

Luxembourg Sustainability Barometer 2011

*This report sets out a
comprehensive assessment
of where Luxembourg
stands on the Sustainability
agenda*

December 2011



Foreword

Economic uncertainties have forced organisations to constantly seek competitive advantage. Corporate Social Responsibility (CSR) and Sustainable Development (SD) are an opportunity for companies to monitor and manage their economic, environmental and social impacts while getting this advantage at both a national and global level.

In this context, PwC Luxembourg has conducted the Luxembourg Sustainability Barometer 2011 in order to monitor awareness trends and applications of CSR/SD in Luxembourg. This covers some of the aspects analysed in the “Take up the challenge - Sustainability Yearbook 2010”, such as the business community’s attitudes towards environmental regulation, legislation, tax incentives and charges. Additionally, it examines the familiarity with and use of specific CSR/SD tools and methods as well as the awareness of government financing tools supporting CSR/SD implementation.

The study was conducted via face-to-face interviews with business executives from 22 different Luxembourg-based companies in various industries ranging from financial services, operational companies, private equity and real estate to the public sector. This methodology enabled us to capture the opinions and report quotations from those who were interviewed by PwC Luxembourg for the “Take up the challenge - Sustainability Yearbook 2010”. This barometer also includes some results of the web-based survey conducted by Sustain SA which gathered the views of 134 decision makers.

The conclusions that can be drawn from this are:

- CSR/SD awareness can be increased through improved communication;
- There is a need for improved follow-through once CSR/SD initiatives have been adopted. The majority of companies have put in place specific CSR/SD initiatives;
- Familiarity and use of CSR/SD tools remains fairly limited;
- The government has developed financial support schemes to foster the implementation of CSR/SD initiatives within companies. The awareness of these tools is relatively low.

We trust you will find this interesting and useful.



Laurent Rouach
Partner



Pol Goetzinger
Strategic Partner of Sustain

“CSR should be a priority.”

An executive of a large hospital

Growing CSR/SD awareness

CSR/SD has become increasingly important for the business community as 77% of executives declared CSR/SD have a very big or a fairly big impact on the way their organisations conduct their business. Executive management knowledge has improved and they perceive CSR to have a growing role in safeguarding ethics and good practices as confirmed by the survey conducted by Sustain. Business executives have a moderately better knowledge of the subject now than they did in 2010; the proportion of respondents having “some knowledge” and “very good knowledge” of CSR/SD has increased from 85% to 95% in the last year (Figure 1).

Increasing implementation of CSR/SD actions

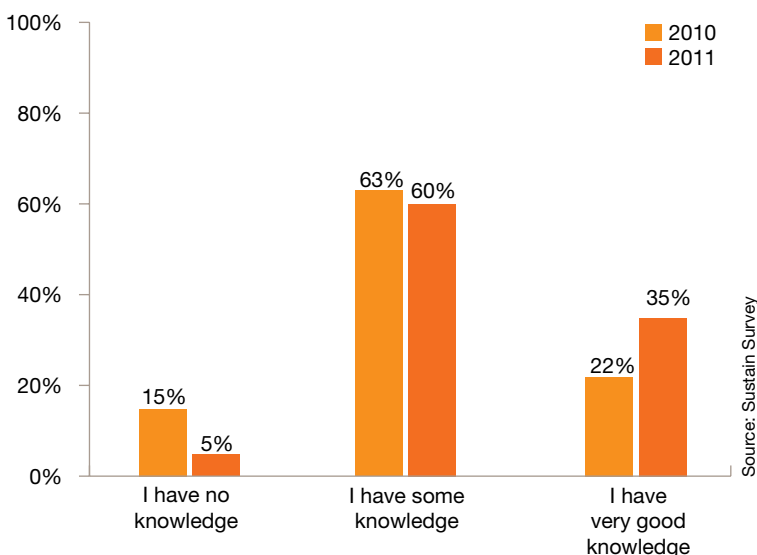
Consistent with last years’ results, a higher proportion of businesses headquartered abroad have implemented their multinational CSR/SD approach compared to those headquartered in Luxembourg (Figure 2). 55% percent of the interviewees have put in place a structured CSR/SD strategy and an additional 32% plan to begin implementation within two years.

Opinions differ as to whether setting up a CSR/SD charter, corporate responsibility reporting or designating a specific and dedicated CSR/SD officer, as more than 23% of the interviewed companies have no plans to implement such initiatives in the coming years.

