

CORPORATE SOCIAL RESPONSIBILITY

Denmark, EU & CSR Europe
Materials
Riga 2010

Corporate Social Responsibility (CSR)

Focussing on social and environmental considerations can be profitable for businesses and at the same time it can help address national and global challenges.



Corporate social responsibility - or in a more recent version: Corporate Sustainability and Responsibility - is about businesses voluntarily helping to meet national and global challenges. Corporate social responsibility is usually abbreviated to CSR.

A business takes social responsibility when, for example it

- requires suppliers to comply with human rights and employee rights, and when it works together with its suppliers to improve social and environmental conditions.
- works systematically with environmental and climate management.
- works to improve conditions for employees and occupational health and safety internally in the business.
- develops new products or services which include a social or environmental dimension.

So, social responsibility is a wide concept and it can cover many different social or global considerations in relation to the operation of the business.

Film on Responsible Growth



Additional information

Find more information by clicking the specific fields in the menu bar, or in the left side menu.

MORE

Introduction

DANISH CENTRE FOR CSR

The Danish Government Centre for CSR, a part of the Danish Commerce and Companies Agency (DCCA), is working to promote and enhance CSR activities in Danish businesses.

[More on the Danish Government Centre for CSR](#)

STATUTORY REQUIREMENTS

According to the Danish Company Accounts Act, the largest Danish companies have to report on CSR, when making their annual report.

More on statutory requirements



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CORPORATE SOCIAL RESPONSIBILITY (CSR)

"Corporate Social Responsibility" is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. The Danish Commerce and Companies Agency (DCCA), under the Danish Ministry of Economic and Business Affairs, wish to show that by working strategically with CSR, companies can actually increase their competitiveness.

In 2007 the Danish Commerce and Companies Agency (DCCA) established the Danish Government Centre for CSR.

Danish Government Centre for CSR

The primary aim of the Danish Government Centre for CSR is to encourage the use of business-driven, strategic CSR among Danish businesses. The centre coordinates and implements Government initiatives within the field of CSR, including initiatives in the Government's Action Plan on CSR. Also, the centre develops and communicates knowledge and tools for businesses and other parties with an interest in CSR.

[Danish Government Centre for CSR website, CSRgov.dk](http://CSRgov.dk)

[Employees in the Danish Government Centre for CSR](#)

Publications



Global Compact - Small and medium-sized enterprises on their way towards global responsibility

(June 2009)

This booklet aims to inspire businesses to take action by showing how Global Compact works in practice for a number of Danish companies (Published by the Ministry of Foreign Affairs of Denmark and the UNDP)

ISBN: 978-87-7087-173-0 (web)

[Download publication \(PDF\)](#)



Caring for Climate - Nordic Best Practice

(May 2009)

This publication from Global Compact Nordic Network, the UNDP and the Danish Ministry for Foreign Affairs, presents a collection of 22 case studies from Nordic business signatories to Caring for Climate, the Global Compact's engagement platform on climate change.

ISBN: 978-87-7087-177-8 (web)

[Download publication \(PDF\)](#)



Reporting on corporate social responsibility

(May 2009)

An introduction for supervisory and executive boards on how to fulfil the statutory requirements in Denmark

Price: 0,- [Order](#)

[Download publication \(PDF\)](#)



Conference Report: The Promise of Socially Responsible Investing

(April 2009)

A roundtable jointly hosted by Bendheim Center for Finance, Princeton University and the Danish Ministry for Economics and Business Affairs. The conference report contains a research agenda for future research on SRI and a summary of the roundtable presentations.

[Download publication \(PDF\)](#)



Action Plan for Corporate Social Responsibility

(September 2008)

On 14 May 2008, the Danish Government presented its Action Plan for Corporate Social Responsibility (CSR) at a press conference led by the Danish Minister of Economic and Business Affairs, Bendt Bendtsen. The action plan aims at promoting CSR and helping Danish businesses reap more benefits from being at the global vanguard of CSR. At the same time, the plan aims at strengthening the efforts to ensure that Denmark and Danish businesses are generally associated with responsible growth.

[Download publication \(PDF\)](#)



People & Profit

(April 2008)

A practical guide to Corporate Social Responsibility. by the Danish Commerce and Companies Agency and Rambøll Management.

- [Download publication \(PDF\)](#)



Small Suppliers in Global Supply Chains

(November 2007)

How multinational buyers can target small and medium-sized suppliers in their sustainable supply chain management

- [Download publication \(PDF\)](#)



Mapping of CSR activities among small and medium-sized enterprises

(October 2005)

A survey made by tns Gallup

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Catalogue of CSR Activities: A broad overview

(September 2005)

An Ashridge report produced for The Danish Commerce and Companies Agency

- [Download publication \(PDF\)](#)



Competitive social responsibility: Uncovering the Economic Rationale for Corporate Social Responsibility among Danish Small- and Medium-Sized Enterprises.

(July 2005)

A report prepared by Mark Kramer, Marc Pfitzer, and Paul Lee Foundation Strategy Group & Center for Business and Government, John F. Kennedy School of Government, Harvard University

[Download publication \(PDF\)](#)

The logo for CSRgov.dk, featuring the text "CSRgov.dk" in white on a red rectangular background.

CSRgov.dk is the Commerce and Companies Agency website dealing with CSR.

CSRgov.dk

CONTACT



Go to CSRgov.dk to find contact information on employees in the Danish Centre for CSR.

[Employees in the Danish Centre for CSR](#)

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Introduction to CSR

Strategic CSR

Social and environmental consideration is one of the great strengths of Danish businesses, and efforts in this area can help enhance businesses' competitiveness and earnings. Businesses can earn the best revenues if their efforts are on a commercial basis and act as a supplement to the business's core activities.

Strategic CSR is about focussing activities so that they suit the business's other activities, challenges and market relations. Therefore, a strategic approach is extremely beneficial for the business's CSR work.

The significance of social and environmental considerations for the activities of businesses is emphasised by the fact that in recent years there has been increasingly sharp focus on corporate responsibility, both in Denmark and abroad. Many businesses can see that customers and investors are demanding that the business can account for its visions and activities in relation to CSR. Consumers are also becoming increasingly concerned about the products they put into their shopping baskets, and media focus on the area has given rise to greater public debate about corporate responsibility.

All this has led to a situation in which it is becoming more worthwhile for businesses to address CSR in their business strategy and integrate activities in their core business.

Traditional charitable activities are also an important contribution to positive developments in society, but they are different from corporate social responsibility as they are not necessarily based on creating value for the business.

- [More on CSR in the Government Action Plan](#)
- [Strategy and communication on CSR](#)

CSR is international

The increasing focus on corporate social responsibility is an international phenomenon. Equally, many of the challenges facing society are global in nature.

Therefore it is a matter of course that CSR take its point of departure in internationally recognised principles and guidelines such as the UN Global Compact. This applies in particular for businesses operating in international markets or with activities abroad.

The Government's Action Plan encourages Danish businesses and investors with international activities to follow either the UN Global Compact or the UN Principles for Responsible Investment (PRI). There are also a large number of other international guidelines, standards and reporting tools.

- [More on the UN Global Compact](#)
- [More on the UN PRI](#)
- [List of guidelines and standards](#)

Working with CSR in practice

In practice, corporate social responsibility is about working strategically with social responsibility and ensuring the implementation, control and management of processes. It is also about active communication by the business about its initiatives to customers, consumers and interest organisations etc.

There is more information on this website (CSRgov.dk) about corporate social responsibility. There are also links to more knowledge and tools which can help your continued work in the area, and there are examples of what other businesses have done.

You can read about the following areas:

- [Strategy and communication](#)
- [Environment and climate](#)
- [Supplier responsibility](#)
- [Working conditions and HR](#)
- [Innovation driven by CSR](#)
- [Responsible investment](#)

STATUTORY REQUIREMENTS

According to the Danish Company Accounts Act, the largest Danish companies have to report on CSR, when making their annual report.

[More on statutory requirements](#)

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LINKS

[UN Global Compact's homepage](#)

[UN PRI's homepage](#)



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About CSRgov.dk

This website presents some of the ongoing efforts made by the Danish Government to promote and support corporate social responsibility (CSR) among Danish businesses. The site is run by the Danish

[MORE ON CSR](#)

New CSR tool launched

(29.1.2010)

The Ideas Compass was launched in Copenhagen on January 27th. The online tool was made to inspire SMEs and make it easier for them to develop products and at

[READ MORE ABOUT THE IDEAS COMPASS](#)

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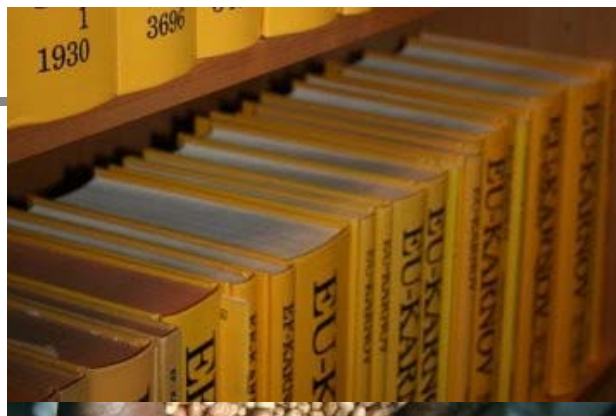
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Statutory requirements

CSR work is voluntary for Danish businesses. From 2009, however, the largest enterprises will have to take a **Global Compact** as a guide for work on CSR at your business. The Global Compact is composed of ten fundamental principles for how a business can work with responsibility in relation to human rights, labour rights (employees), the environment



Blog on CSR

LATEST BLOG POSTS

Carsten Ingerslev: A new compass is born

Mads Kjær: Corporate social responsibility 2.0

Herman Mulder: Don't Waste A Good Crisis

[Read the blog](#)

PROJECT WEBSITES

[Conference on Socially Responsible Investing](#)

[Subbiz India](#)

[CSR-driven Innovation](#)



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The Copenhagen Centre

The **Copenhagen Centre** is an independent think tank established by the Danish Government in 1998 in response to growing international interest in new social partnerships and corporate social responsibility (CSR) initiatives.

The overriding mission of the Centre is to generate knowledge and bring together business leaders and political decision-makers to debate the changing role of business in society.

The Centre hosts the secretariat of the National Network of Business Leaders and has a strong track record of working with academia as well as senior civil servants, parliamentarians, businesses, trade unions and other social partners. Also, the Centre is member of the European Academy of Business in Society (EABiS) and has working relations with the EU Commission, the UN Global Compact and the World Bank.

With its close ties to researchers and key decision-makers in Denmark and in Europe, the Centre is well-positioned to function as a platform for bridging business and societal interests and for disseminating practical knowledge about CSR initiatives.



Global Compact participant since 2/6/2003



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Statutory requirements on reporting CSR

From 2009, large businesses in Denmark are required to account for their work on corporate social responsibility.



Photo: The Danish Parliament

Danish businesses are free to choose whether or not they wish to work on CSR. However, there is a statutory requirement from 2009 that large businesses in Denmark must take a position on CSR in their annual reports.

The Danish Parliament (Folketing) adopted the proposed "Act amending the Danish Financial Statements Act (Accounting for CSR in large businesses)" on 16 December 2008.

Under this amendment, in future large businesses must account for their work on CSR in their annual reports.

The aim is to inspire businesses to take an active position on social responsibility and communicate this. The statutory requirement is part of the Government's action plan for CSR (May 2008) and is intended to help improve the international competitiveness of Danish trade and industry.

Which businesses are covered by the Act?

The Act covers large businesses in accounting class C, and listed companies and state-owned companies in accounting class D. Large businesses in accounting class C are businesses that exceed at least two of the following three size limits:

- Total assets/liabilities of DKK 143 million
- Net revenue of DKK 286 million
- An average of 250 full-time employees

Subsidiaries are exempt from having to report on social responsibility if the parent company does so for the entire group.

The same reporting requirement has also been introduced for institutional investors, mutual funds and other listed financial businesses (financial institutions and insurance companies, etc.), not covered by the Danish Financial Statements Act. For these businesses, the requirement has been introduced in Executive Orders issued by the Danish Financial Supervisory Authority.

What has to be reported?

Businesses covered by the statutory requirement must report on:

1. The business's social responsibility policies, including any standards, guidelines or principles for social responsibility the business employs.
2. How the business translates its social responsibility policies into action, including any systems or procedures used.
3. The business's evaluation of what has been achieved through social responsibility initiatives during the financial year, and any expectations it has regarding future initiatives.

If the business has not formulated any social responsibility policies, this must be reported.

How is the information to be reported?

The report on social responsibility must be included in the management review section of the annual report.

Alternatively, businesses may include the report on social responsibility in a supplement to the annual report, or on the business's website. However, the management review must indicate where the report has been published.

If a business has acceded to the UN Global Compact or Principles for Responsible Investment (UN PRI), it is sufficient to refer to the progress report that members are required to prepare.

Businesses which prepare a sustainability report or similar report on their social responsibility initiatives may refer to this in their management review – however, this report must fulfil the reporting requirements (see above).

When did the Act enter into force?

The Act entered into force on 1 January 2009 and applies to financial years beginning on 1 January 2009 or later.

In English, a number of frequently asked questions is provided. You can also read about the significance of the Act in the explanatory comments attached to the Act Proposal.

Moreover, the Danish Commerce and Companies Agency has published a guide on fulfilling the statutory requirements. This guide is made available online on Samfundsansvar.dk. This guide is available in Danish only.

- [FAQ on the legislation](#)
- [Act Proposal with explanatory comments \(pdf\)](#)
- [Short version guide on fulfilling the requirements \(pdf; in English\)](#)
- [Full version guide on fulfilling the requirements \(in Danish only\)](#)

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LINKS

[UN Global Compact](#)

[UN PRI](#)

MORE

[FAQ on the legislation](#)

[Short guide on fulfilling the requirements \(pdf\)](#)

[Act Proposal with explanatory comments \(pdf\)](#)

[Fact sheet on the legislation](#)

[Press release](#)



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FAQ

Frequently asked questions relating to the requirement in the Danish Financial Statements Act to report on CSR.

1. Where is the list of 1100 businesses required to do this reporting?

Answer:

There is no list showing businesses subject to the reporting requirement. The Act applies to businesses in accounting classes C and D. The Danish Financial Statements Act is based on four accounting classes – A, B, C and D – such that businesses are subject to different reporting requirements depending on the class to which they belong.

Some class C businesses will be exempt from the reporting requirement because they are subsidiaries to a parent company that reports the information for the entire group. Businesses themselves are responsible for ascertaining to which accounting class they belong.

The accounts department at a business will usually have information about a business' accounting class.

2. What happens to the reports?

Answer:

The reports form part of the management review businesses prepare and submit to the Danish Commerce and Companies Agency each year together with their annual financial statements. The Agency then publishes this information.

Information on a business's social and environmental responsibility is often sought by business stakeholders. It

can therefore be of major benefit to the business to make this information available, for example, on the business website.

3. What if a business does not exercise CSR?

Answer:

The reporting requirement in the Danish Financial Statements Act only applies to businesses which have CSR policies. If a business neither has, nor wishes to establish, social or environmental policies beyond what the legislation requires, they must simply state in their management review that they have no CSR policies.

4. What if a business prepares other CSR reports? May these be used, or must a new report be prepared?

Answer:

The legislation has been worded so as to be as flexible as possible for businesses in terms of how they prepare their report on CSR and where they publish it.

Businesses may choose either to include the report as part of their management review or, in the management review, they can refer to the report on their website.

If a business already prepares a report on CSR, such as a sustainability report, the business may simply refer to this. However, this report must fulfil the statutory requirements, i.e. it must report on the business's social responsibility policies, how these are implemented in practice, and what the business has achieved through its initiatives.

If a business has acceded to the UN Global Compact or the UN Principles for Responsible Investment (UN PRI) and publishes the associated progress report, the business is exempt from having to prepare a separate report on CSR.

5. When is this information to be reported?

Answer:

The Act entered into force on 1 January 2009. This means that the information businesses are required to report must be included with their annual financial statements for 2009. For most businesses, this will mean that their report on CSR must be submitted during 2010.

6. Are reports on CSR subject to supervision?

Answer:

Information on CSR is subject to the same type of auditing as the other information in the management review. Even if the business chooses to place the information elsewhere, it is still subject to the same consistency check as if it were published in the management review. The auditor's responsibilities and duties are neither increased nor diminished due to the information being published on a website or in a supplementary report.

A business's management review is subject to a "consistency check" by the auditor. This means that the auditor must examine whether the information in the management review is consistent with information in the annual financial statements and other factors of which the auditor is aware.

This consistency check does not mean that the auditor has to take special action to obtain further information. The auditor bases the check purely on information the auditor has become aware of while auditing the annual financial statements.

7. Which language must be used for reporting on CSR?

Answer:

The report must be in the same language as the other parts of the annual report, i.e. in Danish, unless the business is covered by section 6(7) or (8) of the Executive Order on Submission of Reports. These

provisions contain special language requirements in relation to the annual report for certain listed companies.

There is no requirement for progress reports to be in Danish.

8. How are financial businesses affected by the new Act?

Answer:

Institutional investors, mutual funds and listed financial businesses must also report on their CSR pursuant to section 132 of Executive Order no. 1310 of 16/12/2008, section 135 of Executive Order no. 1305 of 16/12/2008 and section 24 of Executive Order no. 1307 of 16/12/2008.

The same information requirements apply to the financial institutions mentioned as apply to the approx. 1100 largest non-financial Danish businesses.

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Guidelines and standards

Recognised principles, guidelines and standards are a good place for businesses to start when they wish to commence or refine their work with CSR



A variety of Danish and international businesses and networks exist offering principles, systems and indicators that may be used as the basis for a business's CSR strategy, implementation and reporting.

There are also a number of formal business standards for CSR, many of which provide opportunities for businesses to be certified.

The list below is not exhaustive but illustrates the wide variety of initiatives available to make it easier for businesses to systematise their CSR efforts.

CSR in general

UN principles for CSR: Global Compact and UN PRI

The UN principles for CSR are based on recognised international conventions. The Global Compact targets all types of businesses, whereas the UN principles for Responsible Investment (UN PRI) target investors.

- [More about the UN's Global Compact](#)
 - [More the UN Principles for Responsible Investment \(UN PRI\)](#)
-

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations for good business practices from OECD governments to multinational businesses. The Danish National Contact Point is working to promote compliance with the Guidelines within Denmark.

Global Reporting Initiative (GRI)

The GRI is a recognised initiative for reporting on responsibility and sustainability. The cornerstone of GRI is a framework tool outlining principles and indicators organisations and businesses can use to measure and report on their financial, environmental and social performance.

- [GRI website](#)
-

ISO 26000 and S-397

ISO 26000 aims to provide guidance and recommendations as to which issues a responsible business should focus on when setting goals, formulating policies, and reporting, etc. The standard will focus on issues such as human rights, working conditions, environmental factors, consumer factors, social development, business leadership and fair business procedures.

The work has been underway since 2004, involving participation by approx. 400 experts from more than 60 countries. The standard is expected to be finally adopted at a conference in Copenhagen in 2010. It will not be possible for businesses to be certified under the ISO 26000 standard, as it will only serve as a guide.

However, Danish Standards is currently developing a standard – S-397 – which will be designed as a management system in relation to international standards, and will follow ISO 26000. It will be possible for businesses to use this Danish standard as a reference document in relation to their international activities.

- [More on ISO 26000 and S-397 on the Danish Standards website](#)
-

AccountAbility (the AA1000 series)

AA1000 is a series of tools that combine business values with financial, ethical, social and environmental performance goals and an evaluation of a business's stakeholders. All this information is communicated in a published report.

- [More on the AccountAbility website](#)
-

The Equator Principles (EP)

The Equator Principles are a sector initiative established at the initiative of a number of private banks. These principles focus on CSR in relation to lending and financing. The Equator Principles (EP) The Equator

Principles are a sector initiative established at the initiative of a number of private banks. These principles focus on CSR in relation to lending and financing.

- [The Equator Principles website](#)
-

Principles for Responsible Management Education (UN PRME)

UN-based principles for responsible management education.

- [UN PRME website](#)
-

The environment and climate

The Greenhouse Gas Protocol (GHG Protocol)

The GHG Protocol is an international tool to help businesses to understand, quantify and manage their CO₂ emissions. The Danish CO₂ calculator at Climate Compass and the Carbon Disclosure Project are both based on the GHG Protocol.

- [The GHG Protocol website](#)
-

Carbon Disclosure Project (CDP)

CDP is a British initiative. The project collects information annually on climate initiatives in businesses throughout the world, on behalf of a number of investors, procurement officers and government authorities. CDP's data collection is based on the GHG Protocol.

- [Carbon Disclosure Project website](#)
-

UN Caring for Climate

Caring for Climate is an initiative for Global Compact members who wish to draw attention to their climate change initiatives through their progress reports to the UN Global Compact.

- [Caring for Climate on the Global Compact website](#)
-

ISO 14000

The ISO 14000 family are eco-management standards focusing on actions businesses are taking to minimise negative environmental impacts and continually improve internal environment efforts.

- [More on ISO 14000 on the ISO website](#)

Suppliers

SA 8000

SA 8000 is a business standard focusing on worker and employment conditions within a business and its suppliers. The standard has been created by the Social Accountability International (SAI) multi-stakeholder organisation.

- [More on SA 8000 on the SA website](#)
-

Business Social Compliance Initiative (BSCI)

The BSCI offers a broad business-oriented platform for monitoring social considerations in global supply chains.

- [BSCI website](#)
-

Principles for Countering Bribery (BPCB)

The BPCB was introduced in 2002 at the initiative of the Transparency International (TI) organisation and the Social Accountability International (SAI) initiative. The latter is also the architect of the SA8000 standard. The principles have been developed in cooperation with representatives from a number of stakeholders and sectors. The TI website also features a number of implementation tools.

- [BPCB on the Transparency International website](#)
 - [BPCB on the SAI website](#)
-

Worker and employment conditions

OHSAS 18001

OHSAS 18001 is a standard focusing on occupational health and safety policies within businesses.

- [More on OHSAS 18001 on the website for the standard](#)
-

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UN Global Compact

The Global Compact is a UN initiative that presents ten general principles for CSR

The ten principles in the UN Global Compact are a good foundation for businesses in their work with CSR and sustainability. The principles are based on internationally recognised conventions on human rights, worker rights, the environment and combating corruption.

Any business may draw inspiration from the ten principles, but businesses may also choose to accede to the UN Global Compact. Over 120 Danish organisations and businesses have already done so (March 2009).

Businesses which accede to the Global Compact undertake to make the ten principles part of their business activities and report to the Global Compact on their efforts. Reporting requirements depend on the size of the business.

The Global Compact principles target a broad range of organisations and businesses.

The ten principles

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should make sure that they are not complicit in human rights abuses
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Businesses should support the elimination of all forms of forced and compulsory labour
5. Businesses should support the effective abolition of child labour
6. Businesses should eliminate discrimination in respect of employment and occupation

7. Businesses should support a precautionary approach to environmental challenges
8. Businesses should undertake initiatives to promote greater environmental responsibility
9. Businesses should encourage the development and diffusion of environmentally friendly technologies
10. Businesses should work against corruption in all its forms, including extortion and bribery

As can be seen above, these are general principles each business can adapt and translate into specific initiatives when incorporating CSR into their business strategy. Businesses may choose to focus their efforts on the principles that best match their core business.

- [Global Compact website](#)

A separate set of principles has been developed for investors – the UN's Principles for Responsible Investment (UN PRI).

- [More on the UN Principles for Responsible Investment](#)

Other guidelines

The UN principles have been broadly formulated and in no way prevent businesses from following other principles and standards, such as the OECD Guidelines for Multinational Enterprises, etc.

- [List of guidelines and standards](#)

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LINKS

[UN Global Compact](#)

[UN PRI](#)



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UN Principles for Responsible Investment (UN PRI)

The UN Principles for Responsible Investment (UN PRI) are six general guidelines for investors working with CSR.

The six principles in the United Nations Principles for Responsible Investment (UN PRI) were developed in cooperation between the UN Global Compact, the UN Environment Programme Finance Initiative (UNEP FI) and a number of the world's largest investment businesses.

All businesses involved in investment activities may draw on the six principles, but businesses may also choose to accede to the UN PRI. Businesses which do not have investment as their core business may draw on the ten principles in the Global Compact instead.

Investors who are members of the UN PRI include institutional investors, investment banks and investment advisors. The UN PRI currently has 499 members, 16 of which are Danish (March 2009).

Investors acceding to the UN PRI undertake to observe the six principles and report on their efforts.

The six principles

1. Investors will incorporate environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes
2. Investors will be active owners and incorporate ESG issues into ownership policies and practices
3. Investors will seek appropriate disclosure on ESG issues by the entities in which they invest
4. Investors will promote acceptance and implementation of the Principles within the investment industry
5. Investors will work together to enhance their effectiveness in implementing the Principles

6. Investors will report on activities and progress towards implementing the Principles

These are general principles that can be implemented using different strategies. It is up to each investment business to decide how to adhere to the principles and where to focus efforts. The best strategy is to target activities towards areas with the greatest problems or risks.

- [UN PRI website](#)

For businesses which do not have investment as a core business activity, the UN has developed the Global Compact, which presents ten general principles for CSR.

- [More about the UN Global Compact](#)

Other guidelines

The UN principles have been broadly formulated and in no way prevent businesses from following other principles and standards, such as the OECD Guidelines for Multinational Enterprises, etc.

- [List of guidelines and standards](#)

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Action Plan for Corporate Social Responsibility

On 14 May 2008, the Danish Government presented its Action Plan for Corporate Social Responsibility (CSR) at a press conference led by the Danish Minister of Economic and Business Affairs, Bendt Bendtsen.



The action plan aims at promoting CSR and helping Danish businesses reap more benefits from being at the global vanguard of CSR. At the same time, the plan aims at strengthening the efforts to ensure that Denmark and Danish businesses are generally associated with responsible growth.

The Government has a focus on business-driven CSR and internationally recognised principles - the UN Global Compact and UN Principles for Responsible Investment (PRI).

The action plan contains a total of 30 initiatives in four key areas:

1. Propagating business-driven social responsibility

The Danish Government wants to strengthen the reporting on CSR by large businesses and provide knowledge and tools for working with business-driven CSR based on internationally recognised principles (UN Global Compact and UN PRI)

2. Promoting businesses' social responsibility through government activities

The Danish Government intends to heighten focus on social responsibility in connection with state purchasing, investments and state-owned public limited companies

3. Corporate sector's climate responsibility

The Danish Government wants to underpin businesses' active role in meeting global climate challenges by reducing energy consumption and greenhouse gas emissions in their own and suppliers businesses, while also contributing to develop and disseminate global climate solutions

4. Marketing Denmark for responsible growth

The Danish Government wants to initiate targeted international marketing of Denmark for responsible growth. These activities aims at helping Danish businesses reap greater benefits from their CSR-work

CONTACT

Mads Bielefeldt Stjernø

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Action plan for CSR (pdf)

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The press release

LINKS

[UN Global Compact website](#)

[UNPRI website](#)



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Focus area 1

Promote corporate social responsibility

The Danish Government aims to promote corporate social responsibility (CSR) in businesses of all sizes. The Government plans to improve CSR reporting by large businesses and to equip businesses with the knowledge and tools to work with CSR – in Denmark and internationally.

The Danish Government is implementing the following initiatives to promote corporate social responsibility:

- Encouragement for Danish businesses and investors to continue to extend their commitment to and focus on CSR
- Legislation requiring large businesses to report on CSR in the management review in their annual report
- Legislation requiring institutional investors and mutual funds to report on CSR in the management review in their annual report
- Establish the Council for Corporate Social Responsibility which is to make recommendations to the Government, businesses, and trade and industry
- A new communication forum for CSR (www.CSRgov.dk)
- Campaign activities targeting CSR
- Advice on innovation and CSR for small and medium-sized enterprises via the regional growth-promoting centres
- The 'Danish Business innovating for World Challenges' international conference, to select innovation focus areas for Danish businesses
- A knowledge network focusing on CSR and responsible supplier management for businesses, researchers and consultants
- Advice to businesses through Danish representatives in other countries
- Investigation of the role of consumers in relation to CSR

- Progress report every two years on compliance with and commitment to the Global Compact and PRI by Danish businesses

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Focus area 2

Promote corporate social responsibility through government activities

Businesses and investors play an important role in making Denmark known for responsible growth, but the Danish Government also has a number of options for promoting CSR through its own activities.

