Existing Situation Analysis Report

D1.1

DESIGN-MTS: *DEfining Social responsibility Interventions for Grounded Networking in Machine Tools Sector*

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1   **R**= Report, **P** = Prototype, **D** = Demonstrator, **O**=Other

2   **PU**= Public; **CO=** Confidential, only for members of the consortium (including the Commission Services)

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Summary: Corporate Social Responsibility (CSR) and sustainability in the Machine Tools Sector

The purpose of this report is to review the existing situation of corporate social responsibility (CSR) and sustainability in the Machine Tools Sector (MTS), with focus on the level of, and awareness and implementation of CSR and sustainability in the machine tool companies.

There are three sets of broad developments currently affecting the status of CSR and sustainability in MTS:

- The need to improve and distribute management tools for implementing CSR and sustainability in MTS

  From the well diverse sample of 26 companies covering 17 countries, results clearly show that there is a gap between companies' assessment of their active management of CSR and sustainability related business areas and the actual management (including active implementation of such management) in the same areas. To interpret the gap clearly we use a generic model of effective management, the '8 steps management', identifying eight broad steps that companies should take in order to effectively integrate CSR into their business. The results show a decreasing trend especially in the last 4 steps: setting the targets, evaluating employees, connecting reaching of targets to the business performance, and communicating achievements and commitments externally.

- Principal role for national MTS associations in capacity building and raising awareness

  National MTS associations have a major role in building and improving CSR and sustainability related management capacities in companies. Together with their members and companies the consortium partner European Association of the Machine Tool Industries (CECIMO) identifies four main areas of focus in the sector: employability skills, demographic change and active ageing, workplace challenges, and environmental challenges. Through its current activities with members, associations already started tackling these issues individually through a number of ways, e.g. certification programmes (Technical Skills Certification in Italy), promoting careers the industry through innovative approaches ("je filme mon industrie" initiative in France), as well as awarding the successes achieved while inspiring the others (Technology, Innovation and Design Awards in the UK). However, this role also demands for a greater support and engagement of other stakeholders – CSR networks, public administration, academia, media and most importantly businesses themselves.

- There are a lot of initiatives on CSR in Europe, but not necessarily applicable to the Machine Tools Sector (see a comprehensive overview in Annex 1)

  With the wide array of policies across Europe, national associations also facilitate the translation of these policies into impact they may have on MTS. The difficulty, and yet the opportunity for innovation lies in the fact that about 80 per cent of business in MTS are small and medium enterprises (SMEs).[3] One of the activities that MTS associations can do is self-regulation, for example CECIMO's self-regulatory initiative in response to EcoDesign directive. For many of these enterprises, enforcing CSR and sustainability related legislations, regulations or initiatives are strongly tied to competitiveness and profit.

What brings these three developments together is the common interest in improving the competitiveness of MTS companies in Europe and beyond, creating more sustainable and more

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[3] CECIMO, (2012). "About us", *CECIMO.* http://www.cecimo.eu/site/about-us/

conscious management models for the sector, as well as transforming the sector into an innovative problem solver to the four main challenges facing it. Through well-implemented CSR and sustainability, companies can 'achieve increased customer retention; develop and enhance relationships with customers, suppliers and networks; attract, retain and maintain a happy workforce; save money on energy and operating costs; manage their risks efficiently; differentiate oneself from competitors; improve business reputation and standing; and generate positive publicity and media opportunities'[4] as well as contribute to improving local and European economy.

The importance of the Machine Tools Sector

MTS has an extremely wide reach, being the "backbone of modern manufacturing"[5]. MTS enables other industries to manufacture a varied array of products, some of which we use every day like ballpoint pens and cars, to a specialized ones that 'leap' mankind further, i.e. space rockets or highly sophisticated chips for satellites. The European machine tool industry is the leader on the global market[6] and is currently competing with three big markets – mainly the US in the North America, Brazil covering the South America and China, Japan, South Korea and Taiwan in Asia (Figure 1)[7].

The MTS can be seen as the enabler of the production of all other machines. Throughout the history, MTS has played a major role and until the latter half of the twentieth century, ability to have access to this industry was in a direct correlation between successful, growing economies and underdevelopment and technological incapacity.[8] [9]

It supplies to a wide area of industrial sectors such as automotive, aerospace, construction, medial and electronics. This means that the MTS plays a key role in the distribution chain and can influence it heavily. On the other hand, it is influenced by the developments in the other sectors it supplies to.

Consequently, it is the starting point of almost every metal manufacturing activity. This report provides snapshot on the level of awareness and implementation of CSR and sustainability in the European machine tool industry today.

All mechanical goods are born thanks to the creation of intricate line logistics and programming and the other machines that build them. The MTS is connected to a wide variety of sectors, from machine tools for cutting, splitting and milling to mechanical, hydraulic, electrical and electronic accessories for manufacturing technology[10].

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[4] UNDP (2013). "The Albanian Corporate Social Responsibility Network Launched", *UNDP, 11 April 2013.* http://www.undp.org/content/albania/en/home/presscenter/articles/2013/04/11/the-albanian-corporate-social-responsability-network-launched/
[5] CECIMO (2012). "The European Machine Tool Industry", *CECIMO*. http://www.cecimo.eu/site/the-industry/
[6] European Machine tool industry is represented as CECIMO in Figure 1.
[7] CECIMO (2014). "Latest trends in the European Machine Tool Industry", *CECIMO.* http://www.cecimo.eu/site/the-industry/data-statistics/latest-trends/
[8] Richter, R., Ristuccia, C.A., & Tooze, J.A., (2009). "Machine Tools and the International Transfer of Industrial Technology", 30-31 March 2009, *Centre for History and Economics, King's College, University of Cambridge.* Available from: http://www.histecon.magd.cam.ac.uk/research/machine_tools.htm
[9] CECIMO, (2011). "Study on Competitiveness of the European Machine Tool Industry", December 2011, *CECIMO website.* http://www.cecimo.eu/site/fileadmin/Publications/Studies_and_Reports/Study_on_Competitiveness_of_the_European_Machine_Tool_Industry_-_December_2011.pdf
[10] The categorisation of exhibitors gives an overview of the sectors that are connected to MTS as follows: machine tools for cutting, splitting and milling; sheet metal, wire and tube working machines, metal forming machine tools; machine tools for thermal, electro-chemical and other processes; surface finishing technology, thin-film processes; software for entire manufacturing technology area; control systems; components for flexible automation; CAD/CAM; quality management systems; robotics and automation; material flow and storage technology; industrial electronics, sensor and diagnostic technology; precision tools, diamond tools and measuring tools; metal forming machine tools; machines and systems for tool and mould construction; rapid prototyping, model construction; instrumentation and control technology; coolants, lubricants; welding, cutting, hardening, heating; and mechanical, hydraulic, electrical and electronic accessories for manufacturing technology. EMO Hannover (2003), Exhibitor Groups, 16-29 Sep 2013. http://www.emo-hannover.de/en/about-the-trade-show/facts-figures/profile/exhibitor-groups

The need for developed, innovative and growing MTS has not finished with the height of industrial revolution. With the constant need for advancement medicine, urban infrastructure and technologies, it is still relevant for the future positive development of the European economy. The industry, however, has the need for flexibility and growing competitiveness through focus on energy efficiency, innovation, market access, skills and training, and market surveillance already on the agenda.[11]

Figure 1

Global machine tools production share (2011)
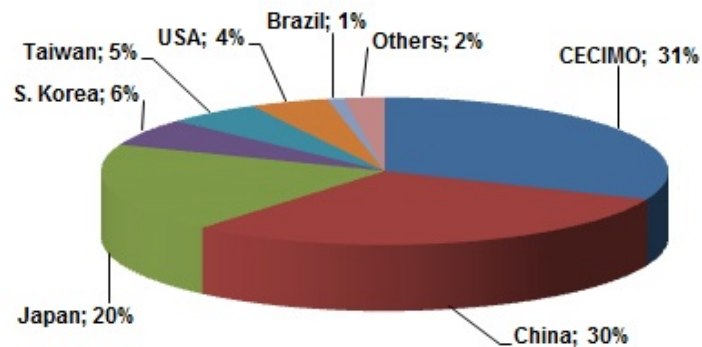
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[11] CECIMO, (2013). *The European Machine Tools Share of the Global Production is increasing –Trade shows offer good prospects.*
http://www.cecimo.eu/site/publications/?no_cache=1&tx_ttnews%5Btt_news%5D=110&cHash=c3f4640ec7bd0cc8182b787abfb087d1

Methodology

This report aims to fulfil the following areas of research regarding the state of application of CSR in MTS:

- Problems and key needs connected to the application of CSR in MTS
- The degree of diffusion of CSR
- Characteristics of CSR practices already in use
- CSR key-issues for MTS
- Challenges to address for a further application of CSR in MTS
- Geographical disparity with regard to public policies aimed at promoting CSR

The above objectives are to be achieved through methodology of work as described below:

- Conducting desk top research on public CSR policy and initiatives
- Designing the survey on the level of implementation of CSR and sustainability and awareness and implementation of Public CSR policies.
- Disseminating the survey in five languages through consortium partners and on CSR Europe's website
- Collecting information and analysing relevant data
- Interviewing consortium partner CECIMO on three points regarding the activities and impact of CSR and sustainability initiatives
- Drafting the report based on general overall findings

Survey

CSR Europe created the survey measuring both company internal practice on CSR and sustainability by assessing the level of implementation of a set of 10 metrics with definitions based on ISO 26000 and GRI areas.

Respondent companies could view the area descriptions[12] as presented in the Annex 2. The 10 CSR and sustainability related areas were training, age management, public image and reputation, employee engagement, supply chain management, health and safety, energy and resource efficiency, customer satisfaction, innovation and ethical integrity.

A set of 8 questions addressed the level of implementation in business in each area, from mere acknowledgement of managing, through employee evaluation to reporting externally on the results achieved in each:

Equally, respondent companies evaluated their awareness of a public CSR policy and their impressions of how various other CSR related policies in the areas of education or training, environment, social affairs, economic development, labour (including antidiscrimination and inclusion of disadvantaged groups), transparency and reporting, and health.

> **The 8 Steps Management (CSR Europe, 2013)**
>
> 1. Policy/Strategy
> 2. Policy Implementation activities
> 3. Regular follow up on implementation
> 4. Measure and collect the data
> 5. Setting the targets
> 6. Evaluation of employees based on targets and results
> 7. Connecting reaching targets to business value
> 8. Communicating on achievements and commitments

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[12] The information used to describe the different key metrics is mainly derived from the GRI framework, ISO 26 000, CSR Europe's practice and consultations with CECIMO. GRI (2013). "Standard Disclosures", *GRI Reporting*. https://www.globalreporting.org/reporting/guidelines-online/G3Online/StandardDisclosures/Profile/Pages/default.aspx

The survey was based on an online portal, survey monkey, and was available in 5 languages (English, Serbo-croatian, Slovenian, Romanian and Italian). The survey was distributed through internal channels of two consortium partners, CECIMO and CEI, and it was published on project website hosted by CSR Europe.

Through CECIMO, CEI and CSR Europe survey reached 26 countries; covering most of the 22 EU member states and the 7 EIP countries as originally defined in the Design_MTS grant agreement[13]. Through the partners' membership networks it was sent to companies in 20 EU member states (Western, Central and Eastern European countries), and 6 other EIP participating countries, that is FYROM, Turkey, Albania, Montenegro, Serbia, and Switzerland[14].

The following table illustrates the countries that were reached through 2 consortium partners, CECIMO and CEI and CSR Europe's website when disseminating the survey:

Albania	Denmark	Macedonia (FYROM)	Slovak Republic	Turkey
Austria	Finland	Montenegro	Slovenia	UK
Belgium	France	Netherlands	Serbia	
Bulgaria	Germany	Poland	Spain	
Czech Republic	Hungary	Portugal	Sweden	
Croatia	Italy	Romania	Switzerland	

The CSR policy research

CSR Europe has had an important role connecting business and policy representative at the European level since its birth as an organisation. Through its existence, it has spent a considerable amount of time researching and sometimes even shaping the way CSR is understood in Europe today and how it is implemented in a daily running of companies.

Coming from this background, the policies and other regulations are of a great importance. Throughout the research, we looked into a number of official sources (government and European Union websites) and information on the national CSR policies and regulations or CSR related schemes and initiatives as well as blogs, journals and websites.

The information from expert

For the better overview of the sector as well as detailed information on the activities and role of the MTS associations, we inquired with the project partner CECIMO. Three questions were asked:

1. What initiatives are there supporting companies in overcoming the 4 main challenges?
2. Who is the target audience and what are main activities?
3. What is the impact of these activities?

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[13] Design_MTS Consortium, (2013). *Grant Agreement, 1 July 2013,* Defining Social Responsibility Interventions for Grounded Networking in Machine Tools Sector Project (333270)*,* European Union funded Project. http://www.csreurope.org/csr-and-sustainability-machine-tools-sector

[14] Design_MTS Consortium, (2013). *Grant Agreement, 1 July 2013,* Defining Social Responsibility Interventions for Grounded Networking in Machine Tools Sector Project (333270)*,* European Union funded Project. http://www.csreurope.org/csr-and-sustainability-machine-tools-sector

Through this contact, we gathered information on 7 national associations from 7 countries (Italy, Spain, France, Germany, Switzerland, Austria and the UK). Equally, CECIMO was instrumental in providing an overview and understanding of Machine tools sector as such. Through participation to their sectoral event in EMO Hannover 2013[15] and the side conference on EMC2 Factory and DEMAT[16] CSR Europe gained a unique insight into the understanding of CSR and sustainability in the sector. Equally, CSR Europe had a chance to talk to some of the national associations and companies present in the event on the topic of sustainability. This also helped in understanding the scope of CSR and sustainability and its standing in the sector as a whole.