The firms, which do not intend to put in place such actions, mainly argue that

Figure 1: Level of CSR/SD awareness/knowledge

How would you evaluate your knowledge of CSR/SD?



they do not see CSR/SD as priorities or feel there is a lack of resources within their company to structure such a project. They listed other causes, such as the high cost of implementation and the lack of formalisation within their company as reasons that keep them from initiating CSR/SD projects. Larger companies, employing more than 1,000 people, have a clear advantage over smaller ones in this respect.

All firms interviewed do implement specific CSR/SD initiatives within their company, even if some have not developed a clear and defined CSR/SD strategy or charter (Figure 3).

Concerning the environmental measures that have been implemented, nearly all of the surveyed companies have introduced waste management

initiatives, such as waste sorting and recycling. Also, 77% of the surveyed companies have implemented energy efficiency initiatives. The Sustain survey confirms these results. Some executives stated that their company had taken initiatives in the mobility and transport area such as favouring the use of trains over planes for their business trips as well as favouring alternative transport for commuting.

Although companies have put in place specific CSR/SD initiatives, internal reporting on CSR has been implemented by only 36% of the surveyed companies. However, this is gaining importance for companies as another 45% plan to set up internal metrics in place in the next 2 years. Unexpectedly, carbon reduction initiatives are not planned at all by 23% of the respondents.

“As there is no legal need to implement these actions, we have other priorities.”

A facilities manager of a large bank

What are the factors driving the environmental behaviour of companies and what persuades them to implement CSR/SD? The willingness, or need, to “comply with the environment legislation and regulation” is the main factor influencing companies. “Attract and retain clients and investors” as well as the “potential costs savings” that can be made by introducing energy efficiency measures also play an important role in their decision-making process.

Figure 2: CSR/SD actions already in place among surveyed companies

Which of the following CSR-SD actions are: already in place in your organisation?

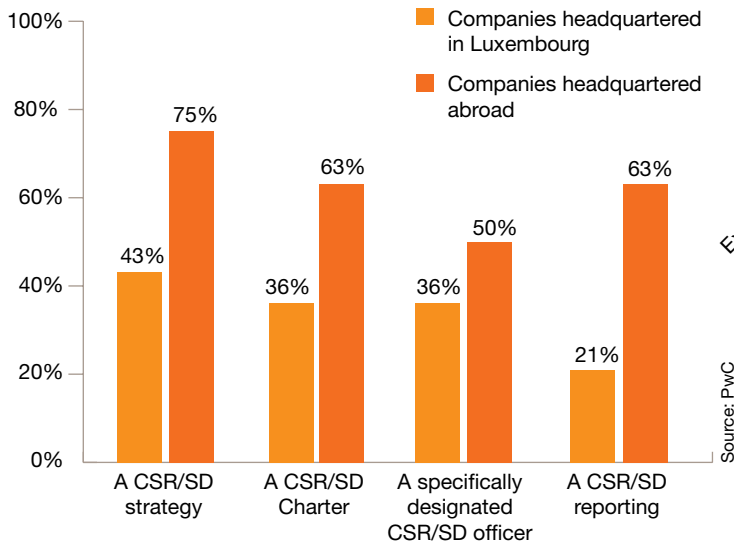
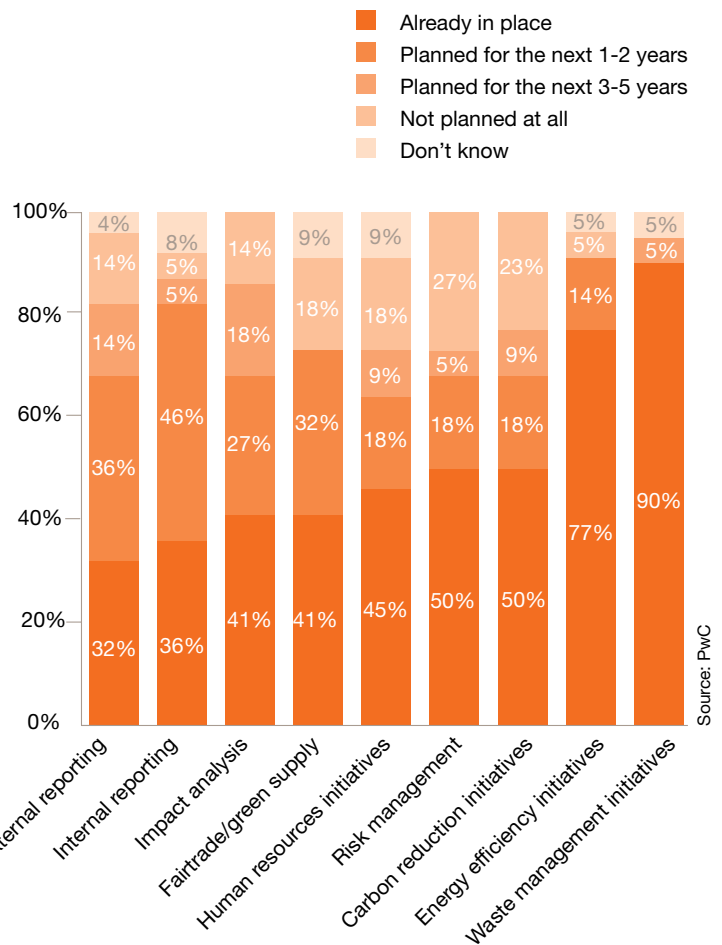