The Danish Government is implementing the following initiatives to increase focus on CSR in relation to public procurement, investment, and state-owned companies:

- Ensure that future government common procurement agreements incorporate CSR considerations, as stated in the conventions on which the principles of the UN Global Compact are based.
- Ensure that all government procurement officers have access to guidelines on how to incorporate social responsibility.
- Enter into dialogue with municipal and regional government on how experience with incorporating social responsibility can be disseminated locally.
- Legislate that state-owned companies, etc. must report on social responsibility in the management review section of their annual reports.
- Ensure that large state-owned companies accede to the UN Global Compact.
- Ensure that the Danish Investment Fund accedes to the UN Principles for Responsible Investment (PRI).
- Ensure that The Export Credit Fund (EKF) accedes to the UN Global Compact.
- Continue to incorporate social responsibility into Danish development cooperation and assistance.

- Ensure that the Industrialisation Fund for Developing Countries (IFU) and Investment Fund for Central and Eastern Europe (IØ) accede to the Global Compact.
- Arrange conferences on CSR in developing countries in cooperation with local Danish representatives and local actors and businesses.
- Ensure that the regional system for promoting trade and industry contributes to promoting CSR.
- Work to encourage international investment banks to incorporate CSR into their business and investment strategies.

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Focus area 3

Improve climate responsibility in trade and industry

One goal of the Danish Government is that businesses actively contribute to managing global climate challenges by reducing energy consumption and greenhouse gas emissions, and helping to develop and deploy global climate solutions. Businesses will play an important role in achieving an ambitious global climate agreement at the UN Climate Conference in 2009, which Denmark is hosting.

The Government also wants to support the work of businesses in preparing climate accounts and climate strategies. Finally, the Government is focusing on opportunities for businesses and sectors to reduce greenhouse gas emissions through climate responsibility partnerships.

The Government is implementing the following initiatives to improve corporate climate responsibility:

- The Government is encouraging businesses to include climate responsibility in their reporting on social responsibility in their management review ([see the legislative requirement under focus area 1](#)).
- Develop the Climate Compass in cooperation with the Confederation of Danish Industries – a web-based climate tool to assist businesses in preparing climate accounts and climate strategies.
- Establish four climate responsibility partnerships in relation to investors, retail trade, construction and maritime affairs.

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Focus area 4

Marketing Denmark on responsible growth

The Danish Government aims for activities marketing Denmark on responsible growth to permit Danish businesses to capitalise more fully on their focus on CSR.

The Government will undertake targeted international marketing activities as part of its general plan to market Denmark globally.

The aim of this marketing is to create a clear and open picture of Denmark internationally, so that Denmark continues to hold a strong position in global competition. The marketing will aim to establish Denmark's international reputation as a responsible and balanced country, in which responsibility and conscientious behaviour are important to individuals, businesses, and the public sector. The Government will also market Denmark on its environmental awareness, cleanliness and responsible energy solutions.

The Government is implementing the following initiatives in order to market Denmark on responsible growth:

- Market Danish CSR tools and skills.
- Host an international summit in 2010 in Copenhagen on international standards for sustainability (ISO 26000).
- Host an international conference on responsible investment aimed at providing a foundation for more targeted applied research.

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EU & Corporate Social Responsibility

In the EU, CSR is still a relatively new concept. The Danish Government Center for CSR is actively participating in the debate on CSR at the European level to ensure that the policy formulation of the EU is based on the concept of strategic CSR, as well as on the international principle-based approach inherent in UN Global Compact.

The EU has an important role to facilitate the exchange of experience between member states. Also, the EU plays a central part in increasing the awareness of CSR in European businesses by keeping the question on the agenda and by actively contributing to shaping the attitudes of business leaders.

The Commission has already taken a number of initiatives in this direction, for example through the, European Alliance for CSR, CSR Europe and the European Multi-stakeholder Forum on CSR. Furthermore, the 2008 European Competitiveness Report contains a chapter on the links between CSR and competitiveness, thus emphasizing the strategic approach to CSR.

It is important for companies to be able to base their work on a generally accepted and international definition of CSR. Since European companies operate in global markets, their CSR-policies must be based on international principles rather than national or regional definitions and approaches.

- [DG Enterprise & Industry on CSR](#)
- [DG Employment and Social Affairs on CSR](#)

CONTACT

Rune Gottlieb Skovgaard

MORE

[EU Commission Workshops on ESG Disclosure](#)

EU Commission High Level Group on CSR

LINKS

[EU Commission White Paper, 2006 \(PDF\)](#)

[European Competitiveness Report 2008, CSR chapter \(PDF\)](#)



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EU Commission Workshops on ESG Disclosure

Between September 2009 and March 2010 the European Commission hosts a series of multistakeholder workshops on the issue of CSR reporting – also dubbed ESG disclosure (ESG=environmental, social and governance).

Each workshop will look at ESG disclosure from the perspective of a different set of stakeholders: enterprises themselves, investors, civil society and consumers, media, trade unions, and public authorities. Consequently, the type of participants in the different workshops varies.

Denmark participates as a member of the core group of stakeholders present at all the workshops.

The concept note for the workshops, summaries, presentations and various background info can be downloaded from the EU Commission's website of the workshops.

- [More on the ESG workshops](#)

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LINKS

[ESG Workshops – concept note \(PDF\)](#)

[Summary of workshop 1 \(PDF\)](#)



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European Commission

European Commission Enterprise and Industry Newsroom
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European workshops on the disclosure of environmental, social and governance information.

13/10/2009

Between September 2009 and February 2010 the European Commission is hosting a series of 5 multistakeholder workshops on company disclosure of environmental, social and governance (ESG) information.

These workshops are part of the European Commission's policy to promote corporate social responsibility.





























Corporate Social Responsibility, also known as "CSR" is "a concept whereby enterprises integrate social and environmental issues into their business operations and into their relations with stakeholders on a voluntary basis".

Further information about the [background and objectives of the ESG disclosure workshops](#). Summaries from all workshops will be posted on these webpages. The summary of the first workshop, looking at ESG disclosure from the enterprise perspective, can be downloaded at the bottom of this page

Participation in these workshops is by invitation only. Although a wide range of stakeholder interests are represented, the number of participants is restricted in order to ensure a dynamic discussion.

Each workshop will look at ESG disclosure from the perspective of a different set of stakeholders: enterprises themselves, investors, civil society and consumers, media, trade unions, and public authorities.

Downloads

- [Workshop 1 - Summary of discussions](#)   (202 Kb)
- [ESG disclosure workshops - concept note 091014.pdf](#)   (88 Kb)
- [Presentation by Roger Cowe, Context](#)   (8,7 Mb)
- [Presentation by Joaquim Croca, Vodafone](#)   (443 Kb)
- [Presentation by Pierre Dutrieu & Yann Louvel](#)   (6,8 Mb)
- [Presentation by Bruno Prior, Summerlease](#)   (134 Kb)
- [Presentation by Akira Fujiyoshi, Esai Co. Ltd](#)   (1,4 Mb)
- [Background document : Survey of quality of sustainability reports 2008 - Ernst and Young](#)   (292 Kb)
- [Background document : Statement and Guidance on Non-Financial Reporting - International Corporate Governance Network](#)   (128 Kb)
- [Background document : Reporting on CSR - introduction for supervisory and executive boards - Denmark government](#)   (630 Kb)
- [Background document : KPIs for ESG - European Federation of Financial Analysts Societies](#)   (1,1 Mb)
- [Background document : CSR in Annual Reports of Spanish Companies - Observatorio de Responsabilidad Corporativa](#)   (3,9 Mb)
- [Background document : Valuing non-financial performance](#)   (3,3 Mb)
- [Background document : XBRL the medium is the message \(Ralf Frank\)](#)   (81 Kb)

More information: [The official site of CSR on Europa](#)

European workshops on disclosure of environmental, social and governance (ESG) information

Background

The number of companies disclosing information on their environmental, social and governance performance has grown very significantly in recent years. For large multinational companies, disclosure of ESG information has become a mainstream phenomenon. The quality of this disclosure varies however. A number of leading companies have developed innovative practices for effective ESG disclosure. However, some target stakeholder groups for such information (e.g. investors and analysts, campaigning NGOs, consumers) still often state that their needs are not adequately met.

There are a number of international and European initiatives that seek to provide different kinds of guidance for companies in this field. There has been a certain degree of communication and coordination between some of these initiatives, but there is room to do more in this respect. Additionally, some EU Member States make legal requirements on certain kinds of companies to disclose information on their ESG performance that go beyond the basic requirements of European law (Accounts Modernisation Directive 2003/51/EC).

Transparency and disclosure of ESG information emerged as a key issue at the plenary meeting of the European Multistakeholder Forum on CSR on 10 February 2009. These issues have taken on particular importance in the context of the current economic and financial crisis. Greater transparency can play a role in helping to restore trust in business. Enterprises themselves increasingly recognise the value of ESG disclosure in driving internal change. Some organisations see a need and an opportunity to refocus management systems and to base investment practices and measures of business success on longer-term issues, including ESG issues.

Objectives

The European Commission is proposing to organise a series of workshops to:

- Identify the most effective and efficient way(s) to promote a better and more widespread disclosure of ESG information, which should be useful for the companies that disclose it and for stakeholders that may require it. Without pre-judging any outcomes, this will involve, amongst other things, exploring both the desirability and the feasibility of stakeholders moving towards an agreed core set of KPIs for ESG performance.
- Facilitate better coordination and communication between existing initiatives in the field of ESG disclosure.
- Deepen the understanding of all stakeholders, including the European Commission, of the issues at stake, recent developments and current good practice.

The conclusions of these workshops will be discussed during the conference to be organised by the Spanish Presidency on 25-26 March. They will also be discussed in a plenary meeting of the European Multistakeholder Forum on CSR in the second half of 2010 or early 2011.

Methodology

The European Commission will convene 5 one-day workshops between September 2009-February 2010. Each workshop will focus on a common set of core questions, but examined from the perspective of a different stakeholder group in each case. The guiding orientation of this work will be the information needs and demands of enterprises themselves and their stakeholders.

The core questions to be addressed would be:

1. What are the legitimate information needs of the stakeholder group in question? Why is this information needed and to what use is it or would it be put? What difference does or would the provision of (better) information make?
2. To what extent do current disclosure practices meet the information needs of the stakeholder group in question? Who are companies trying to communicate with and provide information to? What is current best practice from the company point of view and from the point of view of the stakeholder group in question? What needs to change to better meet the information needs, and can companies make those changes? Are transparency and materiality common goals and what needs to happen for those goals to be achieved?
3. Is it important for the stakeholder group in question that disclosure of ESG information be linked to financial reporting? Why? What technical / IT tools are available (or to be developed) to ensure the most efficient preparation and dissemination of such information ?
4. Is a common set of comparable non-financial KPIs desirable? If so, to what extent is it feasible to achieve, and what would then be the ideal balance between cross sectoral and sector-specific indicators?
5. What are/could be the most effective and efficient mean(s) to promote a better and more widespread disclosure of ESG performance information, which should be useful for the companies that disclose it and for stakeholders which may require it? What are the costs and benefits of different approaches? Should these means be national, EU-wide or global? What might be the added value, if any, of action at EU level? How should the particular needs and circumstances of SMEs be addressed? How can the needs of stakeholders outside the EU be addressed?

The 5 workshops would respectively deal with these questions from the perspective of the following stakeholder groups:

- Workshop 1 (September 18): Enterprises (the providers of ESG information)
- Workshop 2 (October 30): Investors (mainstream and SRI), financial analysts, accountants, rating agencies

- Workshop 3 (December 4): Civil society and NGOs, consumers, media
- Workshop 4 (January 27, 2010): Trade unions, public authorities
- Workshop 5 (February 25, 2010): Concluding workshop

The workshops will be dynamic, with times for speakers restricted to a few minutes and considerable space left in the agenda for open discussions.

Participants

A core group of persons and organisations would be invited to attend all the workshops, in order to provide for continuity and to create opportunities for further coordination in the medium-term. This core group will include:

(1) Up to two representatives from organisations or initiatives that are a reference in this field:

- Global Reporting Initiative (GRI)
- UN Global Compact
- Federation of European Accountants (FEE)
- CSR Alliance Laboratory on Market Valuation of Financial and Non-financial Performance
- European Federation of Financial Analysts Societies (EFFAS)
- Secretariat of the UN Principles for Responsible Investment (UNPRI)
- International Corporate Governance Network (ICGN)
- Transparency International
- Experts from 4 Member State Governments active in this field (FR, DK, ES, SW)

(2) Up to two representatives nominated by each member of the CSR Forum Coordination Committee:

- BUSINESSEUROPE
- UEAPME
- EUROCHAMBRES
- CSR Europe
- European Trade Union Confederation
- EUROCADRES
- European Coalition for Corporate Justice (ECCJ)
- Amnesty International
- Friends of the Earth Europe
- European Sustainable Investment Forum (EUROSIF)
- European Academy of Business in Society (EABIS)
- European Consumers' Organisation (BEUC)
- European Savings Bank Group (ESBG)
- Cooperatives Europe

Persons nominated by the CSR Forum Coordination Committee must be experts in the field.

In addition to the core group, a number of additional speakers and other experts will be invited to attend one of the workshops, in accordance with the focus of the particular workshop in question. It will be crucial to the success of the workshops that these invited speakers include individual company representatives, as well as practitioners from the stakeholder group in question. The Commission will seek the advice of stakeholders in order to identify appropriate speakers.

Approximately 60 persons, including European Commission representatives, would participate in each workshop.

This initiative is led by the European Commission's Directorate-General for Enterprise and Industry, with the active involvement of other relevant Commission services, including DG Employment and Social Affairs, which is jointly responsible for Commission policy on CSR. In late 2009 the Commission (DG Employment and Social Affairs) intends to contract a consultant to carry out a study of current CSR reporting practices. The study will build on the outcomes of the proposed workshops.

Other considerations

The success of this initiative will be at least partially dependent on the good preparation of each individual workshop, with objectives, key questions and reference documents identified and shared in advance.

The workshops will be held under Chatham House rules. Written summaries of each workshop, which do not attribute comments to particular speakers, will be published on the web together with other relevant background documents.

European Workshops on Disclosure of Environmental, Social and Governance Information

Workshop 1 – The enterprise perspective – Friday 18 September 2009

Summary of discussions*

Introduction

This was the first in series of 5 multistakeholder workshops hosted by the European Commission to explore the disclosure of environmental, social and governance (ESG) information by enterprises. More information about the context and objectives of these workshops can be found [here](#).

The first workshop looked at ESG disclosure from the perspective of enterprises themselves, the information providers. Specific objectives identified before this workshop were to:

- better understand current ESG disclosure practices and trends;
- better understand the motivations of enterprises regarding ESG disclosure, including why some enterprises chose to communicate ESG information publicly, while other enterprises, especially SMEs, chose not to do so;
- identify key problems faced by enterprises in achieving what they want to achieve through ESG disclosure;
- and identify possible ways of addressing those problems.

The workshop was chaired by Pedro Ortún, Director in the Directorate-General for Enterprise and Industry, European Commission. The agenda and a full list of participants are attached.

The workshop was held under Chatham House rules. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact.

As will be the case throughout this series of multistakeholder workshops, no single stakeholder group made up the majority of participants. This summary includes points made by all stakeholders, not just representatives of enterprises and business organisations.

What are current trends in ESG disclosure by enterprises?

ESG disclosure takes different forms and can be directed at diverse audiences. It covers, amongst other things: formal CSR or sustainability reports, chapters integrated in annual reports or annual accounts, digital disclosure, advertising, information on packaging, internal communication to employees, subject specific publications, and responses to rating agency or buyer questionnaires.

* This summary does not necessarily represent the views of the European Commission.

In some circumstances the boundary between marketing and ESG disclosure is not always clear, which is a concern for some stakeholder groups.

For most large companies, the publication of a formal CSR/sustainability report remains the centrepiece of their ESG disclosure. Such reports have become increasingly common in recent years. The most innovative companies in this field are experimenting with different disclosure techniques, including the use of electronic and social media. Others have moved towards fully integrated annual reports with ESG disclosure in different parts of the report. Amongst some enterprises there is a trend towards harder data and less general description in CSR/sustainability reports.

Other notable trends include: a greater emphasis on 3rd party assurance of reports, which brings a added degree of formality to the disclosure process; more emphasis on the positive contribution of the enterprise to society and the environment; more disclosure of anti-corruption policies; many reports make reference to the Global Reporting Initiative (GRI), although fewer adhere strictly to the GRI framework; and, in some cases, more integration of ESG information into annual reports.

In terms of the numbers of enterprises publishing CSR/sustainability reports, Europe risks losing global leadership. Figures from the GRI suggest that 48% of companies reporting with reference to the GRI are from EU, compared to 60% four years ago. This reflects the growth in ESG disclosure amongst companies from emerging markets. The state owned company department of the Chinese Ministry of Commerce has recently called for ESG disclosure by China's state-owned enterprises.

These trends apply almost exclusively to large companies. Not surprisingly, it is the leading large companies in the field of ESG disclosure that attract the most attention. Overall there is a wide variety of attitudes and practices, influenced amongst other things by size of enterprise, and its sector and country of operation.

With some exceptions, small and medium-sized enterprises (SMEs) practice disclosure and transparency in an informal manner and without publishing CSR/sustainability reports. This is consistent with the fact that CSR and sustainability processes in SMEs also tend to be informal in nature. SMEs are most likely to communicate ESG information to their employees and to buyers. Half of the 5.000 member of the United National Global Compact are SMEs, and they are required to issue a Communication on Progress every two years. The GRI has established a simplified reporting model, which is currently applied by about 150 SMEs. The European social partners in the tanning sector have launched a programme to support CSR/sustainability reporting by SMEs in that sector. The Spanish association of pharmacies has adapted the GRI guidelines for their 55.000 members, mainly SMEs.

What are enterprises trying to achieve through ESG disclosure? What advantages can it bring?

Participants mentioned the following drivers and benefits of ESG disclosure for enterprises:

- Promoting CSR/sustainability within the enterprise. ESG disclosure ought not to be seen as an isolated package, but rather as part of broader process of change. The discipline of

ESG disclosure, if it involves qualitative and quantitative ESG indicators by department, can make a significant contribution to the mainstreaming of CSR and sustainability in an enterprise. It can bring CSR and sustainability down to the operational and middle-management level. ESG disclosure can also lead enterprises to discover new opportunities and new information about their own operations, which can in turn help to alter internal attitudes to the relevance of CSR and sustainability. Such information can empower individual “sustainability champions” within the enterprise. To be a driver for internal change, ESG information should put quality over quantity, be forward-looking, cover the supply-chain, and be controlled and credible.

- Contracts and new business: a commitment to CSR and sustainability, which ESG disclosure can help to demonstrate, is sometimes useful and even necessary for winning new contracts with government or other businesses. This is a result of trends in public procurement and the greater attention many enterprises are giving to social and environmental issues in their supply chain. It still remains the case, however, that the great majority of purchasing decisions are based first and foremost on quality, price, delivery times and payment terms.
- Desire to feature in sustainability indexes: for some enterprises, featuring in sustainability indexes such as the Dow Jones Sustainability Index or FTSE For Good is a conscious objective of their decision to disclose ESG information.
- Social license to operate: ESG disclosure can in some cases be a largely reactive and defensive process designed to mitigate criticism or demands from external stakeholders such as non-governmental organisations.
- Improving stakeholder dialogue: the process of ESG disclosure provides opportunities for new forms of engagement with stakeholders. The workshop heard from a company that engages with stakeholders to help define the materiality of different ESG issues and so identify which issues merit action and disclosure. This helps the company to understand to manage stakeholder expectations. Top-down ESG disclosure processes, however, are unlikely to improve dialogue with stakeholders inside or outside the company. The workshop heard another case study where collaboration between an enterprise and NGOs resulted in a new mechanism to communicate ESG information on financial products to consumers. ESG disclosure can also be a useful tool to improve dialogue with the enterprise’s own personnel and their representatives.
- Human rights: enterprises have an obligation to respect human rights. ESG disclosure can be a useful tool in helping enterprises to meet that obligation.

What are the main challenges and problems faced by enterprises regarding ESG disclosure?

Participants identified the following problems and challenges for enterprises with regard to ESG disclosure:

- Intended recipients of information are not satisfied: Investors, non-governmental organisations and employees representatives – groups often cited as intended recipients of disclosed information – frequently criticise the ESG disclosure of enterprises. Typical

complaints include: arbitrary selection of data and indicators, inaccuracy of data, lack of comparable data between enterprises, failure to link ESG information to company strategy, lack of forward-looking analysis, and an excessive marketing approach. NGO representatives in particular remarked on the need for more information regarding anti-bribery and anti-corruption policies, which can enhance responsible corporate governance and competition, and the lack of information about the impact, including possible negative impact, of company operations on affected communities. Part of the problem is that different stakeholders have different information requirements and expectations, and meeting them all is extremely difficult, if not impossible. Anecdotal evidence suggests that many intended recipients may not read CSR/sustainability reports. Other CSR professionals and students are often the most assiduous readers of such reports.

- Communication with consumers is especially problematic: Either information does not seem to reach consumers, or they are confused with the information they do receive. Most labels are not able to reflect the complexity of CSR/sustainability challenges.
- The costs of ESG disclosure: the process of collecting information and then publishing it in an accessible and attractive format can be costly. Costs increase if the intention is to provide different information in a different format to different stakeholder groups, and if external assurance providers are engaged.
- Internal resistance: the counterpart of ESG disclosure being a tool to drive internal change is that it can also meet significant internal resistance. For some enterprises, a culture of greater openness and transparency would represent a big cultural shift.

Transparency and materiality in ESG disclosure: what is the difference and why are they important?

Although not mutually exclusive, transparency and materiality correspond to different stakeholders with different constituencies and agendas, each legitimate in its own right, and they can sometimes be conflicting.

Transparency values the disclosure of data for its own sake, sometimes as a question of principle. Materiality seeks to define which data is actually important in terms of influencing the decisions of the intended recipients of the information. Complete transparency, while arguably better than no transparency, can result in too much data, confusing those who want to focus on material information and even hampering rather than facilitating organisational change.

To some extent, transparency may be motivated by the need for social license to operate, whereas materiality is more commonly a question of assessing how ESG data is relevant to the performance of the company. Some stakeholders ask to whom the information should be material, and would include groups such as communities affected by a company's operations.

For investors and indeed for enterprises themselves, data need to be linked to context, strategy, risks and financial results in order to be material. Materiality cannot be addressed through a check-list approach of key performance indicators. The workshop heard the example of the percentage of a European company's workforce that comes from ethnic minorities. In itself that figure is not very useful to investors (or other stakeholders). By

contrast, it may be useful to know that the company seeks to ensure that the makeup of its workforce reflects the ethnic make-up of the population and the impact that has on customer satisfaction and sales. Often enterprises themselves understand internally the importance of ESG factors to their overall performance, but fail to communicate this to investors. There is a need, therefore, “to externalise the internalities”.

The European CSR Alliance Laboratory on “Corporate Responsibility and the Valuation of Financial and Non-financial Performance” has developed a framework for dialogue between companies and investors that identifies 6 key ESG areas and 9 key metrics. The European Federation of Financial Analysts Societies (EFFAS) is developing a set of indicators, of which about 20 would be applicable to any individual company. In terms of materiality, a relatively small number of indicators is preferable: “less is more”.

The workshop heard a case study from a Japanese company that uses the framework of the World Intellectual Capital Initiative (WICI), in which ESG information is treated in the same way as other non-financial and future oriented information.

Today’s financial accounting standards also seek to balance materiality and transparency, and are the result of many years of debate and practice.

Why do some enterprises chose not to disclose ESG information?

The workshop heard from a representative of one enterprise that had consciously chosen not to disclose ESG information. This decision was taken on principle, in spite of the fact the enterprise works in the environmental sector and is engaged with its local community. Any additional ESG disclosure beyond what is required by law was considered to be an unnecessary cost. ESG information is not commensurable, and distracts enterprises from focusing on the considerations that are really important to their long-term performance. Externalities should be internalised by appropriate institutional frameworks that create rational incentives to take appropriate actions, not by encouraging bureaucratic window-dressing.

The workshop also heard from a representative of one enterprise that does disclose ESG information but does not publish any kind of CSR/sustainability report. Working in the B2B sector, the enterprise has a tradition of intensive communication with its customers. It prefers to provide customers with the right amount of the right ESG information at the right time. This approach has helped the company to create and keep credibility. The enterprise believes that a duty based on legal regulation of ESG disclosure in the form of a report creates no added value, and raises difficult questions of cost, and the need for control and assurance.

National approaches to ESG disclosure in the European Union

Four EU Member States outlined their current policy on ESG disclosure:

- Denmark: has passed a new law on CSR reporting which will come into force in 2010. An important objective of the law is to enhance Denmark’s international reputation for responsible growth. It also aims to bridge the gap between the 70% of Danish enterprises who say they are active in the field of CSR, and the 20% who currently report on it. The

law is principles based and does not affect the voluntary status of CSR itself. It requires the 1000 largest companies, state-owned public limited companies and financial institutions to 1) describe their CSR policy (or state that they do not have one); 2) explain how they have implemented that policy; and 3) describe the results of the policy and expectations for the future. The principles-based approach as well as the decision to give companies a large degree of flexibility with regard to how they chose to publish the information also serves to promote better regulation and reduce administrative costs. The law does not require that reports be consistent with the GRI, but the Danish government supports the GRI and encourages large companies to use it. .

- Spain: has established a State Council (Consejo Estatal) with representation from business, civil society, trade unions and public administrations. One aim of the Council is to develop common standards and characteristics of CSR reports. Spain does not have a legislative approach to ESG disclosure beyond the existing requirements of European legislation.
- France: The 2001 Nouvelle Loi Economique provides a list of social and environmental issues that listed companies should address in their annual report. There is no, however, any established penalty for non-compliance. An evaluation of the law will soon be published. It seems to have mobilised companies and driven the creation of CSR/sustainability expertise. A new bill is now pending to extend the requirements to non-listed companies above a certain size. France considers that: the same requirements cannot be placed on large and small enterprises; listed companies have specific responsibilities to the market; some harmonisation and benchmarking is necessary; there is a need to address the issue of suppliers outside Europe; and that Europe has a role to play in the field of ESG disclosure.
- Sweden: introduced a requirement in 2008 on the 54 Swedish state-owned companies to report using the GRI framework, with 3rd party assurance. The law is uses the “comply or explain” principle. As a result of the new requirement, in 89% of state-owned companies reported according to GRI in 2008, compared to 14% in 2007. The requirement has also had some effect on the private sector: of the 100 largest Swedish private companies, 25% reported according to the GRI in 2008, compared to 15% in 2007.

From an enterprise perspective, what might need to change?

During the final session of the workshop, the following views were expressed:

- There is a danger of focusing on ESG disclosure at the expense of ESG action. Actual ESG performance and internal change within companies should be given greater prominence than disclosure.
- Legislation to make ESG disclosure obligatory is not required. Harmonisation and obligation in this field would be counter-productive.
- A basic platform and a common approach to ESG disclosure is necessary.
- There is a need for appropriate tools to help SMEs with this issue. The GRI in its current general form is not appropriate for SMEs. There is a role for local level support to SMEs

on ESG disclosure, including training, financial assistance, good practice exchange, and giving visibility to SMEs that lead in this field.

- There is a need to agree some common terminology and definitions of concepts (ESG disclosure, reporting, non-financial performance, etc.).
- There is a danger of giving a confused message to SMEs. These workshops are looking at ESG disclosure, while the European Commission is also proposing to exempt SMEs from financial disclosure requirements.[†]
- Sector-based approaches to ESG disclosure may sound attractive, but they are not necessarily a panacea and have their own complications. Many companies within a sector are in fact very different and comparing like with like remains very difficult.
- Global companies face a “mess” of different schemes and legislation at different levels. Some transnational companies would like to have a common standard. Global and listed companies are free to produce an ESG report if they wish, and if they do it would be useful to have a standard to cover two different levels: a) comparative information following the UN Global Compact and related GRI indicators and b) some sector-based indicators based on materiality.
- If Europe does not take the lead in this field then others, such as the US Securities and Exchange Commission, may do so.
- Any common step forward in this field will: require an open mindset on the part of all involved; need to be kept in mind the overall objective of creating a more sustainable system; and need to be multifaceted.
- It is absolutely important to recognise the business case for more effective communication of ESG information.
- We are not far from common ground. There is some confusion, but there are also the elements of a solution.