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[15] EMO Hannover (2013). EMO Hannover website. http://www.emo-hannover.de/home
[16] CECIMO (2013), "The DEMAT Conference Report 2013", *CECIMO Publications*.
http://www.cecimo.eu/site/publications/news/?tx_ttnews%5Btt_news%5D=115&cHash=f9677e6f6398163ba6962ea6cf6c531c

Survey results

Focus

There are four main areas of concern that were identified as priorities by CECIMO and EU Communication on CSR and are addressed through the entire Design_MTS project.[17]

a) **Employability** and the need for not-only-technological **skills**: even if technological skills are very important in MTS, often the sector faces a lack of non-technological skills matching industry needs in the European market, especially green skills and horizontal skills, which are equally important: in fact, in the era of globalisation, EU manufacturing companies will be successful only if they can boost their brain force and technology and make global connections to suppliers' networks and customers. Therefore, besides engineers and technicians, the manufacturing industry needs managers with a global mind, marketing experts, economists and other non-technologically skilled employees, that have a thorough understanding of sustainable technology and its application to machine tools, that are aware of the environmental and social dimension of an enterprise, and able to communicate it.

Business area "training" is representing the employability focus - be it on the job training, further vocational or other professional training.

b) **Demographic change** and **active ageing**: The European population is shrinking and ageing at the same time. The number of those older than 55 years is steadily growing, while all younger age groups are shrinking. Individuals aged 50 and over already represent 20%. The number of people over 60 will increase by 2 million every year; Eurostat predicts a possible labour supply shortage of 15% by 2050, which represents an unemployment gap of 35 million people. These challenges are particularly crucial in MTS: here both formal and non-formal competencies are very important, since they allow managing key-processes. However these competencies are mainly held by elderly people, while are lacking in younger generations, also because education does not always address the needs of the MTS industry. Therefore it is necessary to foster the permanence of elderly employees in MTS, and to set up at the same time the conditions for an intergenerational transmission of knowledge: older workers indeed, can transfer their knowledge to younger ones, and this could help younger people to increase their skills and open doors to better employment. All this ties in with CSR's role in promoting the objective of active ageing whilst at that same time dealing with the effects of demographic change in the job market, and fostering the integration of younger people in the MTS job market. Also, machine integrated IT is easier to operate for older workers. So, in a way, IT and relevant software facilitate the use of a machine, and this is a good solution for older people to stay active and employed. Last but not least, MTS offers a high contribution to health care. Indeed, health care products are produced thanks to the machine tools used during the production process. This helps older people stay active, and in this regard MTS can foster some objectives connected to active ageing, contributing to the well-being of elderly people in society.

Business area "age management" is representing demographic change and active ageing focus – covering the topics of employment life assessment, catering to the ageing workforce and more comprehensive HR management.

c) **workplace challenges**: CSR can foster MTS employees' overall well-being: bringing advantages in terms of staff retention and recruitment, staff development and motivation, it can promote employees' sense of belonging to a "common" enterprise; CSR can help MTS

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enterprises to establish a working environment that is conducive to personal growth while at the same time increasing productivity, reducing absences and lowering costs, and can also offer opportunities for psychosocial risk management, an area that is currently among the top priorities in working environment and well-being at work debates. CSR can foster employees' health and safety too, in so far as machine tools increase their environmental performances not only with regard to the external environmental impact, but also and especially with regard to the "internal" workplace.

Business areas of "employee engagement" and "health and safety" represent the workplace challenges focus, through facilitating engagement of employees at work, their ability to develop within their role and improve, as well as their safety and enabling the employees to lead a healthy lifestyle.

    d)   In addition, the focus on **environmental challenges** will be a cross-issue, because it is a key-topic in MTS: in fact, the machine tool industry needs to continuously innovate to meet customer demands of products that can produce more efficiently, more accurately, faster, more cheaply and more environment-friendly, that is, products that have extended life, provide improved performance, have high reliability, are safer to operate, are eco-efficient and provide an integrated solution to customers. To sum up, products that are able to address challenges also in terms of health, safety, and environment (HSE), and that therefore need to be HSE-friendly designed, in order to have a high HSE performance (also according to EU eco-design directives).

Business area of "energy and resource efficiency" represent the focus topic of environmental challenges through effective reduction of carbon emissions and waste management, as well as more efficient use of natural resources in production of greener products allowing for environmentally friendly degradation.

Implementation of CSR and sustainability in companies

The existing situation should include geographical scope, the level of implementation of CSR and sustainability in companies (with special focus on the four main areas for MTS defined above) and the level of awareness of public policies on CSR and relating to CSR and sustainability.[18] Since the survey was also structured to provide this information, the results give 3 possible analysis perspectives:

    1.   An analysis of the number of respondents and the geographical disparity.
    2.   An analysis of an internal implementation of CSR in companies with focus on the 4 main areas critical to the MTS – employability, demographic change and active ageing, workplace challenges and environmental challenges.
    3.   An analysis of the level of awareness and understanding of National CSR policy and other CSR and sustainability related policies.

Geographical scope and company reach

The survey was filled out by 26 companies representing 17 countries in Europe. 75 per cent of respondent companies fall under the SME category (Figure 2). This also mirrors the fact that majority of MTS companies are SMEs. Per each of the 17 countries, we can see the diverse mix of respondents (Figure 3a).

Looking at the geographical scope of the respondents, we can see 17 countries represented (Figure 3), out of which 12 are EU member countries (Bulgaria, Croatia, Czech Republic, France, Germany, Italy, Netherlands, Portugal, Romania, Slovak Republic, Slovenia, Spain), 1 Western European non-EU country (Switzerland) and 4 Eastern European countries (EU pre-accession countries: Albania,

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[18] Design_MTS (1 July 2013). *Grant Agreement (333270),* European Union funded Project. For more information see http://www.csreurope.org/csr-and-sustainability-machine-tools-sector

Macedonia, Montenegro, Serbia). From the EU members countries, there are 6 Western European countries and the rest are the Central and Eastern European accession countries from years 2004, 2007 and 2013. (Figure 3)

Figure 2

Respondents by company size

n= 26

31%

46%

23%

- Small (Employees < 50, Turnover ≤ € 10 m OR Balance Sheet ≤ € 10 m)

- Medium (Employees < 250, Turnover ≤ € 50 m OR Balance Sheet ≤ € 43 m)

- Large (Employees > 250, Turnover > € 50 m OR Balance Sheet > € 43 m)

Source: CSR Europe, 2014

Figure 3

Respondent companies per country

n= 26

6% 6% 18% 6% 6% 12% 12% 6% 6% 6% 12% 18% 6% 12% 6% 12%

- Albania
- Bulgaria
- Croatia
- Czech Republic
- France
- Germany
- Italy
- Macedonia
- Montenegro
- Netherlands
- Portugal
- Romania
- Serbia
- Slovak Republic
- Slovenia
- Spain
- Switzerland

Source: CSR Europe, 2014

Figure 3a

Breakdown of respondent companies per country

n= 26

Country	Small	Medium	Large

Albania
Bulgaria
Croatia
Czech Republic
France
Germany
Italy
Macedonia
Montenegro
Netherlands
Portugal
Romania
Serbia
Slovak Republic
Slovenia
Spain
Switzerland

■ Small
■ Medium
■ Large

0   1   2   3

Units (Companies)

Source: CSR Europe, 2014

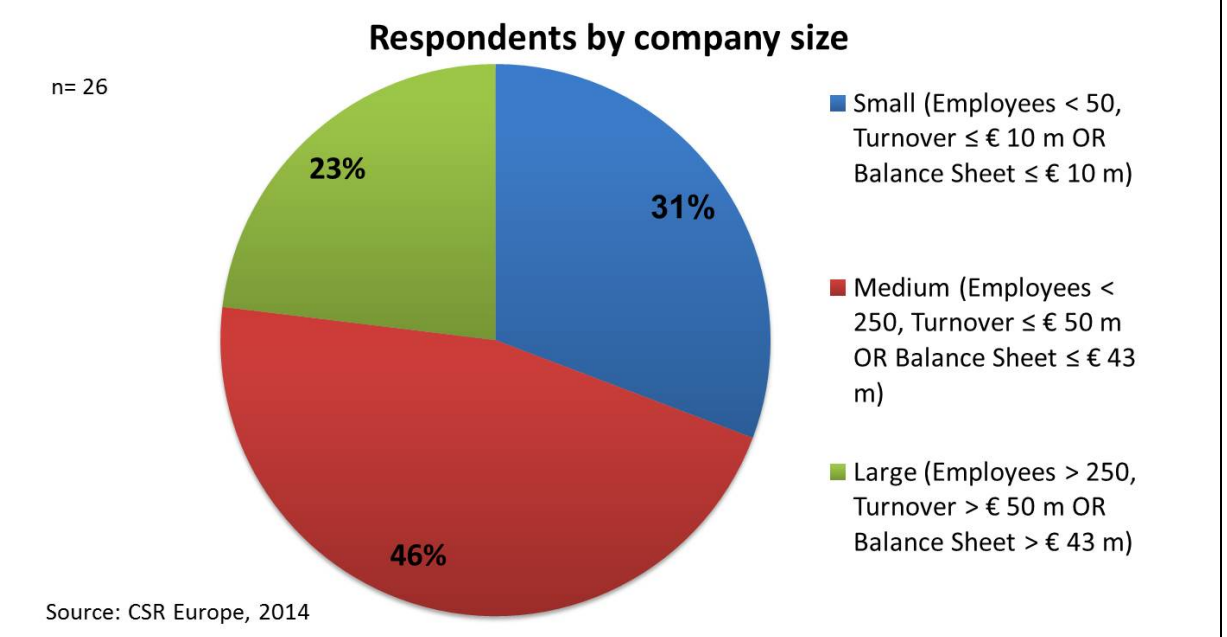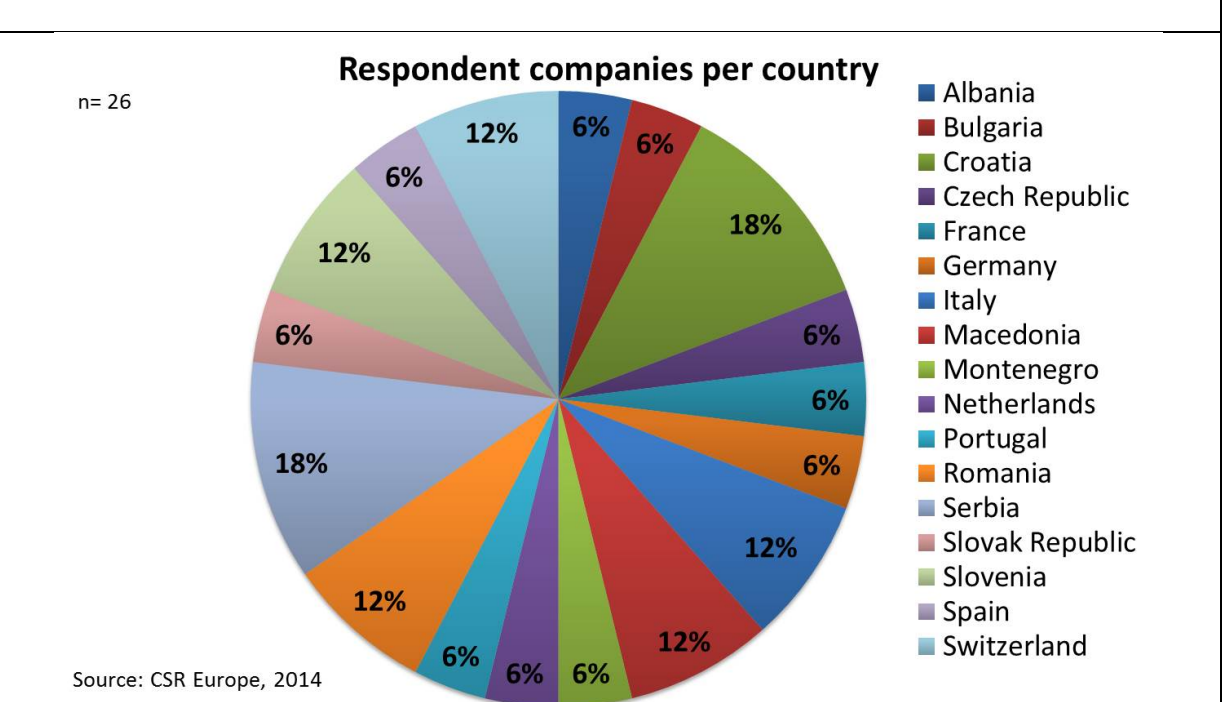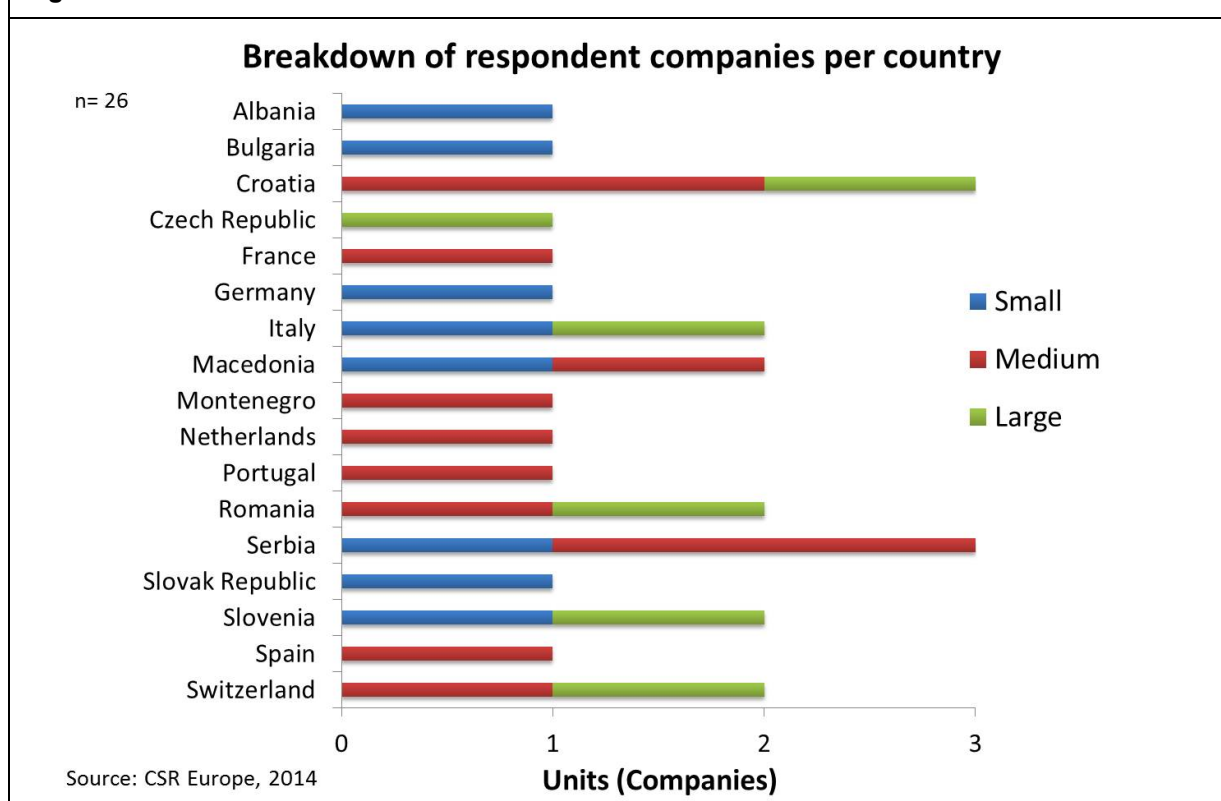### How companies implement CSR and sustainability