Figure 3: CSR/SD initiatives among surveyed companies

Which of the following CSR/SD initiatives are: already in place in your organisation, planned for the next 1-2 years, planned for the next 3-5 years or not planned at all?



Knowledge of CSR/SD tools and of the government's financial support scheme can be improved

CSR/SD tools and methods are designed to provide companies with a set of instruments to follow, such as objectives, processes, responsibilities or performance indicators. The final output of such tools and methods can be a certification in some cases. However, in other cases, methods such as ISO 26000 or Bilan Carbone®, provide guidelines to better assess and manage environmental, social and economic impacts of an organisation.

Although the offer of CSR/SD tools and methods is large, the familiarity and use of such tools and methods is limited as companies often consider them to be complicated and time-consuming. This creates confusion among some companies. Few are familiar with the financial support scheme provided by the government supporting Sustainable Development implementation. A higher level of communication seems necessary to boost implementation of CSR/SD initiatives in Luxembourg.

Limited use of CSR/SD tools

We have assessed the level of familiarity of companies with CSR/SD tools and methods as well as their usage and satisfaction levels (Figure 4).

Based on the opposite figure, we have identified three categories of CSR/SD tools and methods according to the level of familiarity and the level of use by the respondents.

The leaders

These tools or methods are very familiar to companies and are already in place or planned in the next term in the majority of companies

- SuperDrecksKëscht® is a label that promotes the environmentally sound recycling of waste. This label is highly known and used in Luxembourg.
- Environmental certification of buildings is an environmental scheme and evaluation method for constructing, using and refurbishing green buildings. The most frequently used schemes are BREEAM, HQE® and DGNB®.

The challengers

Companies are less familiar with these tools and methods but they plan to put them in place within the next five years.

- Bilan Carbone® is a method used in order to lower the CO₂ equivalent emissions of an organisation by providing guidance and assessing the emissions regularly.
- Company Mobility Plan is an analysis of the mobility status of an organisation (e.g. use of public transports and car-sharing for business trips and commuting, existing public zero emissions transport solutions). It then provides recommendations on how to improve the physical accessibility of the company while reducing its related environmental impact.

Behind the pack

The least used tools and methods are very poorly known by the companies surveyed and will be implemented only in the long term, if at all.

- Global Reporting Initiative produces a comprehensive sustainability reporting framework that sets out the principles and indicators organisations can use to measure and report their economic, environmental, and social performances.
- INDR label (developed by the Institut National pour le Développement Durable et la Responsabilité sociale des entreprises) is a tool for companies as they formalise their efforts in the CSR area, share their experience, communicate their efforts and success stories.
- Global Compact is a UN (United Nations) strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
- IMS events, organised by IMS Luxembourg, promote and develop CSR policies by offering companies the opportunity to exchange best practices, knowledge and expertise.
- IT based reporting tools provide automated reporting solutions, on financial and non-financial performance, based on business intelligence systems.

“Too many standards are currently available: clarification and simplification are needed as there is too much confusion at the moment.”

A communication officer in a large Private Equity fund.

