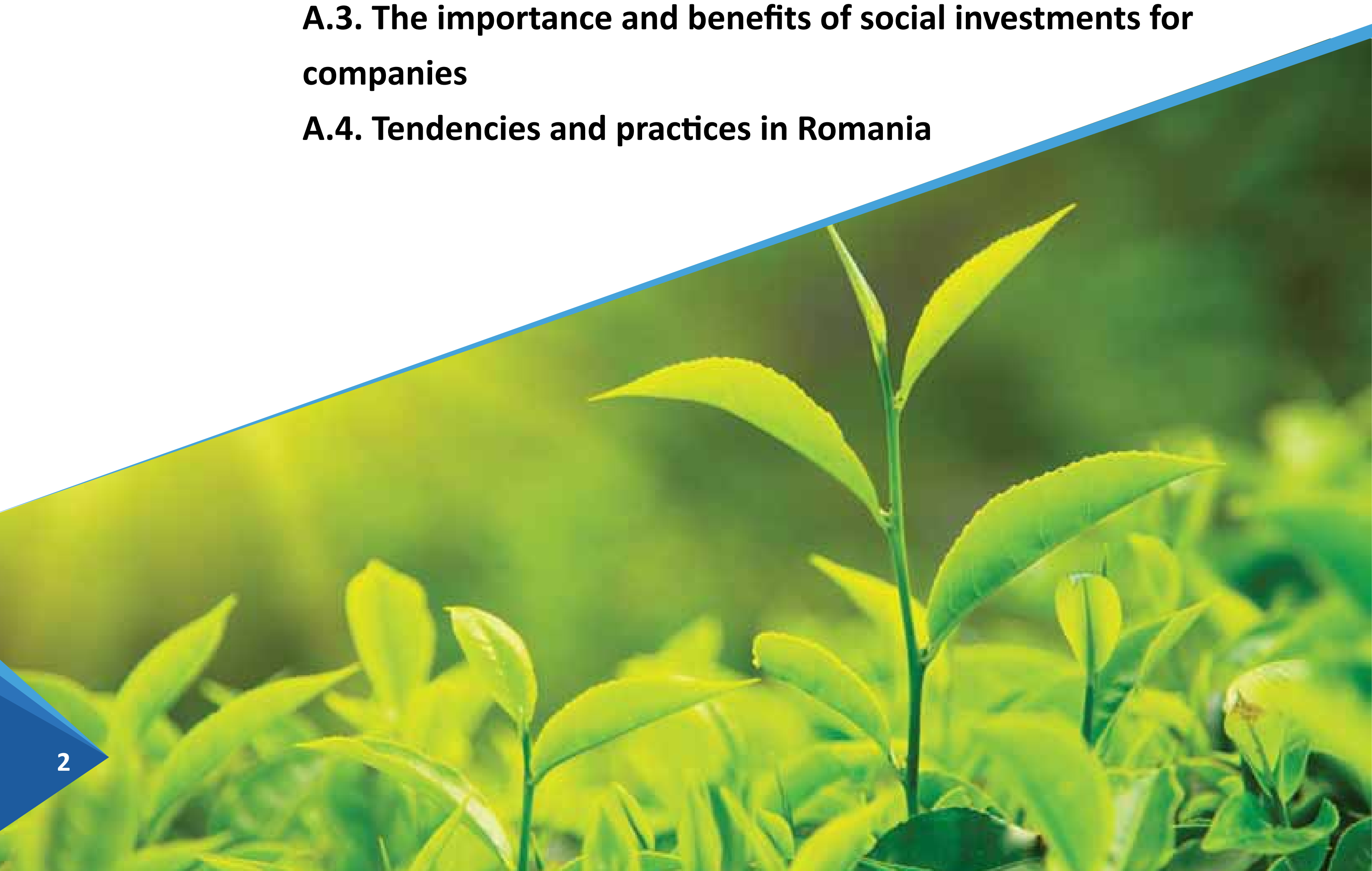
Community Investment Guide

ROMANIA
AMCHAM
American Chamber of Commerce in Romania

A. Introduction



B. Best pratice principles

A. Introduction

A.1. The relevance of the present guide

”**The Guide for Investment in the Community**” comes as a continuation and supplement to the documents previously published by the **American Chamber of Commerce in Romania** (“The Corporate Governance Code” and “The Anti-corruption Guide”) promoting the active role and responsibility of the business sector in society. This document aims at establishing a guide that companies active in the Romanian market can utilize to define and successfully implement their policy of involvement in the community.

More and more companies start to understand and accept the consequences of the fact that the economic sector functions within a social environment, the long-term development of the former being tightly connected with the health of the latter. Or, in other words, companies cannot prosper in a society that faces difficulties in securing the right for a decent living to its members.

The companies’ involvement in solving some of the community’s problems represents a tendency that has picked up pace in recent years, even in spite of the difficult context that followed the world economic-financial crisis. Thus, the efforts made for improving the quality of life and developing the communities are more and more seen as investments that, in the long term, will enhance the environment in which companies are active.