To manage any area of business actively, a company needs to look into taking several steps: having a clear view of what they want to achieve in the form of policy and/or strategy, support this policy/strategy with activities and direct implementation in the workplace, regularly follow up on the progress of such activities and the way they are exercised, set the targets, measure and collect data from these activities, evaluate your employees based on the achieved targets, realisation of how reaching these targets affect your business performance, and lastly communicating on the achievements and future commitments in a specific area of business.

At least half of the companies considered themselves as actively managing all ten suggested CSR and sustainability business areas: training, age management, public image and reputation, employee engagement, supply chain management, health and safety, energy and resource efficiency, customer satisfaction, innovation and ethical integrity (Figure 4).

Taking into account the four focus areas established in the Grant agreement, as employability, demographic change, workplace challenges and environmental challenges, the status of how 26 companies from 17 countries implement CSR and Sustainability is seen through the following business areas: training, age management, employee engagement, health and safety, and energy and resource efficiency. In each business area, they can take the following 8 steps to implement the measures and activities in order to progress and manage it actively and effectively:

The 8 Steps Management:[19]

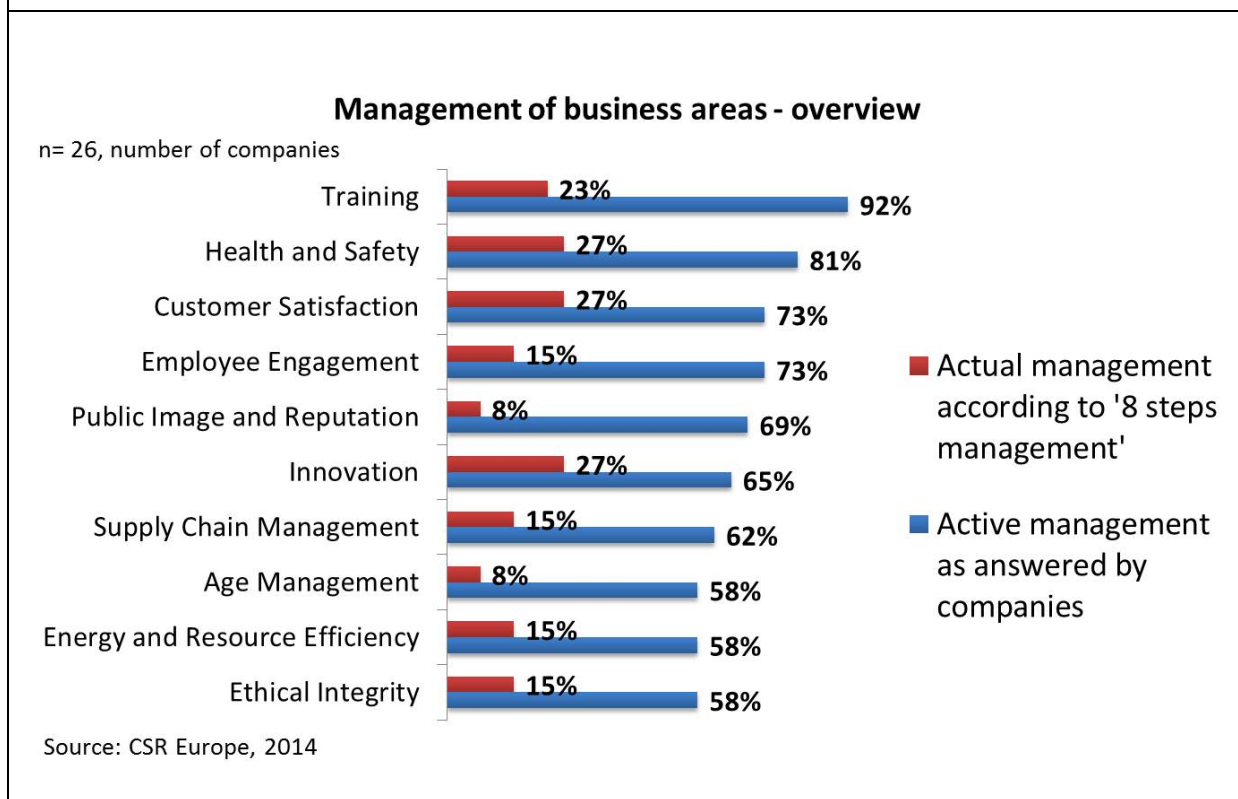1. Policy/Strategy
2. Policy Implementation activities

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[19] CSR Europe, (2013). "Integrated Performance: Maturity and Intergration Project (Previously Valuing Non-Financial Performance)", *CSR Europe*. http://www.csreurope.org/integrated-performance-maturity-and-integration-project-0

3. Regular follow up on implementation
4. Measure and collect the data
5. Setting the targets
6. Evaluation of employees based on targets and results
7. Connecting reaching targets to business value
8. Communicating on achievements and commitments

If a company is fully following through all 8 steps, the CSR and sustainability related business area can be considered managed actively and effectively.

The most managed CSR and sustainability related areas of business (from now on mentioned as business areas) are: training, health and safety, customer satisfaction and public image and reputation with at least three quarters of respondent companies indicating they actively manage these areas (Figure 4). This overview shows that employability is indeed one of the most important business areas for almost all companies. Equally through the high rating of customer satisfaction and public image and reputation, the respondent companies show how important the customer is for SMEs. Thanks to the MTS' specific position in the beginning of the supply chain, the way their customers and markets (the other end of the supply chain they are part of) view them affects their profitability. Thus, if large multinationals, whose supply chain cover MTS, introduce CSR and sustainability requirements they should also enable the suppliers to improve as they are working towards complying with the growing demands, for example through supplier CSR and sustainability training.[20]

Figure 4

Management of business areas - overview

n= 26, number of companies

Business area	Actual management according to '8 steps management'	Active management as answered by companies
Training	23%	92%
Health and Safety	27%	81%
Customer Satisfaction	27%	73%
Employee Engagement	15%	73%
Public Image and Reputation	8%	69%
Innovation	27%	65%
Supply Chain Management	15%	62%
Age Management	8%	58%
Energy and Resource Efficiency	15%	58%
Ethical Integrity	15%	58%

Source: CSR Europe, 2014

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[20] CSR Europe, (2013). "European Automotive Working Group on Supply Chain Sustainability", *CSR Europe*. http://www.csreurope.org/european-automotive-working-group-supply-chain-sustainability#.UpX3LsSTzmo

Figure 4a

Actively Managed Business Areas

n= 8 small, n= 12 medium, n= 6 large, number of companies

■ Small
■ Medium
■ Large

Source: CSR Europe, 2014

Figure 4b

Actual management following the '8 steps management'

n= 8 small, n= 12 medium, n= 6 large, number of companies
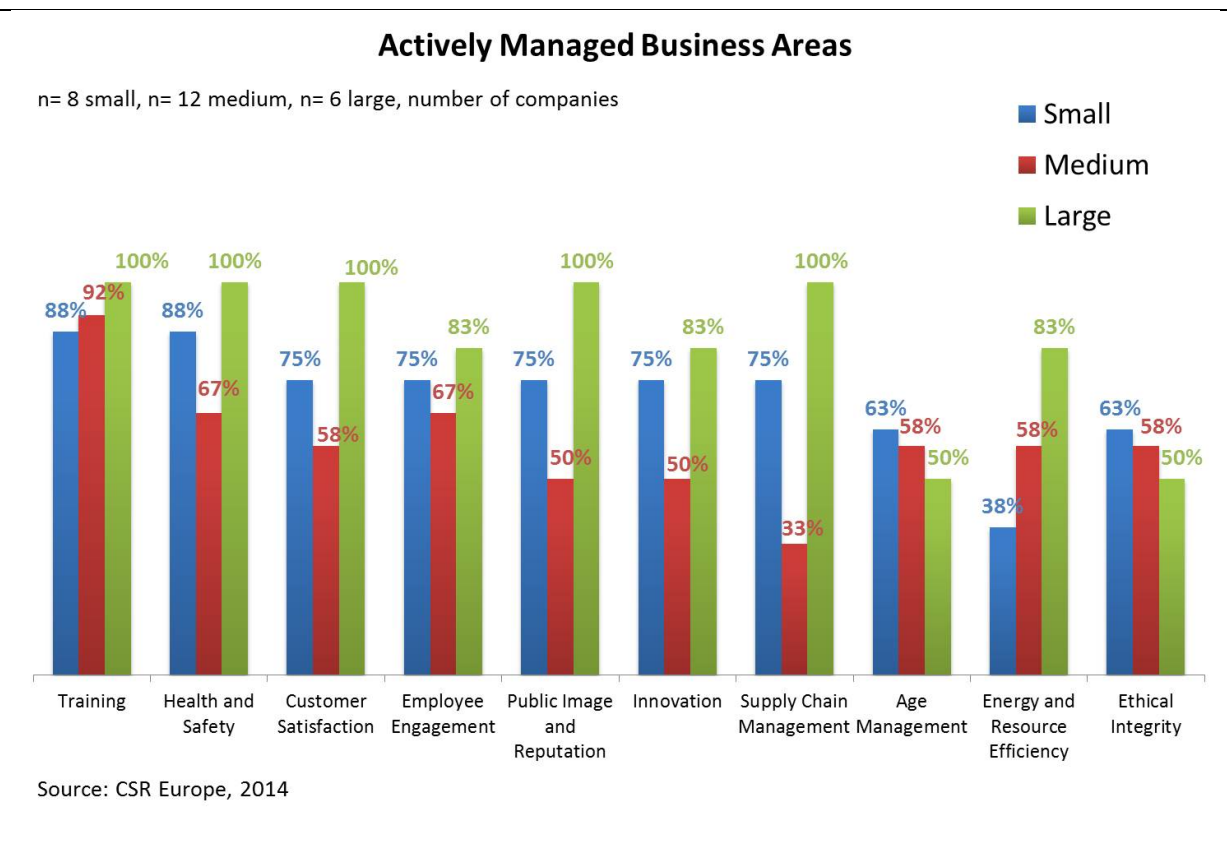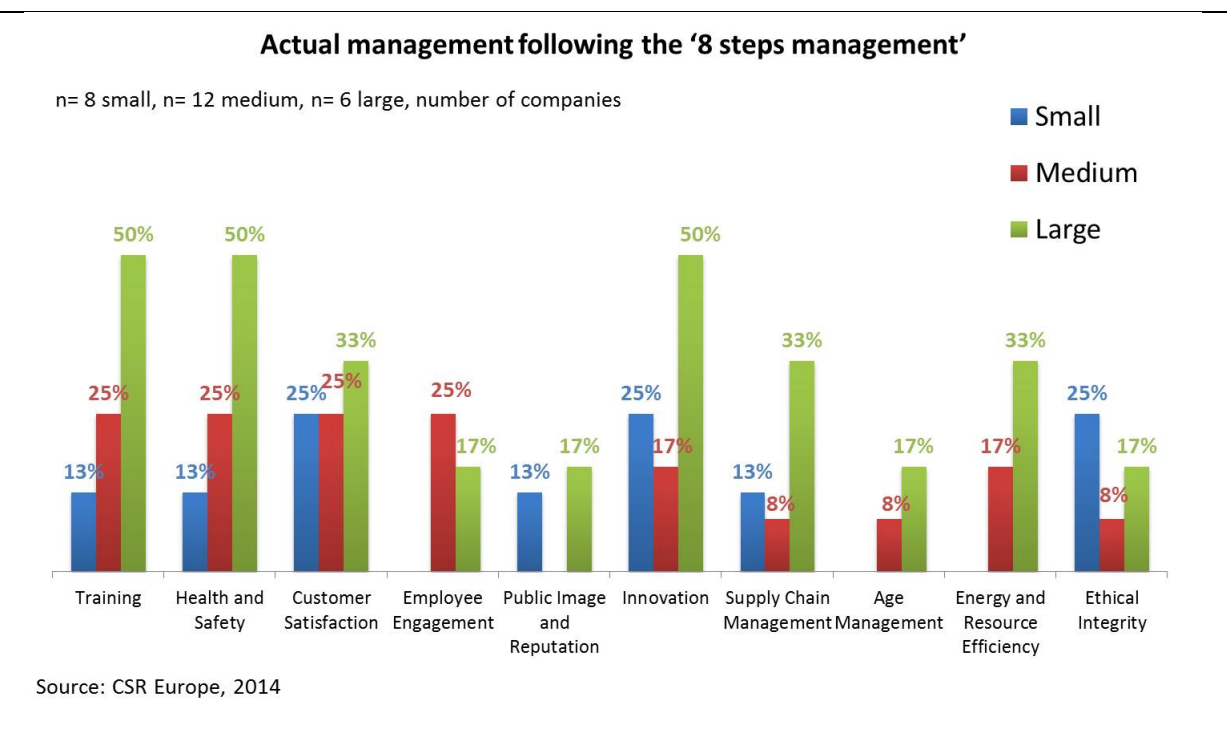
■ Small
■ Medium
■ Large