- ISO 26000 is a standard intended to assist organisations in contributing to sustainable development. It is intended to promote a common understanding in the field of social responsibility and to complement other instruments and initiatives for social responsibility. The level of familiarity with ISO 26000 is still

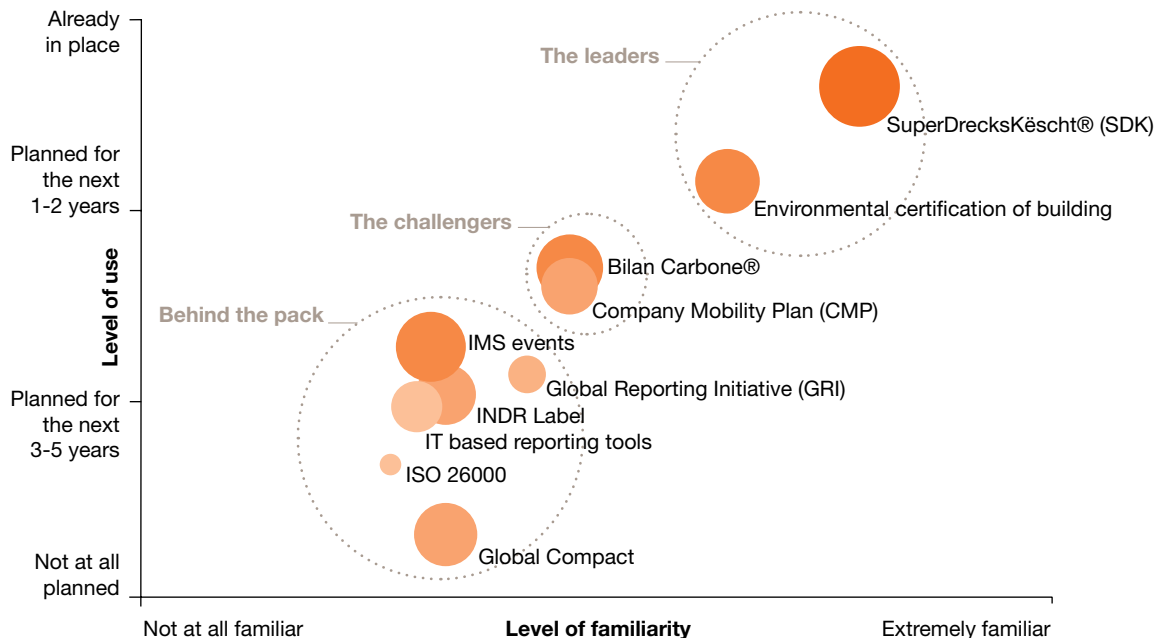
very limited among the interviewed companies as the method was internationally approved in late 2010. Companies are somewhat reluctant to implement this method as it doesn't lead to a certification.

Knowledge of the CSR area is improving, though the level of familiarity and use of

CSR/SD tools is still at a moderate level. Executives stated that the main reasons for not using CSR/SD tools include the time needed for implementation, perceived high cost and complexity. Some executives also mentioned that they are developing a better tool for their particular needs.

Figure 4: Level of familiarity, use and satisfaction with CSR/SD tools or methods

How familiar are you with each of the following CSR/SD tools or methods? Which of the following CSR/SD tools or methods are: already in place in your organisation, planned for the next 1-2 years, planned for the next 3-5 years or not planned at all? How satisfied are you with the CSR/SD tools or methods you are using for your organisation?



Note: The size of the bubble represents the level of satisfaction with the tool.

Source: PwC

“We should clearly show the advantages for businesses via communication campaigns ran by the Government and private companies.”