Money, products and volunteering are the most common forms of investment in the community and are also the subject of this guide. Donating money, products, and allocating time or human resources to social causes might seem like an easy thing to do for any company. But deciding who to give to, how much, when, for what purpose and in which way is neither easy, nor within everyone’s power.

It is vital that a company allocates time and resources for defining a strategy that establishes its desired role in the community.

Ideally, a strategic Corporate Social Responsibility (“CSR”) program creates value in two directions: in the community and in the company, through the alignment with business goals, the reduction of operational costs and the development of relationships with interested parts (stakeholders).

By implementing the community involvement initiatives in a strategic and integrated manner, each company can improve the efficiency of the benefits it brings. For this reason, the guide formulates a series of recommendations/principles meant to support economic actors, from large companies to state enterprises and small and medium enterprises (“SMEs”), who understand that becoming socially responsible is not a cost, but a strategic investment in the community, in the company and in its employees.

The guide was created while considering the best relevant practices of members of AmCham Romania and of some of the largest companies in the world, which are recognized for their social involvement.

The document is structured in two parts. **The introductory part** familiarizes the reader with the concept: it presents the legal framework, explains the importance of investments in the community and presents statistical data concerning this phenomenon on a global level as well in Romania. **The second part** contains a series of recommendations concerning each step of the process for defining and implementing a policy for investment in the community: from establishing criteria and selecting partners, to project management, monitoring, evaluation and reporting.

A.2. The legal framework regarding investments in the community

A company can invest in the collectivity within which it operates, thus showing that it is conscious of the need to participate in social development and that it runs its business in an ethical manner.

The state offers companies adequate legal instruments and grants certain fiscal advantages, in considering the free of charge legal acts agreed upon with various beneficiaries in the community, be they natural or legal persons.

A.2.1. The sponsorship/patronage contract - supporting social activities unde Law no. 32/1994

- ***The sponsorship contract***

The main legal instrument used for investing in the community is the sponsorship contract regulated by Law no. 32/1994. Under such a contract, a company can transfer, via a written contract, the right of ownership over goods or financial means to a non-profit legal entity, institution or public authority, which is required to operate in certain domains like culture, sports, social activities, education, etc.

A natural person can benefit from sponsorship if his/her legal residence is in Romania and if his/her activity in one of the above mentioned domains is recognized by a non-profit legal entity or by a public institution operating in these domains.

The sponsor and/or the beneficiary have the right to inform the public in regard to the sponsorship by promoting the name, brand or the image of the sponsor.

- ***The patronage contract***

If a company considers transferring its right of ownership over certain material goods or financial means to a natural person residing in Romania, as a humanitarian philanthropic activity, for undertaking activities in certain domains like culture, art, healthcare, etc, the parts can enter into a **patronage contract** as provided under Law no. 32/1994. One important distinction: as compared to the sponsorship agreement, it is not necessary for the activity of the beneficiary of the patronage contract in one of the above mentioned domains to be recognized by a non-profit legal entity or by a public institution, as it is in the case of sponsorship. In order for it to be valid, the patronage contract must be concluded and authenticated in front of a public notary.

A legal entity cannot become the beneficiary of a patronage contract.

The patronage contract cannot stipulate that the beneficiary provides any direct or indirect compensation.

A.2.2. The donation

Donation is a free of charge legal act, regulated by the Civil Code, executed and authenticated, through which a company can transfer the right of ownership over material goods or financial means to a beneficiary (an individual, a legal entity or a public authority), without compensation.

The donor can stipulate in the contract that the beneficiary accomplish a certain task, if he desires the object of the donation to be oriented toward a specific goal, but the economic value of the task must remain small in comparison to the object of a donation, in order to respect the free of charge character of the contract. If the beneficiary does not fulfill the task stipulated in the contract, the donor can ask for either the task to be executed or the donated good(s) to be returned to their owner.

A.2.3. Private scholarships

A private legal entity can choose to support the education of an individual (pupil, university student, PhD candidate or someone attending a postdoctoral program in an accredited higher education institution in the country or abroad), by signing an agreement for granting a private scholarship, according to Law no. 376/2004. This contract must be approved by the educational institution, the beneficiary being responsible for this. The amount granted through the scholarship must at least cover meals, accommodation and living expenses, without going below the minimum wage.

The contract can stipulate that after completing his/her studies, the beneficiary work for the grantor.

A.2.4. Benefits granted by the state through the provisions of the fiscal code

The Fiscal Code stipulates that funds/goods directed/granted do not represent a supplementary expenditure for the enterprise. Sponsorship expenses and/or patronage agreements, as well as private scholarship agreements (consisting of funds, goods or services) are deducted from the corporate income tax.

In order to benefit from this tax incentive it is necessary that: (i) the company pays its corporate income tax; (ii) the contracts are executed in a written form (and are authenticated when the law requires it) and (iii) the directed funds are below the lower limit provided between the two:

a) 3‰ of the enterprise’s turnover or;

b) 20% of the corporate income tax owed.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The amounts not deducted from the corporate income tax, because they go over the above limits, are rolled over for the next seven consecutive years and are recovered in the order in which they are registered.

The fiscal regime mentioned above does not apply to the donation, which is considered to be a fiscally nondeductible expense.