[†] The European Commission has proposed that EU Member States should have the option of exempting *micro-entities* from financial reporting requirements.

Agenda

Workshop 1: The enterprise perspective

Friday 18 September 2009, 9.00 – 17.00

Sicco Mansholt Room, Charlemagne Building, Rue de la Loi 170, Brussels

9.00 - 9.15	<p><u>Welcome and introduction: Pedro Ortún, Director, European Commission</u></p> <p>What do these workshops aim to achieve, and how will do they do it? What is the expected role of participants?</p> <p>Brief presentation of participants.</p>
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9.15 - 10.15	<p><u>What are the current trends in ESG disclosure by enterprises?</u></p> <p>The series of workshops will start with an overview of current ESG disclosure practices, together with two companies illustrating some of those practices.</p> <ul style="list-style-type: none">• Presentation by an expert with an overview of trends in ESG disclosure (10 minutes): Roger Cowe, Context• Company case study (10 minutes): Joaquim Croca, Vodafone• Company case study (10 minutes): Pierre Dutrieu, Caisse Nationale des Caisses d'Epargne and Yann Louvel, Amis de la Terre, France <p>Open discussion (30 minutes):</p> <ul style="list-style-type: none">- What are the key trends in ESG disclosure, and how do they vary according to size and type of company?- What has changed compared to 5 years ago? What are the factors likely to influence future trends?
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10.15 - 12.15	<p><u>What do enterprises want to achieve through ESG disclosure? And to what extent are they achieving it?</u></p> <p>This session will explore the motivations of enterprises with regard to ESG disclosure, and ask to what extent they are achieving what they set out to achieve.</p> <p>It will be divided into 4 parts of 30 minutes each, each part based around one particular question. There will be two discussants for each question, who will start the discussion with short introductory statements (3 minutes), after which they will be open to “interview” by other participants.</p> <p>1. Many enterprises are trying to communicate ESG information to different audiences: with which audiences are they most successful and which least? What factors influence success?</p> <ul style="list-style-type: none"> • Steve John, ArcelorMittal • Carlos Cordero, Observatorio RSE, Spain <p>2. How can ESG disclosure function as a tool for driving internal change?</p> <ul style="list-style-type: none"> • Michel Bande, Solvay • Patrick Itschert, European Trade Union Federation, Textiles, Clothing and Leather <p>3. Transparency and materiality: are they common goals for enterprises that practice ESG disclosure?</p> <ul style="list-style-type: none"> • John Swannick, Lloyds TSB • Matt Christensen, EUROSIF <p>4. Why do some enterprises chose not to disclose ESG information?</p> <ul style="list-style-type: none"> • Bruno Prior, Summerleaze • Andrea Linke, Voith AG
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12.15 - 12.30	<p><u>A view from outside Europe</u></p> <ul style="list-style-type: none"> • Akira Fujiyoshi, Eisai Co., Ltd., and member of World Intellectual Capital Initiative (Japan)
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12.30 - 13.30	<p><u>Lunch</u></p>
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13.30 - 14.15	<p><u>What barriers are there to enterprises achieving what they want to achieve through ESG disclosure?</u></p> <p>On the basis of the morning sessions, this will be a dynamic brainstorming to list the main concerns and challenges faced by enterprises with regard to ESG disclosure.</p> <p>Introduced by a representative from the European Commission, on the basis of the morning's discussions.</p>
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14.15 - 15.15	<p><u>National approaches to ESG disclosure in the European Union</u></p> <p>Presentations from representatives of Denmark, Spain, France and Sweden (7 minutes each), explaining their policy on ESG disclosure.</p> <ul style="list-style-type: none"> • Victor Kjaer, Deputy Director General, Danish Centre for CSR, Danish Commerce and Companies Agency • Miguel Angel Martínez de la Riva, Dirección General de la Economía Social, del Trabajo Autónomo y de la R.S.E, Ministerio de Trabajo e Inmigración, Spain • Michel Doucin, Ambassadeur chargé de la bioéthique et CSR, France • Jenny Didong, Division for State Enterprise, Ministry of Enterprise, Energy and Communications, Sweden <p>Open discussion (30 minutes):</p> <ul style="list-style-type: none"> - What might be the advantages and disadvantages of these different approaches? - To what extent do they take account of different sizes and types of enterprise?
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15.15 - 16.15	<p><u>“Disclosure Nirvana”: what does it look like for enterprises?</u></p> <p>This session will gather ideas about what for enterprises would be the ideal scenario for ESG disclosure, and what might need to change in order to reach that ideal scenario. (This same “disclosure Nirvana” question will be addressed from the perspective of different stakeholders in subsequent workshops).</p> <p>Format: Company and business representatives each answer the question “If you could change one thing, what would it be?” (2 minutes each)</p>
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	<ul style="list-style-type: none"> • Vladimíra Drbalová, BUSINESSEUROPE and Confederation of Industry of the Czech Republic and • Luc Hendrickx, UEAPME • Carmen Ragno, EUROCHAMBRES and Milan Chamber of Commerce • Alberto Andreu Pinillos, Telefonica, Spain • Lettemieke Mulder, Unilever and CSR Europe <p>Followed by general discussion.</p> <p>Themes to consider:</p> <ul style="list-style-type: none"> - How to make better use of ESG information that is already disclosed by enterprises? - Is there a need to take account of the specific circumstances of SMEs, and if so, how? - Do enterprises see any advantage in having commonly agreed general and/or sector specific disclosure indicators? - What “reward” might enterprises reasonably expect from consumers, investors, civil society, public authorities, media? - What role, if any, should governments and public authorities play at national, European, global levels?
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<p>16.15 - 17.00</p>	<p><u>Feedback, Conclusions, Next Steps</u></p> <p>Next steps for subsequent workshops:</p> <ul style="list-style-type: none"> - Format, number and type of participants - Webstreaming - Written contributions <p>Next meetings of High Level Group of National Representatives on CSR, and of CSR Forum Coordination Committee.</p>
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List of participants

Workshop 1: The enterprise perspective

Friday 18 September 2009, 9.00 – 17.00

Surname	Firstname	Organisation
Alexa	Noemi	Transparency International, Hungary
Alonso	Natalia	Amnesty International
Ameel	Dirk	EUROCADRES
Andreu Pinillos	Alberto	TELEFONICA, S.A.
Bande	Michel	Solvay
Bedo	Imola	European Commission, DG Environment
Cacciato	Giuseppe	European Commission, DG Enterprise and Industry
Callagan	Sandra	European Commission, DG TRADE
Capron	Michel	Forum Citoyen pour la RSE
Christensen	Matt	European Sustainable Investment Forum (EUROSIF)
Cordero	Carlos	Observatorio RSE
Cowe	Roger	Context
Croca	Joaquim	Vodafone
Curtiss	Frank	Railpen and International Corporate Governance Network (ICGN)
Dawson	Brian	European Parliament, Assistant to Richard Howitt MEP
de Clerk	Paul	Friends of the Earth Europe
Didong	Jenny	Ministry of Enterprise, Energy and Communications, Sweden
Dodd	Tom	European Commission, DG Enterprise and Industry
Doucín	Michel	Ministère des Affaires étrangères et européennes, France
Drbalová	Vladimíra	BUSINESSEUROPE and Confederation of Industry of the Czech Republic
Dutrieu	Pierre	Caisse Nationale des Caisses d'Epargne (CNCE)

Edme	Robin	EUROSIF
Fogelberg	Teresa	Global Reporting Initiative (GRI)
Frank	Ralf	European Federation of Financial Analysts Societies (EFFAS)
Fujiyoshi	Akira	Eisai Co., Ltd.
Gargonne	Simon	UN Global Compact
Gram Nybroe	Dorte	BUSINESSEUROPE and Confederation of Danish Industry
Grayson	David	Doughty Centre for Corporate Responsibility
Hagenah	Astrid	European Savings Bank Group (ESBG)
Hendrickx	Luc	European Association of Craft, Small and Medium-sized Enterprises (UEAPME)
Holmstrom	Kim	European Commission, DG Enterprise and Industry
Itschert	Patrick	European Trade Union Federation for Textile, Clothing and Leather
Kamp-Roelands	Nancy	Federation of European Accountants (FEE)
Kjær	Victor	Danish Commerce and Companies Agency
Linke	Andrea	Voith AG
Louche	Céline	Vlerick Leuven Gent Management School
Louvel	Yann	Friends of the Earth France
Martínez de la Riva Molina	Angel	Dirección General de la Economía Social, del Trabajo Autónomo y de la R.S.E, Spain
Mittermaier	Jana	Transparency International
Mio	Chiara	Federation of European Accountants (FEE)
Montoya	Luis	European Commission, DG Enterprise and Industry
Mulder	Lettemieke	CSR Europe and Unilever
Notredaeme	Jan	CSR Europe
Ortun	Pedro	European Commission, DG Enterprise and Industry
Pedersen	Anders Bomholdt	Danish Commerce and Companies Agency
Pennanen	Aino	Amnesty International, Finland
Prior	Bruno	Summerleaze
Ragno	Carmen	EUROCHAMBRES and Milan Chamber of Commerce

Rudzki	Margarete	EUROCHAMBRES
Saà	Lorenzo	Principles for Responsible Investment (UNPRI)
Steve	John	ArcelorMittal
Swannick	John	Lloyds Banking Group
Szilvassy	Zsofia	European Commission, DG Internal Market and Services
Tisserand	Stéphane	Mutuelle Assurance des Instituteurs de France (MAIF)
Torsten	Christen	European Commission, DG Employment, Social Affairs and Equal Opportunities.
Vandenhove	Jan	Vigeo CSR Rating Agency
Vitt	Judith	Federation of German Consumer Organisations
Zugo	Liliana	European Commission, DG Internal Market and Services

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EU Commission High Level Group on Corporate Social Responsibility

The Danish Government Centre for CSR has a seat in the "EU Commission High Level Group on Corporate Social Responsibility". The group includes representatives of all the EU member states and meets twice a year in Brussels.

The aim of the group is to facilitate the sharing of knowledge and information on new initiatives in the field of CSR between the member states and the Commission. Similarly, researchers, interest organisations and companies are invited on a regular basis to participate in order to present their views as well as new knowledge gained.

- The EU Commission's High Level Group on CSR does not have a homepage. However, this page will continuously be updated with information.

CONTACT

Rune Gottlieb Skovgaard

LINKS

High level group on competitiveness, energy and the environment





Kampmannsgade 1 DK-1780 Copenhagen V Phone +45 33 30 77 00 Fax +45 33 30 77 99

eogs@eogs.dk

European Commission

European Commission Enterprise and Industry Policies ... High level group on competitiveness, energy and the environment
High level group on competitiveness, energy and the environment



The High Level Group on Competitiveness, Energy and the Environment functioned as an advisory platform bringing together the Members of the Commission for Enterprise and Industry, Competition, Energy, and the Environment as well as all relevant stakeholders.


The [mandate](#)  [25 KB] of the High Level Group (HLG) was to provide advice to policy makers at Community and national levels, industry and civil society organizations in the most appropriate format on issues where competitiveness, energy and environmental policies interrelate and impact on basic and intermediate product industries. The mandate was given for two years: it was not extended. The HLG was assisted in its debates and advice by a Sherpa sub-group, which processed, coordinated and integrated the work of ad hoc groups ([Mandate of the Sherpa sub-group](#)  [16 KB]).

In this context, the Commission invited the High Level Group to give advice for action, in particular, in connection with the following issues:

- the functioning of energy markets, particularly the electricity and gas markets;
- climate change, particularly the emissions trading scheme, energy efficiency and renewables;
- the implementation of the Thematic Strategy on the prevention and recycling of waste and related legislation;
- the improvement of resource efficiency and the uptake of environmental and other innovative technologies;
- the development and uptake of environmental and other innovative technologies;
- concrete implementation of better regulation principles.

Who was involved

The [list of members](#)  [200 KB] includes the Commissioners for Enterprise and Industry, Competition, Energy, and the Environment, Ministers, Members of the European Parliament, industry, environmental NGOs, consumers, trade unions and regulators. Members were appointed ad personam. Each member of the HLG nominated a personal representative to a preparatory sub-group; the so-called 'Sherpa' sub-group ([List of Sherpas](#)  [13 KB]).

The HLG also sought input from experts who were invited by the Commission to participate in ad hoc groups. Ad hoc groups were created to examine specific questions in relation with priority policy issues, under the terms of reference established by the HLG. The ad hoc groups were closed as soon as they had fulfilled their mandate. Attendance of the ad hoc group meetings was limited to the invited experts. For the complete list of ad hoc groups please refer to the [work plan of the High Level Group](#)  [19 KB] .

[HLG meetings](#)

[HLG reference material](#)

[HLG Conference](#)

TERMS OF REFERENCE OF THE HIGH LEVEL GROUP ON COMPETITIVENESS, ENERGY AND THE ENVIRONMENT

CONTEXT

The Commission announced in its Communication on “Implementing the Community Lisbon Programme: a policy framework to strengthen EU manufacturing - towards a more integrated approach for industrial policy” the creation of a High Level Group on Competitiveness, Energy and the Environment.

OBJECTIVE

The Commission decided to establish a High Level Group on Competitiveness, Energy and the Environment to contribute to examining the links between industrial, energy and environmental policies and ensuring the coherence of individual initiatives, whilst improving both sustainability and competitiveness, notably building upon input from research in this field.

The High Level Group will give advice:

- to foster consistency of policy and legislative initiatives in the domains of competitiveness, energy and environmental policies, through closer coordination and the development of an integrated approach;
- to contribute to creating a more stable and predictable regulatory framework.

MANDATE

The High Level Group is mandated to provide advice to policy makers at Community and national levels, industry and civil society organizations in the most appropriate format on issues where competitiveness, energy and environmental policies interrelate and impact on basic and intermediate product industries. The mandate is given for two years: it may be extended by Commission Decision.

In this context, the Commission will invite the High Level Group to provide advice for action, in particular, in connection with the following issues:

- The functioning of energy markets, particularly the electricity and gas markets;
- Climate change, particularly the emissions trading scheme, energy-efficiency and renewables, including energy taxation and removal of harmful subsidies;
- The implementation of the Thematic Strategy on the prevention and recycling of waste and related legislation;
- Improvement of resource efficiency;
- The development and uptake of environmental and other innovative technologies;
- Concrete implementation of better regulation principles

The High Level Group will fully integrate the international aspects into their reflections and opinions.

PROPOSED APPROACH

The High Level Group will establish its own working method and will decide on the items to be included in the agenda for discussion. Discussions on the different topics will be conducted on the basis of documents prepared by the Commission, industry, NGOs, other participating parties or by external consultants, where appropriate.

Each member of the High Level Group will nominate a personal representative to the *sherpa* sub-group.

The *sherpa* sub-group will prepare the discussions, position papers and advice for actions and/or policy measures to be endorsed by the High Level Group; it will work in close contact with the Commission services.

The High Level Group may decide on the most appropriate way to feeding its reflections with any substantive studies or contributions, including the creation, where appropriate, of a limited number of ad-hoc groups. The members of the *sherpa* sub-group may be involved in this process.

The High Level Group will be co-chaired by the Commissioners for Enterprise and Industry, Environment, Competition and Energy, according to the subjects being addressed and on the basis of a revolving chairmanship. The Commissioners will chair the meetings or parts of meetings pertaining to their portfolio competencies. The practical implementation of this principle will be decided on a case by case basis ahead of every meeting.

The secretariat of the High Level Group, the Sherpa sub-group and the ad-hoc groups will be provided by DG ENTR, DG ENV and DG TREN.

REPORTING AND DELIVERABLES

The High Level Group shall provide advice, in the most appropriate format (e.g. statement, report). This advice may be addressed to policy makers at Community and national level, industry, and civil society organisations. The Group may also decide to make publicly available the non-confidential conclusions of the meetings, outlining decisions taken and progress made.

MEMBERSHIP

The Vice-President of the European Commission, responsible for Enterprise and Industry, Mr. Gunter Verheugen

The Member of the European Commission, responsible for Environment, Mr. Stavros Dimas

The Member of the European Commission, responsible for Competition, Ms. Neelie Kroes

The Member of the European Commission, responsible for Energy, Mr. Andris Piebalgs

The High Level Group of up to 28 participants is as wide as required to ensure that relevant stakeholders are represented, and as targeted as possible to ensure that they can contribute relevant input.

Representation is at the highest level from different administrations and organisations including the Commission, Member States, European Parliament, and relevant stakeholders, notably industry and civil society, inter alia, consumers, trade unions, NGOs and regulators. Members of the High Level Group are appointed for their expertise in a personal capacity, without replacement by deputies or nominated representatives.

WORK PLAN AND INDICATIVE TIMETABLE

The High-level Group will meet whenever appropriate as often as required and as long as relevant matters within the scope of its mandate will require debate and advice by the HLG. It shall conclude its work 24 months after the adoption of the Commission's Decision creating it. The Commission may decide, in the meantime, on a possible extension of the duration. About two meetings of the *sherpa* sub-group are expected to be necessary to prepare the debates at the High Level Group.

The *sherpa*'s sub-group will set up a work plan to be approved by the High Level Group in its first meeting.

Sherpa sub-group of the HLG on Competitiveness, Energy and the Environment Mandate

Context

The Commission has decided to set up a High Level Group (HLG) on Competitiveness, Energy and the Environment from high level persons with competence and responsibility in the areas of industry, energy, and the environment. Each member will nominate a personal representative to a preparatory sub-group the so-called 'sherpa' sub-group.

Objective

The Sherpa sub-group will assist the High Level Group in its debates and advice.

Work plan

The Sherpa sub-group will process, coordinate and integrate the work of ad hoc groups. On the basis of input from the ad hoc groups and relevant contributions or documents, it will prepare the debate of the HLG and will make recommendations to the HLG. It will notably prepare position papers, and advice for actions or policy measures to be taken by the HLG.

The sherpas will discuss and identify before each meeting of the HLG:

- Subjects for discussion by the HLG;
- Input to the conclusions to be taken by the HLG; and
- Sensitive and problematic issues.

Methodology and deliverables

Emphasis should be put on the feasibility of the proposed recommendations to the HLG, taking into account, in a balanced manner, short term and long term economic as well as environmental considerations. Emphasis will also be given to technology.

The meetings will be convened by the Commission. The Sherpa sub-group shall be chaired by a representative of the European Commission. The chair of each subject will depend on the subject area discussed. The minutes of the meetings, the possible reports and presentations of the Sherpa sub-group will be drafted by the secretariat provided by the Commission.

The sherpas will be able to attend the meetings of the ad hoc groups if so they wish. They will attend the HLG meetings but do not substitute HLG members.

Timetable and duration

The sherpa sub-group shall start working as early as possible in February. It will meet as often as required, ahead of the HLG meetings. In between meetings it will use the most appropriate communication means (e.g. e-mail, telephone and fax) to exchange information, documents or to draft joint papers. The sherpa sub-group shall be closed when the HLG will terminate its activities.

Links

Relevant links concerning CSR.

CSR in general

- [People & Profits project](#)
 - [CSR-driven innovation](#)
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EU related information

- [EurActiv](#)
 - [European Commission](#)
 - [Treaty of Lisbon](#)
 - [European Multistakeholder Forum on CSR - Final report \(pdf 2.03 MB\)](#)
-

Climate

- [Greenhouse Gas Protocol \(GHG Protocol\)](#)
 - [Carbon Trust](#)
 - [Danish Electricity Saving Trust](#)
 - [Carbon Disclosure Project](#)
 - [COP 15](#)
 - [Energy Service Denmark](#)
 - [Danish Ministry of Climate and Energy](#)
-

Environment

- [EMAS](#)
- [Ecolabelling Denmark](#)
- [Eco-Label catalogue](#)
- [Key2Green Network](#)

- [Green Network](#)
 - [United Nations Environment Programme \(UNEP\)](#)
-

Suppliers

- [The Human Rights and Business Project](#)
 - [SUSBIZ India - Partnerships for Sustainable Business Development](#)
-

SRI - Socially Responsible Investment

- [The Promise of Socially Responsible Investing \(a conference in november 2008\)](#)
-

Ministries and public authorities

- [Danish Commerce and Companies Agency \(DCCA\)](#)
 - [Danish Ministry of Economic and Business Affairs](#)
 - [Danish Ministry of Employment](#)
 - [Danish Standards](#)
 - [EKF - a Danish export funding foundation](#)
 - [IFU](#)
 - [Danish Ministry of Climate and Energy](#)
 - [Danish Energy Agency](#)
 - [Danish Ministry of the Environment](#)
 - [Danish Environmental Protection Agency](#)
 - [Danish Ministry of Foreign Affairs](#)
-

Networks and organisations

- [Center for Corporate Social Responsibility, Copenhagen Business School](#)
- [Danish Ethical Trading Initiative](#)
- [The Danish Institute for Human Rights](#)
- [The Danish council for sustainable business development](#)

Interest groups and trade associations

- [Amnesty International](#)
- [International Dalit Solidarity Network](#)
- [Danish Shipowners' Association](#)
- [Danish Society for Nature Conservation](#)
- [The Confederation of Danish Employers](#)
- [Danish Construction Association](#)
- [Danish Chamber of Commerce](#)
- [DanWatch](#)
- [Confederation of Danish Industry](#)
- [CO-industri](#)
- [The Danish Bankers Association](#)
- [Danish Insurance Association](#)
- [Danish Consumer Council](#)
- [Greenpeace International](#)
- [The Danish Federation of Small and Medium-Sized Enterprises](#)
- [Save the Children](#)
- [Danish Confederation of Trade Unions \(LO\)](#)
- [WWF](#)
- [United Federation of Danish Workers](#)

International pages

- [Business Europe](#)
- [CSR Europe](#)
- [European Trade Union Confederation](#)
- [UNDP](#)
- [World Business Council for Sustainable Development](#)
- [Boston Scientific](#)
- [ISO - International Organization for Standardization](#)
- [The German Ministry of Labour and Social Affairs' homepage on CSR](#)



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The logo for CSRgov.dk, featuring the text "CSRgov.dk" in white on a dark red rectangular background.

Nyheder 2010

New CSR tool launched

29 January 2010: The Ideas Compass was launched in Copenhagen on January 27th. The online tool was made to inspire SMEs and make it easier for them to develop products and at the same time contribute to solve some of the many challenges that todays society faces.

[READ MORE ABOUT THE IDEAS COMPASS](#)



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29. January 2010

New CSR tool launched

The Ideas Compass was launched in Copenhagen on January 27th. The online tool was made to inspire SMEs and make it easier for them to develop products and at the same time contribute to solve some of the many challenges that todays society faces.

The new tool covers corporate social innovation by guiding the SMEs according to their plans. The Ideas Compass also contains cases from different companies about their own experience with corporate social innovation.

The tool is made by The Danish Commerce and Companies Agency and it is the third in a row of online compasses covering different areas in CSR. The first tool – The CSR Compass (in Danish only) – covers responsible supply chain management and the second – The Climate Compass – focuses on reducing the companies' carbon emission.

- [Visit The Ideas Compass](#)



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Nyheder 2009

Press release: The world's most extensive carbon calculator is now being launched

15 December 2009: At the occasion of the COP 15 in Copenhagen, The Confederation of Danish Industry and The Danish Commerce and Companies Agency has launched an English version of The Climate Compass

[SEE THE PRESS RELEASE](#)

New Guide on Human Rights Reporting

13 November 2009: UN Global Compact, Global Reporting Initiative and Realizing Rights has jointly launched a new guide helping companies to report on Human Rights-related topics within CSR.

[READ MORE](#)

UN PRI announces research awards

9 November 2009: The six awards will go to the best academic papers on the theme of 'Mainstreaming Responsible Investments'. The winners will be announced at PRI's annual conference in Copenhagen, May 2010. The project is financed by The Danish Commerce and Companies Agency.

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9 November 2009: The second out of 5 workshops on ESG disclosure took place on Friday October 30th at The European Commission in Brussels. Denmark stole a great deal of the attention.

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GRI Advisory Group to meet in Denmark

4 August 2009: By the end of September this year, The Danish Commerce and Companies Agency will be hosting the next meeting of the Government Advisory Group of the Global Reporting Initiative.

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UN Global Compact: Notable Reporters Outperform Key Stock Index

22 June 2009: The UN Global Compact reports that participants recognized as good, or "notable", sustainability reporters have outperformed a major stock market index over the past two years. This is the key finding of a new study released by the RiskMetrics Group.

[READ MORE AT THE UN GLOBAL COMPACT WEBSITE](#)

Requiring Transparency

13 May 2009: On 14 May, Teresa Fogelberg, Deputy Chief Executive at GRI (Global Reporting Initiative) will be speaking at a conference on responsible growth in Copenhagen. Also, she has written a contribution to our blog on CSRgov.dk, in which she welcomes the leadership Denmark is taking on sustainability reporting.

[SEE FOGELBERG'S BLOG POST](#)

Danish Minister opens CSR blog

31 March 2009: The Danish Minister on Economic and Business Affairs, Lene Espersen, opens the blog on CSRgov.dk by posting her views on CSR in a time of crises.

[SEE THE MINISTER'S BLOG POST](#)



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The logo for CSRgov.dk, featuring the text "CSRgov.dk" in white on a dark red rectangular background.

15. December 2009

Press release: The world's most extensive carbon calculator is now being launched

At the occasion of the COP 15 in Copenhagen, The Confederation of Danish Industry and The Danish Commerce and Companies Agency has launched an English version of The Climate Compass

The Climate Compass is a web based tool that makes it possible for companies to calculate their carbon emission, prepare a climate strategy and communicate the results.

At www.climatecompass.dk companies can get a step-by-step guidance in preparing a strategy for reducing emissions of greenhouse gases and set up reduction targets. Furthermore, there is a comprehensive collection of case stories mainly from Danish companies, showing how they handle the climate challenges in different areas. Companies can also get advice on how to communicate their climate activities in a trustworthy manner. The Compass also includes hands-on guides for climate activities in SME's and in specific industry sectors.

Until now, carbon emission inventories have mainly consisted of statements of carbon emissions caused by the company's own purchase of electricity, heating and fuel. Today, very few companies include the indirect carbon emissions in their climate strategy.

Many Danish companies have already implemented energy efficiency improvements which, to a wide extent, have reduced consumption of electricity, heating and fuel. By including the indirect carbon emissions in their inventory, the companies increase their opportunities for demonstrating reductions of their impact on the climate.

By using The Climate Compass, it is possible to climb to the next level and calculate the company's indirect carbon emission, concerning business trips and commuting of employees, waste disposal and the carbon footprint from selected raw materials.

The medico company Lundbeck states: "The Climate Compass has been a big help for Lundbeck creating an overview of the company's climate initiatives. For instance, The Carbon Calculator at The Climate Compass has been used to calculate parts of the company's scope 3 emissions."

It is now possible for companies to apply the carbon calculator for reporting to The Carbon Disclosure Project (CDP) and the results of their carbon calculations can be pasted into the CDP questionnaire. The Danish government hope that the tool will encourage more Danish companies to report to CDP. Every year, CDP conducts a global investigation of the companies' climate strategies.

The Climate Compass is an initiative in The Action Plan for Corporate Social Responsibility from 2008 and The Danish Business Strategy on Climate Change from 2009, by the Danish government, and was developed by The Confederation of Danish Industry and The Danish Commerce and Companies Agency under the Danish Ministry of Economic and Business Affairs.

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- [The Climate Compass \(in English\)](#)
- [Website of the Confederation of Danish Industry](#)
- [Website of the GHG Protocol](#)
- [Website of the Carbon Disclosure Project](#)



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13. November 2009

New Guide on Human Rights Reporting

UN Global Compact, Global Reporting Initiative and Realizing Rights has jointly launched a new guide helping companies to report on Human Rights-related topics within CSR.

UN Global Compact, Global Reporting Initiative and Realizing Rights jointly releases the report "A Ressource Guide to Corporate Human Rights Reporting". The guide is to help companies report on their human rights efforts as a part of their work on CSR.