An environmental management adviser of a public institution

Limited awareness of the Government’s financial support scheme

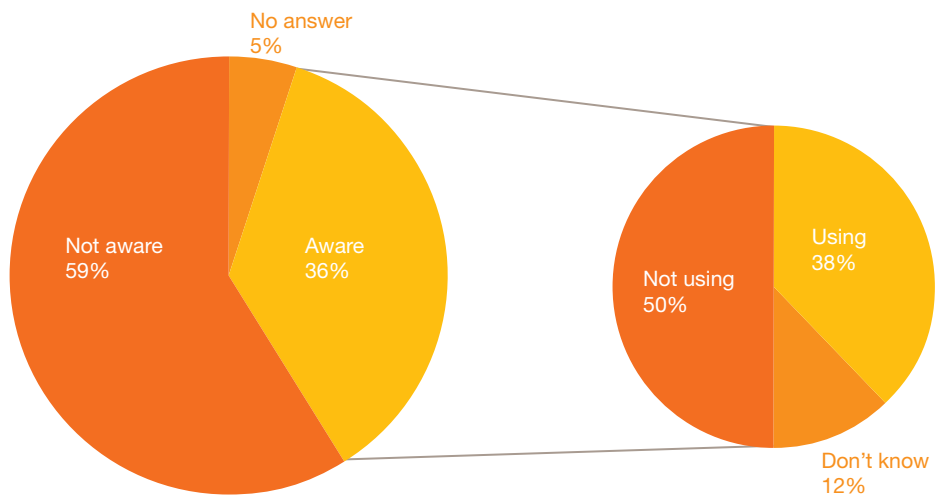
Since February 2010, the Luxembourg government has developed an “Aid Scheme for Environmental Protection and Rational Use of Natural Resources” (Law of 18 February 2010). There are several types of investment that may benefit from financing support:

- Investment enabling companies to exceed EU standards or to increase the level of environmental protection in the absence of such standards;
- Early adoption by Small and Medium Sized Enterprises (SMEs) of future EU standards;
- Investments in energy savings and in local efficient or renewable energy production;
- Environmental studies.

Executives were asked if they were aware of the Luxembourg government financial support provided under certain conditions. 36% of executives stated that they were aware of such financing tools and only a few of those confirmed that they currently take advantage of them and when they do it is mainly in energy savings (Figure 5).

Figure 5: Awareness and use of the financing tools provided by the Government

Are you aware that the government of Luxembourg provides financing tools, under certain conditions, to support the implementation of some CSR/SD tools? Are you currently using any of the financing tools supplied by the Luxembourg government?



Source: PwC

Towards greater CSR/SD impact

What governmental tools could encourage businesses to reduce their negative environmental and social impact or increase their positive effect? According to 55% of the businesses surveyed, regulation is the most effective measure to increase sustainable behaviour, followed directly by tax incentives and tax charges (Figure 6). This follows last year’s results where government was considered to

be one of the strongest influences on company behaviour. In addition to the regulatory and tax aspects, companies believe further promotion of labels and certification could also be an effective measure to impact on their environmental behaviour.

Although companies believe the government plays an important role

in changing business environmental behaviour, they believe CSR/SD actions will have an increasing impact on companies in the near future. A large majority of companies believe these actions will have a “very high impact” on their business especially on the “branding, reputation and visibility” of their company as well as on the building/infrastructure (Figure 7) or on the products and services

“Suppliers using recognised CSR criteria should be favoured for public projects. This would strongly influence private companies to implement CSR actions.”

A managing director of a large Real Estate developer

“We should favour private financiers and managers for public projects to start off things.”

A deputy CEO of a Luxembourg bank

in the next 3-5 years. This proportion has increased substantially from 40% to 68% since last year. Additionally, the results regarding the impact of CSR initiatives on “building and infrastructure” have also improved dramatically since 2010, increasing from 13% to 55% in the short term (1-2 years) and from 29% to 64% in the medium term (3-5 years).

A large majority of companies interviewed believe sustainable management practices and investment

will generate more return in the future than traditional ones, despite the limited use of CSR/SD tools at present. This trend is quite promising as the proportion of companies holding this view has increased significantly since last year (85% in 2011 versus 57% in 2010).

So what is most important in continuing to increase CSR/SD awareness within the Luxembourg business community? Executives believe there is a strong need for specific improvements with

regards to communication including simplifying the information currently available on CSR/SD tools and methods. Additionally, companies believe all organisations involved in the Luxembourg CSR/SD area should coordinate their efforts to increase efficiency and reach the common goal of spreading CSR/SD adoption/implementation in the country.

“We must commit ourselves to this path.”

An executive of a large hospital

Figure 6: Effectiveness of tools to encourage sustainable behaviour

How effective do you feel each of the following tools is/would be at encouraging your business to reduce its negative/increase its positive environmental and social impact?