For sponsorship or patronage contracts whose object consists of goods, no VAT is collected, if their value stays below the nontaxable VAT threshold of 3‰ of the enterprise turnover.

A.2.5. Regulations for volunteering activities in Romania by means of Law no. 78/2014

An individual can participate, without remuneration, as a volunteer in public interest activities undertaken for the benefit of other persons or of society, organized by public or private legal entities, under Law 78/2014. The activities can pertain to domains such as art and culture, sports and recreation, education and research, environmental protection, healthcare, social work, humanitarian aid, community development, and social development. The volunteering activity can be undertaken on behalf of a natural person.

The law regulates the **volunteering contract**, necessary in a written form, between the volunteer and the host organization and includes mandatory clauses, termination clauses, the rights and obligations of parts, as well as the mandatory volunteering sheet clause and the volunteer protection sheet.

The regulation of the agreement focuses on the importance of volunteering for society and the state's active involvement in supporting and developing volunteering activities, the inclusion of groups as a form of organizing volunteering activities, alongside individual involvement and the need for volunteers to have a coordinator.

A system of certification of acquired competencies is also legally regulated, through the issuance by the host organization of a volunteering certificate, at the volunteer's request. Volunteering counts as professional experience, if it pertains to the same field as the volunteer's education.

A.2.6 Reporting

At present, the reporting of social responsibility activities is done voluntarily. Nonetheless, starting with 2017, reporting will become mandatory. In September 2014, the European Council adopted the 2014/95/EU Directive with respect to the disclosure of non-financial information and information regarding diversity by certain enterprises and large groups. The Directive must be transposed within Romanian legislation by the end of 2016 (see section B.8.3).

A.3. The importance and benefits of social investments for companies

Apart from the obvious and direct beneficial role of paying taxes and creating jobs, the economic sector can also play an indirect role for development through the support it can offer for solving society's problems. The benefits that companies obtain by initiating, financing, implementing or getting involved in such projects consist of:

- ***Obtaining, consolidating and long-term maintenance of the social operating license.***

This aspect is valid especially in the case of companies that have large production units, which, due to the specifics of their activity, cause a significant disruption of living conditions in local communities. The social operating license refers to acquiring legitimacy in front of the local community affected by the company's activity, beyond the necessary legal approvals and requirements. Without this, companies can face difficulties in maintaining regular operations.

- ***Improving reputation, managing reputational risks.***

In the current economic context, in which symbolic value equals and many times even surpasses the functional value of traded goods, trust and a good reputation represent necessary conditions for having a successful business. Community involvement projects directly contribute to building relationships based on trust, by associating the company's brand or the brands of products and services with community initiatives or projects. Trust is difficult to earn and very easily lost, sometimes due to accidental or external factors that cannot always be controlled. In crisis situations, involvement in community projects can generate favorability, thus contributing to maintaining or increasing the capital of trust.

- ***Bolstering employees' motivation and loyalty, increasing productivity and consolidating the employer's brand.***

Numerous analyses and studies in the field of human resource management have demonstrated that employees who are involved in community projects through volunteering, fundraising or other types of activities are more involved and motivated when it comes to their work tasks. Such activities can contribute to the company's image on the labor market and can attract the best candidates.

› ***Competitive advantage, favorability and customer loyalty.***

Market research studies show that there is a growing segment of consumers who have expectations in regard to the ways in which companies respond to the community's needs. Thus, with equal quality and price conditions, customers are inclined to choose the products and services of a company that performs in this field. Moreover, in certain situations and for certain types of products and services, customers are even willing to pay a higher price and manifest increased loyalty to these companies.

› ***Access to sources of funding, facilitating the sealing of partnerships.***

Involvement in community projects represents an essential aspect of a company's social responsibility. Evaluation criteria concerning social responsibility are used by a series of international financial institutions as well as by rating agencies, thus influencing the companies' access on capital markets.

A.4. Tendencies and practices in Romania

Companies, employees, consumers and society as a whole are starting to put more emphasis on the social role of corporations. In Romania, as well as on a global level, certain tendencies can be observed regarding the practice of and perception toward community investments.

Companies prefer financial investments and opt less for in-kind or time investments, though in recent years these last two types have experienced a visible upward trend. Even if the allocation of investments by domain varies from year to year, there is a concentration of investments in healthcare, social aid, education and youth.

The Romanian employee is beginning to pay more and more attention to the values promoted by companies. On the labor market, Romanian employees of the Y generation (1980-2000) manifest a slightly above-average interest in deliberately looking for employers whose social responsibility values are compatible to their own. At the same time, however, when they evaluate an organization as being attractive, Romanian employees pay less attention to the good reputation pertaining to the company's ethical practices.

Large Romanian companies have allocated a community investment budget (sometimes called CSR budget), but, in general, the community investment budget line is placed in the PR or Marketing department, while only 5% of companies have a sustainable development budget. In 2014, compared to 2013, the companies' community investment budgets stagnated. Almost half of the CSR budget of private companies comes from nondeductible allocations from their budget.