The guide is result of the cooperation between UN Global Compact, Global Reporting Initiative and Realizing Rights on their joint project "Human Rights: A Call to Action". The project was launched in 2008 to mark the 60th anniversary of the Universal Declaration of Human Rights.

- [Get the guide on GRI's homepage](#)



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A Resource Guide to Corporate Human Rights Reporting



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*This document 'Reporting on Human Rights,' falls under the **Topics** category.*

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The mission of **Realizing Rights: The Ethical Globalization Initiative** is to put human rights standards at the heart of global governance and policy-making and to ensure that the needs of the poorest and most vulnerable are addressed on the global stage. www.realizingrights.org



Launched in 2000, the **United Nations Global Compact** is a both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and to catalyze actions in support of broader UN goals. It is the world's largest voluntary corporate citizenship initiative, with over 6,500 signatories based in more than 130 countries. www.unglobalcompact.org



The **Global Reporting Initiative** has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org



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Foreword

Significant progress has been made in recent years by many corporate leaders in understanding the relevance of human rights to business policies and practices around the world.

Initiatives like the UN Global Compact have helped highlight the links between human rights and business issues such as directors' fiduciary responsibilities, managing legal and operational risk and reputation, meeting shareholder and stakeholder expectations and maintaining and motivating staff performance. These and other efforts have been supported by the Global Reporting Initiative which provides the means for companies to track and publicly disclose their sustainability performance, including on human rights issues – information that is increasingly demanded by investors, consumers, employees and other stakeholders.

Yet although a general understanding of the human rights responsibilities of businesses has emerged, many business leaders still struggle with defining how to embrace human rights responsibilities and how to embed these into their business practices.

As three global organizations contributing in different ways to the evolving business and human rights debate, the UN Global Compact, the Global Reporting Initiative and Realizing Rights:

The Ethical Globalization Initiative all share the view that public reporting is a key tool in further improving organizational performance in this area. Sustainability reporting supports the deeper integration of human rights into business practices by establishing an accountability mechanism. In addition, reporting can stimulate companies to improve their internal management systems as part of the report development process.

But many challenges remain for reporters: which human rights issues should be covered and what should be disclosed on practice and performance?

This resource guide is designed to help organizations in beginning the process of identifying relevant human rights issues in their operations and to assist them in translating existing and planned practices into meaningful and effective reporting.

Public reporting on human rights is, of course, a work in progress. The Global Reporting Initiative, Realizing Rights and the United Nations Global Compact stand ready to support companies and other organizations in advancing their efforts in this important area of corporate responsibility and encourage feedback on this resource guide from all interested parties



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Introduction

On 10 December 1948, the United Nations (UN) adopted the Universal Declaration of Human Rights as a “common standard of achievement” for all peoples and nations. For the past six decades, the Declaration, which affirms the inherent dignity and equal rights of all people, has served as the foundation for the development of international law covering civil, political, economic, social and cultural rights.

To mark the Universal Declaration’s 60th anniversary during 2008 and contribute to ongoing efforts aimed at making human rights a reality for all people – The Global Reporting Initiative (GRI), the UN Global Compact, and Realizing Rights: The Ethical Globalization Initiative (Realizing Rights) – joined together to launch “Human Rights: A Call to Action”. This joint initiative challenges companies to commit to improving the quality of their human rights reporting based on recommendations developed by a multi-stakeholder expert working group process.

Stakeholders – customers, civil society organizations, communities, governments, investors, employees – increasingly expect appropriate management of business activities to avoid negative impacts. There is also a growing expectation that companies should take steps towards positive societal impacts, including in the area of human rights, and develop robust public reporting of how they are performing in these areas.

Sustainability reporting supports the deeper integration of human rights into business practices, by establishing an external accountability mechanism as well as stimulating companies to improve their internal management systems as part of the process of developing reports¹. However, many businesses still struggle with defining how to embrace human rights concerns and embed these into their business practices and public reporting.

While a growing number of tools related to human rights and business provide useful guidance for companies, most do not provide detailed information on human rights reporting.

This guide aims to fill that gap. It is hoped that the examples and recommendations discussed will contribute to a clearer understanding of why human rights reporting matters, what stakeholders expect from a report, how to approach certain challenges in reporting, and how to express various elements of human rights performance within sustainability reports.

This guide is intended to help companies begin a process of identifying human rights-relevant issues in their operations and to assist in translating these into meaningful and effective reporting. Though written primarily for companies that do not have extensive human rights reporting experience but are committed to improving their performance in this area, it contains information that will also be of value for NGOs and public agencies.

The document is divided into three sections: Section 1 provides an overview of the evolving human rights and business field; Section 2 discusses human rights reporting and looks at some of the key challenges and debates in this area; and Section 3 looks at the practical aspects of human rights reporting and offers helpful information for companies, including on how to choose a reporting focus from within the broad range of human rights, and how to approach the complex subject of complicity in human rights abuses as part of reporting.

Because human rights reporting is a developing field, the issues discussed here will undoubtedly evolve through practical experience, particularly from organizations who have already taken steps to include human rights issues within their sustainability reports. In that spirit, the project partners welcome feedback and encourage further sharing of information which can support companies seeking to make further progress in this area over the coming years.

¹ For information on sustainability reporting, visit www.globalreporting.org. All documents of the GRI Sustainability Reporting Framework are available for free download on the website.

Section 1:

The Business and Human Rights Debate

The connection between business and human rights has been the subject of growing discussion in recent years. In 2008 the United Nations Special Representative of the Secretary General on Business and Human Rights (SRSG), John Ruggie, put forward a policy framework to address business and human rights challenges, which is based on three principles: the state duty to protect against abuses committed by third parties, including business, the corporate responsibility to respect all human rights, and the need for greater access by victims to effective remedy, judicial and non-judicial. Ruggie has stressed that while states have the duty to protect human rights, companies have a responsibility to, at minimum, avoid infringing on the rights of individuals or groups. This is not simply a passive responsibility, but requires taking positive steps to become aware of, prevent and address any adverse human rights impacts connected with their business activities.²

1.1 Internationally recognized human rights standards

Given the acknowledgment of the corporate responsibility to respect all human rights, which rights exactly should companies understand? The SRSG's mapping of nearly 400 allegations against companies showed that companies can potentially impact all internationally recognized human rights. Therefore companies must consider their responsibility to respect with regard to all such rights, as set out in the Universal Declaration of Human Rights (UDHR) and its two implementing instruments, the International Covenant on Civil and Political Rights (ICCPR) and the International

Covenant on Economic, Social and Cultural Rights (ICESCR)³ (see Box 1 below).

Box 1 : International human rights standards⁴

International Covenant on Civil and Political Rights - Civil and political rights encompass rights to enjoy physical and spiritual freedom, fair treatment, and to participate meaningfully in the political process. They include the right to life, freedom from torture, freedom from slavery, the right to privacy, freedom from arbitrary detention, the right to a fair trial, freedom of religion, freedom of expression and assembly, as well as the rights of minorities and freedom from discrimination.

International Covenant on Economic, Social and Cultural Rights - Economic, social and cultural rights comprise employment rights, such as the right to a fair wage, the right to safe and healthy working conditions, and the right to form and join trade unions, and social rights such as the right to education, the right to an adequate standard of health, and adequate standard of living, as well as the right to participate in cultural life and freedom from discrimination in relation to the enjoyment of the Covenant's rights.

NOTE: In addition to the two covenants, other core UN human rights treaties address issues such as elimination of racial discrimination and discrimination against women, prohibitions against torture and conventions protecting the rights of children, migrants and people with disabilities.

² John Ruggie, *Protect, Respect & Remedy: a Framework for Business and Human Rights. Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises*, April 2008.

³ See UN Office of the High Commissioner for Human Rights, "What Are Human Rights?", <http://www.ohchr.org/EN/Issues/Pages/WhatAreHumanRights.aspx>; UN Office of the High Commissioner for Human Rights, IHRL page, www.ohchr.org/EN/ProfessionalInterest/Pages/InternationalLaw.aspx

⁴ To see how the human rights listed in the ICCPR and the *Human Rights Translated: A Business Reference Guide*, ICESCR relate to business, a good place to start is Castan Centre for Human Rights Law (Monash University), International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, United Nations Global Compact Office, 2008. (See Appendix I for details).

Together, these three instruments form what is known as the International Bill of Rights. The International Bill plus the core conventions of the International Labor Organization (ILO)⁵ are commonly considered the main international reference points on human rights. At a minimum, companies are expected to be familiar with these instruments and the rights they cover. Given that business touches on human rights in so many different ways, it is not possible to make a simple subset of rights for business from these instruments. Businesses need to be able to understand the full range of rights and consider how their activities might or might not relate to them.

These documents make clear that the international human rights framework covers all aspects of how people live, from the right to security of person to the right to freedom of association and the right to an adequate standard of living (see Box 1).

1.2 Turning a commitment to human rights into practice

Recognition that all internationally agreed human rights standards are of potential relevance to companies can present significant challenges in terms of implementation. Fortunately, a growing number of tools, resources and guidance materials on human rights and business have been developed in recent years for the purpose of assisting companies in meeting their responsibility to respect human rights. Box 2 provides a list of some of the key tools in this area along with brief descriptions.

⁵ The ILO has identified eight conventions as “core” because they are considered essential to the human rights of people at work: Convention 29, Forced Labor and Convention 105, Abolition of Forced Labor; Convention 87, Freedom of Association and the Protection of the Right to Organize and Convention 98, Right to Organize and Collective Bargaining; Convention 138, Minimum Age and Convention 182, Elimination of the Worst Forms of Child Labor; Convention 100, Equal Remuneration and Convention 111 Discrimination – Employment and Occupation. See also: www.ilo.org/global/lang-en/index.htm.

Box 2 - Tools

Human Rights Translated: A Business Reference Guide - The purpose of this publication is to explain universally recognized human rights in a way that makes sense to business. The publication illustrates, through the use of examples and suggested practical actions, how human rights are relevant in a corporate context. Published by IBLF, Castan Centre for Human Rights Law, Office of the UN High Commissioner for Human Rights and the UN Global Compact Office.

Guide for Integrating Human Rights into Business Management - The Guide for Integrating Human Rights into Business Management is an online tool produced jointly by the Business Leaders Initiative on Human Rights (BLIHR), the UN Global Compact and the Office of the UN High Commissioner for Human Rights (OHCHR). Now in its second edition, it offers practical guidance to companies wanting to take a proactive approach to human rights within their business operations and is of use primarily to business leaders and managers in large and medium-sized enterprises, private and state-owned, who would like to develop their understanding of human rights in business practice. <http://blihr.zingstudios.com/>

Embedding Human Rights in Business Practice - The Embedding Human Rights in Business Practice series, jointly produced by the Global Compact Office and the Office of the UN High Commissioner for Human Rights, presents case studies of business action related to human rights issues. The cases highlight various types of actions related to company strategy, policy, processes and procedures, communications and measuring impact and auditing.

An overview of selected tools and resources on human rights and business is provided in the Appendix. A succinct summary of tools and guidance materials on other aspects of human rights and business is available at: www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html

Section 2:

Human Rights Reporting – Key Issues and Challenges

Like any area of public reporting, reporting on human rights issues poses its own set of unique challenges. This section looks briefly at why human rights reporting is relevant to companies, before moving on to discuss some of the main challenges and issues which companies will have to address in their human rights reporting.

2.1 How should an organization determine the scope of human rights reporting?

As has been noted, companies can affect human rights in a range of ways, and the “responsibility to respect” applies to all rights at all times. However, it is not feasible or practical to ask all companies to report on their impacts on every human right, and certain human rights will be more immediately relevant to a reporting organization and its stakeholders than others. This does not mean reporting companies should pick and choose or disregard some rights in their practices. Rather, in their reporting, companies need to think carefully about which rights, stakeholders and situations they can and do affect, and which are most relevant for purposes of transparency, accountability, and improving performance. This means making decisions on the *scope of reporting*, i.e. the range of topics covered in a report. Deciding what to include in a report is a significant challenge.

Stakeholders will expect to see that a reporting organization has carefully assessed which human rights are most relevant, in terms of social impact, in relation to the company’s activities, operations, products and services; and which stakeholders must be considered in order to report properly on human rights impacts. Full disclosure on these human rights will give stakeholders a good idea of how an organization views its own potential impacts and risks and what actions it has taken to prevent, address or mitigate them.

Box 3 : Defining “Scope”

Scope is used differently by the United Nations Special Representative of the Secretary General on Business and Human Rights, John Ruggie, than it is in the sustainability reporting field.

The use of the term Scope in this document is the common usage in the sustainability reporting field, meaning the range of of sustainability topics covered in a report. The sum of the topics reported should be sufficient to reflect significant economic, environmental and social impacts.

When the SRSB discusses Scope, he is referring to the scope of a company’s responsibility to respect human rights and the dimensions of that responsibility.

Covering the proper content is important because human rights reporting should be comprehensive without being overwhelming; allow for efficient use of reporting resources; help in meeting stakeholder expectations and allow for a balanced and accurate assessment of a company’s performance on human rights.

In thinking about scope, there are two basic factors to take into consideration: rights that are typically relevant to a company and business sector, and stakeholders who are affected by the company’s activities. Rights are fundamentally about *people* which means looking at activities that have an impact, whether positive or negative, on people’s lives. Human rights reporting should look at who is affected, and in what way, by a company’s activities and operations, and whether these effects influence the ability of people to enjoy their rights. This is not just a question of looking for negative events or violations, but looking at the qualitative interaction between activities and rights.

One of the issues to bear in mind from a human rights perspective when considering which groups of people are most affected concerns the company’s potential impacts on vulnerable populations,

people who are often the easiest to overlook because they might not be able to voice their interests due to certain constraints or are otherwise marginalized. Vulnerable groups can include women in traditional societies; illegal immigrants; those suffering from HIV/AIDS; individuals with disabilities and highly impoverished populations among others.

2.2 What is complicity and what does it mean for reporting?

Companies can affect human rights *directly* – through their own actions, inactions, operations, products and services – and *indirectly*, through their interaction and relationships with others, including governments, local communities and suppliers.

Stakeholders want to know about a company's own actions and direct impact on human rights. But they also want to know about the organization's *indirect impact* on stakeholders' human rights through other entities, and how the company deals with these issues. This means reporting on *relationships* with parties over which the company might have some influence but does not directly manage or control.

In situations where other parties are associated with human rights abuses, a company can be perceived to be responsible in whole or in part for these actions. This indirect involvement with human rights abuses is known as *complicity*, and a company can be accused of complicity in human rights abuses regardless of its size, location or type of business. The corporate responsibility to respect human rights includes avoiding complicity. A growing number of lawsuits filed in recent years have alleged corporate complicity in human rights abuses.

Companies should, therefore, ensure that reports address *relationships* with, and *influence* over, other parties (organizations or individuals, governmental or private) who may have an impact on human rights. Reporting that ignores these factors will always be incomplete.

Complicity has both legal and non-legal dimensions, and the legal definition of complicity is

still evolving. The legal meaning of complicity has been most clearly defined with respect to aiding and abetting international crimes. In the simplest terms, this involves knowingly providing practical assistance or encouragement that has a substantial effect on the commission of a crime⁶. Outside of legal cases, companies may also be accused of complicity if they remain silent in the face of, or benefit directly from, human rights abuses committed by others. In addition, in cases where legal liability is unlikely, social expectations are such that there are moral, reputational and other risks associated with alleged complicity in human rights abuses⁷.

As more companies outsource their operations and move to areas where the rule of law is weak or human rights abuses are common, there is increasing potential for them to be indirectly associated with human rights violations.

Stakeholders look to companies operating in such environments to acknowledge this in their reporting, and discuss whether and how they are seeking to uphold human rights in relation to their activities in those places.

At the same time, many stakeholders have also started to look more carefully at corporate influence generally – for example, through lobbying or bargaining power – and its potential to affect the context in which a company operates. It is worth noting that perceived corporate influence can also affect whether the public considers a company responsible for abuses by third parties.

⁶ John Ruggie, *Protect, Respect & Remedy*, 2008. p. 20.

⁷ See, for example, *Corporate Complicity & Legal Accountability, vol. I, Facing the Facts and Charting a Legal Path*, Report of the International Commission of Jurists Expert Legal Panel on Corporate Complicity in International Crimes, Geneva, 2008, pp. 14-15; and John Ruggie, *Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development: Clarifying the Concepts of 'Sphere of Influence' and 'Complicity'*, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, 15 May 2008, UN Human Rights Council, A/HRC/8/16, pp. 17-18, with reference to the UN Global Compact and social expectations around complicity.

Complicity poses challenges for human rights reporting for several reasons, most notably:

- it involves entities outside the company, which can make it difficult to gain access to required information;
- the concept of complicity, and what it entails, is still evolving, and there are as yet few good examples of reporting with regard to partners or other relationships; and
- companies might feel that legal sensitivities associated with statements about potential or actual complicity prevent them from disclosing anything on the issue. But silence in this area can also be risky, given stakeholders' rising expectations about disclosure around potential complicity in rights abuses.

Although reporting in relation to complicity (potential or actual) is complex, disclosure on a company's relationships and its due diligence processes is an important part of human rights reporting.

The next section discusses a key element of a sound human rights approach, *human rights due diligence*, which will help a company to manage its human rights performance and demonstrate that it is genuinely trying to respect human rights.

2.3 Human rights due diligence

The term *human rights due diligence* is applied to the ongoing processes which a company carries out to ensure it is aware of which human rights its operations may affect, and the steps taken to anticipate, prevent or mitigate any negative impacts⁸, as well as enhance positive impacts.

Key components of the *human rights due diligence* process include:

- company- or group-level assessment of potential human rights impacts
- human rights policies

- integration (incorporating human rights into every aspect of business), including impact assessment at site-, country- or project-level; and
- tracking performance

Because of the complexities of measuring human rights performance, stakeholders are increasingly looking for disclosure of *human rights due diligence* processes. Proper disclosure of a company's *human rights due diligence* processes should allow a reader to determine how well the organization manages human rights issues, and how well it is implementing its own policies and processes. Reporting should thus put a strong emphasis on explaining an organization's management approach to *human rights due diligence*. Process indicators, which show the extent to which the company is implementing its procedures are an essential aspect of *human rights due diligence* reporting. Section 3.3 discusses how to report on human rights due diligence in more detail.

2.4 Addressing performance

Finally, human rights reporting should include disclosure not only on a company's policies and procedures for respecting human rights, but also, ideally, on the extent of implementation of these processes, the results (positive and negative) of this implementation, and any major incidents in which the organization's activities resulted in human rights abuses. This section discusses some of the challenges in capturing performance in human rights reporting⁹.

There are three general types of human rights performance indicators which have been identified:

1. Indicators of the extent of implementation of processes within a company – these demonstrate how widely an organization has applied processes and procedures.

⁹ The Global Reporting Initiative and the Roberts Environmental Center, Claremont McKenna College, conducted a survey entitled *Human Rights Reporting* based on information published by 100 large companies from around the world in 2007, and found that few companies work with performance indicators when it comes to disclosure on human rights performance. The companies reviewed were much more likely to report on policy or procedures than on performance.

⁸ John Ruggie, *Protect, Respect & Remedy*, 2008. p.17.

Box 4: Human Rights Impact Assessments

There is increasing interest in human rights impact assessments (HRIAs) as a vital management tool for evaluating both human rights and business risks before undertaking a project or establishing operations. Some companies are implementing HRIAs for specific projects, while others are starting to undertake them for all business practices. Such assessments can reveal not only potential human rights impacts but also potential contributions that companies can make to upholding human rights¹⁰. More importantly, perhaps, HRIAs also demonstrate to stakeholders that a company is serious about addressing potential human rights violations that may be associated with its activities. In this sense, human rights impact assessments are seen by some as “becoming the leading tool to avoid complicity by Multinationals”¹¹. Disclosure about the HRIA process can help assure stakeholders that a company has carried out human rights due diligence (see 2.4 above) around specific operations. Discussing how these assessments are

undertaken can add significantly to a report’s credibility. Further, reporting on HRIAs is becoming increasingly important to maintaining good communications with stakeholders (particularly local communities), and thus maintaining the social license to operate. A small but growing number of tools are available which provide guidance on conducting HRIAs (see HRIA section of Appendix for a brief overview of some of these tools). However, most do not provide specific guidance on reporting on the HRIA process. There are very few examples of HRIAs in the public domain as this is a relatively new field, and guidance on disclosure is therefore not yet well-developed. As a start, however, HRIA disclosure should cover both internal and external consultation processes and reflect both positive and negative potential impacts uncovered by the HRIA process. Disclosing summaries of HRIAs that the company has undertaken is another possible step that could be taken in terms of reporting in this area.

2. Indicators of incidents – these reflect the frequency with which the activities of a company result in a problem or abuse of rights. These indicators have the benefit of providing a pattern over time.
3. Indicators of results or other dimensions of human rights performance – these generally relate to changes in the quality of life of stakeholder groups in areas of relevance to human rights that can be measured in terms of outputs (e.g., number of children receiving schooling) or outcomes (e.g., diversity of senior management/board members).

All of these indicators bring different strengths and weaknesses. Indicators of the implementation of processes tend to be relatively straightforward to

formulate. Examples would include measuring the extent of training on human rights for employees, the existence of policies, or numbers of assessments completed. While these indicators can demonstrate activity, they don’t provide direct insight into the effectiveness of processes.

Indicators of incidents provide a historical pattern to show where processes have effectively protected rights and where they have not. However, practitioners have found it difficult to develop a clear, generally accepted definition of what constitutes an “incident” and how to count incidents which can be shown to have impacts on respect for human rights. Companies may face “incidents” that cover a wide range of issues from court decisions to unsubstantiated allegations, and it is challenging to define a fair and meaningful threshold that can consistently be applied to assess different situations. In addition, some stakeholders consider the response to incidents to be more important than the actual number of incidents, particularly since an increase in the number of incidents could be a sign of improved monitoring rather than a sign of increasing conflict.

¹⁰ International Business Leaders Forum et al, *Guide to Human Rights Impact Assessment and Management: Road-Testing Draft*, p. viii (See Appendix for details).
¹¹ Aim for Human Rights, *Guide to Corporate Human Rights Impact Assessment Tools*, March 2009, p. 39 (See Appendix for details).



One of the prerequisites for the use of incidence indicators is a functioning monitoring mechanism and clear indication of which areas of the business are covered.

Indicators of results or outcomes are clearly the most desirable, but also the hardest to standardize and apply in a consistent manner. It is possible to measure changes that result from the actions of a company, but this process requires making assumptions that are tied to a specific time and place and often can't be directly applied to another situation. Also, even when changes are observed, it is hard to assess how much is a consequence of the actions of the company and how much is due to other factors.

Capturing the performance of a company with respect to a certain right in a meaningful way often requires combining different types of indicators with descriptive/qualitative information. One reason is that quantitative indicators alone, as isolated pieces of information, have limited meaning. Numbers can indicate how often events have occurred, but will provide little or no insight into quality (e.g., 100 hours of training does not reflect whether it was effective or ineffective; one million Euros of revenue does not describe sources of the revenue or whether it is a stable flow for the future). Therefore, quantitative indicators need to be placed in the context of other information, and the relative value of quantitative indicators depends on how well they reflect human rights performance in combination with other disclosures. Similarly descriptive/qualitative information alone becomes a series of stories and anecdotes and doesn't give insights into how systematic results are achieved.

Box 5 : Human Rights Reporting and the GRI Guidelines

In the context of GRI-based sustainability reporting "performance indicators" show year-on-year changes and trends over time, allowing for assessment of whether performance is improving or worsening. This is distinct from process disclosures, which typically are reported in the form of narrative text and may or may not change year to year.

*The current version of the **GRI G3 Sustainability Reporting Guidelines** (issued in 2006) features performance indicators under the heading of Human Rights. These cover investment and procurement practice, non-discrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, security practices, and indigenous rights. Furthermore, many of the performance indicators in the economic, environmental and other social categories, in particular the labor practices and decent work sections, also cover human rights related issues.¹²*

These points highlight that performance measurement is an area requiring much more work, both at the theoretical level (how to measure and evaluate corporate performance on human rights issues) and at the practical level (practical application of these concepts in reporting).

Section 3 explores the practical implications of the issues discussed above and provides guidance on how companies might address them in their human rights reporting.

¹² See the GRI G3 Sustainability Reporting Guidelines. Available for free download at www.globalreporting.org.

Section 3:

Guidance on Human Rights Reporting

3.1 Deciding on the scope of a human rights report

As discussed in section 2, the two key factors that need to be considered in deciding on the scope of human rights reporting are the stakeholders who are affected by the company's activities (and how), and the rights that might be affected by the organization and its business sector.

What might successful disclosure on stakeholders affected and rights identified look like?

- The report will discuss key stakeholders whose human rights can be or are affected by the company's operations as well as the human rights concerns of stakeholders in relation to the company's activities (for example, readers of a report by a footwear company with significant outsourcing of manufacturing operations will look for a discussion of how the company's activities affect the human rights of workers in its supply chain).
- The report will clearly explain how and why the company chose to report on the stakeholders it identifies.
- The report will capture the key human rights impacts related to the relevant industry sector and the company's specific operations.
- The report will present a clear description of how and why the company prioritized the specific rights it discusses, for example, by including stakeholders involved, tools or processes used, internal and/or external oversight, method of determining which human rights to focus on in reporting etc.

In the remainder of this section, these issues are discussed in more detail.

3.1.1 Choosing which stakeholders to include in reporting

Stakeholders are those people or entities who can reasonably be expected to be significantly affected by the company's activities, products, and/or services and whose actions can reasonably be expected to affect the ability of the company to successfully implement its strategies and achieve its objectives. It's best to take a broad approach in determining which stakeholders should be included as part of human rights reporting. A company's activities can have significant effects well beyond its direct employees, those in the vicinity of its operations, or those (such as business partners) with a direct relationship to the company.

The following questions help identify which stakeholders should be included in a human rights report and what kind of information might be relevant for disclosure:

- Which stakeholders are affected by the company's activities? These could include, for example, customers; people working for suppliers; or a community affected by environmental or health impacts resulting from a production facility's waste.
- Which stakeholders do other companies in the same sector/locality report on in relation to human rights issues?
- Are human rights issues raised during the company's stakeholder engagements (for example, around clinical trials; resource extraction; or population displacement due to projects)? Do reports draw on the outcomes of these engagements?
- Are stakeholders' concerns about human rights published as part of the company's own reporting? Some companies have begun to include external voices in their human rights reporting. For example, some companies with

complex supply chains have invited – and published – commentary within their reports from human rights NGOs or labor unions on challenges facing the companies in the area of supply chain management.

3.1.2 Prioritizing rights for inclusion in reporting

Human rights reports should show readers that the company is aware of the human rights issues that are of most relevance to it bearing in mind that the International Bill of Rights is the main guide in defining the scope of internationally recognized human rights.

Stakeholders are interested in a detailed discussion about those areas where the company has identified the greatest impacts or risks relating to human rights as well as particular circumstances where rights may be relevant (for example, when setting up operations or moving into a new country). Reporting should include disclosure on how human rights priorities were determined.

The following questions can be of assistance in determining which human rights might be most relevant:

- What significant or common human rights impacts have experts or other commentators and stakeholders identified in relation to the company's industry, location of operations, or products and services? For example, an extractive company is likely to have particular impacts on the rights of indigenous people, the right to an adequate standard of living, and the right to freedom of movement among others. A software company would need to pay particular attention to how its products might be used by governments or other parties with respect to human rights norms concerning privacy and freedom of expression.
- What human rights issues do competitors or peers in comparable sectors report on? For example, a company which outsources manufacturing to third parties in other countries should know how peers operating in the same countries report on issues such as freedom of

association, equal remuneration and the right not to be subjected to forced labor.

- Which policies or actions of the company could help or hinder certain stakeholders in realizing their rights? It is important to think broadly in this context and not just about production processes. For example, a pharmaceutical company might be expected to disclose how R&D or lobbying activities could expand or restrict access to medicines for low-income populations in countries where the product is marketed.
- What are the ways in which a company's core business and operational footprint could be used to further contribute to greater promotion of human rights? For example, a telecommunications company might be expected to disclose how it seeks to expand access to information which affects a range of rights including to education and health care.

