

The employer's corporate social responsibility to participate in the EU's facilitation of lifelong learning within their business – how does it link to the new CSRD?

Currently you may have seen news headlines relating to the Corporate Sustainability Reporting Directive (CSRD), which entered into force on 5th January 2023 in the European Union. The CSRD must become essential knowledge for every business owner in the EU sooner or later, as it provides the basis of non-financial reporting standards. The CSRD is designed on the basis of environmental, social, and governance activities – ESG – a term becoming increasingly used. EU undertakings are required to report on a variety of topics, including the adaptability of their business models and strategies to sustainability risks, the opportunities presented by sustainability factors, and the plans in place to guarantee that the business model is consistent with the shift to a sustainable economy. Under the social aspect of the acronym, falls corporate social responsibility (CSR) and lifelong learning - but what does it really mean in the context of business and why is it important to implement?

The European Commission defines CSR as “the responsibility of enterprises for their impact on society”, specifying that such efforts such be company led. Ways that a company can become socially responsible include the integration of “social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations [and] following the law,”.

The European Employment strategy definition of lifelong learning reads: “all purposeful learning activities, whether formal or informal, undertaken on an ongoing basis with the aim of improving knowledge, skills and competences,”.

Now, what exactly is the link between the two? It is simple – the responsibility to educate employees, shareholders, or investors on ESG matters which concern the company both directly and indirectly. Without lifelong learning, one cannot respond to new market trends, economic changes, digital transformation, or properly comply with new regulations. One cannot implement new policies, in particular on aspects such as diversity, without prior knowledge. In today's world, there is an abundance of knowledge: you must research, adapt, discuss, evaluate information to understanding the CSRD and make changes to your non-financial reporting. Ways to integrate CSR with lifelong learning include seminars or training days, volunteer days, more frequent meetings to develop business strategy to be not only compliant with the law, but also to go above and beyond with own their efforts or offering your employees further qualifications in relation to ESG.

Depending on the size and turnover of the business, the CSRD will apply during different years, but that does not mean that those in charge of change within the company should wait until the last minute. It is important to have a clear plan, implementation strategy, as well as the necessary resources to adhere to the non-financial reporting standards soon to come within the next 5 years. SMEs in particular – who do not necessarily have separate staff or divisions to oversee non-financial reporting – need to start their research and training now to not fall out of the market. Large companies, to maintain their own transparency, will require their partner to also be transparent, whether or not they are yet obliged to adhere to the CSRD. To produce this report, companies need to appoint someone to facilitate this process. Many questions arise, as after all, who is responsible for producing this report, and, making sure it is compliant with the CSRD? There is one short answer: this is the employer's governance responsibility i.e., making sure the firm is compliant with the laws and regulations, but also their social responsibility; as head of the business, they are in control, the business relies on them to make advantageous decisions for the stakeholders, employees, and the community. They are leaders of the company, no matter if it has 2000 employees or just five. The CSRD states it is the director's duty to appoint an auditor when necessary.

The current issue at hand, is that many employers or businesses operating within the European Union are not aware of the CSRD, or do not completely understand what it entails. According to a survey

carried out by Compliance Institute, the professional body for compliance professionals in Ireland 41% of companies said they will struggle to provide the data required by the CSRD, 7% do not understand the new rules, 46% were unaware that independent auditing is a CSRD requirement (Morrey, 2023). A further study by Microsoft (Marguerite and Nyhan, 2022) on Assessing the Readiness of Irish Businesses in regard to sustainability transformation showed less than half (43%) have a dedicated Sustainability Strategy or Policy with over a third (35%) “not at all aware” of the CSRD. Nearly three-quarters (71%) do not have someone tasked with identifying environmental sustainability priorities – this shows how vital lifelong learning is as without it you cannot get ahead of competitors or create a coherent sustainability report. Business Insider Poland (2022) reports that only 5% of tech companies in Poland currently measure their carbon footprint, and two thirds do not have a code of ethics or have implemented anti-corruption actions: all falling under separate pillars of ESG.

The idea of lifelong learning is key in relation to the CSRD in many ways. Firstly, if as the director you decide to facilitate the process yourself, there are many new aspects which you will have to research. If you decide to appoint an auditor, there are clear guidelines on the competence and certification required of them in the CSRD. Secondly, it is beneficial to learn how to use free resources available online and to monitor the progress of Member State legislation. Market research is more important than ever as the company’s sustainability image or ranking significantly decides the economic position.

The CSRD has updates, as well as its own implementation plan and legal interpretation depending on the EU country member partner. Member states have until 16 June 2024 to transpose the CSRD into their national laws. As the employer, it is your responsibility to educate yourself as well as your staff on what is, or will be, required. We encourage you to use free resources available to you as well as utilise the knowledge of your staff to stay on top of the latest standards, requirements and possible actions your company can take in relation to ESG activities.

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