Romanian companies are conscious of the importance of reporting community investments and act accordingly. The number of companies in Romania reporting on social responsibility has tripled during the past six years, the initial gap between the Romanian and the European averages being reduced to just a few percentage points. Alongside countries like India, Chile, Singapore, Australia or Taiwan, in 2013, Romania registered the highest increase in CSR reporting, compared to 2011.

On a European level, Romania included, there is a discrepancy between society's interest in corporate social responsibility activities and the availability of information. European citizens are increasingly interested in the responsible behavior of companies, but they declare that they are not sufficiently informed.

[1] Results from London Benchmarking Group Romania, 2011
[2] PriceWaterhouseCoopers, "Millennials at Work: Reshaping the Workplace"
[3] Studiu "Ernst& Young și CSR Media: Trends and realities, CSR 2014"
[4] "The KPMG Survey of Corporate Responsibility Reporting 2013."
[5] Flash Eurobarometer 363: "How Companies Influence Our Society: Citizens' View", 2013
[6] Idem 5

Moreover, Romanians believe that, compared to ten years ago, companies pay less attention to the influence they have on society, which can also be attributed to this lack of relevant information regarding the companies' community involvement activities. Even though the rate of reporting has increased in recent years, it is possible that information does not reach consumers, clients and citizens in general.

Compared to the perception at a European level, that of the Romanian society is better when it comes to the responsible behavior of large corporations and is below the European average when it comes to SMEs. Romanians believe that the responsibility for the company's actions and its influence on society must remain, first of all, with the company's management, followed by equally authorities and citizens and, to a less extent, by trade unions and non-governmental organizations ("NGOs").

B. Best pratice principles

B.1. Stakeholder involvement strategies

We recommend a strategic and structured approach to identifying, classifying, prioritizing and involving stakeholders.

B.1.1. Identifying relevant stakeholders

The stakeholders are those entities, persons or groups of persons who are either directly or indirectly affected by a company's activities or are in a position to influence the respective company.

Examples of stakeholders: customers, suppliers, employees, shareholders, NGOs, massmedia, public authorities, competitors, academia, local communities, banks, financing institutions, trade unions, the political environment, the educational system.

The first step in initiating a relationship with stakeholders consists of identifying and putting together an initial list of such entities, persons and groups of persons that is as comprehensive as possible. The next step is to classify the stakeholders according to the following criteria: impact, interest, power of influence, positioning, as well as identifying the main risks, opportunities and objectives related to them. The defining step in establishing the relevant stakeholders is prioritizing them according to the selected criteria by using methods such as the scorecard and the analysis matrix (see Appendix 1).

The relevance of a stakeholder can vary even within the same company, according to the specific character of a project or an investment in the community. For this reason, prioritization must be done periodically at the level of the company as well as for each particular instance in its turn, before implementing a project or undertaking an investment or of a sponsorship.

B.1.2. Ways of stakeholder involvement

Depending on the results of the prioritization stage, the strategic approach to stakeholder management involves the following principles:

- ***Collaboration:*** the most important stakeholders (key stakeholders) are consulted during the decision-making process;
- ***Inclusion:*** powerful stakeholders who nonetheless have low expectations are included in the process;

- ***Consulting:*** those with high expectations but with less influence are informed and two-way communication is established with them;
- ***Informing:*** stakeholders with low expectations and interest toward the company are kept up to date.

The actual involvement of stakeholders is the most important stage, but also the most difficult one to achieve, since it requires sustained effort and rigorous planning on the part of the company. Planning entails certain critical elements such as: setting up a schedule, allocating resources (human, material, financial, time), defining expected results, elaborating a communication strategy (which includes monitoring), establishing the logistic elements required to undertake the activities, selecting the involvement methods.

In the following we demonstrate actual ways of involvement, pertaining to each priority level as previously described:

INFORMING →
- *Online communication (mail, newsletter, social media)*
- *Mass-media messages*
- *Letters, reports, brochures*

CONSULTING →
- *Questionnaires*
- *Interviews*
- *Research*
- *Discussions*
- *Presentations*
- *Consulting groups*

INCLUSION →
- *Focus group*
- *Workshops*
- *Conferences*
- *Interviews*
- *Involvement in specific decisions*

COLLABORATION
- *1 on 1 interviews*
- *Partnerships*
- *Common projects*
- *Inclusion in strategic decisions*

The essential elements for an efficient stakeholder involvement process and for obtaining expected results are as follows:

- ***Involving the stakeholders*** from the initial phases of a process they are meant to contribute towards — the planning stage of an investment in the community, establishing priorities and paths to action;
- ***Detailed planning of the process***, centralizing the stakeholders to be involved, while considering the expectations and interest areas specific to each;
- ***Presenting information in an accessible and intelligible manner***, in a less complex language, known by all interlocutors;

- ***The process must be sensitive to cultural, gender or social status differences*** and must include members from all categories, including vulnerable groups affected by the activity of the company;
- ***Transparency*** and allowing the possibility of expressing disagreement or negative feedback in regard to company plans or decisions;
- ***Informing stakeholders*** of the actual results of their involvement;
- ***Integrating these results*** in the decision-making process.