Source: CSR Europe, 2014

As shown in Figure 4, when analysing the responses of the questionnaires and keeping to the hypothesis that the 8 steps mentioned above are necessary for effective and successful active implementation and integration of CSR and sustainability related areas in business, vast differences

are observed. Figure 4 clearly shows the difference between the overview question asking whether companies actively manage these areas, to which at least half of the companies said yes, and the actual management fulfilling the 8 steps management in each area. Results show that the respondent companies made least use of the 8 steps management relating to public image and reputation and age management (Figure 4). The three business areas of health and safety, customer satisfaction and innovation were most managed by the 8 steps management (Figure 4).
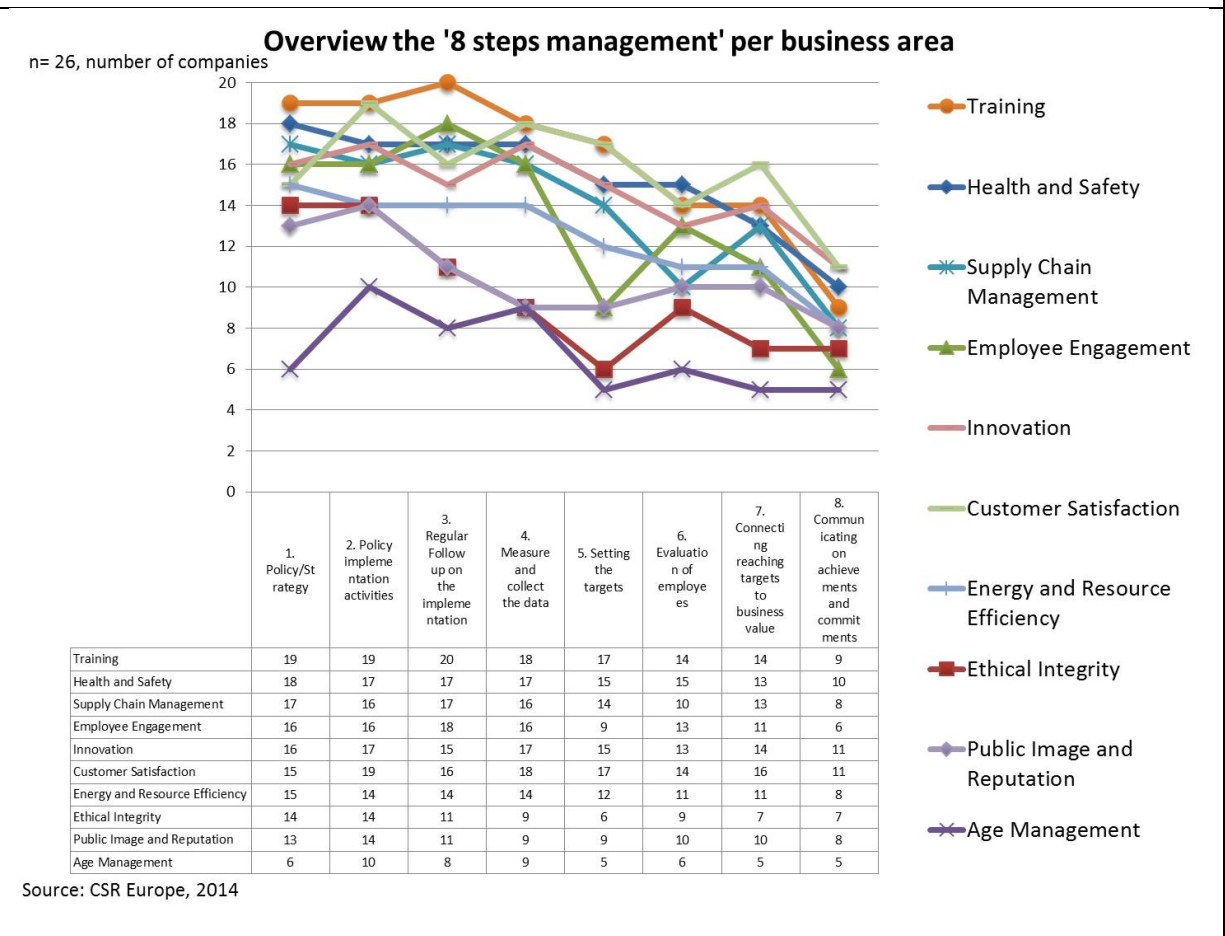
The fact that all three size classes of companies (small, medium and large) are represented in the actual management by the 8 steps management criteria (Figure 4b) shows that SMEs as well as large companies have the capability to make use of the correct management tools to integrate CSR and sustainability policies effectively.

From the overview in Figure 4, it can be noted that the respondent companies manage the business area of age management the least. This figure clearly illustrates that there exists a recurring trend in the form of a discrepancy between the amount of companies that start off with 'policies/strategies' (step 1) and the amount of companies that 'connect their targets to business values' (step 7) as well as amount of companies that 'report externally' (step 8). This decrease of the amount of companies involved from the first steps until the final steps in the 8 steps management can reflect the lack of clarity and the randomization in the implementation of this tool.

Equally, there is a disparity in the number of companies measuring and collecting data (step 4) and those that set targets to be achieved (step 5). This reflects the lack of understanding of what these CSR and sustainability areas entail and their tangible connection to the performance of the business as a whole, since the targets are only set when a clear understanding and strategy is in place to develop, improve and achieve better performance.

Training, supply chain management and employee engagement are the only three areas where there is an increase of companies from being active in policy implementation (step 2) to regular follow up on such activities (step 3) (Figure 5). Hence, there is a strong possibility that more companies have some policy implementation activities in place throughout the business.

Figure 5

Overview the '8 steps management' per business area

n= 26, number of companies

	1. Policy/Strategy	2. Policy implementation activities	3. Regular Follow up on the implementation	4. Measure and collect the data	5. Setting the targets	6. Evaluation of employees	7. Connecting reaching targets to business value	8. Communicating on achievements and commitments
Training	19	19	20	18	17	14	14	9
Health and Safety	18	17	17	17	15	15	13	10
Supply Chain Management	17	16	17	16	14	10	13	8
Employee Engagement	16	16	18	16	9	13	11	6
Innovation	16	17	15	17	15	13	14	11
Customer Satisfaction	15	19	16	18	17	14	16	11
Energy and Resource Efficiency	15	14	14	14	12	11	11	8
Ethical Integrity	14	14	11	9	6	9	7	7
Public Image and Reputation	13	14	11	9	9	10	10	8
Age Management	6	10	8	9	5	6	5	5

Source: CSR Europe, 2014

In the focus area of employability here represented through training, 6 out of 26 compani*e*s assessed follow all 8 steps in the implementation from setting the policy to communicating on the results (Figure 4). Taking the detailed view below, large companies and SMEs implement at least first 4 steps of the 8 steps management (Figure 6). These are the first 4 steps from having policy/strategy in place (step 2) through to the measuring of data gained from regularly monitored policy implementation activities (step 4). However, the figures slowly reduce to almost half for the respondent companies when it comes to target-setting, employee evaluation and connecting training to the core business value.

Figure 6

The 8 Steps Management 'Training'

n= 26, ratio of number of companies

Source: CSR Europe, 2014
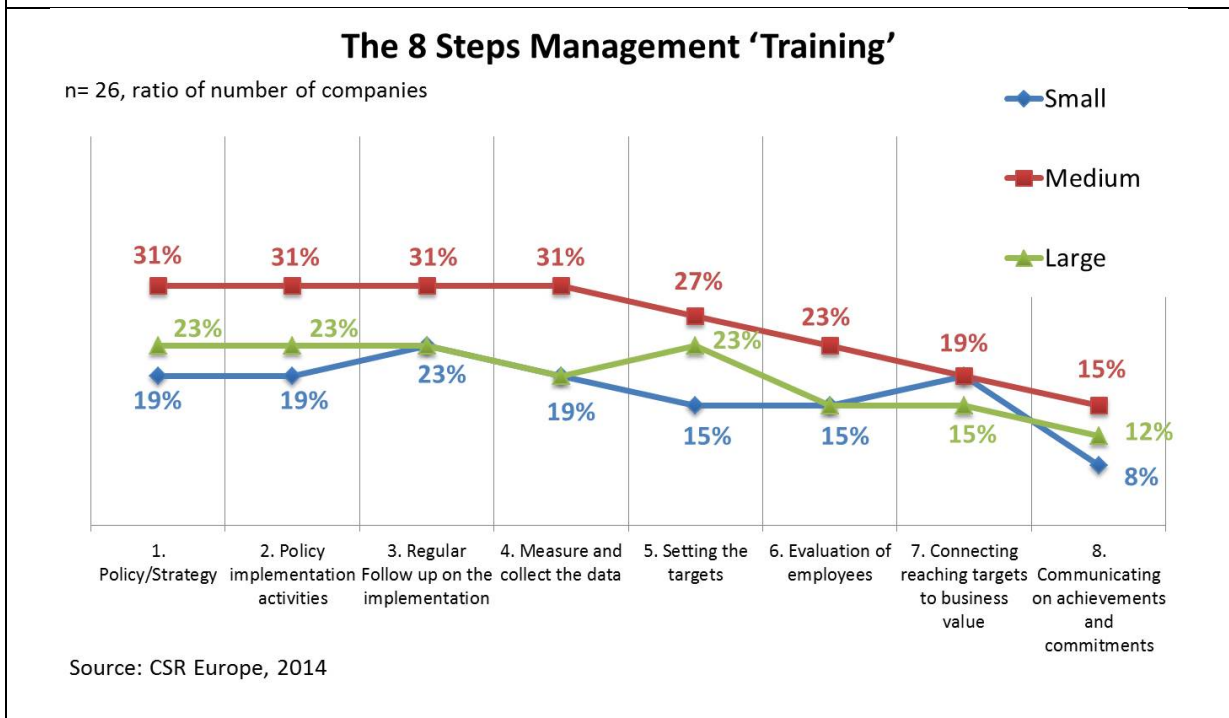
Another area of focus in the MTS is demographic change and active ageing. Europe's ageing workforce and the lack of the skilled young workers there is a need for companies to rethink their current human resources systems to accommodate their workers, and hence their companies, better to these circumstances. Age management is very much implemented through human resources activities. Although rated as a high priority by the experts (the MTS associations), according to the survey results, age management is the least managed area. Varied peaks in Figure 7, especially in the increase of companies having policy implementation activities and those that measure and collect data, show that the practical understanding of the importance of this area exists.

