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UNIVERSITY OF LÜNEBURG

Steinbeis Innovation Center
Logistics and Sustainability

"EU DISCLOSURE REQUIREMENTS" LEARNING MODULE

NOTES FOR TRAINEES/STUDENTS

CORPORATE
SOCIAL
RESPONSIBILITY

"EU DISCLOSURE REQUIREMENTS" LEARNING MODULE

Many major companies already voluntarily produce reports about their responsible and sustainable business practices. By way of contrast, there are companies about which not much is known in this regard. Against this background, the EU recently issued a binding Directive which requires sustainability reports to be drawn up. This so-called EU Directive 2014/95 has been in force since 2017 and must therefore also be transferred into German law. The aim of the Directive is to create greater transparency across the whole of a company's supply chain. This is of particular relevance to the transport and logistics sector. The question that therefore emerges is: which requirements will the EU Directive 2014/95 produce for your training workplace?

Tasks to complete individually

The newspaper article "EU-wide CSR reporting requirement – a curse or a blessing?" (Material 1) deals with the term Corporate Social Responsibility (CSR) and associated reporting requirements. Read the article through carefully and complete the tasks outlined below.

TASKS:

1. State the components of the CSR report that will be required in future.
2. State the criteria which stipulate whether a company is affected by the reporting requirement.
3. Outline the companies mentioned in the article.
4. Now turn your attention to the relationships between the three companies investigated in Task 3. Present these graphically in a form of your choice.
5. Arrive at an initial conclusion based on the information collated (seven to ten sentences). Which opportunities and risks does the article point out? What other challenges may arise?

NEWSPAPER ARTICLE

MATERIAL 1

EU-WIDE CSR REPORTING REQUIREMENT – A CURSE OR A BLESSING?

Christian Wehnert has his hands full these days. Why? He is Head of Sustainability at the bicycle manufacturer Tretlager, a subsidiary of the Motus Group, and the annual company report on Corporate Social Responsibility (CSR) is due. But he is far from breaking out into a sweat. "We decided of our own accord six years ago to produce an annual report on the basis of the outline stipulations of the DNK, long before this became compulsory." The abbreviation DNK stands for Deutsche Nachhaltigkeitskodex, or German Sustainability Code, a provider which offers companies a detailed framework to which the CSR report should be aligned. "Many companies, including some in our sector, mainly see a sustainability report as a glossy brochure full of colourful pictures and big words. They use topics such as environmental protection or the assumption of social responsibility to indulge in self-congratulation, but this is exactly what it shouldn't be about. The actual challenge is much more about translating the issue of sustainability into everyday working life at the company and integrating it into action processes via carefully planned measures. If this approach achieves more and more success, then it is almost a pleasure to present such outcomes in a report which contains substantiated information." There is admittedly no reason why the report produced cannot be glossy and serve as a calling card, but the prerequisite is that it must have its foundations in measurable and provable facts.

Whereas this already sounds like a demanding task within the environment of the company itself, the whole process becomes significantly more complex once the CSR mission statement is expanded to encompass the entire value-added and supply chain. But this simply reflects the robustness of the procedures, as Wehnert explains. "There is no use in our having a clean sheet as a manufacturer if we source parts from suppliers who do not care at all about topics like fair working conditions and the responsible deployment of resources. That would be hypocritical and inconsistent." For this reason, Tretlager only works with partners who are prepared to sign up to the objectives of the manufacturer and to signal this willingness contractually.

It is true to say that this value-added chain is currently causing sleepless nights for many managers. With effect from the start of 2017, publicly traded companies, financial institutions and insurance firms all across the EU which employ more than 500 staff and which also have a balance sheet total of over 20 million euros are required to draw up an annual CSR report alongside their management report. This CSR report must contain detailed information on environmental and social standards and on the treatment of employees. Companies affected by this requirement must also present the measures they are planning and instigating to protect human rights and to combat corruption and bribery. This information must be stated across the length of the value-added chain wherever possible. It is incumbent on the Supervisory Board of the company concerned to scrutinise the completeness and correctness of the data collected. Hefty penalties await in the event of any false statements. If a company has no concept in place for one or more of the criteria, it must provide a comprehensive explanation of why this is the case.