B.1.3. The advantages of stakeholder involvement

The main advantages of relevant stakeholder involvement in the decision-making process for investing in the community are:

- ***Creating strong and long-term relationships with local communities, attracting public sympathy, reputation and credibility;***
- ***Diminishing negative effects on stakeholders and preventing conflict;***
- ***Identifying and comprehending outside perspectives regarding the aspects influencing economic, social and environmental performances;***
- ***Motivating and attracting talented stakeholders (in the case of internal stakeholders — employees);***
- ***Reducing costs;***
- ***Attracting external expertise.***

B.2. Selecting partners and projects

We recommend using a set of eligibility and selection criteria that allow reaching a correlation between the vision and objectives of the company and the community investment projects.

By partners we mean those organizations that are directly responsible for project implementation. Most often, these are NGOs, but they can also be educational institutions, hospitals or institutions belonging to local administrations.

The complexity of the partner selection system can vary significantly. Depending on strategy and available resources, the company can choose to:

- ***Involve stakeholders in establishing community involvement areas;***
- ***Implement an annual community investment policy or contribute to specific projects on the basis of ad hoc requests;***
- ***Administer projects internally, via a foundation set up by the company or an external institution/organization;***
- ***Initiate a selection program based on an open auction model or approach targeted potential applicants by way of direct invitation;***
- ***Build a continual selection process or one with fixed application deadlines.***

All these decisions determine the specific character of the selection process. Beyond the differences, there are also some common characteristics.

B.2.1. Utilizing eligibility criteria

These represent a set of necessary conditions that potential partners need to meet in order to be included in the selection process. The most commonly used eligibility criteria concern the following aspects:

- ***The project fitting the communicated area of financing;***
- ***The applicant belonging to the categories considered eligible (e.g. NGO, hospital, museum etc.)***
- ***The work experience of the applicant in the field;***
- ***The size of the budget and the way in which the distribution of the requested resources meets the company's requirements;***
- ***Respecting the company's rules of communication (if applicable);***
- ***Avoiding conflicts of interest between the applicant's representatives and those of the company granting the funds;***
- ***Avoiding the financing of projects that have reputational problems;***
- ***Compatibility with the company's ethics code. No contribution must be made with the aim of obtaining benefits or advantages that the company would not obtain normally or with any illicit purpose in mind.***
- ***Financial eligibility criteria (the bank account belongs to the applicant and not to another organization or individual, it is not located in a country that grants tax exemptions, payment is not made in cash, etc.)***

B.2.2. Utilizing selection criteria

The role of these criteria is to differentiate between competing projects after applying the eligibility criteria. Among the most common selection criteria we mention:

- ***The relevance of the issue addressed by the applicant and by the target group of beneficiaries for the needs of the company and of society;***
- ***The extent to which the purpose and objectives of the proposed project respond to the needs it addresses;***
- ***The degree to which the activities plan is aligned to the communicated purpose and objectives;***
- ***An adequate reflection of the activities plan in the total budget and in the requested budget;***
- ***The degree of efficiency in allocating and using resources;***
- ***The existence of a long-term viability plan for the project, with or without the company's involvement;***
- ***The applicant's ability to communicate with relevant categories of target groups (company stakeholders) in regard to project results and produced changes.***

Other criteria that can be included in the selection process:

- ***An innovative approach;***
- ***Capacity for involving other partners(public institutions or other companies);***
- ***Capacity for involving company volunteers;***
- ***Creativity and efficiency in managing several types of resources (e.g. pro bono services or products, employing extra mechanisms for attracting funds etc.).***

In a situation in which the selection process takes the form of an open auction, the main instruments used by the applicant are **the application guide** and **the application form.**

It is necessary for all eligibility and selection criteria to be displayed as clearly and in as much detail as possible in **the application guide**. Also, it is recommended that the application form correspond to the structure of the application guide, in order to make it easier for the applicants to fill it in.

Once the financing area, the desired approach and the selection criteria are established, it is important that the grantor communicate to all applicants:

- ***The company's objectives associated with the financing program;***
- ***The expectations it has from community partners;***
- ***The type and amount of resources it can offer;***
- ***The application period;***
- ***The duration of project implementation;***
- ***Requirements for monitoring and reporting on project implementation.***

B.3. Project selection and approval

We recommend for at least two people to be involved in the selection process and that it is organized in such a way as to ensure the best decisions are made.

In order for the decision-making process concerning applicant selection to be as objective and as accurate as possible, we recommend that at least two people be involved. In the case of large projects and open auctions, we recommend the use of a selection commission that includes both individuals specialized in the targeted social area (medical doctors, professors, artists, etc.) and company representatives. It is important for all jury members to be informed in regard to the financing program's objectives, the intended long-term changes the company wants to achieve, as well as the relevant criteria to differentiate between the applicants.

The main instruments used by the selection commission are: **the selection guide** and **the selection grid** (see Appendix 2).

At the time of selection, if there are not enough applications meeting the criteria stipulated in the selection guide, the company can choose to carry over the unallocated funds for a future auction.

In case funding requests are directly addressed to employees, it is recommended that any verbal commitment be avoided before the internal acceptance procedures are finalized.