Figure 7

The 8 Steps Management 'Age Management'

n= 26, ratio of number of companies

Source: CSR Europe, 2014
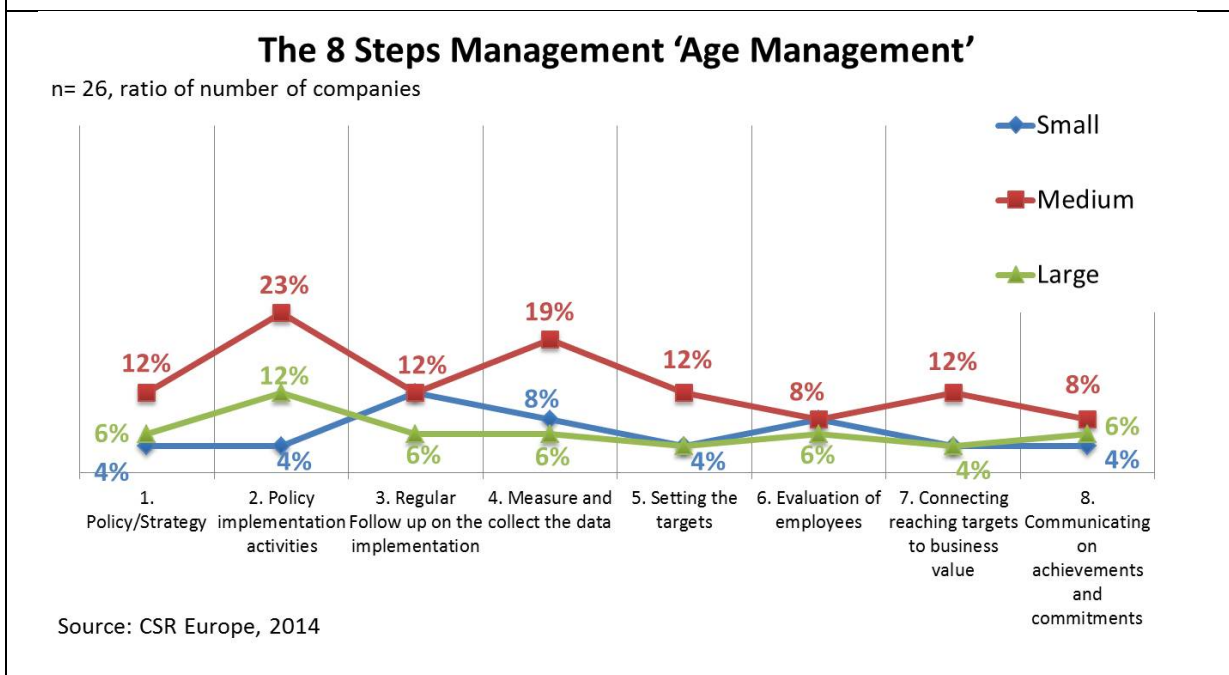
Moving to the third area of critical importance in MTS, workplace challenges, 73 per cent and 81 per cent of respondent companies claim to manage employee engagement and health and safety respectively, while just 15 and 27 per cent respectively actually managed these in 8 steps as outlines above (Figure 4). The health and safety is one of the most managed areas, yet even in this area, the amount of companies reduces after step 5 of setting targets (Figure 9).   Regarding employee engagement Figure 8 shows a sharp drop in setting the targets (step 5) but slightly increases again in the evaluation of employees (step 6).
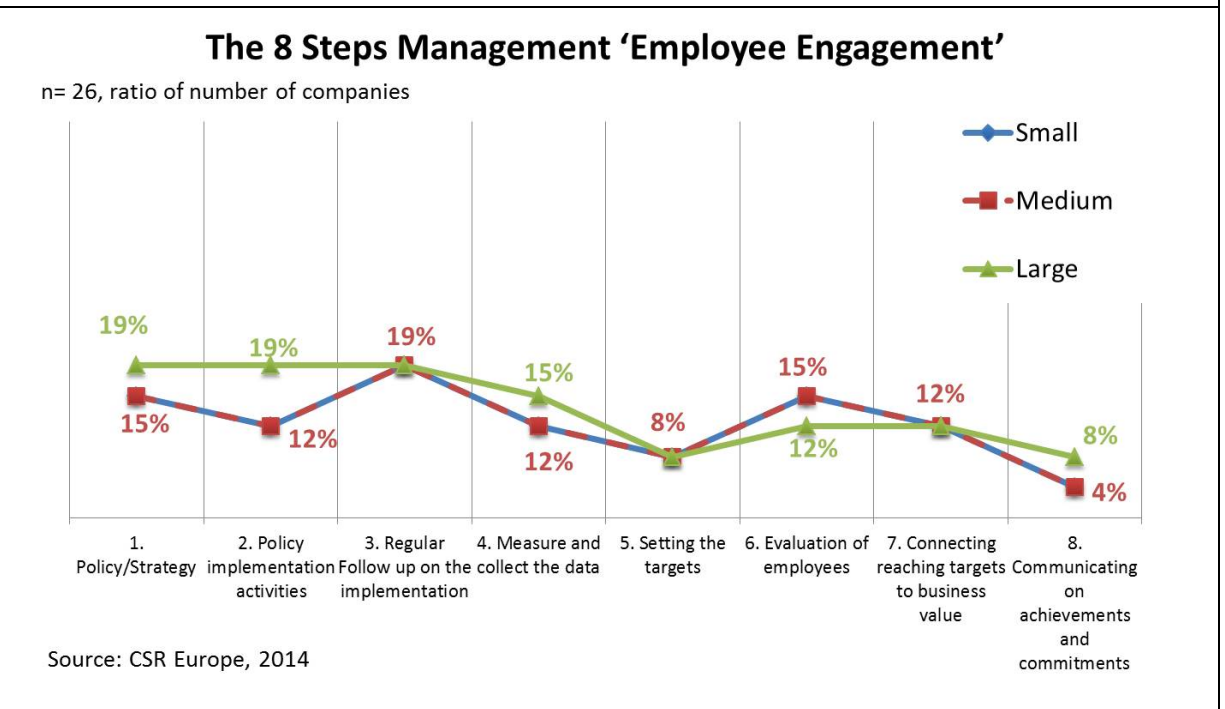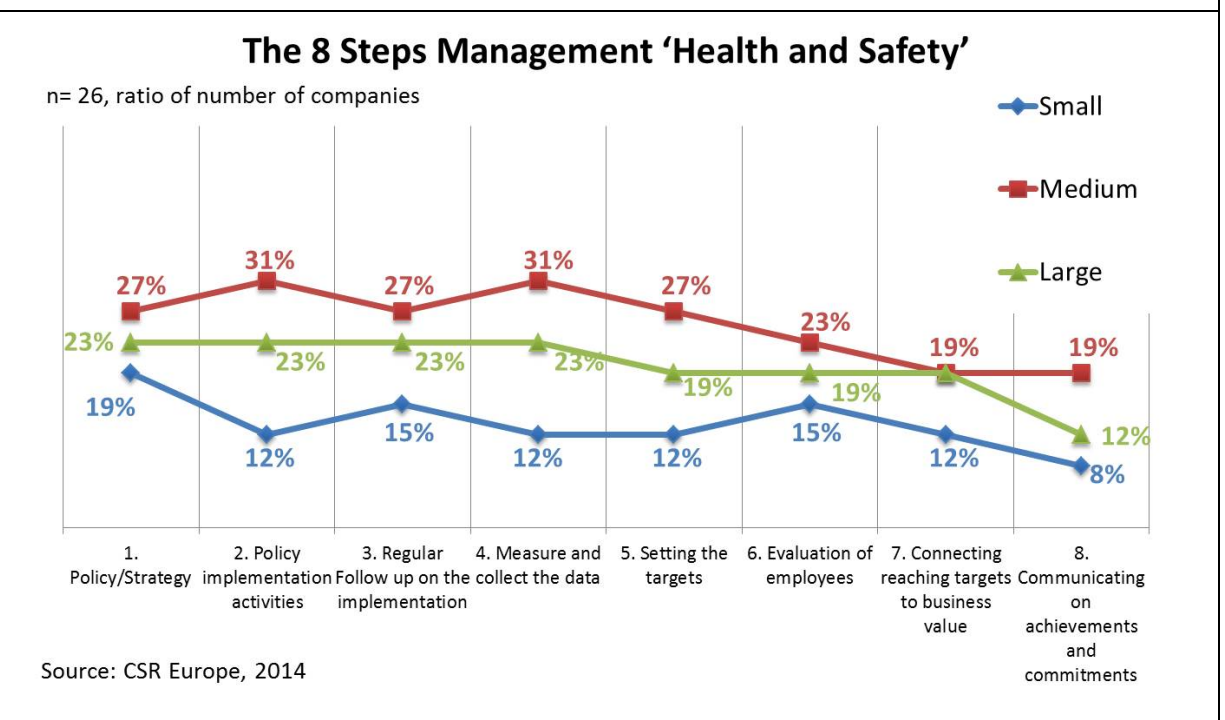
Figure 8

The 8 Steps Management 'Employee Engagement'

n= 26, ratio of number of companies

Source: CSR Europe, 2014

Figure 9

The 8 Steps Management 'Health and Safety'

n= 26, ratio of number of companies

Source: CSR Europe, 2014

The area of environmental challenges is reflected here in the management of energy and resource efficiency. For this area, the number of companies following the 8 steps management remains quite steady, although is drops again in steps 5 to 8 where it requires target setting, employee evaluation, connection to business value and external communication. Both in large and small and medium enterprises there is a decrease of about 10 per cent from step 1 – having a policy in place to steps 7 and 8 - tying energy and resource efficiency directly to their business performance and communicating on the results achieved and further commitments (Figure 10).

Figure 10

Source: CSR Europe, 2014
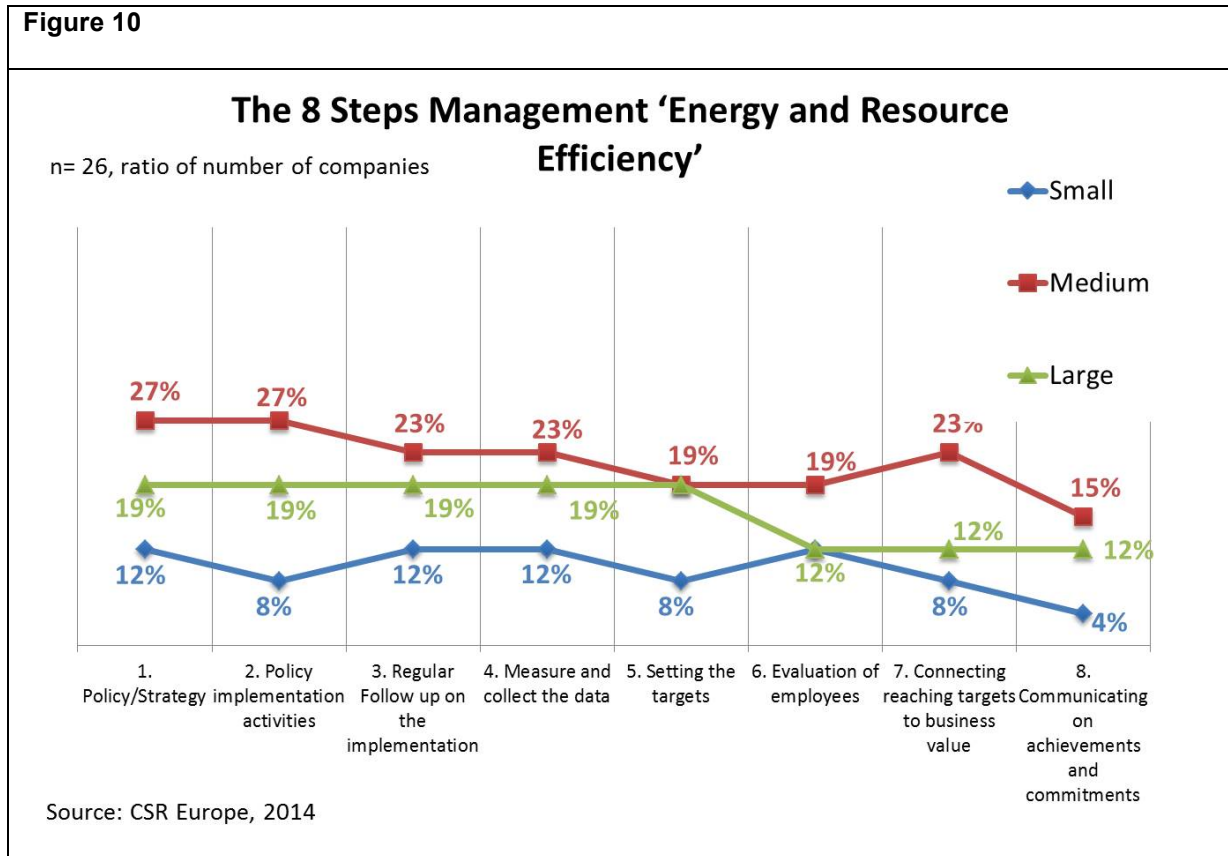
In addition to the internal management of 10 CSR and sustainability business areas, the survey also revealed the level of involvement in other CSR related activities, such as charity work and community engagement. Just over one third of respondent companies indicate their engagement in external CSR through activities such as charity work or community engagement (Figure 11). At the same time, only 15 percent of respondent companies are part of a CSR or sustainability organisation or initiative, with almost half indicating their non-membership and half not indicating their status at all (Figure 12).

