond the minimum mandate of the European Union. "I know that the United Kingdom was not very happy about these requirements. They're not opposed, but they weren't very supportive," Vastardis says. The position of the U.K.'s Financial Reporting Council so far has been "just disclose what is absolutely necessary and nothing more," she adds.

In the Netherlands, officials say that the new rules are likely to be grafted onto the existing transparency benchmark of the Ministry of Economic Affairs. "There will be a stronger relation between the EU's directive and the transparency benchmark," says Jos Reinhoudt, senior knowledge manager at MVO Nederland/CSR Netherlands, an agency founded by the Ministry of Economic Affairs. "They will probably change the benchmark a bit to make it compliant with the EU directive."

In markets where audits are not required and fines not levied, activist groups may nominate themselves as prosecutor. The new reports "will be a great tool for civil societies who are trying to hold companies accountable for their human rights impact," Vastardis says. "I think they will scrutinize these reports in great detail. They will tear these reports apart."

Costs and Logistics

The most difficult part of the new regulations may be the sections on human rights, anti-corruption, and bribery, says Annise Maguire, a lawyer in the environment, health, and safety practice of Willkie Farr & Gallagher in Washington D.C. These sections will require significant work as compliance officers figure out which tools they should use to measure compliance and how much detail they should report. Companies will be free to disclose the information any way they like and to choose the guidelines they consider most pertinent to their situation, such as the UN Global Compact, ISO 26000, or the German Sustainability Code.

Another uncertain variable is the cost of filing new details. CSR reporting is already a big expense. "Preparing a good CSR report is quite a job," Bartels says. In a larger company, its preparation can keep four employees busy full-time all year around, he says.

However, companies already serious about their voluntary reporting may not have that much more work to do. The Global Reporting Institute suggests (perhaps to little surprise) that companies already issuing G4 integrated reports should have no problem complying with all aspects of the directive, and EU press materials claim it will cost a major company no more than €5000 euros per year.

"For pretty much every single company [the directive] is going to apply to, it's not going to be applying from scratch," says Maguire. Most large companies are already familiar with filing details about their environmental and social impact. "If they have robust reports already, the amount of improvement those companies are going to need to do is probably going to be minimal."

Will It Matter?

Given that CSR reporting in Europe has gone so far in the last decade with persuasion, will the extra effort be worth it? Observers have mixed opinions.

Even without compulsion, the filings of many firms have improved dramatically over the past decade, according to Reinhoudt, who has watched the Dutch transparency ranking from its beginnings 11 years ago.

"Ten years ago, you'd read some snip-snap information about, for example, new printing machines or new energy fuel-efficient car or whatever, but nowadays, the best companies really have a very good report with a good analysis on materiality and about compliance with the law," he says.

Yet Bartels sees some limits to an approach that relies on volunteerism. The Dutch benchmark, for example, stimulated companies in the beginning, he says, but he believes it's become less useful as it has matured.

"Now, companies just try to get higher on the benchmark … If I answer this question or add additional information, I get more points … but when that starts to be an objective on its own, it loses its value. It becomes a reporting exercise. It doesn't change your view, it doesn't change your strategy, it doesn't change your behavior," he adds.

Vastardis also notes that a voluntary report left companies with a lot of discretion about what they do or do not disclose. "Because it's been voluntary, companies could pick and choose what they report, whereas now they have certain minimum issues that they have to report," she says. "They will have to think about these issues in a more structured way, not only just, 'We are doing this social community project' or 'We are dealing with this issue,' but in a more methodical, more structured way." ■

REVISED EIA DIRECTIVE

Below are some details on what the amended Environmental Impact Assessment Directive hopes to achieve.

The newly amended Environmental Impact Assessment (EIA) Directive (2014/52/EU) entered into force on 15 May 2014 to simplify the rules for assessing the potential effects of projects on the environment. It is in line with the drive for smarter regulation, so it reduces the administrative burden. It also improves the level of environmental protection, with a view to making business decisions on public and private investments more sound, more predictable and sustainable in the longer term.

The new approach pays greater attention to threats and challenges that have emerged since the original rules came into force some 25 years ago. This means more attention to areas like resource efficiency, climate change and disaster prevention, which are now better reflected in the assessment process. The main amendments are as follows:

- Member States now have a mandate to simplify their different environmental assessment procedures.
- Timeframes are introduced for the different stages of environmental assessments: screening decisions should be taken within 90 days (although extensions are possible) and public consultations should last at least 30 days. Members States also need to ensure that final decisions are taken within a "reasonable period of time".
- The screening procedure, determining whether an EIA is required, is simplified. Decisions must be duly motivated in the light of the updated screening criteria.
- EIA reports are to be made more understandable for the public, especially as regards assessments of the current state of the environment and alternatives to the proposal in question.
- The quality and the content of the reports will be improved. Competent authorities will also need to prove their objectivity to avoid conflicts of interest.
- The grounds for development consent decisions must be clear and more transparent for the public. Member States may also set timeframes for the validity of any reasoned conclusions or opinions issued as part of the EIA procedure.
- If projects do entail significant adverse effects on the environment, developers will be obliged to do the necessary to avoid, prevent or reduce such effects. These projects will need to be monitored using procedures determined by the Member States. Existing monitoring arrangements may be used to avoid duplication of monitoring and unnecessary costs.

Source: EU Council.