Regardless of the selection method, the acceptance process must reflect internal regulations concerning signing that are applicable to the company. The making of any payment prior to finalizing the necessary stages of the administrative process should be avoided.

B.4. Communicating the results

We recommend that the results of the selection process be communicated transparently both to successful and to unsuccessful applicants.

The financing process for community projects is not limited to the exchange of resources between the company and the selected partner. It can also be a good opportunity for the company to communicate and build new relationships with public institutions and representatives of civil society. Therefore, it is important for the relationship with all those who applied or were contacted for proposing a project or initiative to be managed accordingly. This requires good communication with those selected as well as with the ones whose applications were unsuccessful.

Information that must be communicated:

- ***The status of being accepted or rejected;***
- ***Some reasons for the status of the project (why it was accepted or rejected);***
- ***Recommendations for future applications.***

For many community partners it is important to understand why their applications succeeded or failed. In this way, they can improve the partnership proposals they send to the company or decide if their proposals are compatible with the company's needs or investment interests.

B.5. Negotiating and signing the contract

We recommend that a contract be negotiated and signed, regardless of the value of the project and the company's contribution.

Even if the main specifications of a project are already established at the time of selection (since these are usually part of the selection criteria) certain aspects can constitute the object of supplementary negotiation between the grantor and the grantee. Most often, negotiations concern things such as payment conditions and deadlines, reporting deadlines, schedule adjustments for implementing certain activities etc.

Just like with any other partnership projects supported via sponsorship involve signing a contract. The main clauses of a sponsorship contract are: identifying the partners and object of the contract, project duration, the sum allocated to the project or the types of goods offered and their value, payment installments, terms of annulment.

B.6. Project implementation

We recommend to clearly assign the persons responsible for each stage of project implementation as well as establishing the details concerning communication (communication frequency and route) throughout the duration of the project.

The project can start as soon as the contract has been negotiated, objectives have been clearly established together with the methods of evaluating (measuring) the extent to which they have been reached at the end of the project, and responsibilities have been assigned for each activity undertaken within a specific period by using specific resources.

As with any project, success depends to a great extent on adequate communication between those involved, so it is essential that during the first stages of the project partners communicate between themselves whenever they feel it is necessary in order to mutually adjust their views, to keep themselves up to date and to build the trust needed for the next stages of the project (or for future projects).

It is recommended that the frequency of communication throughout the project be established in advance, since this brings clarity and creates equal expectations for those involved. Communication should not become a burdensome formality and must function as a useful component for the proper implementation of the project; for this reason, reporting too frequently and in a highly specialized (technical) language should be avoided. The clarity, conciseness and usefulness of information should constitute key principles of communication, in order to avoid micro-management situations (excessive supervision by the other partner) or cases in which communication is less frequent than needed.

As a general rule, the stages of the project and its important aspects should be communicated/agreed upon prior to implementation, following that the results to be discussed at the end of each stage or at the end of the entire project. Obviously, in case of emergency or unexpected situations, the beneficiary should be aware that he is able to talk at any time with previously assigned relevant company representatives without delay.

B.7. Monitoring

To ensure the proper and efficient implementation of a community involvement project, we recommend the defining of performance indicators and that monitoring be done according to these indicators throughout the process of project implementation.

During implementation the status of the investment should be monitored constantly (planned budget vs. spent budget, achieving intermediary/stage objectives, the progress of performance indicators). Intermediary results are compared with the objectives (centralized in a monitoring plan) and measures are taken if the project is not advancing according to the initial plan, within the forecasted parameters.

Also, stakeholders' reactions are monitored throughout the duration of the project, together with their impressions regarding the impact each stage has had for them—these issues are also integrated in the above mentioned monitoring plan. Emphasis is put on the relevant stakeholders, those who are directly affected by the respective investment.

B.8. Reporting and evaluating projects

We recommend the reporting of community involvement projects and of associated investments because transparency constitutes an essential aspect in such cases and forecasted lucrativeness plays a decisive part in evaluating opportuneness and impact.

Disseminating information regarding the investments planned by a company and the results of projects that have already been implemented is very important. It can influence both the public's and the partners' perceptions of the company and of the project/ investment.

B.8.1. Technical reporting

This component **refers to information that is communicated to partners, funding providers or other parties that are directly involved in the project.** It is done at the beginning of the project and, periodically, during its implementation, being strongly related to the monitoring of the investment. For purposes of efficiency, from the early stages of a project a unique reporting system must be established and communicated to all the parties involved.

An important element of technical reporting consists of defining key performance indicators for the investment. These indicators must be transposed in an intelligible manner, summarized and reported to the public.

An evaluation of inputs (total cost for the company), results (number of beneficiaries, activities undertaken, etc.) and investment impact (effective change) is necessary for determining these performance indicators.

B.8.2. Evaluating impact

The evaluation of the specific performance parameters and indicators of a community investment is done for the first time before starting the investment (the forecast) and after the implementation of the respective project, when the actual results obtained are compared to the desired results and the lucrativeness of the investment is determined.