Figure 11

Company involvement in other CSR activities (e.g. charity, community engagement)

n= 26, number of companies

12%

35%

54%

- Yes
- No
- Not indicated

Source: CSR Europe, 2014

Figure 12

Company membership in CSR and sustainability organisation or initiative

n= 26, number of companies

15%
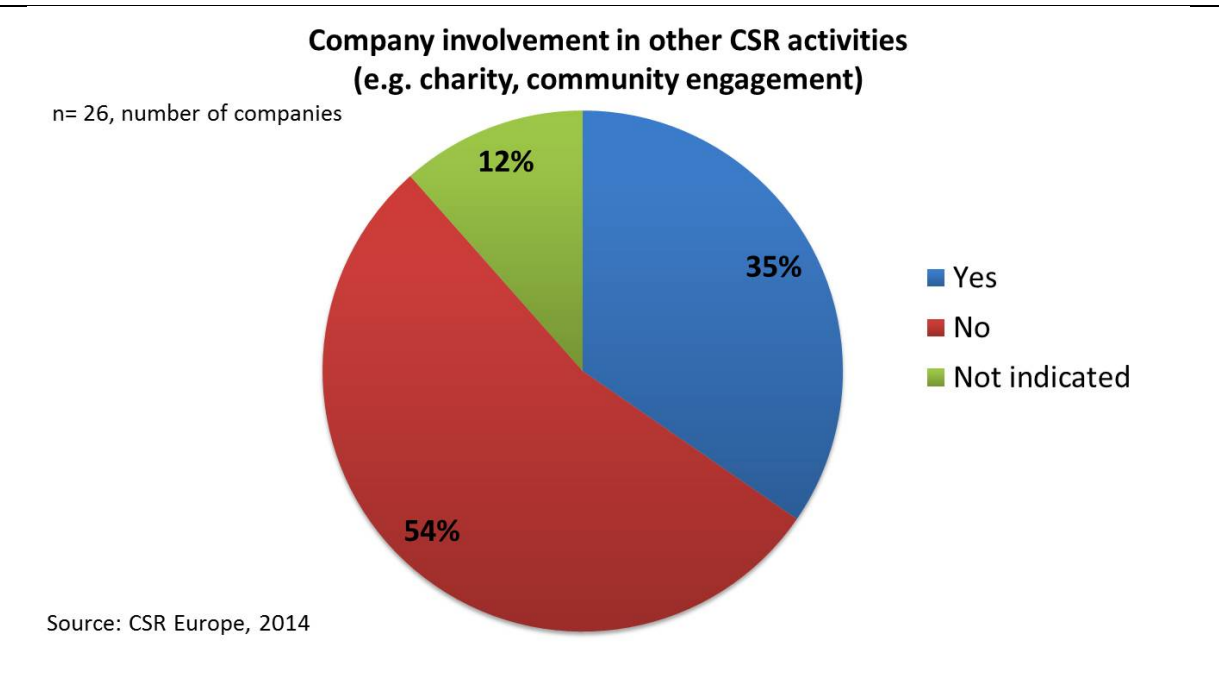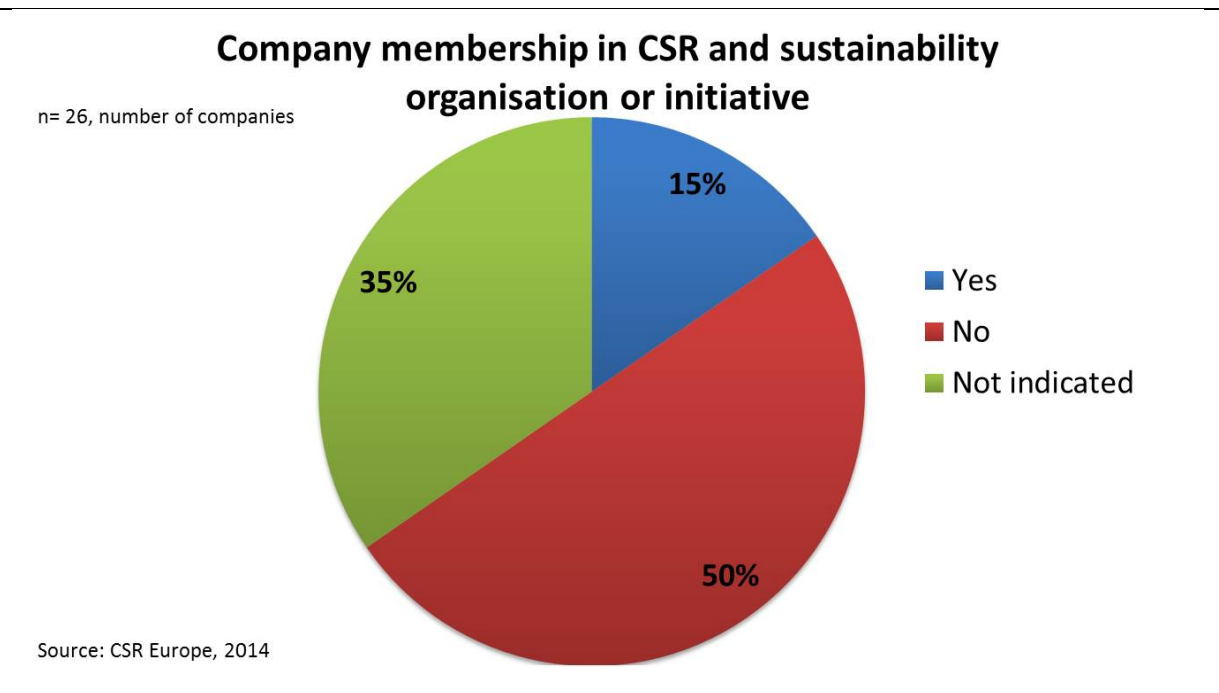
35%

50%

- Yes
- No
- Not indicated

Source: CSR Europe, 2014

Awareness and impressions of public policies on CSR

To get the whole picture, the survey concerned itself with the questions of awareness of CSR policy and related CSR and sustainability policies.

Overall, more than half of the companies are somewhat aware of a national CSR policy or initiative. While more than a quarter is not aware of such policy (Figure 13). It should be noted that national CSR policies and initiatives vary per European country and thus awareness of these policies does not necessarily mean that a national strategy is in place, and vice versa (see Annex 1).

Figure 13

Source: CSR Europe, 2014
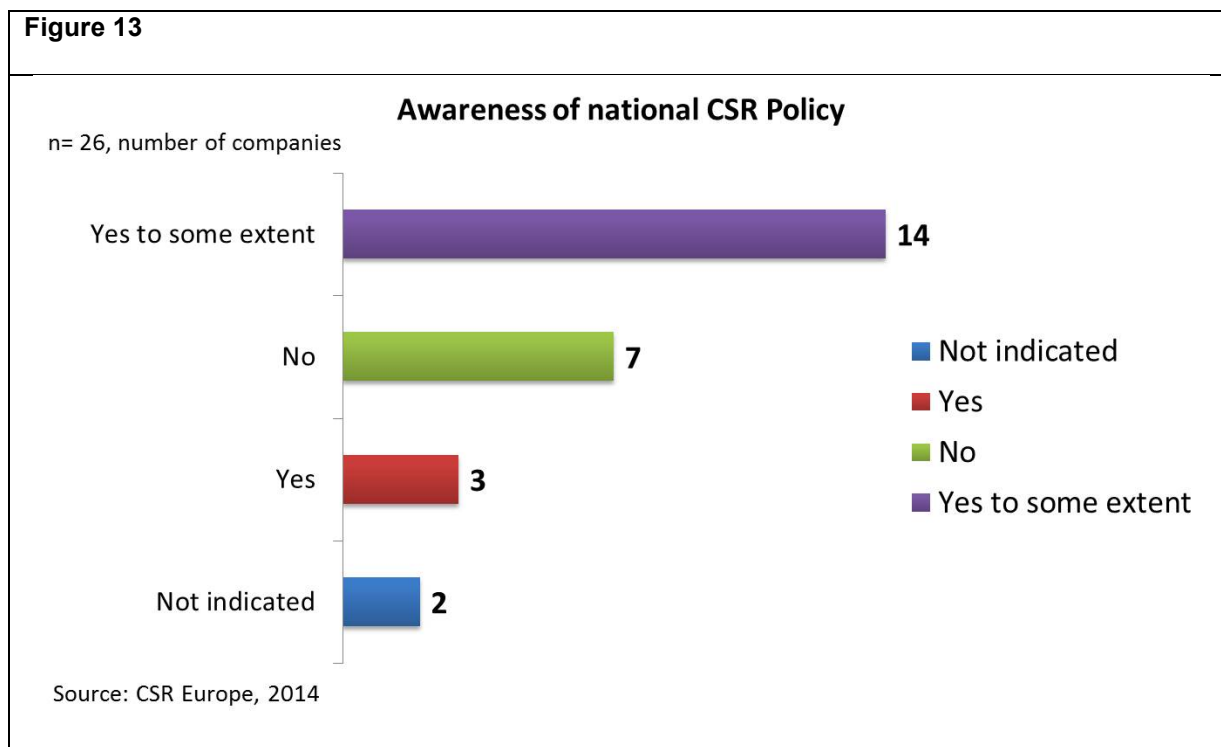
There is quite a high awareness of CSR and sustainability related policies, with respondent companies being most aware of environment, health, labour and education policies, with almost 75 per cent being aware of these policies completely or to some extent (Figure 14). However, just over half is aware of policies in the areas of transparency and reporting, economic development and social affairs. This also corresponds to the results observed in the business areas managed – with health and safety in health area, training in employability and education area, supply chain management and employee engagement in labour area, customer satisfaction and innovation that is transversely affected by different policy areas.

Figure 14

Awareness of policies related to CSR and sustainability

n= 26, number of companies

Environment	**20**
Health	**20**
Labour (Including antidiscrimination and inclusion of disadvantaged groups)	**20**
Education/training	**19**
Economic Development	**15**
Social affairs	**15**
Transparency and reporting	**14**

Source: CSR Europe, 2014
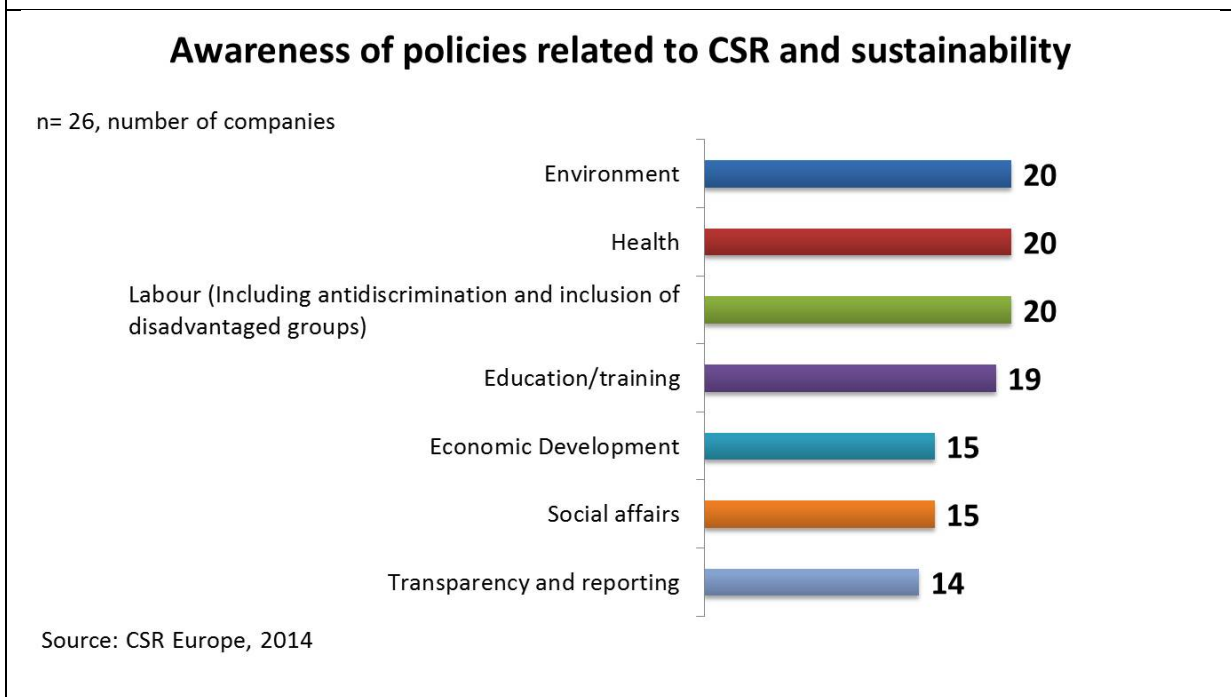
Overall, policies are perceived as having positive impact on businesses, with at least half of the companies mentioning such policies to be positive (Figure 15). Here again about 75 per cent of respondent companies see education and training policies, and health policies as a positive influence on their company performance (Figure 15).

Figure 15

Company perception of the impact of policies related to CSR and sustainability

n= 26, number of companies

■ Positive impact
■ Negative impact

	Positive	Negative
Education/training	19	3
Health	19	5
Economic Development	16	7
Labour (Including antidiscrimination and inclusion of disadvantaged groups)	16	6
Environment	14	7
Social affairs	13	5
Transparency and reporting	13	4

Source: CSR Europe, 2014

Blue Competence Machine Tools Initiative

Operated by CECIMO

52 company alliance member companies and research organisations and 8 national associations' participate. This initiative merges together economic, ecological and social goals in one, and it demonstrates the contribution the machine tools industry can make to achieve smart, sustainable and inclusive growth in Europe.

Responsibility for society and environment has always been the main idea of the corporate policy of the European machine tools industry. With the implementation of the initiative, the member companies of Blue Competence Machine Tools pursue the aim of high social and environmental standards and see this as requirement for sustainable and entrepreneurial success.

1. The machine tools industry ensures by sustainable engineering that the responsibility for a world worth living in can be transposed. Ecological, social and economic aims are the focus of our acting.

2. Social responsibility means to us improving the quality of life. Especially, the responsibility for our employees concerning the conditions of employment, the promotion of education and a lifelong advancement as well as employment creation, thus raising chances of occupation of people.

3. Blue Competence Machine Tools delivers an important contribution for the amelioration of the world wide climate, e.g. by an efficient use of recyclable or not recyclable resources, avoiding waste and considering the recyclability of products and product technologies.

4. We are aware of the fact, that sustainable acting increases the economic success. Products and services are not optimized on short-term; instead the life cycle is conceptualised along the whole value added chain. This concept provides macroeconomic solutions.

5. We stand to our social responsibility and focus on reliable action on voluntary base, with the pretense to achieve a better quality of life for humans and the environment.

The European Machine Tools Sector and CSR[21]

The company data are not the only representation of the status of CSR and sustainability in the MTS today. MTS association, both on European and on national level, have a major role to play when it comes to dissemination, education and mainstreaming of CSR and sustainability agenda in the machine tools companies.

Through our expert, CECIMO we mapped out CSR and sustainability related initiatives organised at national level by CECIMO's national association members.

Initiative of UCIMU, Italy

UCIMU assesses and improves the technical skills of your workforce (as an independent authority) through its Technical Skills Certification programme.

The certification is managed by a board formed of UCIMU General Manager, UCIMU Technical Manager and UCIMU Training Manager. It is a partnership between associations, companies, training organizations and placement agencies.

The certification process is highly competitive and only those who successfully completed the training programme are certified (only 30 percent of the participants have been certified).