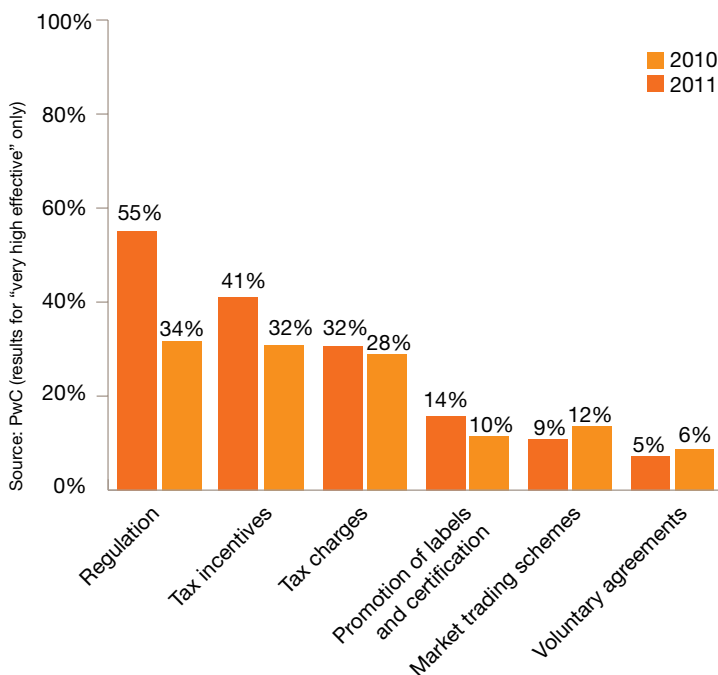
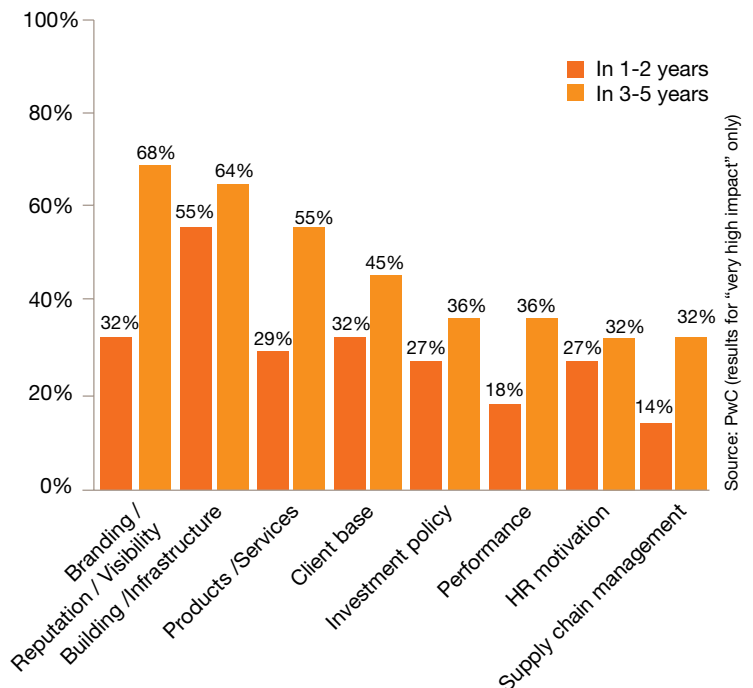


Figure 7: Impact of CSR/SD on companies in the future

How do you assess the impact of CSR/SD on your business in a 1 to 2 year perspective and in a 3 to 5 years perspective?



The 2011 edition of the Sustain CSR survey

The results of the 2011 edition of the CSR survey conducted by Sustain included several pleasant surprises:

- When asked about their main challenge, executives responded by stating that customer demand is their primary one. This seems to reflect the concerns of decision makers facing changing client expectations and behaviour.
- Though significantly more decision makers state that they have a deep knowledge of CSR (this score increased from 22% to 35% in the last year), the two main CSR concepts, namely the identification of strategic issues for the organisation and the identification and consideration of stakeholders' expectations, are still not included in their strategic perspective, especially when it comes to defining an innovative approach to customer demand.
- CSR is recognised as an essential theme but the increased need in support of internal skills development, the definition of strategic objectives and the monitoring tools of results, are currently still substantial barriers to the use of multi-dimensional strategic approaches in the CSR area.
- Companies which take a long-term market view need to begin a relevant CSR approach and this necessarily includes: anticipation of future challenges, employee retention and innovation.
- The main driver of a company's involvement in the CSR area remains the commitment of the responsible of the organisation. Enhancing the company's brand takes second position with client demand in third place.
- Finally, for the majority of organisations surveyed the director of the organisation is the person in charge of the CSR strategy. However, due to time constraints, he rarely develops a long-term CSR strategy in the organisation.



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