Stakeholders' involvement, the principle of materiality (including only relevant elements and effects in the calculations and approximations) and avoiding the overestimation of impact are essential aspects that need to be considered in making an evaluation of lucrativeness that is as accurate as possible.

In order to determine the lucrativeness of the investment, the company's contributions are listed—they can include financial resources, hours of volunteering or in-kind contributions (products or services). Non-financial contributions are quantified and explanations of the estimations are given in order to have as clear an image as possible of the total value of the project's inputs—total cost for the organization. The investment's desired impact is likewise financially quantified through approximations, by using the most solid documentation possible (explanations regarding the used method of evaluation). Calculations of the present value and lucrativeness of the investment are made according to specific formulas used in financing, with approximations of the general social impact being used for the determination of results.

B.8.3. Public reporting

This consists of disseminating quantitative and qualitative information concerning: the purpose of the investment in the community, reasons for the company choosing the respective project (relevance in relation to the domain of activity, strategy and mission of the organization)**, stakeholders involved and results of consulting with the stakeholders, target group and direct beneficiaries of the project.**

As part of this type of communication, the company must point out the results of the project to the interested public; more precisely, it must provide explanations regarding the impact for communities and short, medium and long-term beneficiaries. The channels used for this communication are at the company's discretion (reports, newsletters, flyers, press releases, social media, etc. or a mix of these), but adequate publicity and sufficient exposure must be ensured in order for all those interested to have access to relevant information about the project, presented in an accessible, non-technical manner. In this way, an excellent opportunity for gaining feedback is created, also for aspects that did not function properly during the implementation of the project.

As mentioned in the introduction, the 2014/95/EU Directive of the European Parliament and the EU Council concerning non-financial reporting became valid at the end of 2014. Member states have December 2016 as a deadline for transposing it, while enterprises targeted by the Directive must conform to its provisions by the 2017 financial year.

The main goal of regulation is increasing transparency concerning aspects related to sustainable development/ CSR in administrators' annual reports or, if available, in separate non-financial reports. Thus, companies will have to submit a non-financial declaration providing information related to policies, risks and results when it comes to environmental protection, social and employee-related aspects, respect for human rights, anti-corruption measures and diversity within management structures.

The non-financial declaration must also include information concerning necessary diligence policies applied inside the enterprise as well as, when relevant and in adequate proportion, the supply and subcontracting chains of the company, in order to identify, prevent and reduce existing and potential negative impacts.

The Directive introduces the "apply and explain" approach, meaning that a company will not have to report on an area that is not of interest to it, but it will have to explain why it does not do so. This concerns large enterprises that constitute public interest entities and that, at the time of evaluation, have an average of over 500 employees.

Branches (subsidiaries) are not obligated to report if the information pertaining to them is included in the consolidated report at the level of the entire company.

Appendixes

→ APPENDIX 1 Analysis matrix

STAKEHOLDER QUESTIONS Give 1 for Yes and 0 for No	Employees	Suppliers	Share-holders	Author-ities	Mass media	Local com-munity
Does this group represent a challenge for the sector of activity of the organization?	1	1	1	1	1	0
Are there any national/ international regulations that the organization must respect in regard to this group?	1	0	1	0	0	0
Can this group significantly in-fluence the appearance of a risk situation in the organization?	1	1	1	1	1	1
Does the organization have knowledge and specialized competences in regard to this group?		1	1	0	0	0
Can this group significantly contribute to the success of the organization?		1	1	1	0	1
TOTAL SCORE	5	4	5	3	2	2