Initiative	**UCIMU, Italy** Technical Skills Certification programme
Impact	60 youngsters have been certified and the plan is to certify 200 people by the end of 2013

Initiatives of AFM, Spain

IMH (Machine Tools Institute): a cooperation of government, industry and unions, as an integral part of AFM, aiming at improving vocational education and dual engineering university. The Institute helps companies improve their production processes and increase their competitiveness. By working with companies, the Institute provides its teachers and students with up-to-date technologies. The institute

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[21] CECIMO (2013), "Blue Competence", *CECIMO*. http://www.cecimo.eu/site/blue-competence-mt/members/

also advises other similar schools in Spain. It works on applying its model in other countries like China, Malaysia and Chile.[22] Using the IMH model, AFM also focuses on the talents in emerging markets, such as Malaysia and China, gives training and works on the recognition of such degrees in Spain.

AFM also runs programme to improve the image of the sector and attract young people - Attracting young people: transforming the image of the sector - through exhibitions, communication campaigns, company visits and cooperation with universities and schools.

Initiative	AFM, Spain
	IMH (Machine Tools Institute)

Initiatives of SYMOP, France

SYMOP runs communications activities to increase the interest of parents and youngsters in the manufacturing sector, provide career advices for students, create opportunities to participate in job exhibitions, organizes machine demonstrations, and designs "friendly and attractive" communications materials. In partnership with Onisep (Educational information organization in France) it developed the website www.monindustrie.com to organize a film contest "je filme mon industrie".

It also created a working group within SYMOP to deal with the shortage of after-sales service technicians.

Initiative	SYMOP, France
	Film contest "je filme mon industrie".

Initiative of VDW, Germany

The VDW Nachwuchsstiftung (VDW Youth Development Fund) was established with two main goals: increasing the interest of youth in joining the sector and ensuring high level of education for the youth. To reach these two main goals, the Fund conducts several activities such as organizing special youth shows at exhibitions, development of new teaching materials, training of teachers and company instructors, development of a computer-based knowledge sharing platform.[23]

VDW also tries to improve the image of professional schools by helping them regenerate the school equipment by applying the total solution and not just replacing the old machines.

In collaboration with Ministry of Education it produced a CD to inform young people about the career opportunities in the sector through the main message the main message given to young people is "every innovation starts with machine tools".

Initiative	VDW, Germany
	VDW Nachwuchsstiftung (VDW Youth Development Fund)

[22]IMH (2013). Machine Tools Institute. http://www.imh.es/en
[23]VDW Nachwuchsstiftung (2013). VDW Nachwuchsstiftung Website. http://www.vdw-nachwuchsstiftung.de/index.php/home.html

Initiative of SWISSMEM, Switzerland

SWISSMEM runs Explore-it Project to give children the opportunity to gain experience developing basic technology while having fun. It also organizes further interactive initiatives during its TunSchweiz and Inventor Days aimed at primary school children.

Initiative	SWISSMEM, Switzerland
	Explore-it Project

Initiative of FMMI, Austria

Initiative	FMMI, Austria
	Mission to Africa Initiative
Impact	5 vocational trainees were sent to Tanzania to build machines, a documentary was shot and will be shown by Austria Broadcasting System

Initiative of MTA, UK

MTA provides financial support to the Imagineering Charity which carries out after-school clubs aiming to engage young people in engineering.[24]

It also organises Technology, Innovation and Design Awards, where MTA chooses and awards the best student projects which bring up basic but innovative ideas and winners get I pads, cameras etc. MTA also organizes Education and Training Zone at MACH Birmingham Exhibition, and through MTA Commercial Engineering Apprenticeship offers apprenticeship programme focused on business functions such as sales, marketing, supply chain management and foreign language.

It runs 'Growing Talent' Grants Scheme: providing SMEs with financial support addressing skill raising activities.

Initiative	MTA, UK
	Technology, Innovation and Design Awards
	Education and Training Zone at MACH Birmingham Exhibition
	Commercial Engineering Apprenticeship

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[24] Imageneering (2013). Imageneering Website. http://www.imagineeringweb.co.uk/

Public policy on CSR in Europe

The idea that businesses have responsibilities to society that extend beyond their obligations to their shareholders, and contributing to societal well-being, has a long tradition within Europe. The development of CSR has in general been driven by proactive strategies adopted by pioneering businesses, European institutions and national governments, as well as by external pressures from other stakeholders such as the civil society.[25] [26]

The EU policy agenda on CSR issues has been broad and based on voluntary uptake.[27] Nevertheless, The European Commission has been an active promoter of CSR across Europe, and CSR has become a well-established concept "whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"[28]. Building further on the Commission's latest definition, CSR is "The responsibility of enterprises for their impact on society"[29] The approach to CSR is anticipated to support smart, sustainable and inclusive growth as stated in the Europe 2020 strategy. In the wake of the financial and economic crisis that broke out in 2008, CSR is more relevant than ever as the crisis calls for more responsible business and a rebuilding of trust.

Despite being set high on the EU agenda, CSR still remains a complex concept that conveys a variety of meanings. This variety comes from the dynamic, context-dependent and holistic nature of CSR. As CSR evolves constantly to meet the changing demands in complex environments it is also very dynamic. It is context-dependent since it draws on and needs to be embedded in the various historical and cultural traditions. This is particularly clear in Europe as CSR has been implicitly present in many businesses before the term 'CSR' was explicitly discussed. Finally, CSR is holistic as it embraces and connects issues from the economy, society and environment.[30]

The development of the welfare state system in Western Europe after the Second World War emphasized the state as the primary welfare provider, while companies were expected to fulfil their societal obligations by complying with laws, paying taxes and providing employment opportunities. The last 20 years have, however, heralded a change between the public and the private sector as well as their respective roles in the society.[31] Growing attention is being paid to the voluntary actions that companies undertake as part of their CSR strategies to manage their economic, social and environmental impacts. In Central and Eastern European countries the environmental and social concerns have generally received less attention compared to the economic. However, CSR

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[25] Visser W., Matten D., Pohl M. & Tolhurst N., (2007). *The A to Z of Corporate Social Responsibility. A complete Reference Guide to Concepts, Codes and Organisations.* USA*:* John Wiley & Sons LTD.

[26] Post J.E, Preston L.E. & Sachs S. (2002): *Redefining the Corporation: Stakeholder Management and Organizational Wealth.* Stanford: Stanford University Press.

[27] Zandvliet Ruben, (2011). "Corporate Social Responsibility Reporting in the European Union: Towards a More Univocal Framework" *Columbia Journal of European Law online*, Vol. 18, No. 38, 2011. http://www.cjel.net/online/18_1-zandvliet/

[28] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union. Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 9.

[29] European Commission, (2011). 'A renewed EU strategy 2011-14 for Corporate Social Responsibility'. http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010

[30] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union. Directorate-General for Employment, Social Affairs and Inclusion, European Commission.

[31] CSR Europe (2010). *A guide to CSR in Europe. Country insights by CSR Europe's National Partner Organisations.* http://www.csreurope.org/data/files/20091012_a_guide_to_csr_in_europe_final.pdf

awareness and implementation in the region is rapidly advancing, mainly due to actions of local and multinational corporations.[32]

Due to the different developed economic and societal structures within Europe, the current CSR issues and policies naturally differ between various countries. While many social and environmental responsibilities fall under a company's voluntary CSR engagement in some countries, in others these are legally defined. Annex 1 shows an inventory of CSR regulations and policies across Europe and reflects that European countries organize and coordinate CSR policies in very different ways. Most countries have several actors pursuing a variety of initiatives in a decentralized way, while other countries approach CSR policies in a more coordinated way. The UK, for example, has an appointed Minister for CSR, while The Netherlands and Sweden both have established CSR platforms (MVO Nederland and CSR Sweden, respectively) that aim to spread knowledge about CSR and to encourage companies to implement CSR policies. Generally, as Steurer et al. argue, centralized approaches are better for coordinating and focusing activities as well as capturing the attention of companies and the media more effectively.[33]

Mandatory policies at the EU level

Currently, the most important EU directive within the CSR area is the Modernisation Directive 2003/51. It requires that from the reporting year starting 2005 and onwards, European companies "shall to the extent necessary for an understanding of the development, performance or position, include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters".[34] While the Modernisation Directive ensures a minimum level of disclosure, in many cases it adds to the legislation on national levels, guidance or other instruments to support its implementation and to improve the impacts of ESG disclosure. For example, Denmark made reporting mandatory for its 1100 biggest companies as of 2009. Thus, both privately owned and state companies have to provide information on their CSR policies or sustainable and responsible investments, and clarify how the implementation of these policies are working out as well as the management expectations for the future[35]. Although the Modernisation Directive is considered to be mandatory, Member States have a certain level of flexibility regarding the mandatory/voluntary nature of directive while implementing it into their national legislation. Furthermore, small and medium sized enterprises (SMEs)[36] are exempt from non-financial reporting.

In addition to the Modernisation Directive there are two other initiatives which are directly enforced at the Member State level. The European Pollutant Release and Transfer Register (E-PRTR), established in 2006, is the European-wide register that provides key environmental data from

[32] UNDP, United Nations Development Programme (2007): *Baseline Study on CSR Practices in the New EU Member States and Candidate Countries.*
http://europeandcis.undp.org/uploads/public1/files/BASELINE_STUDY_ON.pdf

[33] Steurer et al., (2008). Public policies on CSR in EU Member States: Overview of government initiatives and selected cases on Awareness Raising for CSR, Sustainable Public Procurement, and Socially Responsible Investment. http://www.sd-network.eu/?k=quarterly%20reports&report_id=9

[34] European Commission, 2003. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:178:0016:0022:en:PDF

[35] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union. Directorate-General for Employment, Social Affairs and Inclusion, European Commission.

[35] European Commission, (2011). 'A renewed EU strategy 2011-14 for Corporate Social Responsibility'.

[36] SMEs are defined as enterprises that employ fewer than 250 persons and have an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million. The Small Business Act for Europe from 2008 is a key policy document on SME policy, recognized sustainable development as a key challenge for SMEs in response to which they need to adopt more sustainable production and business models. KPMG (2013). *Carrots and Sticks. Sustainability reporting policies worldwide- today's best practice, tomorrow's trends.* https://www.globalreporting.org/resourcelibrary/Carrots-and-Sticks.pdf

industries in EU Member States, Iceland, Norway, Serbia and Switzerland. Information is given on the amount of pollutants released to air, water and land.[37] The Integrated Pollution Prevention and Control Directive (IPPC), established in 1996, requires Member States to establish permit conditions for operators to control, monitor and report emissions from IPPC installations. Furthermore Member States have to provide data on these implementations to the European Commission.[38]

Voluntary policies and reporting requirements
In addition to the mandatory policies there are several voluntary policies and reporting requirements at the EU level. For example the EU Eco-Management and Audit Scheme (EMAS), established in 1995 is a management tool for companies and other organisations that require members to evaluate report and improve their environmental implications. Although this scheme was originally intended for companies in the industrial sector, it was opened up in 2001 to companies from all economic sectors.[39]

Although there are CSR policies and sustainability reporting in place in several European countries, the legislative framework is still very fragmented and heterogeneous. The 2011-2014 EU strategy for CSR signals the European Commission's intention to harmonize this fragmented CSR policy environment, and to better align European and global approaches to CSR. This new strategy presented in 2011 announced a legislative proposal for regulation on the transparency of social and environmental information supplied by businesses across all sectors.[40]

Small and medium sized enterprises and the Machine Tool Industry
The predominant form of enterprises in the European Union is SMEs[41] and the Machine Tool Industry (MTI) is mostly made up of SMEs including a considerable number of family-owned enterprises. Thus, SMEs and the MTI are important drivers for economic growth, regional and rural development and social cohesion in the EU. Since the SMEs account for 99 percent of all EU enterprises they have collectively significant impacts on the environment through their products, services and activities and as such it is crucial that SMEs have an established CSR policy. However, the Modernization Directive exempts SMEs from non-financial reporting. This does not mean SMEs are not responsible with regards to their social and environmental impacts. On the contrary, since many SMEs are well established in a local community they naturally contribute to the local socio-economic development and have developed a naturally responsible approach even if CSR is not a familiar concept.[42]

The EC emphasizes that 'corporate social responsibility' as a term was created mainly by and for larger companies and hence the word corporate in CSR. SMEs' responses to CSR might differ due to the cultural and geographical differences, ownership structures and strategic directions. Therefore public policies should focus on aiding SMEs to understand the concept of CSR and to see CSR as a strategic business approach. The Small Business Act from 2008 is a key policy document on SME policy that recognizes sustainable development as a key challenge for SMEs. The Commission's EU2020 strategy also stresses the importance of CSR among SMEs for growth, job creation and sustainable development in Europe.[43]

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[37] EPRTR (2013). *About us.* http://prtr.ec.europa.eu/Home.aspx

[38] European Commission (2012): *The IPPC Directive.*
http://ec.europa.eu/environment/air/pollutants/stationary/ippc/summary.htm

[39] European Commission, (2013). 'About EMAS'. http://ec.europa.eu/environment/emas/index_en.htm

[40] European Commission, (2011). 'A renewed EU strategy 2011-14 for Corporate Social Responsibility'.
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF

[41] EC (2013b): *Facts and figures about the EU's SMEs*. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/index_en.htm

[42] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union.
Directorate-General for Employment, Social Affairs and Inclusion, European Commission.

[43] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union.
Directorate-General for Employment, Social Affairs and Inclusion, European Commission.

Most of the SMEs are exempt from many of the mandatory CSR policies and reporting requirements both on European and national levels, however, the numbers of SMEs reporting are not monitored by the associations. Sustainability reporting is perceived to improve SME's position in the market, as it allows access to multinational's supply chains.[44] [45] [46] The Blue Competence Machine Tools Initiative is an initiative set up by the industry itself to increase awareness and knowledge about sustainability. The initiative defines objectives and transparent criteria and standards for sustainability in the MTI addressing products, services and business practices.[47]

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[44] Knopf et al. (2010). *Corporate Social Responsibility, National Public* Policies in the European Union. Directorate-General for Employment, Social Affairs and Inclusion, European Commission.