The key point here is to think about the full extent of a company's operations and its connections – even if indirect – to international human rights standards. It should be noted that some activities or products may be legal in one location, but banned in another due to concerns about the impacts on stakeholders or the environment. If so, those situations are relevant for many stakeholders from the perspective of reporting.

3.2 Addressing the issue of complicity

As seen in section 2.3, complicity relates to the potential for a company to be involved in human rights issues *indirectly* through its involvement and relationships with third parties. Disclosure in this area includes providing report readers with a clear picture of the following:

- The key relationships the company maintains with other parties (e.g. security forces, governments, significant contract supplier relationships, joint venture partnerships) – allegations of complicity can also involve relationships within the supply chain.
- The human rights risks that might flow from these relationships (for example, what are the

risks of sourcing raw materials from countries where there is a record of human rights abuses associated with those commodities?). Companies with complex supply chains are commonly expected to report on the extent to which human rights are protected (or not) at their suppliers' facilities. Companies that hire security forces to protect their operations are increasingly expected to disclose these relationships as well as any measures they have taken to prevent and/or mitigate human rights abuses carried out by these parties.

- How the company identifies risks, including through internal processes such as mapping supply chains and identifying suppliers at a higher risk for human rights abuses, or processes in place to assess how products and services might be used by third parties to commit human rights abuses.
- Processes the company has created to avoid, manage or address these risks such as screening procedures for security forces or human rights clauses and requirements that the company builds into formal contracts with third parties.

Box 6 offers two specific industry settings that exemplify the risk of complicity.

3.3 Reporting on human rights due diligence

Section 2.3 explained that *human rights due diligence* is the process whereby companies become aware of, prevent, and mitigate adverse human rights impacts.

This section discusses disclosure on various key components: company- or group-level assessment of potential human rights impacts, human rights policies, integration, and tracking performance. It focuses on the *why* (why stakeholders want to know this information, why it is important for companies to disclose it) and the *how* (suggestions for how to disclose meaningful information in each area).

Box 6: Disclosures in Relation to Potential Complicity

An IT company might consider disclosing its privacy policy, and any measures it takes to protect its customers from Internet surveillance or censorship (for example, does the company report on procedures that it has in place to respond to government requests for private data, or procedures for notifying users of search results that might be blocked in certain countries of operation?).

A jewelry retailer or producer of gems might consider disclosing programs or policies that it has put in place to establish traceability for diamonds or other minerals that have been associated with human rights abuses; it might also describe any internal controls or certification processes for identifying the source of the gems. It would also be helpful to mention membership or involvement in relevant multi-stakeholder initiatives with a human rights focus, such as the Kimberley Process or the Responsible Jewelry Council.

3.3.1 Company- or group-level assessment of potential human rights impacts

Long before assessing potential human rights impacts of activities at site- or project-level, *human rights due diligence* calls for a broader assessment of a company's potential impact on human rights, including evaluation of the potential human rights risks and opportunities linked to an industry, products and services and business model¹³. Stakeholders look for this information as an indication that companies are taking a broad view of their potential human rights impacts, as well as a pro-active approach to human rights.

Human rights reporting should describe how risks associated with human rights have been analyzed and the extent to which any industry-level guidance on human rights risks has been consulted. There are several parameters to consider:

- Country Context: In operating countries or countries where raw materials, finished

¹³ The Business and Human Rights Resource Centre (www.business-humanrights.org), whose database is searchable by issue, country, company and other categories, is one place to start. See Appendix for details.

products, etc. are sourced, do laws conflict with, or fall significantly short of, the rights articulated in international human rights standards and conventions? Are these laws incompatible with the company's own principles? Are NGOs (such as human rights organizations) and the international press allowed to operate in the country without serious restrictions?

Box 7: Country-specific information on human rights risks

The following provide country-specific information on human rights risks: the Office of the UN High Commissioner for Human Rights (OHCHR) (www.ohchr.org); labor union reports; government agency data; and non-governmental organizations (e.g. Amnesty International (www.amnesty.org), the Danish Institute for Human Rights (www.humanrights.dk)).

- Operating Zone: Does the company have operations in areas where labor rights protections are more complex to enforce or have a greater risk of poor enforcement? Does the organization operate in a conflict zone? Are operations close to communities of indigenous, traditional or tribal peoples? Are the company's operations in areas that may have exemptions from certain regulations or are special areas under national law such as export processing zones?
- Use of goods/services: Have stakeholders raised concerns publicly (e.g., through shareholder resolutions or public reports) about actual or potential human rights violations associated with the use of the company's products or services?
- Relationships: What kinds of third-party relationships does the company maintain (e.g., supply chain, joint ventures, government relations, security forces, etc.)? In which of these does it have significant influence, or the ability to determine, alter or affect third parties' actions? Is the company involved, through its operations (including selling goods and services) with entities that have been cited for human rights abuses?
- Business Model: How do business practices or the company's business model affect human rights? Has the company examined potential human rights impacts (both positive and negative) resulting from activities such as purchasing practices, pay and promotion incentives or lobbying activities? These are relevant to human rights to the extent that they may encourage practices by business partners or others that could lead to human rights abuses, or contribute to creating an environment in which human rights abuses are more likely to occur. For example, a company whose procurement practices include short lead times could directly result in supplier working environments prone to high levels of overtime or other labor issues.
- Reporting: Does reporting on the assessment of the above include a succinct summary of the parameters that a company has examined and key human rights risks that have been identified in the process (for example, assessments undertaken of a government's human rights record before entering into a business relationship with that government). Disclosure might include mentioning any major recent reports by rights groups, governments or other stakeholders on human rights concerns associated with the above.

This also means acknowledging in reporting any ongoing debates about the human rights impacts associated with the prevailing business model of the industry (e.g., affordable drug pricing for health care companies, or sustainable mining practices for extractive companies). This need not be a lengthy discussion; simply acknowledging the existence of the debate and providing readers with a succinct statement of how the company is addressing it within its own operations is an important start.

The next step is to report on any processes already in place, or actions taken, to prevent or mitigate human rights risks identified through the above assessment process. A report could discuss whether the organization has relevant policies regarding payments to groups (such as security providers) in zones of conflict; or human rights screening processes in place for joint venture partners. A financial services company, for example, might be expected to disclose any processes in place to evaluate the human rights record of clients seeking a loan for a major project, or the potential for human rights abuses associated with a project under consideration.

3.3.2 Human rights policies

Establishing a human rights policy is a necessary building block in committing to uphold human rights. As a statement that lays out the company's actions, it is often the first thing that those evaluating a company's human rights performance look for, so disclosure of the policy is a fundamental step in human rights reporting.

Stakeholders are concerned with what standards a company has in place, how widely they are applied, and who within the organization oversees the implementation of these policies. They seek assurance that policies are directly tied to internationally accepted norms or standards because these have been agreed upon globally: that is, companies cannot pick and choose what is important. But policies are only as good as the intention to implement, so report readers will want to see that there is enough organizational structure behind the policies to ensure comprehensive implementation.

Disclosure on internal policies related to human rights should include the scope of the policies: do they cover all countries in which the company operates? Do they cover business partners? Make clear any references that policies make to international human rights conventions and declarations and other relevant international instruments, such as the Universal Declaration of Human Rights and the ILO Core Conventions (see Section 1). Reporting on organizational information

related to the policies is also helpful. Who is responsible for implementing these policies? How were stakeholders involved in policy formulation, if at all? How are policies communicated within the organization and to stakeholders?

Reporting in this area might relate to a free-standing human rights policy or to elements that are integrated into other relevant policies, such as Business Ethics or a Labor Code of Conduct.

3.3.3 Integration¹⁴

Integrating concern for human rights into every aspect of business is a crucial part of fulfilling the corporate responsibility to respect human rights. Integration means building these principles into all decisions and operating practices, and creating processes to implement human rights policies throughout the organization.

Report readers are increasingly looking for signs of comprehensive integration, such as structures to oversee human rights policies and processes, and information on how the company extends these to internal and external stakeholders and how it assesses potential human rights impacts at site-level. The better the disclosure of these processes, the stronger the sense stakeholders will have of the company's ability to manage human rights issues, including anticipating and preventing or mitigating negative impacts. This disclosure also provides an opportunity for the company to engage with stakeholders on specific processes that can strengthen respect for human rights.

Good disclosure on integration of human rights could include:

- **Governance/Organization:** Who has responsibility for implementing human rights policies and processes within the organization? Is there Board oversight?
- **Training/Awareness:** What kind of human rights training does the company offer (or require of) staff?

¹⁴ See, for example, Business Leaders Initiative on Human Rights (BLIHR), UN Global Compact and the Office of the High Commissioner for Human Rights, *Guide for Integrating Human Rights into Business Management* (See Appendix for details).

- *Internal Rollout and External Reach:* What strategies are in place for embedding human rights within the organization and extending relevant policies and procedures to external partners such as suppliers, joint venture and other business partners? Does the company incorporate human rights criteria or clauses into formal contracts or bidding procedures? Are all business entities (regional, facility or project) covered?
- *Site assessment:* It is useful to include within reports information on the processes and procedures in place for assessing or periodically reviewing human rights impacts at the level of sites, individual operations, projects, or investment agreements. This type of disclosure helps assure stakeholders that the company is approaching *all* operations with an eye to preventing potential negative impacts on human rights. It is distinct from organizational risk assessment, which assesses the organization as a whole.

3.3.4 Tracking performance

Report readers want to know whether the company has set up systems to track its human rights performance. These systems provide stakeholders – and companies themselves – with information on how well the organization is implementing its policies and processes over time, where it needs to modify these processes and what its human rights impacts are on various stakeholders.

This information is essential for stakeholders because disclosure on assessments, policies and integration does not necessarily allow for evaluation of performance.

Report readers look for disclosure of monitoring and accountability measures, as well as follow-up assessments of impacts on human rights. For human rights reporting to be credible and complete, disclosure should include both positive and negative information about the company's performance. Disclosure of performance tracking processes can include the following:

- *Monitoring:* many stakeholders will look for both internal evaluations (e.g. evaluating employees on human rights performance, internal audits) and external evaluations such as third-party monitoring and auditing (e.g. of supply chain) and independent human rights impact assessments.
- *Follow-up and remediation:* readers increasingly seek information on stakeholder feedback processes (e.g. hotlines, grievance mechanisms) and how the organization applies the results of monitoring. One example is to disclose disputes brought to grievance procedures and actions taken, including remediation processes associated with grievance procedures and complaints from the local community and other stakeholders¹⁵.

¹⁵ Emerging work on grievance mechanisms has included the formulation of draft principles on what constitutes an effective grievance mechanism. These principles include, among other things, fairness, accessibility and transparency. See *Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and Their Stakeholders*, John F. Kennedy School of Government, Harvard University, January 2008, p. 3.

Conclusion

Human rights are an increasingly important aspect of the developing global Corporate Social Responsibility movement. Efforts over recent years by governments, businesses, trade unions and civil society representatives to better understand the nature and scope of corporate responsibilities concerning human rights have resulted in significant progress and a greater sense of shared expectations about the way forward. But there is still much to be done. In the area of sustainability reporting, it is clear that disclosure on human rights is of growing relevance to companies and to their diverse stakeholders. Yet coverage of human rights relevant issues in reports is still not common practice and many questions about how best to integrate these within reports remain unanswered.

This resource guide has sought to address this reality both by drawing lessons from current practices on human rights reporting as well as by providing recommendations developed through a multi-stakeholder process that will hopefully assist companies to make significant progress in future reports. GRI, the UN Global Compact and Realizing Rights believe this initiative represents a clear snap shot of current dilemmas and practical thinking on human rights reporting. It is hoped that the ideas and discussion contained in this report will be of value to companies, investors and other stakeholders active in this field. Comments and further contributions from all who engage with human rights reporting are welcome and will contribute to the generation of further guidance and good practice in the years to come.

Appendix

Further Reading

The following is a look at selected tools and resources on human rights and business, including (where available) tools that are particularly relevant to human rights reporting.

General overview tools and resources on human rights and business:

- Office of the United Nations High Commissioner for Human Rights (OHCHR), *Human Rights and Business Learning Tool*. An interactive, web-based course to help users learn more about human rights and their relevance to business; better understand the meaning of the UN Global Compact Human Rights Principles; and integrate human rights into everyday business. Available at: http://www2.ohchr.org/english/HR_Learning.htm
- Amnesty International, *Pure Business*. An e-learning training tool on business and human rights. Outlines the connection between business and human rights and sets out the human rights framework applicable to business operations. Available at: <http://purebusiness.amnesty.nl/page/>
- United Nations Global Compact Office, *A Human Rights Management Framework*. A one-page poster on key good business and human rights management practices. Available at: http://www.unglobalcompact.org/docs/issues_doc/human_rights/Resources/A307HRF-E-PosterA2-130607.pdf
- Danish Institute for Human Rights: *Human Rights Compliance Assessment (HRCA)* tool. An online self-assessment tool that companies can use to assess their level of compliance on human rights issues. The HRCA has over 300 questions with related indicators. Available at: http://www.humanrightsbusiness.org/?f=compliance_assessment
- Business Leaders Initiative on Human Rights, United Nations Global Compact Office, and the Office of the United Nations High Commissioner for Human Rights, *A Guide for Integrating Human Rights into Business Management*. A technical manual and a hands-on toolkit to help companies integrate practices consistent with human rights standards into an existing management system. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html
- Castan Centre for Human Rights Law (Monash University), International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, United Nations Global Compact Office, *Human Rights Translated: A Business Reference Guide*. Guides readers through each of the rights contained in the UN treaties – the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights – and gives a description of what each right means in general terms and how it may be relevant to a company's activities. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html
- Business Leaders Initiative on Human Rights: *Human Rights Matrix and the Essential Steps*. Specifically in relation to 'due diligence' as part of the responsibility to respect, the Human Rights Matrix allows any business to take the first step, to move on from a strategic commitment to human rights to ensuring that existing or new policies are adequate in their breadth and depth to do so. Available at: <http://www.blihr.org/>
- The Business and Human Rights Resource Centre (www.business-humanrights.org) An independent resource on business and human rights. Website updated hourly with news and reports about companies' human rights impacts worldwide – positive and negative. The Centre seeks and posts responses from companies to allegations of misconduct to ensure balanced coverage and encourage companies to address concerns raised by civil society.
- United Nations Global Compact Office and Office of the UN High Commissioner for Human Rights, *Embedding Human Rights in Business Practice II* (2008). Features 20 case studies from Global Compact signatories around the world outlining policies and practices to implement human rights within their own operations and spheres of influence. Available at: http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.htm

On sustainability reporting:

- The Global Reporting Initiative, (www.globalreporting.org). *The GRI Sustainability Reporting Framework* sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. Other components of the framework include Sector Supplements (unique indicators for industry sectors).

On grievance mechanisms:

- BASESwiki (www.baseswiki.org). An online community and clearing house for sharing information and learning about non-judicial grievance mechanisms available to help companies and their external stakeholders resolve disputes.
- John F. Kennedy School of Government, Harvard University, *Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and Their Stakeholders*, (January 2008). What exactly makes a grievance mechanism effective? This guidance aims to help answer that question. It provides a tool for companies and their local stakeholders jointly to devise rights-compatible, effective grievance mechanisms that maximise the opportunities to achieve sustainable solutions to disputes.

On Human rights impact assessments (HRIA):

- International Business Leaders Forum and International Finance Corporation, *Guide to Human Rights Impact Assessment and Management: Road-Testing Draft* (June 2007). A guide to the process through which business managers can oversee the identification, assessment and implementation of appropriate management responses to potential human rights challenges to new or evolving business projects. Available at: <http://www.iblf.org/resources/general.jsp?id=123946>
- Aim for Human Rights, *Guide to Corporate Human Rights Impact Assessment Tools* (January 2009). Helps business managers of multinational corporations and their stakeholders to select the best tools to assure the best HRIA process for a project. Summarizes HRIA tools developed so far to assess the impact of business on human rights, and maps HRIA initiatives to help users select an HRIA tool.
- Human Rights Impact Resource Centre (HRIRC). (www.humanrightsimpact.org) Provides centralized access to a broad range of information and expertise on human rights impact assessment (HRIA). Users with varying interests and expertise can find relevant documents, discuss new developments and contribute to the growing HRIA knowledge base. Its Toolsets database contains tools and instruments used to implement all or part of a human rights impact assessment .
- Rights and Democracy. *Human Rights Impact Assessments for Foreign Investment Projects: Learning from Community Experiences in the Philippines, Tibet, the Democratic Republic of Congo, Argentina, and Peru* (2007). This study attempts to measure the real impacts that investment has had on communities in developing countries.
- Guide to Human Rights Impact Assessment (<http://www.guidetohria.org/home>). This website is meant to aid companies engaged in road-testing the draft (2007) guidelines, *Guide to Human Rights Impact Assessment and Management*, which was developed by the International Business Leader Forum (IBLF), the International Finance Corporation and the United Nations Global Compact (see above). The website has updates on the road-testing process and online discussion on topical business and human rights issues. It is also a forum for road-testing companies to share tips, exchange good practice and comment on the guide.

On conflict zones:

- International Committee of the Red Cross (ICRC), *Business and International Humanitarian Law: An Introduction to the Rights and Obligations of Business Enterprises Under International Humanitarian Law* (December 2006). Aims to provide managers of business enterprises with a basic document flagging situations where business operations may either benefit from the protections afforded by international humanitarian law or be constrained by its rules. It is meant primarily for country managers and security managers who face the daily challenge of running business operations in conflict environments. Available at: <http://www.icrc.org/web/eng/siteeng0.nsf/html/p0882>
- International Alert, *Conflict-Sensitive Business: Guidance for Extractive Industries* (March 2005). Guidance on doing business in societies at risk of conflict for field management working across a range of business activities, as well as headquarters staff in political risk, security, external relations and social performance departments. Available at: http://www.international-alert.org/peace_and_economy/peace_and_economy_projects.php
- International Alert and the Fafo Institute for Applied International Studies, *Red Flags guide* (2008). The website lists activities which should raise a 'red flag' of warning to companies of possible legal risks, and the need for urgent action. It provides additional resources for companies, governments, affected communities and researchers. Available at: http://www.redflags.info/index.php?page_id=11&style_id=0



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Call For Papers | 2010 PRI Academic Conference



Call for Papers | Submission Deadline: November 15, 2009
PRI Academic Conference 2010 | May 5-7, Copenhagen, Denmark



The conference is sponsored by The Danish Government.



A full version of the Call for Papers is available [here](#).

The 2010 event is the third annual PRI Academic Conference, following the 2009 conference held jointly with the Carleton Centre for Community Innovation (3ci) in Ottawa, Canada. The third annual conference will take place in Copenhagen, Denmark, in collaboration with CBS Centre for Corporate Social Responsibility (cbsCSR) at Copenhagen Business School (CBS). The conference will gather 75 leading thinkers (academics, PRI signatories, investment practitioners and students) from around the world for a 3-day conference under the theme "Mainstreaming Responsible Investment". On May 5 the conference will host masters, doctoral and post doctoral submissions. On May 6 and 7 researchers will be invited to present their recent work with a panel of PRI signatories and academics serving as discussants. The papers presented at the academic conference will be selected by a panel consisting of academics and practitioners.

The conference aims to generate research on the mainstreaming of responsible investment by focusing on the following topics (Please see the Call for Papers for a full description of the topics):

- Shareholder engagement and its effectiveness among mainstream investors
- Integration of ESG issues into mainstream investments
- ESG-focused investments, ESG alternatives among mainstream investors
- Universal Owners and the materiality of externalities
- Responsible Investment, market failure and regulatory responses

PRI Academic Research Award

The PRI is proud to announce that at the 2010 PRI Academic Conference the PRI will be presenting the first PRI Academic Research Awards for papers of excellence. Six research awards sponsored by the Danish Government (three \$7,000 awards for post doctorate or academic articles and three \$4,000 research awards for graduate level articles) will be awarded at the annual conference among the selected papers. For more information on the awards, please see [Rules and Regulations](#).

How to enter

An electronic version of the cover page, scanned ID and abstract, in English, must be submitted by **November 15th 2009** via email to christina.gehring@unpri.org.

All accepted articles must be submitted in complete version by **March 15th 2010** to christina.gehring@unpri.org. Awards will be distributed based on completed articles only.

The completed articles will be forwarded to the selection panel for final evaluation, with the winners being announced at the conference on 5-7 May 2010.

2010 PRI Academic Conference Selection Panel

- **Dr. Lars G. Hassel**, Professor of Accounting and Auditing, Umeå School of Business, Sweden
- **Dr. James P. Hawley**, Co-Director, Elfenworks Center for the Study of Fiduciary Capitalism, Saint Mary's College of California, USA
- **Dr. Tessa Hebb**, Director, Carleton Centre for Community Innovation, Carleton University, Canada
- **Dr. Rob Bauer**, Professor of Finance, Maastricht University, The Netherlands
- **Jean-Philippe Desmartin**, Senior Analyst, Head of SRI research, Oddo Securities, France
- **Amanda McCluskey**, Head of Sustainability & Responsible Investment, Colonial First State, Australia
- **Steve Waygood**, Head of Sustainability Analysis and Engagement, Aviva Investors, UK

For further information please contact Christina Gehring, PRI at christina.gehring@unpri.org.

Further details on the 2010 Academic Conference will be made available shortly.

9. November 2009

Denmark sets an example in reporting

The second out of 5 workshops on ESG disclosure took place on Friday October 30ieth at The European Commission in Brussels. Denmark stole a great deal of the attention.

During the workshop concerning reporting from the investor's point of view, Danish rules on reporting were underlined in several contributions. When the representatives had the opportunity to give advice on what The European Union could and should do, it was suggested for The European Union to draw inspiration from Denmark who has found the right way to handle reporting on CSR. The Danish rules were praised for being flexible as they force the companies to take a stand in the CSR area, yet giving them a maximum of scope to choose exactly what they want to report. So the companies do not have to report on areas irrelevant to the company, but on the areas they are actually working on. This way the Danish rules were complimented on supporting the corporate and strategic social responsibility, without creating unnecessary burdens.

The next workshop will take place on December 4th

- [Follow the workshops on The European Commission's website](#)



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27. October 2009

European workshops on the disclosure of ESG information

Between September 2009 and February 2010 the European Commission is hosting a series of 5 multistakeholder workshops on company disclosure of environmental, social and governance (ESG) information.

The workshops are part of the European Commission's policy to promote corporate social responsibility.

Each workshop will look at ESG disclosure from the perspective of a different set of stakeholders: enterprises themselves, investors, civil society and consumers, media, trade unions, and public authorities.

- [Read the resumé of the first workshop](#)
- [Stay updated on the workshops on the European Commission homepage](#)



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4. August 2009

GRI Advisory Group to meet in Denmark

By the end of September this year, The Danish Commerce and Companies Agency will be hosting the next meeting of the Government Advisory Group of the Global Reporting Initiative.

On 24-25 September 2009, the Danish Commerce and Companies Agency (DCCA) welcomes members of the Government Advisory Group of the Global Reporting Initiative (GRI). DCCA is hosting the next meeting of the group, founded in 2008.

Members of the GRI Government Advisory Group are high-level government representatives, primarily from countries known to be frontrunners within sustainability and Corporate Social Responsibility.

The main role of the group is to provide feedback and advice to the GRI organisation.

- [More on GRI Government Advisory Group](#)



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Governmental Advisory Group



What is the GRI Governmental Advisory Group?

The Governmental Advisory Group, established in 2008, is a high-level advisory group whose function is to provide the GRI Board and the GRI Executive team with a direct source of advice from governments. In addition, the Group functions as a platform to exchange ideas and experiences between the members themselves. It is an informal body that has no constitutional role within GRI, thereby preserving GRI's independence. Governmental Advisory Group meetings are held twice a year.

Current members are:

- **Sabine Baun**, Director of the Social Group Europe, Ministry of Labour and Social Affairs, Germany
- **Angela Cropper**, Deputy Executive Director of UNEP, Trinidad and Tobago, based in Nairobi
- **Jenny Didong**, Division for State Enterprises, Ministry of Enterprise, Energy and Communications, Sweden
- **Ricardo Henriques**, Special Advisor to the President, National Social and Economic Development Bank (BNDES). On behalf of Paulo Vannuchi, Minister of Human Rights, Brazil
- **Richard Howitt**, European Parliament, United Kingdom
- **Margareta Kristianson**, Deputy Director, Globalt Ansvar, and chair of the OECD national focal point, Ministry for Foreign Affairs, International Trade Policy Department, Sweden
- **Carsten Ingerslev**, Head of the Danish Centre for CSR - Danish Commerce and Companies Agency, Denmark
- **Gil Ramos Masjuan**, Deputy Director General for Social Economy, Self employment and CSR - Ministry of Labor and Immigration, Spain
- **Roel Nieuwenkamp**, Director International Trade and Globalization, vice chair of the OECD Investment Committee, Ministry of Economic Affairs, Netherlands
- **Are-Jostein Norheim**, CSR Ambassador, Section of Economic and Commercial Affairs, Ministry of Foreign Affairs, Norway
- **Michèle Pappalardo**, Commissioner, Ministry for Ecology, Energy, Sustainable Development and Spatial Planning, France
- **Kerstin Wijeyewardene**, Minister-Counsellor (Economic), Australian Treasury, Australia

Background

Governments have a clear and direct interest in sustainability reporting. Widespread sustainability reporting practices can help markets function more efficiently, by proving material non-financial information, and also help drive progress by all

organizations toward government-agreed sustainable development goals. Such considerations may explain why heads of state specifically endorsed the Global Reporting Initiative in the 2002 World Summit on Sustainable Development Plan of Implementation.

From its creation, GRI's close association with the UN Environment Programme (UNEP) ensured that it has contributed to and supported guidance for international policy objectives. Examples of this support include the GRI Guidelines' content references to and basis on several international human rights, environmental and labor treaties, standards and conventions, as well as GRI's structure as a multi stakeholder working partnership between business and civil society organizations. In addition, GRI collaborates closely through formal alliances and references with international sustainability and CSR instruments such as UNEP, the UN Global Compact, the OECD Guidelines, UNCTAD and others

While intent on retaining its independent status, the time has come for GRI to deepen its contact with governments. This will help GRI to better understand national government's perspectives on their role in corporate social responsibility (CSR), while governments can benefit from a more detailed knowledge of GRI's challenges and achievements.

Mandate

The Governmental Advisory Group will provide informal high-level feedback and advice to GRI.

In fulfilling this function, the Governmental Advisory Group may:

- seek and receive information regarding all relevant aspects of GRI's structure and operations;
- act as a 'sounding board' for GRI in response to questions it may have;
- suggest ways of increasing GRI uptake by public agencies;
- members will exchange best practices and mutual advice amongst themselves, and as such also serve as a mutual information, coordination and brainstorm platform
- offer advice on how GRI might better achieve its objectives

To ensure transparency, the GRI Board Chair and/or the GRI Chief Executive will provide briefings as required to GRI governance bodies (i.e. the Board, Stakeholder Council, and Technical Advisory Committee) on the Governmental Advisory Group's activities.

Composition

The Group will be comprised of up to 15 people drawn from governmental organizations. To ensure breadth of perspective, where possible it will include representatives from ministries and agencies with a direct interest in sustainability and CSR issues. These will include organizations such as ministries of foreign affairs, labor affairs, economic affairs, environment, and parliamentary bodies, the European Union and intergovernmental organizations.

Concerning the geographical composition of the group, GRI is striving to recruit representatives from both OECD and non-OECD countries. The GRI Chief Executive and/or Deputy Chief Executive participate on an ex-officio basis. In addition, the Chair of the GRI Stakeholder Council will attend the Group meetings.

Membership

Membership is by invitation and is accepted on a voluntary basis. Members will be invited to join the Group on the basis of their experience, track record of leadership, and ability to bring independent and innovative thinking to the table. Arrangements will be made to ensure that there is some continuity of membership between outgoing and incoming members. Unless otherwise stated, questions, comments and other input will not be taken to reflect official government positions.