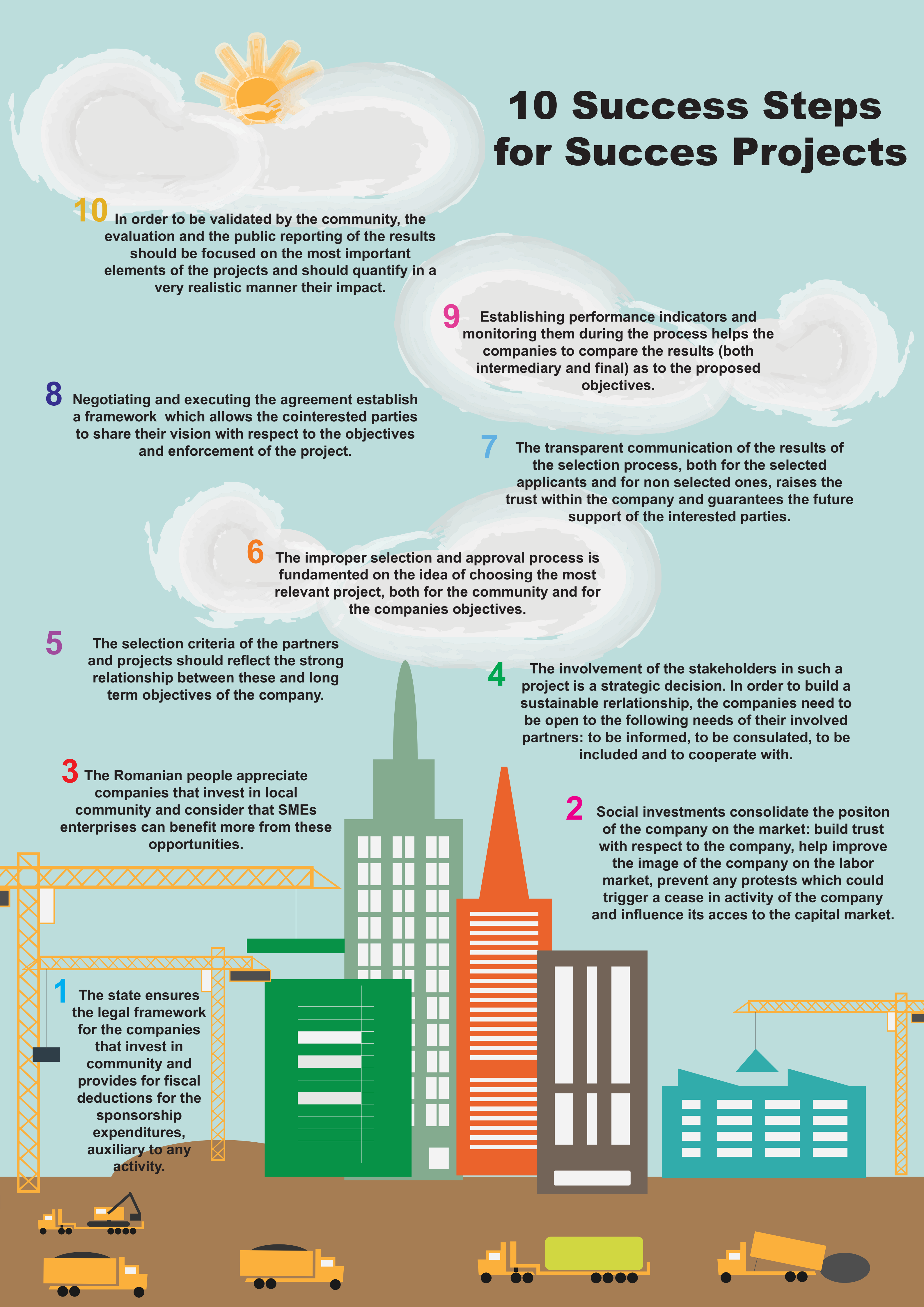
According to the evaluation in the previous example, the categories of stakeholders must be prioritized in the following order: (1) Employees, Shareholders (2) Suppliers (3) Authorities (4) Massmedia, Local communities

SCORE (1-5)	Employees	Suppliers	Shareholders	Authorities	**Mass media**	Local com-munity
Influence	5	4	5	3	3	4
Interest	3	2	3	2	3	2
v		3	4	4	3	5
TOTAL SCORE (1-5)	13	9	12	9	9	11

According to the evaluation in the previous example, the categories of stakeholders must be prioritized in the following order: (1) Employees (2) Shareholders (3) Local community (4) Suppliers, Authorities, Massmedia

→ APPENDIX 2: Selection grid model

Selection criteria	Score: 1(min) – 5 (max)
1. The relevance of the need addressed for the community and the beneficiaries	
2. The relevance of the need addressed for the company and its objectives	
3. The experience of the organization/ project team in addressing the need	
4. The relevance of the group of beneficiaries for the company and its objectives	
5. The degree of alignment between the goal of the project and the addressed need	
6. The degree of alignment between objectives and proposed goal	
7. The degree of alignment between project activities and the set goal and objectives	
8. The degree to which project activities are reflected in the total budget and in the requested budget	
9. The relevance of the evaluation instruments and indicators for a proper representation of the changes proposed by the project	
10. The feasibility of the project's viability plan	
TOTAL SCORE	


10 Success Steps for Succes Projects
10 In order to be validated by the community, the evaluation and the public reporting of the results should be focused on the most important elements of the projects and should quantify in a very realistic manner their impact.
9 Establishing performance indicators and monitoring them during the process helps the companies to compare the results (both intermediary and final) as to the proposed objectives.
8 Negotiating and executing the agreement establish a framework which allows the cointerested parties to share their vision with respect to the objectives and enforcement of the project.
7 The transparent communication of the results of the selection process, both for the selected applicants and for non selected ones, raises the trust within the company and guarantees the future support of the interested parties.
6 The improper selection and approval process is fundamented on the idea of choosing the most relevant project, both for the community and for the companies objectives.
5 The selection criteria of the partners and projects should reflect the strong relationship between these and long term objectives of the company.
4 The involvement of the stakeholders in such a project is a strategic decision. In order to build a sustainable rerlationship, the companies need to be open to the following needs of their involved partners: to be informed, to be consulated, to be included and to cooperate with.
3 The Romanian people appreciate companies that invest in local community and consider that SMEs enterprises can benefit more from these opportunities.
2 Social investments consolidate the positon of the company on the market: build trust with respect to the company, help improve the image of the company on the labor market, prevent any protests which could trigger a cease in activity of the company and influence its acces to the capital market.
1 The state ensures the legal framework for the companies that invest in community and provides for fiscal deductions for the sponsorship expenditures, auxiliary to any activity.

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