[45] KPMG (2013). *Carrots and Sticks. Sustainability reporting policies worldwide- today's best practice, tomorrow's trends.* https://www.globalreporting.org/resourcelibrary/Carrots-and-Sticks.pdf

[46] Cecimo (2012b). The Blue Competence Initiative. http://www.cecimo.eu/site/blue-competence-mt/blue-competence-mt/

[47] Cecimo (2012b). The Blue Competence Initiative. http://www.cecimo.eu/site/blue-competence-mt/blue-competence-mt/

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ANNEX 1 – CSR policies, regulations, schemes and initiatives in Europe

CSR Policies in countries covered	Initiator			Mandatory laws and requirements				Voluntary schemes			Other initiatives
	Govern mental	Mar ket	Ot her	Generic	Sector specific	Themati c	SME exclu tion	Generic	Sector specific	Themat ic	
European Union	X			EU Modernisation Directive			Non-finan cial repor ting				
	X									EMAS, EU Eco-Manag ement and Audit Schem e	
	X									EU 2011-14 Strateg y CSR	
	X					European Pollutant Release and Transfer Register					
		X							Blue Compet ence Machine Tools Initiative		
	X					Ecodesi gn directive					
	X					Integrat ed Pollution Preventi on and Control Directiv e					
	X					1996 IPCC Guidelin es for National Greenh ouse Gas Inventori es					
	X										European CSR Awards
Albania	X		X					National Action Plan on CSR (2013)			

Country											
	x							Corporate Governance Code for unlisted companies (2011)			
Austria	x			Austrian Commercial Code (UGB), §243, 2005.							
	x										EcoBusinessPlan Wien
		x									VBV-Österreichischer Nachhaltigkeitsindex (VÖNIX)
	x		x								European CSR Awards
Belgium	x			Article 4.1.8 of VLAREM II, 1995.							
	x			The social balance sheet							
	x										European CSR Awards
Bulgaria	x							Strategy for Corporate Social Responsibility, 2009-2013 and its Implementation Plan, 2009			
	x										European CSR Awards
Croatia	x										European CSR Awards
Czech Republic			x								Award for CSR and quality management
	x										European CSR Awards
Denmark	x			Financial statements Act 2008							
	x			Financial statements Act 2001							
	x			The Green Accounts Act, 1995.							

Country										
	x						Danish Action Plan for CSR "Responsible Growth"			
	x									European CSR Awards
Finland	x			State Ownership Policy						
	x									European CSR Awards
	x		Accounting Act							
		x	General guidelines for recording, accounting and							
France	x		Disclosing of environmental issues, 2006.							
	x		Law No. 2001-420							
	x				Law No 2001-397					
	x									European CSR Awards
	x				Law Social Review					
		x								PowerShares Global Clean Energy Euronext Paris (2008)
		x	Corporate Governance Code of Listed Corporations							
	x									French National Sustainable Development Strategy 2010-2013 (SNDD), 2010.
		x								ADEME Carbon footprint methodology, 2002.
		x								The Global Performance of Responsible Enterprise, 2011.
Germany	x		Bilanzrechtsreformgesetz (BilReG – Reform Act on Accounting Regulations), 2005.							
	x									European CSR Awards

	x									Deutsche Börse's DAXglobal Alternative Energy Index
		x		German Sustainability Code, 2011						
Hungary	x									European CSR Awards
Ireland	x			Employees (Provision of Information and Consultation) Act 2006						
	x									European CSR Awards
	x			The Credit Institutions Act (Financial Support) Act 2008						
	x			Transparency (Directive 2004/109/Ec) Regulations 2007						
	x	x								ACCA Ireland Sustainability Reporting Awards
Italy	x		Ministerial Decree of 24 January 2008.							
	x		Legislative Decree no. 150/2009, 2009							
		x					The Social reporting standards, 2013 and the Social Reporting in the Public Sector, 2005.			
	x						Legislative decree no. 32/2007, 2007			
	x									European CSR Awards

		x			35				Operational Guidelines for CSR in the banking sector,		
	x								Guideline on reporting for Public Administration, 2006.		
	x								The Guidelines for the Social Reporting for Not-For-Profit-Organization, 2010.		
		x									The CSR-SC project, 2002. This initiative enables organizations to voluntarily participate and adopt a social report in accordance with pre-defined guidelines and indicators.
		x									Directors report on fin statements
Macedonia	x										European CSR Awards
Montenegro	x										European CSR Awards
Netherlands	x		Dutch Civil Code, 1838. Article 2:391 subsection 1 of the code is the direct implementation of the EU Modernisation Directive								
	x			The Environmental Protection Act, 1993							

	x							Recomme ndations for Dutch State Holdings, 2009			
	x										European CSR Awards
			x								Guidelines for Financial reporting companies
	x										Rec on Supply Chain Disclosure and Due Diligence
Norway	x			The Norwegian Accounting Act, 1998t							
	x										European CSR Awards
	x			Act amending the Norwegian Accounting Act 2013.							
	x			The Public Limited Companies Act, 1997. In 2003,							
	x							Norwegian Code of Practice for Corporate Governanc e 2012.			
Poland	x									Eco-Innovati on Guide: Diagno sis of Trends and Best Practic es (2008)	
	x										European CSR Awards
	x									Sustain able busines s: Guide for SMEs (2009)	
	x				PN-N-18001 - System Manage ment Occupat ional Health and Safety						

Country											
		x									Warsaw Stock Exchange RESPECT Index
Portugal	x					The Financial Reporting Accounting Standard nº 26, 2010.					
	x				Sustainability Report, 2006						
	x										European CSR Awards
	x					Social Balance, 1985.					
	x						Resolution of the Council of Ministers, N.º 49/2007, 2007				
Slovak Republic	x										European CSR Awards
Slovenia	x										Aricle 7/5 (Corporate Governance Code))of the Companies Act was adopted by the Ljubljana Stock Exchange
	x										European CSR Awards
	x		Article 70/2 of the Slovenian Companies Act (a company's annual report must provide among others for information relating to environmental and employee matters)								
Serbia	x										European CSR Awards
Spain	x		Spanish Sustainable Economy Law, 2011								

x			Ministerial Order on Corporate Governance, March 2013.						
x			National Accounting Plan, 2007.						
x									European CSR Awards
x				Royal Decree 1159/2010, September 17th, states that the annual reports considered by the National Accounting Plan should include information about employees with disabilities included in the total workforce.					
x			CSR law of Extremadura, 2010						
		x					RSE.COOP Reporting Guidelines Programme, 2005-2007.		
x								RSE.PIME, 2008-2010.E	
x								Spanish Organic Law 3/2007 for Effective Equality between Women	

Country											
										and Men, 2007	
			x					Gestio Sostenible Rural. The program considers the mng of Socially Responsible Territories, and has a specific code of sustainability mng that is aligned with GRI.			
		x									The Resolution of 25 March 2002, 2002.
		x									The Resolution of 8 of February 2006, 2006.
Romania	x										European CSR Awards
Sweden	x			Annual Accounts Act, 1999.							
	x										European CSR Awards
	x			Guidelines for external reporting by state-owned companies, 2007.							
	x			Sustainability goals for State-owned enterprises, 2012.							
	x							Guidelines on environmental information in the Directors' Report section of the Annual Report, 1998			
Switzerland	x										European CSR Awards
		x					Directive on Information relating to Corporate te				

				Governa nce, 2009					
	x								SIX Swiss Exchange Eurex
		x			Swiss Code of best practice for corporate governanc e 2007				
Turkey		x	Communiqué on 'Corporate Governance Principles', 2011.						Code for CorpGov
	x			Green house gas regulatio n, 2012					
	x								European CSR Awards
	x			Labour Law 4857					
	x			Environ mental Law No. 2872					
	x			Occupat ional Health and Safety Law No. 6331, 2012.					
	x			Protecti on of Consum er Law No. 4077.					
United Kingdom	x		Quoted companies GHG reporting, 2013						
	x		The Companies Act, 2006.						
	x								European CSR Awards
	x		UK Corporate Governance Code, 2012 (formerly the Combined Code).						
	x			The Climate Change Act, 2008.					

x					The Carbon Reduction Commitment (CRC), 2010.					
	x									FTSE4 Good UK 50 Index
x										Reporting Guidelines – Environmental Key Performance Indicators (KPIs), 2006

ANNEX 2 – CSR and sustainability related business areas

Training	Age Management	Public Image and Reputation	Employee Engagement	Supply Chain Management
Training denotes the acquisition of knowledge, skills and competencies as a result of teaching vocational and practical skills and knowledge relating to specific useful competencies. In addition to the basic training required for a trade, occupation and/or profession it entails continuous training to maintain, upgrade and update skills throughout the working life. It is often formulated in professional development schemes	Age management denotes activities aimed at achieving the right balance between an individual's abilities according to their age and the tasks to be fulfilled while optimising employee's employability internally (across life stages) and externally (flexible exit & entry in a company). Companies can improve working conditions and workers' abilities through better health awareness, greater internal flexibility and mobility, career development, mixed age groups and the promotion of knowledge transfer, flexible working time practices, avoiding physically demanding working hours and using older workers at non-stressful periods, changing wage structures and pension provisions.	Public image and reputation denotes the rational and/or emotional inclination of the societal environment in which a company operates, towards that specific company. Public image and reputation can impact revenues, brand equity etc. Related topics that can influence public image and reputation include: media and opinion former attention, external communications, stakeholder relations & dialogue, community impact & investment, involvement in scandals, accidents etc.	Employee engagement denotes the idea that employees who feel fairly treated, challenged to develop their full potentials, and rewarded for the work they do, will align themselves more with the interests and goals of the company they work for. Factors influencing the level of employee engagement include: diversity, gender equality, employee dialogue and representation (e.g. the existence of collective bargaining associations and agreements), occupational health & safety, employee benefits & remuneration, development & training, performance management, employee retention etc.	Sustainable supply chain management denotes the measures taken by companies to investigate and ensure the responsible business conduct of their suppliers and subsidiaries along the entire value chain. This constitutes a major factor in a company's reputational risk management. Due to time and resource constraints, companies usually decide to track some or all of the following topics: "basic rights, including labour rights (a living wage, freedom of association, work-life balance, etc.), health and safety at work, the use of child or forced labour, respect for citizens in local communities", environmental impact etc.
Health and Safety	**Energy and Resource Efficiency**	**Customer Satisfaction**	**Innovation**	**Ethical Integrity**
Health and Safety denotes organised efforts and procedures for identifying workplace hazards and deducing accidents and exposure to harmful situations and substances while promoting health literacy in the workplace. Health literacy ensures people's ability to access, understand, appraise and apply information to make health decisions in everyday life. In a time	Measuring and reducing carbon emissions is one of the main options companies have to indicate their commitment to combating climate change. Curbing carbon emissions can save operational costs and improve operational efficiency. Complementary to carbon emissions, improvements in waste management serve as an indicator of a company's concern for	Customer satisfaction denotes the overall rational opinion and/or emotional attachment of customers to a specific company or product. High levels of customer satisfaction can increase a company's competitive position and brand equity. Related topics that can influence the level of customer satisfaction include: attention to customer health & safety, price setting, transparency,	Innovation denotes the idea that the way innovation is driven within a company can also be directed towards more societal or environmental value creation. This entails not only paying attention to the new product's features, but also to the process that has brought forth this product (How are new product ideas sourced? Which criteria are used in evaluating new product ideas?). New ideas	Ethical integrity denotes not only compliance with legal requirements concerning a company's organizational structure and reporting content, or the existence of an organizational code of ethics. It also inquires about the level of embeddedness of the values and principles that underlie these legal requirements or company codes in the minds of employees at all levels within the

of challenges, such as the demographic change, increased chronic diseases, stress, and austerity health has become a key asset for the economy. It helps individuals to make healthy choices when boundaries between work and life are not so clear anymore. Health and Safety also includes training of personnel in accident prevention, accident response, emergency preparedness and use of protective clothing and equipment.	the environment and natural resources. Effective waste management can lead to improved operational efficiency and reduced operational costs. Topics related to energy and resource efficiency include: energy efficiency (including technological innovation), use of renewable energies, transport, disposal methods ("composting, reuse, recycling, recovery, incineration, landfill, deep well injection, and on-site storage "), hazardous waste treatment, environmental impact and breaches, waste reduction etc.	customer service quality, compliance with international laws and standards concerning products and services, customer privacy, marketing integrity, quality control etc.	frequently come from consumers, suppliers, partners, research institutions or even from regulators. Therefore, open innovation approaches are becoming increasingly vital to generating new ideas that can then be further developed within the company. Ultimately, integrating a societal and environmental focus in the innovation process can unlock new markets, lead to revenue growth and enhance company reputation. Topics related to this area include: lifecycle assessment, design for recyclability, social innovation, R&D expenditure, customer involvement, material use, the ability to convert new (sustainable) ideas into products and services (innovation process management) etc.	organization. Therefore, the amount of time dedicated to training employees and communicating about company values, or the examples set by management at all levels, may be more instructive than just the existence of, for example, a corporate code of ethics. A high level of ethical integrity throughout a company contributes extensively to overall operational and reputational risk. Specific themes that can be a topic of corporate integrity include: corruption & bribery, anti-trust, public policy, board composition & governance structure, reporting & transparency, audit processes, training, internal codes of ethics or conduct, company mission, vision & values, whistle-blowing channels, leadership integrity & training, employee training, etc.