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Notable Reporters Outperform Key Stock Index

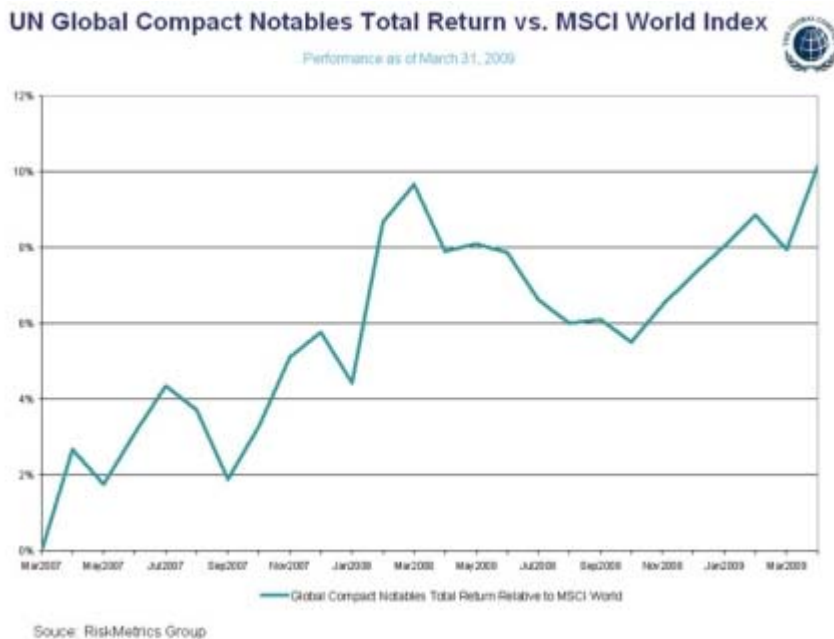
(New York, 17 June 2009) – UN Global Compact participants recognized as good, or “notable”, sustainability reporters have outperformed a major stock market index over the past two years. This is the key finding of a new study released by the RiskMetrics Group, a provider of risk management and corporate governance services to the global financial community. The group’s research, commissioned by the Global Compact, found that publicly listed Global Compact participants whose annual Communications on Progress (COP) were recognized as “notable” by the initiative have consistently outperformed the MSCI World Index by an average of 7.3 percent since March 2007.

A commonly used benchmark for market performance, the MSCI World Index tracks a collection of publicly listed companies around the world. [Notables](#) are a subset of Global Compact business participants that are recognized for the exemplary disclosure of environmental, social, and corporate governance (ESG) issues in their annual COP (see Notables criteria). The group of Notables tracked by RiskMetrics comprises 73 publicly listed companies representing approximately 30 developed and emerging market countries across various sectors.

The following chart shows how Notables compared to the MSCI World Index from the period of March 2007 through March 2009.



Despite the sharp market drop in October 2008, the Notables outperformed the market by 6 percent, suggesting possible market valuation benefits associated with progressive disclosure on ESG issues.



As of 31 March 2009, the Notables achieved 10 percent higher returns than the MSCI World Index - with Notables down 30 percent for the period compared to a 40 percent decline for the MSCI World Index.

While the higher performance of Notables over the MSCI World Index itself should not be seen as evidence of a causal relationship between CR and stock performance, there is a clear correlation between publicly listed companies that disclose ESG information under the Global Compact’s framework and the resiliency of their stock market valuation over the long term.

“We are very pleased to see the results of this new research,” said Georg Kell, Executive Director of the United Nations Global Compact. “We encourage others to investigate the suggested linkage between comprehensive disclosure and stock-market performance.”

Contact

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13 May 2009

By Teresa Fogelberg
GRI's Deputy Chief
Executive

category:

- [CSR in general](#)
- [Innovation](#)
- [Strategy and communication](#)

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Requiring transparency from all our companies

The Global Reporting Initiative – provider of the world's most widely used sustainability reporting framework – welcomes the leadership Denmark is taking on sustainability reporting. GRI Deputy Chief Executive Teresa Fogelberg explains why.

Spring is here, and I look forward to the light May evenings on the shores of Copenhagen. On May 14, I will be at the national conference entitled Responsible growth – the answer in a time of crisis – hosted by Lene Espersen, the Danish Minister of Economic and Business Affairs. I look forward to holding a special session on the Global Reporting Initiative at the conference. The workshop will explore how the latest version of the GRI Guidelines can make it easy and relevant for a company to measure its sustainability performance and share that information in an annual report. It will be a very special occasion for me.

There has always been – and still is – a special link between Denmark and Copenhagen and the Global Reporting Initiative. It was an accident of history that GRI established its global headquarters on an Amsterdam, rather than a Copenhagen waterway. From the start of this century onwards, large Danish companies like Novo Nordisk and Novozymes got engaged in GRI sustainability reporting and showed the way to other European companies. And the Danish Centre for CSR was a pioneer in promoting Corporate Social Responsibility and GRI *avant la lettre*.

But history took a different course. GRI settled in Amsterdam, and has evolved over the last seven years, since it was formally endorsed by Heads of State at the Johannesburg Summit on

Sustainable Development in 2002, into the premier tool for transparency and sustainability reporting globally; the reporting tool used globally by a majority of large companies – from China to Chile, from Copenhagen to Copacabana.

Thus the sustainability reporting guidance from GRI has, in just eleven years, evolved to become the world's most widely used sustainability reporting framework. This framework enables businesses to speak about issues of common concern both internally and externally.

The GRI Guidelines are made freely available as a public good for companies and other organizations globally, irrespective of size, sector or country. Through enabling the transparent disclosure of sustainability information the Guidelines allow for benchmarking of companies on the critical sustainability issues of the day, and, just as importantly, allow for change to be effected from within the company.

Using GRI Guidelines enables UN Global Compact members to fulfil their responsibility to issue a Communication on Progress – as outlined in an alliance between GRI and the Compact three years ago. In addition, requesting that the companies they invest in issue GRI reports is a way for signatories to the UN Principles for Responsible Investment to implement the Principles.

Of course, Denmark has always followed its own track. It has a resilient economy and a strong sense of autonomy. It is European and still unique. Not afraid to vote no and chose its own solutions. So it is also in the field of corporate social responsibility. The new law of December 16 is unique in the world. It combines a vision of wanting to promote its companies to act globally – by using global instruments like the UN Global Compact- , but in a special Danish way. This law is internationally ground breaking.

We at GRI are quite excited by this new law. It has inspired us to do two things.

First, we are delighted to accept the invitation from Denmark to come and explain how companies can use the GRI guidelines in the context of the new law. We hope to explain, on May 14, but also in a document provided by the

Danish Ministry – how reporting using the G3 guidelines can be easy, and how publishing sustainability policy and results can be attractive to clients, shareholders and employees. The fact that the GRI G3 Guidelines have now been translated into Danish, with the help of the Danish Ministry of Economic Affairs, will doubtless be a big help to Danish companies.

The second way the law inspired us is that the Board of GRI adopted the “Danish Model” as an example for all governments in the world. It inspired them to launch the Amsterdam Declaration in their March 2009 meeting in Amsterdam, calling upon all governments to follow the Danish example: namely that the large companies must report, or if they refrain from reporting, explain why they do not.

They should have called it the Copenhagen declaration!

I look forward to being a regular visitor to Copenhagen in the coming period.

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31 March 2009

By Lene Espersen
Danish Minister for
Economic and Business
Affairs

CSR in a time of crisis

Danish businesses are often praised as being among the best in the world at exercising social and environmental responsibility.

category:

- [CSR in general](#)

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In my position as Minister for Economic and Business Affairs, it is also my clear impression that Danish businesses take social responsibility seriously and know how to use it actively to add value within their business and to society. This impression is backed up by studies showing that over half of Danish businesses work with corporate social responsibility (CSR).

It is hard to ignore the fact that we are in the midst of a financial crisis, with major declines on stock markets around the world and uncertainty in financial markets.

In this situation, one might be tempted to think that trade and industry should focus more on short-term survival than long-term responsibility, and drastically reduce all costs and commitments.

I fully understand that some businesses lack the energy and resources to think more long-term. But when times are difficult, one should draw on one's strengths, and Danish businesses have a particularly strong position when it comes to working actively with CSR. Many Danish businesses are very good at turning CSR into a competitive advantage, and CSR may therefore be one of the factors that help a business navigate safely through the crisis.

The fact that even businesses well known for focusing on tight cost minimisation have embraced CSR demonstrates that working with CSR can lead to a significant impact on profits. For example, a business might take active steps to reduce CO2 emissions through an efficient packaging, transport and energy strategy.

Working with responsibility is not only justified in times of healthy profits. Businesses which

actively commit themselves to CSR, even during a financial crisis, send a valuable signal to financiers and investors that the business is building upon a long-term sustainable business strategy. Such businesses also have good potential to improve their competitiveness, as developing responsible products and business concepts may provide access to new markets.

The current crisis may therefore also provide Danish businesses with an opportunity to take the lead, by investing in CSR.

I am proud of the businesses which manage to implement social or environmental responsibility initiatives in a way that improves their competitive position and growth potential, while also helping to generate sustainable and responsible developments in society.

I am also proud of the businesses that, as part of their commercial activities, are capable of developing new products and processes that can help meet the environmental and social challenges.

Danish businesses have a strong global position in relation to CSR. They can exploit this even more, and actively promote it as a competition parameter. The Danish Government is actively supporting this work, for example through the CSR action plan the Government presented last year. The crisis had not yet arisen at that time, but the message was the same: each business can create value for its commercial activities, at the same time as helping to solve major social challenges.

It is therefore my hope that Danish businesses will continue and expand CSR activities, as this is in their own interest as well as in the interests of society, and it is one of the best ways to play to their strengths in the global economy.

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News 2008

Press release: Law on CSR Reporting

16 December 2008: As of January 1st, 2009, the 1100 biggest companies in Denmark must report on their work with corporate social responsibility (CSR).

[MORE ON THE DANISH LAW](#)



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The logo for CSRgov.dk, featuring the text "CSRgov.dk" in white on a red rectangular background.

16. December 2008

Press release: Law on CSR Reporting

As of January 1st, 2009, the 1100 biggest companies in Denmark must report on their work with corporate social responsibility (CSR).

New law brings Denmark in the lead concerning CSR

Today a vast majority of the Danish parliament passed a law that makes it mandatory for the 1100 biggest companies in Denmark, listed companies, state owned companies and institutional investors to report on their work with CSR. However, it is still up to the company to decide if or how they want to work with CSR.

Deputy Prime Minister, Lene Espersen:

- I am very pleased that the Parliament has supported this law so strongly. Many Danish companies are good at working with CSR. However, often they don't tell the outside world about their efforts. I hope that this law will strengthen the knowledge abroad that Denmark is capable of creating responsible growth. In a globalised world facing a financial crisis and climate changes, CSR becomes an even more important competitive parameter.

Georg Kell, executive director, UN Global Compact:

- I wish to congratulate the Danish Government for adopting a bill that advances the responsibility of business and investors. By asking for the disclosure of non-financial performance, this bill will make an important contribution to enhance private sector responsibility. It is my hope that this bill will become a model for others to follow.

Donald MacDonald, chair, UN Principles for Responsible Investments:

- In the current financial crisis, it is more urgent than ever to promote greater transparency, especially in the field of environmental, social and governance performance. For investors, corporate responsibility and the proper management of extra financial risks is essential. The Danish Government's initiative to encourage companies to become leaders in CSR reporting will bring major benefits to Danish companies in

international financial markets, and will be welcomed by global investors.

MORE



[More on the law](#)

[More facts on the law \(pdf\)](#)

[Full Text of the Act Proposal \(pdf\)](#)

[Press release \(pdf\)](#)



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Publications



Global Compact - Small and medium-sized enterprises on their way towards global responsibility

(June 2009)

This booklet aims to inspire businesses to take action by showing how Global Compact works in practice for a number of Danish companies (Published by the Ministry of Foreign Affairs of Denmark and the UNDP)

ISBN: 978-87-7087-173-0 (web)

- [Download publication \(PDF\)](#)



Caring for Climate - Nordic Best Practice

(May 2009)

This publication from Global Compact Nordic Network, the UNDP and the Danish Ministry for Foreign Affairs, presents a collection of 22 case studies from Nordic business signatories to Caring for Climate, the Global Compact's engagement platform on climate change.

ISBN: 978-87-7087-177-8 (web)

- [Download publication \(PDF\)](#)



Reporting on corporate social responsibility

(May 2009)

An introduction for supervisory and executive boards on how to fulfil the statutory requirements in Denmark

Price: 0,- [Order](#)

- [Download publication \(PDF\)](#)
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Conference Report: The Promise of Socially Responsible Investing

(April 2009)

A roundtable jointly hosted by Bendheim Center for Finance, Princeton University and the Danish Ministry for Economics and Business Affairs. The conference report contains a research agenda for future research on SRI and a summary of the roundtable presentations.

- [Download publication \(PDF\)](#)



Action Plan for Corporate Social Responsibility

(September 2008)

On 14 May 2008, the Danish Government presented its Action Plan for Corporate Social Responsibility (CSR) at a press conference led by the Danish Minister of Economic and Business Affairs, Bendt Bendtsen. The action plan aims at promoting CSR and helping Danish businesses reap more benefits from being at the global vanguard of CSR. At the same time, the plan aims at strengthening the efforts to ensure that Denmark and Danish businesses are generally associated with responsible growth.

- [Download publication \(PDF\)](#)



People & Profit

(April 2008)

A practical guide to Corporate Social Responsibility. by the Danish Commerce and Companies Agency and Rambøll Management.

- [Download publication \(PDF\)](#)



Small Suppliers in Global Supply Chains

(November 2007)

How multinational buyers can target small and medium-sized suppliers in their sustainable supply chain management

- [Download publication \(PDF\)](#)



Mapping of CSR activities among small and medium-sized enterprises

(October 2005)

A survey made by tns Gallup

- [Download publication \(PDF\)](#)



Catalogue of CSR Activities: A broad overview

(September 2005)

An Ashridge report produced for The Danish Commerce and Companies Agency

- [Download publication \(PDF\)](#)



Competitive social responsibility: Uncovering the Economic Rationale for Corporate Social Responsibility among Danish Small- and Medium-Sized Enterprises.

(July 2005)

A report prepared by Mark Kramer, Marc Pfitzer, and Paul Lee Foundation Strategy Group & Center for Business and Government, John F. Kennedy School of Government, Harvard University

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The Danish Action Plan



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GLOBAL COMPACT SMALL AND MEDIUM-SIZED ENTERPRISES ON THEIR WAY TOWARDS GLOBAL RESPONSIBILITY

Ten Danish case stories on *human rights, labour standards, environment and anti-corruption in international business activities*

Benefits at a glance

Global Compact is essentially about taking responsibility for the impact of your business activities on the rest of the world. The approach is internationally accepted, yet at the same time simple and clear. Focus is on flexibility and each enterprise decides for itself how the ten Global Compact principles are best implemented in their context. Global Compact is a tool to turn social responsibility into a manageable scheme, recognise what you are already doing and where you can perhaps do better. You are required to adopt tangible measures and communicate on progress. Your benefits as an enterprise include:

Competitive advantage

Engaging in Global Compact is a visible reflection of responsible corporate citizenship and sends a clear signal to customers that you are a visionary company living up to your social responsibility. Global Compact makes life easier if you are a supplier to large corporations increasingly demanding social responsibility throughout the value chain. More and more consumers prefer fair trade. Global Compact puts you in a stronger position in the competition for these costumers.

Staff motivation

Social responsibility adds to the favourable reputation of your company. This is increasingly important in order to attract, maintain and motivate staff. Global Compact also renders your corporate values more visible to local communities, lenders and investors who also put increasing emphasis on environmental standards, anti-corruption, child labour and human rights.

Shared understanding

Small and medium-sized enterprises are increasingly part of ever more complex value chains across continents and cultures. Internationalisation calls for a shared understanding of the implications of social responsibility in different parts of the world. Joining the Global Compact offers you a frame of reference accepted across the globe.

Network for inspiration

The shared understanding of social responsibility in practice is a dynamic process. Exchange of experience is critical. Global Compact is conceived as a network allowing participating companies to meet up and develop solutions to challenges by sharing experience with others who are faced with similar challenges of translating responsibility into action.

Flexible possibilities

Global Compact is a voluntary initiative offering your company a frame of reference allowing you to identify the intersection of responsible corporate citizenship and commercial self-interest. Consequently, results as well as challenges will vary significantly from company to company. Commitment to continuous improvements is critical. You demonstrate this commitment by suiting the action to the word and taking advantage of the flexible possibilities.

Preface

In 2000, an extraordinary decision was taken. At a UN summit in New York the world's leaders unanimously decided to seriously address one of the most aggravating problems in the world; the tremendous inequalities between the rich and the poor.

It resulted in eight concrete promises – the so-called Millennium Development Goals – including to reduce poverty by half, ensure education for all children and equal rights for men and women by the year of 2015.

Let us be very clear, we cannot achieve these ambitious goals without the essential ally of the private sector. We need the private sector to create growth and to provide substantial job opportunities in a responsible way.

As a means to ensure such responsibility, the UN Global Compact has been established.

Through ten fundamental principles the UN Global Compact shows how companies can incorporate labour standards, human rights, environment and anti-corruption as an integrated part of their way of doing business.

These universally accepted principles are a common frame of reference for companies in all parts of the value chain, in all parts of the world. At the same time, the initiative is voluntary and flexible, making the Global Compact applicable to the very specific realities and concerns of all companies.

Therefore, we can also see a difference in how companies across the globe approach Global Compact implementation. Surveys

indicate that Western companies initially focus on the environmental aspects, while companies in the developing world take their first steps within the area of anti-corruption.

Fortunately, despite the financial crisis – or maybe even because of it – companies worldwide are increasingly adopting such corporate responsibility measures and commit to the UN Global Compact as an answer to the many global challenges.

It shows us that Global Compact is here to stay. It is a fact that when leading companies register in such large numbers, it will influence numerous suppliers and partners worldwide.

Denmark is becoming one of the champions in implementing responsible business principles. Not least due to the Danish Government's adoption of an action plan for Corporate Social Responsibility based on the Global Compact.

With this booklet, the Ministry of Foreign Affairs of Denmark and the UNDP would like to inspire to take action by showing how Global Compact works in practice for a number of Danish companies.

Ministry of Foreign Affairs of Denmark

UNDP Nordic Office

UN Global Compact and Your Enterprise

Global Compact is a flexible and universally accepted frame of reference for your company's efforts to promote corporate responsibility. At the core of Global Compact lie ten fundamental principles based on international conventions of human rights, labour standards, environment and anti-corruption. Universal acceptance means they are suitable as tools to achieve a shared understanding of corporate responsibility with partners in Africa, Asia and Latin America.

It is a voluntary initiative based on networking. It was never the intention to make Global Compact compulsory or use the initiative to survey or regulate enterprises. The point of departure is corporate self-interest in developing a responsible business and turning this responsibility into a competitive advantage. Numerous participating companies have experienced that strategic corporate responsibility has opened new business opportunities.

More and more companies join

Global Compact is the world's largest voluntary corporate citizenship initiative. With more than 6,800 participants in the beginning of 2009, Global Compact has proven a popular tool for corporate responsibility.

In Denmark, a total of 111 participants had joined Global Compact in the beginning of 2009. A key benefit for Danish participants is the fact that the initiative is accepted across the world. Faced with the challenge of reaching a shared understanding of issues like labour and environmental

standards with a supplier in Africa or a customer in the United States, Global Compact works as a shared standard.

Network and mentoring

A network of small and medium-sized Danish enterprises meets three to four times a year to share experiences. Participants also have the option of joining a mentoring scheme whereby newcomers are introduced to the Global Compact by existing participants. Lessons learned are shared along with ideas and inspiration for the first few steps towards implementation. More details can be found on www.gcnordic.net

Getting started

Ten case stories in this booklet illustrate the potential benefits of applying the Global Compact principles in the daily operations of your company. In order to make it easier to decide on which step to take first, this section of the booklet explains the principles in some detail. Focus is on practical relevance for companies. You can also find guidance on how to get started in the various fields of human rights, labour standards, environment and anti-corruption. Finally, the booklet provides an overview of useful resources and tools, all freely available on the internet. By joining Global Compact you agree to incorporate the values expressed in the ten principles into your own set of corporate values. It is up to you to decide how exactly that is best done in your case. You also agree to communicate to the rest of the world on your contribution. This helps disseminating the values to a broader circle of companies.

Global Compact is...

...a voluntary initiative

...based on universal principles

...a networking opportunity

...a tool for continuous improvements

But Global Compact is...

...not compulsory

...not surveillance

...not regulatory

...not a standard or a management system

More specifically, joining Global Compact involves four simple steps:

1. You send a letter from Executive Management with the approval of the Governing Board to the Secretary-General of the United Nations expressing support for the ten Global Compact principles. Details on the postal address and a suggested format for the letter can be found on www.globalcompact.org
2. Next step is to implement changes in the daily operations of your company allowing the Global Compact principles to become an integral part of your corporate strategy, culture and daily life. The case stories in this booklet might provide ideas for inspiration.
3. On your website, in Annual Reports, in press releases and marketing material you can make reference to your support for Global Compact where it comes naturally.
4. Finally, you summarize challenges and achievements once a year. A format has been developed to facilitate reporting entitled Communication On Progress (COP). Inspiration from examples of best practice can be found on www.gcnordic.net and www.globalcompact.org/COP

Joining Global Compact is neither complicated nor particularly demanding. However, Global Compact becomes a missed opportunity if you only declare your general support on festive occasions. The real value of Global Compact is its potential to develop your business, your customer relations and the way you deal with human rights, labour standards, environment and anti-corruption in practice. These principles are described in more detail in the next section of the booklet.

How did Global Compact come about?

The idea of a Global Compact was first introduced by UN Secretary-General Kofi Annan in a 1999 speech to chief executives attending the World Economic Forum in Davos. The 1990s had seen growing opposition to globalization leading to riots and clashes during WTO talks in Seattle. Opponents demanded regulation to minimize the burden of global production on environment and workers. The UN based the Global Compact initiative on voluntary involvement and corporate self-interest in contributing to solutions to some of globalization's unintended consequences.

Global Compact Principles

A key strength of Global Compact

is the flexible approach without categorical requirements or attempts at corporate regulation. It is for companies themselves to suggest implementation steps appropriate in their particular context. Global Compact is based on ten principles in four broad themes. An overview is provided below and followed by a more detailed description on the following pages.

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Partnerships

Global Compact encourages participants to engage in partnerships with their stakeholders to find common solutions. Joining up with private organisations or public sector partners can be helpful in implementing the Global Compact principles. The basic concept of partnerships is simple and straightforward – to identify common ground between the private and the public sector and to combine their resources, skills and expertise to improve results. Experience shows that the best results are reached when partners carefully consider what they would like to achieve through the partnership. One of the examples in this booklet shows what the textile com-

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

pany Eurotex Apparel achieved through its partnership with Save the Children. Cross-sector partnerships can overcome challenges that are too difficult for one organisation or sector to address alone, and can make efforts more effective by combining resources and competencies in innovative ways, as evidenced by the case of Eurotex Apparel and Save the Children. Through collaboration, actors can strengthen their efforts to achieve individual objectives by leveraging, combining and capitalizing on complementary resources, strengths and capabilities. Results are achieved that partners could not have achieved on their own.

Human Rights

The United Nations' Universal Declaration of Human Rights from 1948 comprises a set of fundamental rights signed up to by Heads of Governments. Human rights may seem abstract, but include very real rights to health and work, ban on slavery and

inhuman treatment, the right to rest, leisure, education and a sufficient standard of living.

Here is how the Global Compact principles on human rights impact on your business:

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights

Responsibility for human rights does not rest with governments or nation states alone. Most likely, your company already supports and respects human rights. Compliance with national legislation passed to comply with international human rights agreement is one such example. However, national legislation can also be conflicting with human rights. Voluntary initiatives can promote and support human rights, e.g. by providing access to health services, education or housing for workers and their families, or by involving local stakeholders in relevant decision-making to local communities.

Principle 2: **Business should make sure they are not complicit in human rights abuses**

As a company you need to take steps to avoid direct as well as indirect complicity. Indirect complicity can be particularly difficult to recognise. An example could be a supplier who does not allow his workers sufficient rest and leisure when trying to reduce production costs or simply to meet the deadlines you present them with.

This booklet includes the lessons learnt by Ingemann Foods and Orana in providing training for small producers and the construction of better housing for seasonal workers.

What to do

Make sure subsidiaries and suppliers abide by national legislation. You may want to consider adding your own guidelines on human rights and include them in supplier agreements. Inspiration for the development of such codes of conduct can be found on www.csrkompasset.dk

Update yourselves on the human rights situation and the risk of violations in the countries where your business operates. The Danish Institute for Human Rights publishes Risk Assessment Reports on a regular basis on www.humanrightsbusiness.org

Increase awareness on the importance of human rights by organising workshops and other types of communication activities with staff and local management. Human rights of local relevance can include basic health services, education and housing. It may also be

worth exploring prospects for service provision to local staff.

Participate in networks allowing for exchange of experience with other companies. Relevant networks include the Danish Ethical Trading Initiative (www.dieh.dk). You may also find inspiration and useful advice by contacting Amnesty International on www.amnesty.dk

Labour Standards

The labour principles of the Global Compact are derived from the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO). This Declaration was adopted in 1998 by the International Labour Conference, a yearly tripartite meeting that brings together governments, employers and workers from 177 countries. The Declaration includes the

right to non-discrimination, the right to a healthy and safe working environment, the right to collective bargaining, freedom of association and a ban on forced labour and certain types of child labour.

Global Compact's four labour standard principles all relate to the four key conventions of the ILO. Here is how the principles impact on your business:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

The key is to enable a constructive dialogue between employers and workers. Freedom of association involves the right of a worker to join a trade union of his or her own choice or indeed decide not to join a trade union. Countries like China and Vietnam with only state trade unions constitute a particular challenge.

In these contexts, companies should - within the scope of national legislation – allow for the establishment of a similar forum for the discussion of labour standards. Furthermore, employers should refrain from all types of discrimination of workers' representatives and respect the right of workers to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Forced labour is a fundamental violation of basic

human rights widespread in several developing countries where businesses confiscate salaries, deposits and identity papers to prevent workers from leaving the work place or look for alternative employment. Workers can also be forced to work overtime or even be locked up on the company premises. Few Danish businesses are directly involved in forced labour. However, the risk of indirect involvement exists through the overseas suppliers or partners. This booklet allows you to share the experience of the Danish company Rice who after careful considerations decided to pull out of a partnership when learning that a supplier used forced labour from Burma.

Principle 5: Businesses should uphold the effective abolition of child labour

Child labour is an important source of income for poor families in developing countries. According to Save the Children, one in seven children in developing countries is a worker. The point of departure for international conventions is that children should not work before they have completed primary education. In developing countries without a fully developed educational system, a lower minimum age can be allowed. Children under 18 should never be allowed to do work which could jeopardize their health or development. You may want to consider alternatives like support for schooling or employment of

adult family members. The case story of Eurotex Apparel has more ideas on responsible handling of child labour. Inspiration can also be found in the child labour toolkit developed by Save the Children and the Federation Danish SMEs on www.redbarnet.dk

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Discrimination in employment means treating people differently because of race, gender, sexual or political orientation, ethnic or social background. Discrimination should be eliminated in your own policies and operations as well as those of your suppliers.

What to do

Develop guidelines for your compliance with ILO labour standard conventions. Inspiration can be found on www.csrkompasset.dk. You may also want to study the case stories of Pilgrim and Orana in this booklet for ideas on how to link labour standards to business development.

Consider the option of SA8000 certification as evidenced by Rice and Butler's Choice cases of this booklet. Certification will involve third party auditing of your efforts to integrate labour standards

in your operations and supply chain. You may also want to consider encouraging your suppliers to be certified.

Participate in networks like the Danish Ethical Trading Initiative (www.dieh.dk) allowing you to share experience with other companies.

Environment

Protecting the environment is a key concern to a number of the businesses sharing their experiences in this booklet. The three Global Compact principles on environment are drawn from a Declaration of Principles and the international action

plan entitled Agenda 21. The Agenda emerges from the United Nations Environment and Development Summit held in Rio in 1992. Here is how the principles impact on your business:

Principle 7: Businesses should support a precautionary approach to environmental challenges

The precautionary approach implies that where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. Prevention requires a mapping of environmental implications of all your production processes. Furthermore, it requires a concerted effort to prevent pollution before it takes place, e.g. by phasing out dangerous substances.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

As a company you are encouraged to integrate environmental protection in policies, decisions and activities. A pro-active approach is recommended whereby businesses take voluntary initiatives to protect the environment rather than react to problems once they arise.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Technology is defined broadly to include knowledge, procedures, equipment, goods and services as well as organisational and managerial processes. Companies are encouraged to promote products and production processes less hazardous to the environment. Introduction of environmentally friendly technologies often reduce resource cost and hence involve immediate economic benefits for businesses.