From a political point of view, the EU CSR Directive takes account of the public understanding that entrepreneurial activity also requires the assumption of social responsibility. Meanwhile, employers' associations are warning about the enormous additional bureaucratic expense the reporting duty will entail. Especially in the areas of human rights and the combatting of corruption, huge leeway for interpretation exists in some cases. This makes reporting more difficult for companies.

But let's return to the problem of the value-added chain. If we consider the implications for the banking sector, for example, it becomes obvious that this is not merely a supply chain problem. One of the tasks facing banks in future will be to carry out a precise scrutiny of companies to which loans are granted. Checks will need to be made in respect of compliance by borrowers with environmental and social standards. Banks, insurance companies, and real estate groups are all branches which have experienced reputational damage in recent times. This damage has been severe in some instances,

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but now they sense a considerable opportunity. A detailed insight into happenings at the company generates transparency. In turn, transparency creates trust amongst consumers and investors. Many of the companies affected have recognised this at an early stage and have been following in the footsteps of Tretlager for some years by committing to voluntary reporting in accordance with the criteria set out by institutions such as the DNK and the GRI. For such companies, the change in the legal position thus leads to very little or no extra cost.

As far as Christian Wehnert is concerned, therefore, this is all "business as usual". And yet, everything is different this year. Wehnert's experience in the field of CSR means that he has recently joined an expert team, which has been charged with the task of developing a comprehensive CSR strategy for the whole of the Motus Group. "We are seeking to find a solution which can be consistently applied by all participants. Our aim is that a uniform language should be used for CSR matters in future. Everyone from the smallest supplier to all the subsidiaries right up as far as executive management will all be on the same page." He emphasises that this is the only way of securing a credible, transparent, and above all, economically efficient implementation of the required objectives.

Tasks to complete individually

TASKS:

1. Research the precise wording of EU Directive 2014/95/EU. Make a summary of what you consider to be its main characteristics. This should be as concise as possible but as comprehensive as necessary.
2. Summarise the topic based on the research you have conducted. It is up to you whether you wish to formulate this in full sentences or use bullet points. Your summary should be designed to provide a colleague with comprehensive information on the CSR reporting requirements.

TIPS FOR YOUR INTERNET RESEARCH:

- Stipulate search terms in advance. Before researching, think about the terms you can use to achieve your research objectives. It may be useful to also search for related terms. When searching on the Internet, make sure you use quotation marks to surround known phrases ("...") adding any unknown words with an asterisk (*).
- Check the quality of the source. Once you have found the information you need, you must check the quality of the source. The following questions may be useful to you in this regard.
    1. Who is the author or publisher of the source?
    2. How up-to-date is the source?
    3. Is the information from the source identical to other sources?
- Secure the information. If you believe that the information comes from a reputable source, you must back this up by adding a reference to the source. For Internet sources, you should also take a screenshot of the source as you cannot be certain for how long the information will be available on the Internet.
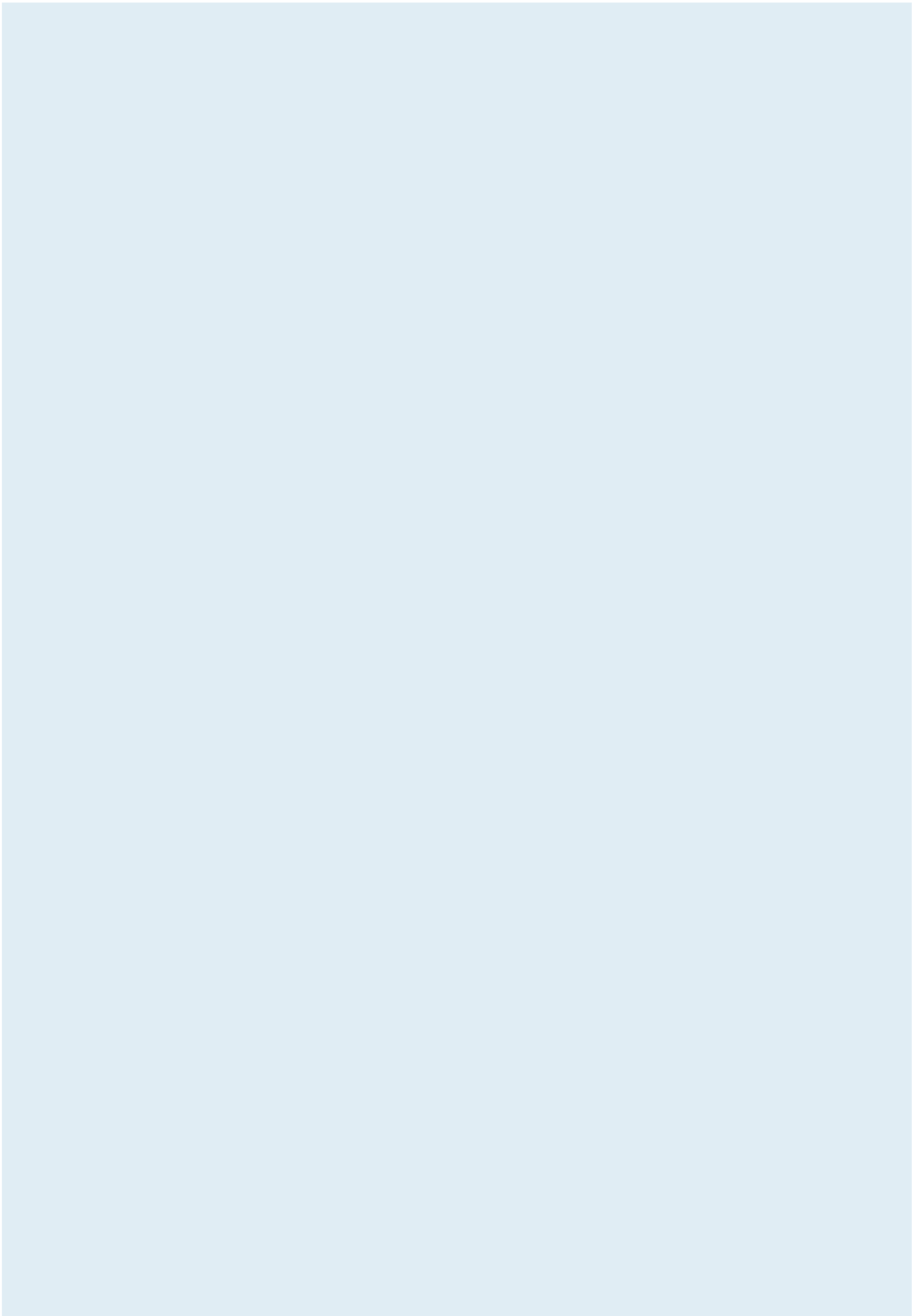
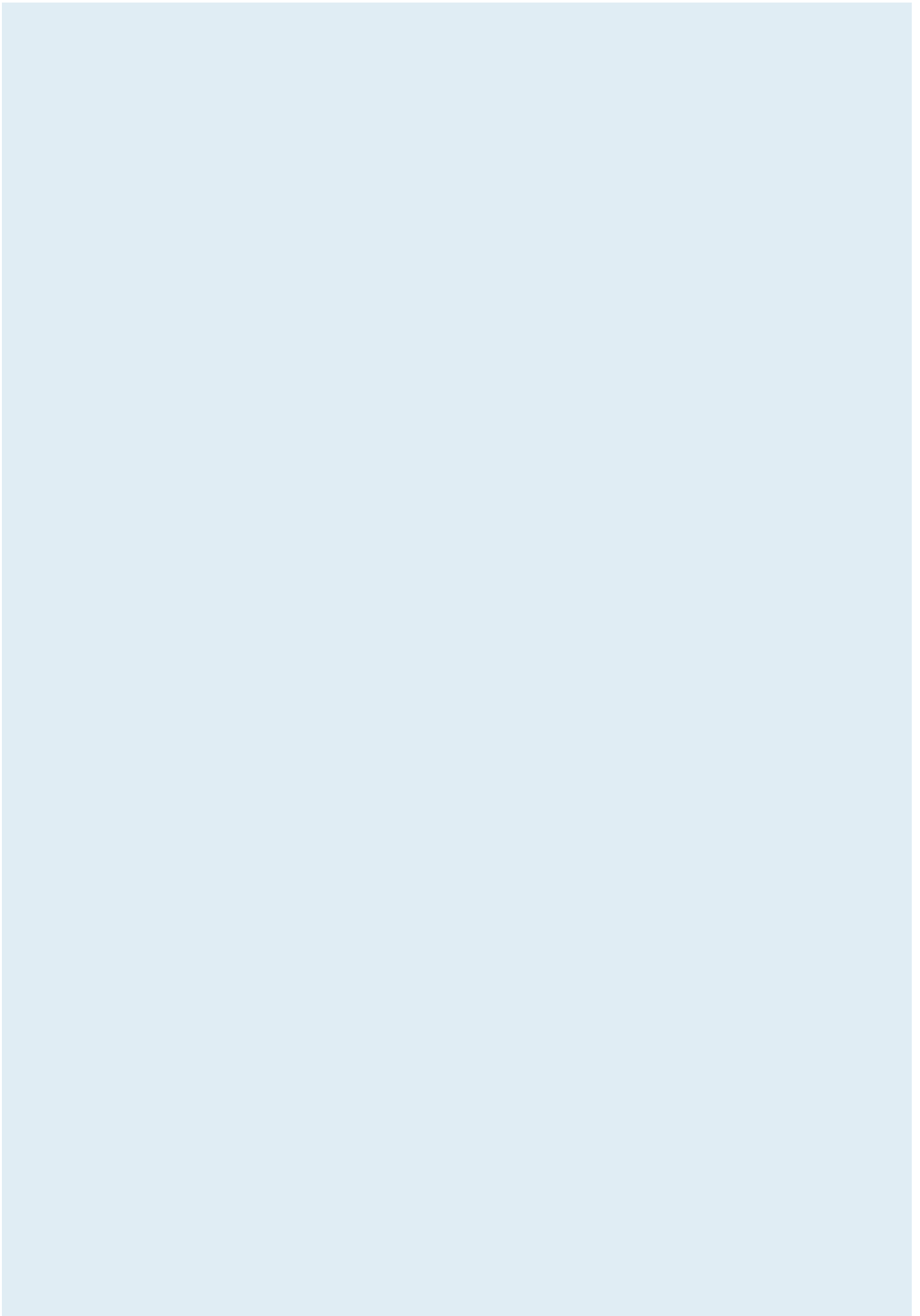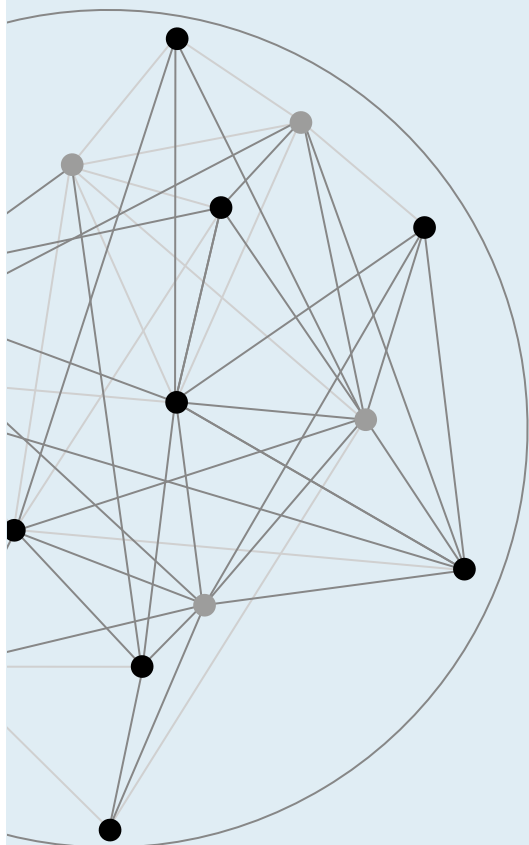**Now meet with other trainees from your company.**

TASKS:

1. Compare your work and identify any differences.
2. Discuss the following question: what requirements emerge for our company providing training as a result of EU Directive 2014/95/EU?
3. Design an internal training course which will enable you to give your colleagues comprehensive information on the topic of mandatory CSR reporting and on the requirements created for your workplace training. Think together about the contents, form, and scope of the information event and draw up a joint presentation to accompany your concept.

Tasks to be completed in pairs or groups

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