What to do

Assess the various tools available to businesses to decide if you want to establish environmental management systems, apply for certification of products or processes or commit to environmental reporting. This booklet has case examples of Katvig's experience with environmental labelling and Butler's Choice with environmental management systems.

Consider your potential for environmental improvements through adjustment of production processes, raw materials, product portfolio, design and recycling of production waste. You may find inspiration from the case experience reflected in this booklet by Henning Larsen Architects and Emunio on integration of environment in early stages of project design.

Anti-corruption

This principle draws on the United Nations Convention against Corruption in 2003 as its underlying legal instrument. Bribery of foreign civil servants was first criminalized by the OECD Convention from 1996.

Here is how the principle impacts on your business:

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery

Corruption, defined as the abuse of entrusted power for personal gain, can take many forms. Offences are often labelled 'serious' or 'minor' and referred to as 'bribery' or 'grease'. Bribery is a concerted effort where gifts or money are used to extort benefits you would otherwise not be entitled to. Grease involves payment of small sums of money that expedite or provide permits and other services you are already entitled to. Both offenses are punishable under Danish law. The Ministry of Foreign Affairs of Denmark operates a zero-tolerance policy that can lead to exclusion of companies from public tenders. Violation of Danish law abroad can be prosecuted in Denmark. As a business operating abroad your responsibility includes the operations of your subsidiaries or agents to avoid corruption. Clarification of your policies and guidelines is recommended.

Bribery and greasing are generally acknowledged to influence the reputation of a company negatively and hence damage future earning capacity and profitability.

In this booklet, syringe manufacturer Emunio share their experience in sticking to the principle of never accepting bribes, even where it involves a possible loss of orders. A number of businesses use their participation in Global Compact as a key argument for not accepting bribes.

The Ministry of Foreign Affairs of Denmark helps businesses to avoid corruption in developing countries. Country-specific information as well as advice and guidance on promoting anti-corruption can be found on www.business-anti-corruption.com

What to do

Develop a corporate code of conduct to guide staff in situations where they are confronted with demands for bribery. The code of conduct should make it clear what constitutes acceptable behaviour in certain situations on a given market.

Send a clear signal to partners and clients by communicating your anti-corruption policy in order to minimize the risk of a situation occurring where staff is met by demands for bribery. The communication can include details on the fact that bribery is punishable under Danish law.

Ensure that guidelines are specific on criteria for opting out of a given market because of corrupt practices, be it bribery or grease.

Be open and discuss the topic of corruption freely with all partners. If staff, customers and suppliers have been informed clearly and openly, you will make it easier for the staff member who is faced with the demand of bribery to handle the situation. Subsidiaries, suppliers and agents in developing countries cannot solve the problems alone. You can help by promoting cooperation between companies, organisations and authorities in the fight against corruption.

Lessons learnt by Danish businesses

In the process of developing your own plans for implementation of the ten Global Compact principles, you can find inspiration and useful tips by looking at the experiences of other businesses. The principles may appear a bit high-flying. In order to bring the principles down to earth and show their potential implications for your business, this booklet brings together ten case stories of Danish small and medium-sized enterprises. Owners and managers explain how they have benefitted from turning the ideas into action.

Many businesses already deserve recognition as responsible corporate citizens for their efforts to promote what is commonly referred to as Corporate Social Responsibility (CSR) or simply just Corporate Responsibility. However, not all businesses have referred to these efforts as CSR. Refusing bribery in the Far East may have been taken for granted. Responsible environmental standards in Africa may just have been common practice that your company has not flaunted. Nonetheless, displaying your efforts more visibly might be worth considering in a situation where increasing numbers of large business customers demand corporate responsibility throughout value chains including your business. Displaying your corporate responsibility more clearly can offer significant competitive advantages.

Overview

The following pages of this booklet present ten case examples with lessons learnt by small and medium-sized companies in implementing the Global Compact principles. The table below provides a quick overview of the companies, their challenges, advice to other companies and the aspects of Global Compact that the companies initially have focused on.

Definitions

CSR: Corporate Social Responsibility or simply just Corporate Responsibility defined broadly as voluntary promotion of responsible corporate citizenship

SA 8000: A certifiable CSR management system focusing on labour standards and working environment

ISO 14001: A certifiable environment management system

IPD programme: Danida programme supporting the efforts of businesses and organisations in promoting work and living standards in developing countries through innovative partnerships

B2B programme: Danida programme supporting long term partnerships between businesses in Denmark and Danida's programme countries

Company	Challenges	Advice	Global Compact aspects
1. Rice Ltd. (Gift articles)	How do we provide agreeable conditions for village home workers in Madagascar and Thailand?	Organise your efforts through dialogue, SA8000 and Global Compact	Human Rights Labour standards Environment
2. Eurotex Apparel Ltd. (Textiles) and Save the Children	How do we handle child labour in Bangladesh responsibly?	Participate in partnerships with organisations and other businesses	Labour standards (Especially child labour) Partnerships
3. JUAL Ltd. (Roof accessories)	How can Chinese subsidiaries and suppliers live up to Danish working environment standards?	Create small success stories Build on success with continuous improvements	Labour standards Environment (focus on precautionary approach)
4. Butler's Choice Ltd. (Food)	How do we work with our Vietnamese suppliers to raise environmental standards?	Promote corporate responsibility based on a strong convictions Build long term relationship of trust with your suppliers	Labour standards Environment
5. Pilgrim Ltd. (Jewellery)	How can we inspire our Chinese suppliers to improve working environment and labour standards?	Use networks and dialogue Focus on partnerships and real improvements rather than control	Human rights Labour standards Environment
6. Katvig Plc. (Children's clothes)	How can we as a small enterprise promote acceptable environmental standards of large Chinese suppliers?	Do not think you have to invent everything yourselves Use networks and existing labelling schemes	Labour standards Environment
7. Ingemann Foods Ltd. (Food)	How can a Nicaraguan bee farmer qualify to be part of our supply chain?	Integrate CSR into your business model Build long term relationships with your suppliers	Human rights Labour standards Environment
8. Orana Ltd. (Fruit)	How do we link business development and CSR in our partnerships in India?	Select your partners carefully and be patient Build long term partnerships	Human rights Labour standards
9. Henning Larsen Architects (Architecture)	How can we work strategically with environment improvements and energy efficiency in construction projects?	Start where you have the most influence Share your experiences with other businesses	Environment (focus on energy efficiency)
10. Emunio Plc. (Syringes)	How do we work development-oriented and strategically with Global Compact implementation with our partner in Tanzania?	Involve staff actively Put your policies in writing Update documentation of progress continuously	Environment Anti-corruption

1. Rice Ltd.

Dialogue that binds

Rice Ltd.

- Wholesale business for arts and crafts gift articles
- Founded in 1998
- 42 staff members
- Suppliers in Africa and Asia
- Turnover in 2008: DKK 53m



Growth company Rice has incorporated the Global Compact principles on labour standards and environment all the way from their base in the port of Odense to long term suppliers in Africa and Asia. A strong stand on forced labour has led Rice to terminate relations with one supplier. The overall picture, however, is one of success on the basis of social and environmental values. Rice proves that CSR pays off.

“When we started the company in 1998, we agreed that we would do our best to ensure decent conditions for our suppliers in Madagascar and Thailand”, explains founder Philippe Gueniau. “Today, we work with the same four suppliers and their production networks in Madagascar where we have baskets manufactured using natural dye palm fibre. The partnership involves us paying fair prices for our products and thus supporting the desire of the producers to remain in the villages and keep families together.”

In Thailand, Rice founded the company Rice for Asian Design. The factory in Chiang Mai now employs 75 workers and has created another 50 jobs in a nearby village. “In order to avoid splitting up families and an often hazardous working environment in cities, we support production in villages where workers generate additional income by tilling the fields. We consider this a binding partnership similar to the one we have in Madagascar. Part of our obligation is to identify relevant and suitable jobs for the villagers. We take this obligation very seriously”, Philippe stresses.

In 2002, Rice was the first Danish company to be certified for social responsibility through the SA 8000

scheme. Joining Global Compact in 2006 became a natural next step along the ethical path that the founders set out on ten years ago on the island of Langeland. Rice hired Mr Claus Skov as CSR and logistics manager in 2006.

“The UN Global Compact works well for us. Because of the fact that everybody knows the UN, we are not seen as imposing a Danish or Western idea. The Global Compact has made us aware of the diversity of issues affecting us when we produce in developing countries”, states Claus Skov.



Why Global Compact?

- Universally accepted, not seen as a Western concept
- Puts the CSR efforts into context
- Single issues can be made part of a comprehensive approach

Rice focus:

- Labour standards
- Human rights



Combining SA 8000 and Global Compact has been perfect in creating an overall framework for our efforts

Advice from Rice

“Combining SA 8000 and Global Compact has been perfect in creating an overall framework for our efforts. The audit element of SA 8000 involves third party endorsement of our activities. SA 8000 is a useful managerial tool, not least when it comes to dialogue with suppliers and staff in India and Thailand”, Claus Skov explains. Rice has developed check lists and questionnaires to be used during visits to suppliers. “We cannot develop a 100 per cent watertight system but we are doing our best to enter into dialogue with our suppliers. We do not consider control in itself to be sufficient”, says Claus Skov. “Effective communication of

sensitive messages on labour standards, health and safety at work and overtime is of key importance. We prefer dialogue but have had one incident with a Thai supplier using forced labour in Burma. In such instances, supply agreements simply have to be discontinued.”

Philippe Gueniau concludes with the following piece of advice for small and medium-sized enterprises ready to get going. “Start with the most visible burning issues you meet out there and solve them one by one. In order to avoid a haphazard approach, Global Compact can help you put CSR visions and activities into a gradually more strategic context.”

2. Eurotex Apparel Ltd. & Save the Children Partnership for responsibility

Eurotex Apparel Ltd.

- Textile industry
- Established in 1969
- 60 staff in Denmark, Bangladesh, China, UK and South Africa
- Suppliers in Malaysia, India, China and Bangladesh



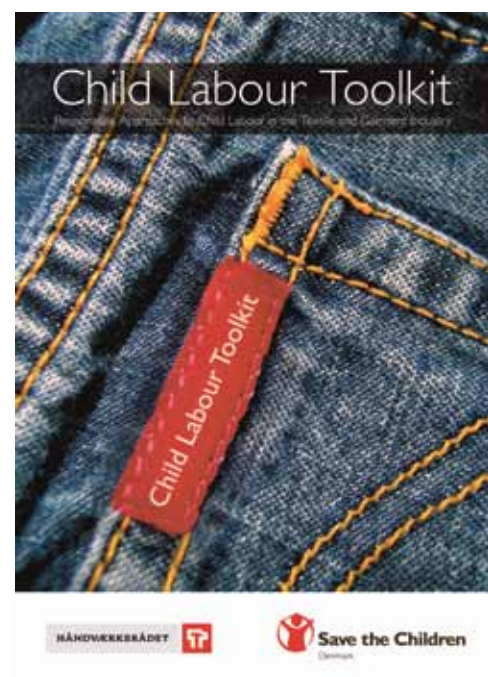
Global Compact strongly recommends partnerships with stakeholders in support of broader developmental goals, not least when businesses need new tools they cannot develop on their own. Supported by the Ministry of Foreign Affairs of Denmark, six Danish textile companies joined hands with Save the Children, the Federation of Danish SMEs and the Federation of Danish Clothing and Textile Industries (DTB) and demonstrated that partnerships can help tackle difficult challenges like child labour. Achievements of the partnership include a practical guide for businesses.

Child workers in the textile industry of developing countries is a complex challenge including individual business being blamed in media reports for having child workers in their factories. Media attention has also led to some textile factories in Bangladesh excluding workers between 14 and 18 years of age. With half the Bengali population under 18, this constitutes a problem as young workers often provide for their families and young female workers excluded from the textile industry are reported to have moved to prostitution.

In 2005, Eurotex Apparel decided to enter into a partnership with a number of other Danish textile companies and professional bodies to find a solution. An advisory committee in Bangladesh brought together representatives of suppliers, Bengali professional bodies and NGOs. "We have made significant progress on CSR in Bangladesh, including a reduction in sickness absenteeism from ten to six

per cent by introducing clean drinking water in factories so that workers would no longer have to carry drinking water from the slums. Child labour, however, is a much more complex issue which we had to partner up to solve", say Henrik Johannesen, CEO of Eurotex Apparel.

The partnership is a learning process resulting in a practical guide for companies entitled the Child Labour Toolkit. The tool kit has been developed in accordance with international conventions on child labour and provides answers to questions like: How do you define child labour? What constitutes dangerous work? Which processes should 14 to 18 year



olds be allowed to work with? And how do you find out how old children really are?

Advice from Eurotex Apparel

Companies can benefit greatly and sometimes unexpectedly from partnerships. Eurotex Apparel participated actively in the Bangladesh textile partnership and has now got operational guidelines for employment of 14 to 18 year olds who work in their factories whilst attending formal vocational training. “Well trained young workers are badly needed and we are keen to assist if we can turn youngsters at risk of ending up on the streets into valuable and qualified workers”, states Henrik Johannesen. Henrik Johannesen recommends a responsible approach to the handling of child labour to companies in general. “It is wrong to simply sack children involved in the production of your suppliers. It is much

better for all to explore alternatives like schooling or vocational training, possibly combined with lighter work.”

“We are pleased to be part of a partnership”, says Henrik Johannesen, because responsibility is no longer a simple question of your own personal morals. We were guided by instincts when we started caring for staff in 1999. Responsibility is increasingly required by customers and rapidly becoming a key element in contract negotiations. This renders responsibility a strategic priority in our business development. We need all the input we can get to make responsible corporate citizenship easier”, Henrik Johannesen concludes.

Why Global Compact?

- Opportunities for partnerships
- Exchange of experience with experts, customers and other interested parties
- Improved reputation to be used for marketing purposes

Eurotex Apparel Focus:

- Labour standards
- Partnerships

3. JUAL Ltd.

Prevention with limited resources

JUAL Ltd.

- Specialized in roof accessories
- 50 staff member of JUAL Ltd, established in 1968
- 60 staff members in Chinese subsidiary, established in 2004
- Turnover: DKK 100m incl. Chinese subsidiary

JUAL, a producer of roof accessories, received support for its first CSR activities from the Public Private Partnership Programme of the Ministry of Foreign Affairs of Denmark. Subsequently, JUAL has used dialogue and the force of example to promote labour standards and environmental protection at their subsidiaries and suppliers in China. Corporate responsibility is not only a point of view. It involves daily challenges of preventing tinnitus and squeezed fingers.

JUAL CEO Martin Thomsen points out that CSR is a long process. Competing tasks with shorter deadlines have a tendency of pushing CSR to the side. Consequently, CSR needs to be integrated into the daily routines and management of suppliers.

“When we set up in China, putting a CSR management system in place was a long haul. The factory was upgraded with soundproofing, personal protective equipment, screen enclosures and ventilation systems. We have a total of fifteen long term suppliers in China. We evaluate our suppliers on an annual basis and follow up on an ongoing basis. Our moderate size forces us to think carefully before making firm demands. Fortunately, our presence in China makes it easier for us to work closely and constructively with our suppliers. Our advice has to make sense locally. I can understand if suppliers only use ear plugs when we are visiting. Ear plugs only start making sense to workers when they have experienced the difference they can make. The force of





example sometimes takes time to work”, states Martin Thomsen.

“CSR activities have to be tailored to the size and character of our company. Global Compact allows us to operate a CSR concept suitable to our needs. Flexibility allows us to keep up momentum by introducing improvements step by step. On a daily basis, we are tempted to make shortcuts and buy cheaper products. Heated galvanization is an example of a technique we have opted against because of the mess. We are not convinced we would be able to provide sufficient quality to our customers if there is too much pollution in our own factory backroom, even if we would be able to source the products five times cheaper”, argues Martin Thomsen.

JUAL considers participation in the Global Compact as a visible proof of the company’s commitment to CSR. “Global Compact shows that the whole CSR range is under control and of high quality. By joining Global Compact we achieve improved market positioning and are able to differentiate ourselves from 95 per cent of our competitors”, says Martin Thomsen.

Advice from JUAL

Martin Thomsen summarizes his experience in the following piece of advice. “It requires a special effort to initiate CSR efforts. However, when these measures are in place only very few resources are required. In order to open the eyes of suppliers it is essential to create small success stories from the outset. We spend a lot of time commending suppliers for their efforts. With time suppliers realize that we are serious and dependable customers.”

“We started out by identifying key areas where we could achieve quick impact as well as areas where we would need to keep a long term focus. Basically, CSR needs to be boiled down to something tangible with overall objectives and intermediate objectives. From there, it is all about keeping up momentum and making progress with constant improvements”, concludes Martin Thomsen.

Why Global Compact?

- Keeps constant focus
- Demonstrates control of the full range of CSR
- Strengthens competitive position

JUAL focus:

- Labour standards
- Environment





CSR activities have to be tailored to the size and character of our company. **Global Compact** allows us to operate a CSR concept suitable to our needs

4. Butler's Choice Ltd.

Small fish with big influence

Butler's Ltd.

- Quality fish and shellfish dealer
- Established in 1997
- 6 employees in Denmark, 14 in Vietnam and 9 in India
- Suppliers in Vietnam and India
- Distributes more than 2,000 tons of fish and shellfish annually

Social ansvarlig fisk



Binding partnerships with long term suppliers is the recipe of Butler's Choice for environmental responsibility. Achievements include cleaner water in the Mekong River owing to a new wastewater treatment plant advocated by the Danish company and its supplier. Butler's Choice is based in Kerteminde and deals with fish and shellfish using the slogan "We Care To Be Fair."

"We import tiger shrimps from a factory in Vietnam. They used to pump wastewater directly into the Mekong River. At the time, the factory had no alternatives because the government did not allow them to build a wastewater treatment plant", explains founder

Jacob Stokkebye. "We approved the factory with reservations regarding wastewater. Butler's Choice purchased increasing amounts of produce and now takes app. 20 per cent of the total production. At one stage we were asked to help the factory write a letter to the authorities linking the future purchase of tiger shrimps of Butler's Choice to the application for a new wastewater treatment plant. Permission was granted. First we had to demonstrate our reliability. Then we were able to make demands. If action is suited to the word, you win confidence", says Jacob Stokkebye.

"Environment is our top priority, for moral reasons as well as long term business interest. We have invested and taken home smaller short term profits but now welcome increasing numbers of customers demanding certified production process that cannot be copied over night. Purchasers increasingly demand exactly the type of documentation we have built up over the years. Three quarters of our customers are prepared to pay extra for environmentally friendly products. Certification is the only guarantee available that fish is free of phosphate. We guarantee that standards are respected", states Jacob Stokkebye.

Butler's Choice is one of the few Danish companies with an SA8000 certification (CSR management system) as well as ISO14001 (environmental management system). Jacob Stokkebye explains. "We are pleased to participate in Global Compact because it offers something completely different from our two certifications. We see the strength of Global Compact as a network of businesses involved in voluntary initiatives like ourselves. The dialogue with other

Why Global Compact?

- Voluntary approach with flexibility and innovation
- Access to networks and professional dialogue
- Input to management systems of the company

Butler's Choice focus:

- Labour standards
- Environment



businesses involved is a source of great inspiration to us.”

Advice from Butler’s Choice

“My advice to companies wishing to make a difference is to act out of conviction. Corporate responsibility should not be driven by formal requirements or pressure. You have to believe strongly in your own product. Butler’s Choice has achieved tangible benefits owing to strong and constructive supplier partnerships. Building up goodwill motivates suppliers to deliver top quality fish products. Top quality is of the essence to Butler’s Choice and was recognised in 2008 with an award for the best tiger shrimp on the Danish market. Key to our success has been the conviction that suppliers must be won

over by strong arguments and have a clear understanding of the reality suppliers are coming from. “Sometimes these processes take time but in our experience there is no point in enforcing an agreement with demands that subsequently turn out not to be respected”, Jacob Stokkebye concludes.

5. Pilgrim Ltd.

Dialogue and demands go hand in hand

Pilgrim Ltd.

- Jewellery manufacturer with its own retail outlets
- Established in 1983
- 224 staff members in total, 10 staff members in China
- Suppliers in China
- Pilgrim Foundation was established in 2007 in support of development in Africa
- Turnover in 2008: DKK 370m
- More than 85 per cent of sales are exported

PILGRIM
DANISH DESIGN

Labour standards and environment are key components of jewellery company Pilgrim's implementation of Global Compact. Activities include dialogue on working environment, a fund to support projects in Africa and a piece of jewellery for charity. Pilgrim bases its approach on constructive communication with partners rather than control and criticism. Activities include training in health and safety at work and 'positive auditing' of suppliers.

In 2007, Pilgrim established a foundation in support of development in Africa. An usual step for a medium-sized Danish company. Pilgrim founder Thomas Rud Adamsen explains: "The purpose of the foundation is to help Africans help themselves. In 2008, we have supported six projects in Tanzania on a wide range of topics from business training for street children to HIV/AIDS education." Pilgrim has committed itself to donating one per cent of the company's profit to the foundation. Profits from a specially designed piece of jewellery are also envisaged to benefit the foundation. In the long term, Pilgrim would like to establish fair trade certified jewellery production in Africa.

However, at present Pilgrim buys all its jewellery in China. In order to ensure decent production facilities and keep close contact with suppliers, Pilgrim has established its own auditing system. Pilgrim is not convinced that independent auditors can always be trusted. "It is important for us to visit our suppliers to get a clearer impression for ourselves. We make demands but we also have a

dialogue. We cannot guarantee that everything is perfect but we are moving things in the right direction", says Thomas Rud Adamsen.

Pilgrim refers to its own auditing system as positive auditing. The Chinese suppliers are not always receptive to criticism. We find that a positive approach works better. We focus on inspiring suppliers to make improvements on an ongoing basis rather than simply controlling the present state of affairs. CSR is weighed equal to quality and price when Pilgrim purchasers evaluate suppliers. A local staff member is in charge of auditing as we see great benefits in interacting with suppliers on a daily basis. We have also carried out training in health and safety at work for our suppliers. Our experience tells us not just to talk to the hearts but also to the business sense of our suppliers. It is not always easy to obtain the support of management when staff members return from training sessions. Progress is faster with some suppliers than with others, but you should never give up", concludes Thomas Rud Adamsen.



Why Global Compact?

- Contributes to business development
- Keeps a focus on CSR activities
- Reporting provides us with a useful overview

Pilgrim focus:

- Human rights
- Labour standards
- Environment

If we were to
start all over
again, we would
get involved
in relevant net-
works and learn
from the expe-
rience of other
companies



Advice from Pilgrim

Pilgrim is convinced that corporate responsibility goes beyond charity and helps develop their business in a way that strengthens their future competitiveness. Corporate responsibility is also important with respect to attracting and maintaining qualified and committed staff.

Pilgrim has taken a number of initiatives without necessarily having a fully developed strategy or fixed idea of a final destination. “We have been able to launch a multitude of efforts but that may not be the right approach for all companies. If

we were to start all over again, we would get involved in relevant networks and learn from the experience of other companies. Regardless, CSR will always be a long process where you simply cannot do everything at once. It is better to take slow steps than not to get anywhere at all”, Tomas Rud Adamsen concludes.

6. Katvig Plc. Following suit

Katvig Plc.

- Manufacturer of children's clothes
- Established in 2003
- Turnover in 2008: DKK 56m
- 17 staff members
- Suppliers in China, Ukraine, Taiwan, South Korea, Indonesia and Turkey



To Katvig, a manufacturer of children's clothing, responsible corporate citizenship primarily involves integrating environmental concerns into their supply control system. Keywords include clarity, realism and alliance building. So far, focus has been on health and environment, and Katvig has found ways of working with suppliers already audited by larger clients or approved for existing environment and health labels. Next step is labour standards and, in time, organic cotton farming in Africa.

Healthy clothes were part of the business concept when Katvig was founded in 2003 and consequently, the present focus on environment and sustainability has come naturally. Ms Pia Odgaard was recruited as Katvig's sustainability manager in 2007 to handle the process. "We lean heavily on existing labels like the EU Flower, the Swan and the Global Organic Textile Standard (GOTS)", Pia Odgaard explains.

"In my view, sustainability is essential for the long term survival of businesses. Sustainability is becoming mainstream, as we have seen with the labels in a number of places. We have banned air freight of textiles and introduced a self-degradable carrier bag made out of plastic. The bag is used by suppliers for packaging and again by customer as a carrier bag. Huge quantities of non-degradable plastic are used for freight packaging and it makes good common sense to recycle it", says Pia Odgaard. Katvig has developed ethical guidelines used as attachments to supplier contracts. "We have twelve main suppliers producing for us four times a year. Essentially, we are a very small customer to our suppliers and do not find ourselves in a negotiating position where we can make categorical demands too easily", Pia Odgaard states.

Katvig's focus has been on environment and sustainability and now wants to include efforts to promote labour standards. Pia Odgaard relates: "The world is not black and white. We may think it is wrong to work four or five hours of overtime every day. However, Chinese migrant workers living far away from their family and children want to work as much as they possibly can. If we do not allow them to work extra hours, they will look for work in the evenings somewhere else. Dialogue with other companies on these sensitive issues is important to us. We cannot meet all these challenges on our own. This is why we have joined Global Compact and the Danish Ethical Trading Initiative. We also dream of one day having our own organic cotton farm in Africa", Pia Odgaard tells.

Advice from Katvig

Sustainability is an integral part of the business philosophy of Katvig. It is driven by idealism as well as a conviction that it puts Katvig in a stronger market position than their competitors. Pia Odgaard shares this piece of advice with other companies: "It is essential not to approach CSR as the icing on the cake. Without true conviction initiatives cannot be sustained in the long term. As a small and medium-sized enterprise you have to think carefully about the way you spend limited resources wisely. Using networks and recognised labelling schemes offer attractive opportunities. There is not point reinventing the wheel and we cannot be experts in everything", Pia Odgaard concludes.



Why Global Compact?

- Helps us hold on to our ambitions
- Develops our company
- Supports important initiatives

Katvig focus:

- Environment
- Labour standards

7. Ingemann Foods Ltd.

Organic farming for beekeepers

Ingemann Foods Ltd.

- Food distribution
- Established in 1989
- 17 staff members in Denmark, 25 in Nicaragua
- Suppliers in Nicaragua
- Turnover in 2008: DKK 40m



Ingemann Foods is a family-held company with ambitious plans for beekeeping in Nicaragua. A well-developed network in Nicaragua is activated to promote human rights and environmental protection. Organic production principles, decent standards of health and safety at work and involvement of women are used as the vehicle to realize the ambitions. Ingemann Foods live up to their corporate responsibility but underline that responsible corporate citizenship can be profitable as well.

Nicaragua's export of honey is limited in scope but holds great potential. The ambition of Ingemann Foods is to establish a significant production base for organic honey from their own beehives

as well as from small local producers. In 2008, Ingemann Foods constructed its own packing facility with a capacity of 1,000 tons. "When we reach the target of 1,000 tons, we will be employing more than 100 workers in the field and between 25 and 50 in processing and administration. This will make us the largest producer of organic honey in the whole of Latin America", CEO of Ingemann Foods Niels Møller explains.

"Large scale processing and packaging facilities allow for increased earnings. It is also the only we can guarantee organic standards", Niels Møller states. Local beekeepers deliver a minimum quantity of one barrel at a time. Ingemann Foods controls quality and pack the honey in an identifiable barrel as traceability is essential for market access. Ingemann Foods offers training in hygiene and certification and training is open to the company's own producers as well as small local beekeepers. Ingemann Foods sees these training opportunities as their contribution to a broader development of the sector.

"We are pleased to be part of Global Compact and see strategic corporate responsibility as an integral part of our business model. Global Compact helps move or commitment one level above pure philanthropy and matters of conscience. To us, the human right principle of Global Compact is essential. We invest in health and safety at work, training and canteen services. We also have a scheme of employing more women and avoid all types of discrimination. Our female staff members are particularly competent when it comes to hygiene and generally display supe-

Why Global Compact?

- Strategic approach to corporate responsibility
- Covers the whole range of CSR aspects
- Top priority of human rights

Ingemann Foods focus:

- Human rights
- Labour standards
- Environment



rior degrees of work discipline. We also know for a fact that salaries to women benefit children more than salaries of male workers. We are doing all out of convictions but also on the strength of the business case”, Niels Møller explains.

Advice from Ingemann Foods

According to Ingemann Foods, a key argument for corporate responsibility is the positive effect on relations with local partners. If corporate responsibility is integrated into the business model, it is a worthwhile investment. It attracts and retains staff, it offers competitive advantages and it gives support from local communities. In the case of Ingemann Foods, local communities have been found to be particularly appreciative of market opportunities, decent working conditions and education opportunities.

“When you offer decent working conditions, the challenge is to avoid being seen as someone who can be easily cheated. The challenge of behaving decently without being cheated has to be mastered over time. In our experience, a strong in-country presence is essential”, Niels Møller advises.

“Finally, we strongly recommend schemes like the B2B Programme of the Ministry of Foreign Affairs of Denmark to companies about to establish long term partnerships abroad. There is a strong business case for corporate responsibility but it is not always possible to get started with out a helping hand. We see great opportunities in our sector and are looking to East Africa for new opportunities. East Africa has an excellent natural production base for organic honey”, Niels Møller rounds off.

When you offer
decent working
conditions, the
challenge is to
avoid being seen
as someone who
can be easily
cheated



8. Orana Ltd.

With the fruit suppliers all the way

Orana Ltd.

- Fruit-based ingredients
- Established in 1999
- 180 staff members worldwide
- Suppliers all over the world
- Turnover in 2007-08: DKK 130,2m
- 85 per cent of sales are exported



Orana develops and sells fruit-based ingredients to dairies and food producers all over the world. Not all suppliers have the knowledge required to produce the quality Orana demands. Consequently, Orana identifies long term partners allowing for technology transfer and promotion of human rights and labour standards to go hand in hand. It takes time, but pays off.

Orana applies a business approach of assisting the most promising suppliers on a new market in their positioning efforts. This gives Orana competitive edge when that market grows. Orana is successful with these long term partnerships, especially in India and Vietnam. Initially, the raw materials supplied were not always of a satisfactory quality, but technical advice has been effective in improving quality standards. Next step was to scale up production. This presented Orana with renewed challenges of quality assurance. Quality manager Erik Steen Hansen explains: "In Vietnam, we established fruit collection units as a means of involving small farmers. This has proven useful in ensuring stability of supplies, loyalty and goodwill."

"We identify suppliers who have the best quality of fruit as well as decent conditions for workers. The fruit sector is often marked by seasonal work, low wages and hazardous working conditions. We cannot change the world overnight, but we can try to push things in the right direction. This is why we have joined SUSBIZ India, a project involving one of our mango suppliers in India and supported by the Ministry of Foreign Affairs of Denmark, the Companies and Commerce Agency of Denmark and the Danish Federation of SMEs. To begin with, the process was slow in getting off the ground locally, but working with our mango supplier Orana



has helped improve seasonal workers basic right such as contracts, improved housing and access to water and sanitation. It appeared overwhelming and costly at first, but our supplier has now fully grasped the idea. Customers demand corporate responsibility and we have more than doubled our purchases from our supplier in India", Erik Steen Hansen states.

Head of Projects and Administration at Orana Betina Moldt Rasmussen draws parallels to business opportunities in Africa: "We have worked with pioneers on promising markets in Africa as well. There are excellent natural conditions for fruit production whereas market development and process knowledge is more limited. In Egypt we have assisted a supplier in upgrading to the extent that they now provide us with mango, guava, strawberries and oranges of international quality standards suitable for global markets. Our strategy is to help the suppliers get to a position where they deliver the right quality and subsequently benefit from the loyalty, stability and market position of those suppliers."

Advice from Orana

"My best advice to small and medium-sized enterprises wishing to engage in strong and long term partnerships in developing countries is to start the process with a partner they already trust. Careful selection of your partner is essential where you are in it for the long haul. Be tolerant and patient and do only scale up when you are sufficiently confident in your partner. The rewards do not come overnight. However, if prepared carefully, it is worthwhile from a business point of view as well. In our experience, the potential for competitive positioning is significant", concludes Erik Steen Hansen.



Why Global Compact?

- Makes responsible corporate citizenship visible
- Provides a solid foundation for long term relations with suppliers
- Offers a framework for respecting human rights in a business context

Orana focus:

- Human rights
- Labour standards

9. Henning Larsen Architects

Energy efficiency in construction

Henning Larsen Architects

- Architectural company owned by partners
- Established in 1959
- 130 staff members
- Office in Riyadh, Saudi Arabia established in 2008
- Turnover in 2007/2008: DKK 150m
- 65 per cent of turnover comes from projects abroad

HENNING **LARSEN** ARCHITECTS

Henning Larsen Architects have opened an office in the Middle East, leading to discussions not least on gender equality. A point is also made of integrating sustainability in project design. Energy efficiency saves cost and cost is a critical competitive parameter on the market. Global Compact is well suited to the company's ethical and environmental profile.

Henning Larsen Architects kick-started their CSR process with a corporate seminar on corporate responsibility. Head of Communications and CSR Farid Fella explains: "We discussed how we could define the limits of our responsibility and focus effort where we had real influence. For an architectural enterprise, it is obvious to focus on the Global Compact principles on environment. This is where we have real influence. At the same time, environment is increasingly becoming

an important sales parameter. We have established a multi-disciplinary task force charged with the screening of all projects as early as possible in the process. This helps integrate sustainability in our regular creative process. In order to strengthen the knowledge base of our approach we have recruited three PhD students from the Technical University of Denmark specialising in energy optimisation of construction work. Not only buildings require optimisation. In a more holistic approach surroundings such as infrastructure and recreational areas play an important role."

A case in point is a recreational centre for children in Damascus by Henning Larsen Architects. A special construction technique creates natural ventilation and shade, reducing energy consumption with 30 to 40 per cent. Another case in

Why Global Compact?

- Systematic approach makes it easily accessible
- Potential for synergy with our professional communities
- Framework for broad range of corporate responsibility initiatives

Henning Larsen Architects focus:

- Environment



point is the finance district of Riyadh where the combined effects of shade and capacity to retain humidity reduce the impact of outer temperatures by 6 to 8 degrees.

The experience of Henning Larsen Architects in the Middle East goes back to the 1970s. “We have to follow the rules of the game in Saudi society. Working conditions for our female colleagues are different in the Middle East and female staff members wear a long dress when they work in Saudi Arabia. However, it is essential for us to have a professional dialogue regardless of gender and religion. Consequently, we only look at competencies when identifying the right people to work on a new project”, says Farid Fellah.

The Danish Architecture Centre (DAC) decided to focus on Global Compact and corporate responsibility by organising the exhibition Building Sustainable Communities. Henning Larsen Architects was the first architectural company to join Global Compact but has since been joined by a great number of others. Farid Fellah explains: “Global Compact suited us well.

We needed a systematic approach and found most existing tools on the market to be too supply-oriented for our needs.”

Advice from Henning Larsen Architects:

“For us as architects it is essential not to keep our activities and experiences to ourselves. By contrast, we have an obligation to share our knowledge and insights”, states Farid Fellah.

In spite of current achievements, Henning Larsen Architects may only have completed its first round of CSR. “We are getting to the point of looking at the whole area of labour standards in building materials. We can achieve much more if we do this as a profession. The profession has already been dragged into the limelight because of working conditions in Chinese and Indian granite processing. Our principal advice to other small and medium sized enterprises is to define their own sphere of influence and take it from there. Careful steps in the right direction can be more effective than attempting giant leaps. And make sure those careful steps are clearly understood by everybody in your own company first”, concludes Farid Fellah.

Our principal advice to other small and medium sized enterprises is to define their own sphere of influence and take it from there



10. Emunio Plc.

Small syringes, big ambitions

Emunio Aps

- Manufacturing of medical articles (single-use syringes)
- Established in 2004
- 25 staff members
- Production in Malaysia and Tanzania (Bangladesh starting 2009)



Emunio, manufacturers of single-use syringes for developing countries, have decided to locate smaller production units in Tanzania and Malaysia in order to contribute to development close to their markets. Health and safety at work, environment and anti-corruption are integrated elements of Emunio's business model. Zero-tolerance on corruption can mean loss of orders. Nonetheless, strategic corporate responsibility gives Emunio competitive edge more than anything else.

A new single-use syringe from Emunio contains no hazardous chemicals and requires 35 per cent less plastic than the production of an average syringe. The disposal of the syringes at minimal environmental cost becomes essential in a context that lacks proper waste management systems. Emunio's syringes are self-destructive and cannot be recycled with risk of infection. In addition to the strategic integration of environment in product design Emunio launched a health and safety at work initiative involving all staff members in Tanzania in the identification of potential for improvement. Results included improved ventilation as well as less slippery staircases.

One could ask what has made Emunio decide to manufacture syringes in Africa instead of sourcing cheap single-use syringes from China? CEO and founder of Emunio Tina Nørgård explains: "We have decided to produce locally to contribute to local development and to be close to our market. This decision is in line with the purpose of our product to prevent HIV infection and promote better health."

Emunio's focus on environmentally sound products and improved health and safety at work are clear strategic initiatives that have resulted in cost savings and competitive advantages. By contrast, Emunio's zero-tolerance on corruption has been less straightforward. Tina Nørgård has a clear stand on the issue: "We always refuse corruption categorically, and I act the role as the woman from Denmark who does not understand a hint. We have lost orders from obvious customers, but I am convinced that it is the only right thing to do in the long run."

"We had been involved in corporate responsibility initiatives for a long time before we decided to join Global Compact. On the other hand, Global Compact has formalised our efforts and helped us focus more, internally as well as in our relations with customers. We are kept on our toes. As Global Compact participants, we are obliged to keep focus and think creatively and strategically when integrating corporate responsibility into our business activities", says Tina Nørgård.



Why Global Compact?

- Keeps us on our toes to have to improve continuously
- Formalises the company's CSR various initiatives
- Helps focus each CSR activity strategically

Emunio focus:

- Environment
- Anti-corruption



Advice from Emunio

Emunio decided to involve staff members at the factory in Tanzania in identifying potential areas for improvement of health and safety at work and were positively surprised by the response. “The lesson we have learnt is that involving the whole organisation is essential”, states Tina Nørgård.

“The process of putting our environment, staff and CSR policies in writing has been most helpful. When you put policies in writing, you have to think just a little more carefully once more. This way new ideas and perspectives appear. My advice would be to decide what is right for your business to do considering the resources at your disposal. Do

not block the process by thinking it is going to be too costly for a company of your size. Even limited resources can produce impressive results if commitment is there. Keep a list of what you have already achieved. Sometimes you tend to forget what you are already doing. Have a look at the list from time to time. Chances are that will make you want to do even more”, Tina Nørgård concludes.

We had been involved in corporate responsibility initiatives for a long time before we decided to join **Global Compact**. On the other hand, **Global Compact** has formalised our efforts and helped us focus more

Links and tools

This section of the booklet lists organisations and websites offering more background information and tools that you might find useful in deciding how to go about implementing Global Compact principles in your business.

globalcompact.org

Official website of Global Compact, includes a list of participants, inspiration for implementation and practical details on how to join and how to get involved in networking

susbizindia.org

Website of a multi-stakeholder partnership project focusing on CSR and business development in supply chains in India

gcnordic.net

The Danish website for Global Compact, hosted by DI on behalf of the Nordic Global Compact Network

ipdprogramme.um.dk

Programme for Innovative Partnerships for Development (IPD). Website of the Ministry of Foreign Affairs of Denmark with details on IPD support for companies and organisations promoting labour and living standards in developing countries

b2bprogram.dk

Website with details on the Business to Business Programme of the Ministry of Foreign Affairs of Denmark offering support to set up long term partnerships between Danish companies and companies in Danida's programme countries

dieh.dk

Official website of the Danish Ethical Trading Initiative – a membership organisation for stakeholders from companies, professional bodies, trade unions and the public sector

samfundsansvar.dk

Official website of the Danish Centre for CSR under the Danish Commerce and Companies Agency, includes details on the Danish Action Plan for CSR

sa-intl.org

Social Accountability website with details on the CSR management system SA 8000

Global Compact

Small and medium-sized enterprises on their way towards global responsibility

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The ten principles of the United Nations Global Compact

Human rights

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

Labour standards

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labour;
- Principle 5 the effective abolition of child labour; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

CARING FOR CLIMATE NORDIC BEST PRACTICE

**LIFE CYCLE ASSESSMENT
REDUCE VALUE CHAIN IMPACTS
PROMOTE RENEWABLE ENERGY
INCREASE ENERGY EFFICIENCY
RESPONSIBLE LOBBYING**



Global Compact Network
Nordic Countries



“Many businesses today recognize the threats and implications of climate change. But not enough are taking practical actions and introducing innovative solutions to reduce their carbon footprint. Caring for Climate is a platform for demonstrating business leadership on climate change under the umbrella of the UN Global Compact. Learning and collective action by companies are pillars of our climate initiative. This publication makes a very important contribution by sharing best practices on climate change and promoting strategies for responsible competitiveness.”

Georg Kell, Executive Head, Global Compact

Caring For Climate – Nordic Best Practice

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The inclusion of company examples in this publication is intended strictly for learning purposes and does not constitute an endorsement of the individual companies. The material in this publication may be quoted and used provided there is proper attribution.

Foreword

In the fight against climate change we must facilitate change and pave the way for sustainable solutions through public-private dialogue and innovative partnerships.

The Nordic Governments have at an early point set a favorable stage for change. By enhancing initiatives that give priority to renewable energy and low-carbon solutions they have underpinned the greening of the private sector. In addition, Nordic Governments are leading international efforts to reach a global agreement on climate change and are formulating ambitious goals to reduce the emission by their respective countries.

Nordic companies were among the first to act on the belief that business thrives where society thrives. Thus, they began to look for private sector solutions to the mitigation of climate change at an early stage. By setting new standards for energy efficiency and reducing the carbon burden of products, services and processes, Nordic companies are by now considered leaders of change.

On this backdrop, we warmly welcome the Caring for Climate initiative developed under the umbrella of the UN Global Compact. This important initiative brings together business leaders from all over the world in a joint effort to advance green and sustainable business solutions and to help shape a favourable public policy framework. Caring for Climate is becoming a significant force for change and it is our hope that it will gain further momentum in the lead up to and after the COP15 meeting in December 2009.

The Nordic companies featured in this publication are all UN Global Compact participants and signatories to Caring for Climate. They consider it important to publicly voice the need for urgent and

extensive climate action and wish to demonstrate how low carbon solutions can contribute to the fight against climate change and at the same time significantly increase profitability.

We hope these examples will encourage companies from both developed and developing countries to join Caring for Climate and to take action. This is particularly important for developing countries, whose path towards achieving sustainable development can be seriously hampered if climate change is not addressed at a global level.



Ulla Tørnæs
Minister for Development Cooperation
Ministry of Foreign Affairs of Denmark



Jakob Simonsen
Director
UNDP Nordic Office



Hans Skov Christensen
Director General, CEO
Confederation of Danish Industry
On behalf of the Global Compact
Nordic Network

Caring For Climate: The Business Leadership Platform

Caring for Climate was launched in 2007 and has now grown to become one of the largest and most diverse of its kind. It is endorsed by companies from over 60 countries around the world, representing 27 industry sectors. By May 2009, this includes around 40 companies from the Nordic countries.

The Caring for Climate initiative is a voluntary and complementary action platform for UN Global Compact participants who seek to demonstrate leadership on the issue of climate change. It provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes.

Shaping the Global Policy Framework

Through this initiative, the UN Global Compact unites businesses in a call on governments to take the necessary steps to address climate change. By joining the initiative, companies specifically challenge governments to adapt legislative and fiscal



frameworks designed to make markets work for the climate and to introduce mechanisms and policies that create a stable price for carbon emissions.

Carrying the weight of hundreds of leading companies from both developed and developing countries, Caring for Climate is intended to help shape a global policy framework that is conducive of investments into the building of a low carbon economy. By informing and influencing the political process, Caring for Climate intends to be a decisive force in the negotiation of an international climate change agreement to replace the Kyoto Protocol.

Setting Targets for Carbon Reduction

Companies that join Caring for Climate also commit themselves to taking practical steps to mitigate climate change. They are required to increase energy efficiency and to reduce the carbon burden of their products, services, and processes and to set concrete targets for doing so. Each year they must report publicly on the achievement of these targets as part of their Communication on Progress.

How to Join the Caring for Climate

All Global Compact business participants are invited to join the Caring for Climate. This requires a public endorsement of the Caring for Climate Statement that is reproduced on the opposite site.

To sign up, the company's chief executive must send an e-mail indicating the support of Caring for Climate to the following address: climatechange@unglobalcompact.org.

Visit www.unglobalcompact.org for more information about UN Global Compact and Caring for Climate.

CARING FOR CLIMATE STATEMENT

WE, THE BUSINESS LEADERS OF THE UN GLOBAL COMPACT:

Recognize that:

1. Climate change is an issue requiring urgent and extensive action on the part of governments, business, and citizens if the risk of serious damage to global prosperity and security is to be avoided.
2. Climate change poses both risks and opportunities to all parts of the business sector, everywhere. It is in the interest of the business community, as well as responsible behavior, for companies and their associations to play a full part in increasing energy efficiency and reducing carbon emissions to the atmosphere and, where possible, assisting society to respond to those changes in the climate to which we are already committed.

Commit to:

1. Taking practical actions now to increase the efficiency of energy usage and to reduce the carbon burden of our products, services, and processes, to set voluntary targets for doing so, and to report publicly on the achievement of those targets annually in our Communication on Progress.
2. Building significant capacity within our organizations to understand fully the implications of climate change for our business and to develop a coherent business strategy for minimizing risks and identifying opportunities.
3. Engaging fully and positively with our own national governments, inter-governmental organizations and civil society organizations to develop policies and measures that will provide an enabling framework for the business sector to contribute effectively to building a low carbon economy.
4. Working collaboratively with other enterprises nationally and sectorally, and along our value-chains, by setting standards and taking joint initiatives aimed at reducing climate risks, assisting with adaptation to climate change and enhancing climate-related opportunities.
5. Becoming an active business champion for rapid and extensive response to climate change with our peers, employees, customers, investors and the broader public.

Expect from governments:

1. The urgent creation, in close consultation with the business community and civil society, of comprehensive, long-term and effective legislative and fiscal frameworks designed to make markets work for the climate, in particular policies and mechanisms intended to create a stable price for carbon.
2. Recognition that building effective public-private partnerships to respond to the climate challenge will require major public investments to catalyze and support business and civil society led initiatives, especially in relation to research, development, deployment, and transfer of low carbon energy technologies and practices.
3. Vigorous international cooperation aimed at providing a robust global policy framework within which private investments in building a low carbon economy can be made, as well as providing financial and other support to assist those countries that require help to realize their own climate mitigation and adaptation targets whilst achieving poverty alleviation, energy security, and natural resource management.

And will:

1. Work collaboratively on joint initiatives between public and private sectors and through them achieve a comprehensive understanding of how both public and private sectors can best play a pro-active and leading role in meeting the climate challenge in an effective way.
2. Invite the UN Global Compact to promote the public disclosure of actions taken by the signatories to this Statement and, in cooperation with UNEP and the WBCSD, communicate on this on a regular basis, starting July 2008.

Responsible Competitiveness of Nordic Countries

Nordic countries represent a unique combination of high productivity and responsible business practices. This is illustrated by the Responsible Competitiveness Index 2007, which rank all five Nordic countries within the top six. Sweden is taking first place with Denmark, Finland, Iceland, and Norway following closely.

A Combination of Three Elements

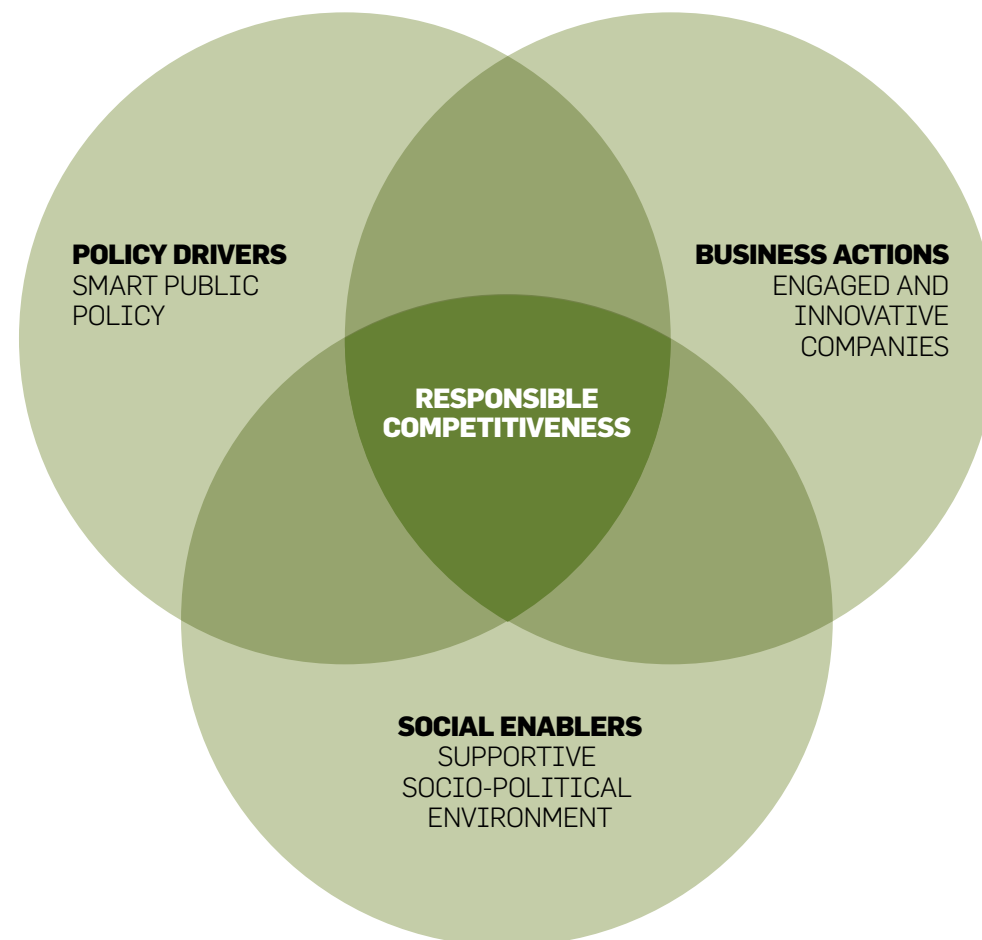
The high ranking of Nordic companies on responsible competitiveness is the result of a symbiotic relationship between smart public policies, engaged and innovative business practices, and a supportive socio-political environment.

All three elements are necessary to understand the first-mover advantage of many Nordic companies with respect to a wide range of corporate responsibility issues.

The combined effects of policy drivers, business action and social enablers are, however, particularly important in explaining why many Nordic companies are considered champions in the development of innovative solutions to mitigate climate change.

The Responsible Competitiveness Index is developed by AccountAbility. According to AccountAbility, responsible competitiveness is achieved through a combination of smart public policy, engaged companies, and a supportive socio-political environment.

www.accountability21.net



POLICY DRIVERS

Nordic Governments have traditionally ensured a swift translation of international conventions into national law, a stable enforcement of laws and regulations, and a relatively good coordination between Government bodies. Combined with a determined effort to reduce administrative burdens and a low degree of corruption, this creates good conditions for responsible businesses to thrive.

In terms of environmental policy, Nordic Governments have a long track record for punishing the negative externalities of businesses. Similarly, they have historically been successful in creating economic incentives for the development of renewable energy and energy efficient technologies.

Finally, Nordic Governments have made a significant contribution to the development of low carbon technologies by financing and in other ways supporting research and development in select areas such as wind and hydro power as well as energy efficiency. It has been particularly conducive to the development of both green and competitive technologies that Nordic Governments have facilitated close cooperation between public and private research as well as substantial cooperation across the Nordic region.

BUSINESS ACTIONS

Nordic companies have a deep-rooted preference for non-authoritative management systems, decentralized decision-making and the empowerment of individual employees. This creates space for constant improvement of business practices and has helped bridge the narrow interests of the companies with the consideration of the interests of society as a whole. Similarly, Nordic companies increasingly engage in dialogue with a broad range of stakeholders and explore new ways of collaborating with civil society organizations. This has also contributed to making Nordic companies more responsive to the environmental concerns of people outside of the companies.

Many Nordic companies have realized that corporate responsibility can increase profitability and create economic value. Accordingly, a strategic approach to business sustainability has spread rapidly over the Nordic region, even also to thousands of small and medium-sized enterprises. This development has to a large extent been underpinned by a long-term perspective of many Nordic companies, who focus on value creation exceeding five years.

In line with this general approach to corporate responsibility, climate change has not been conceived merely as a risk, but increasingly as a business opportunity. Many Nordic companies hence run profitable businesses by developing products and services that can help mitigate climate change. Yet others have strengthened their brand value by making efforts to reduce their environmental impact – an important message in their external communication

SOCIAL ENABLERS

The sustainable development of the Nordic private sector also owes to a long history of different factors such as trusted public and private institutions as well as a vibrant civil society. The freedom to organize and express opinions – and the existence of a free and very inquisitive media – has created space for a free and open discussion about the environmental impact of companies. Recently, this has primarily taken the shape of a passionate debate about the role of business in tackling climate change.

As part of their formal education and general upbringing, most citizens of the Nordic countries have been continually exposed to the realities of our eco-system and generally enjoy a high degree of environmental consciousness and concern. This affects Nordic companies in at least two ways. As managers and employees, people can directly influence the environmental stewardship of the companies they represent. As consumers, people can use their purchasing power to demand climate friendly products and services.

Summary of Nordic Best Practice

Despite great variety among different companies, five general strategies stand out as the core of Nordic best practice on business and climate change.

1.



LIFE CYCLE ASSESSMENT

In most industries, significant carbon emissions result from virtually all parts of the value chain. It does, however, vary from case to case whether it is the production of raw materials, supply chain activities, transportation, production, product use or waste handling that has the greatest climate change impact. To optimize emission reduction strategies, many Nordic companies start off by estimating the relative impact of each part of the value chain. In some instances, this takes the shape of a thorough Life Cycle Assessment for specific products and services.

READ MORE IN THE FOLLOWING CASE STORIES:
Danisco, ICA, Manpower, E.ON Nordic, Coloplast, ITT Water & Wastewater, Atlas Copco, Ericsson, Hydro, Novozymes, StatoilHydro, Yara

2.



REDUCE VALUE CHAIN IMPACTS

Scrutinizing their value chains and estimating indirect carbon emissions, some Nordic companies have found extremely cost-effective ways to reduce their carbon footprint. Some have been able to significantly reduce emissions related to the transportation of goods by improving logistics or by making a shift to electric or bio-fuel vehicles. Others have reduced air travelling of employees considerably by installing modern communication equipment. Last but not least, pioneering strategies by Nordic companies indicate that introducing climate change as an important issue in relation to supply-chain management and the choice of raw materials can become an important carbon reduction strategy of the future.

READ MORE IN THE FOLLOWING CASE STORIES:
Det Norske Veritas, ICA, E.ON Nordic, A.P. Moller – Maersk Group, Coloplast, DONG Energy, SAS, Storebrand, Atlas Copco

3.



PROMOTE RENEWABLE ENERGY

An increasingly popular strategy for companies to reduce their climate footprint revolves around the exploitation of renewable energy sources. Nordic energy producers have taken steps towards the transition from fossil fuels to a variety of renewable sources, but also companies that consume energy are increasingly integrating renewables into their climate change strategies. Some install windmills or solar panels on their own property to supply electricity or heating for their operations. Others pay a premium price for so-called Green Electricity or voluntarily offset parts of their carbon emissions by buying CO₂ quotas generated through the production of renewable energy abroad.

READ MORE IN THE FOLLOWING CASE STORIES:
Danisco, E.ON Nordic, DONG Energy, SAS, Hydro, Landsbankinn, Novozymes

4.



INCREASE ENERGY EFFICIENCY

Over the last decades, Nordic companies have developed into some of the most energy efficient in the world. In spite of this, recent initiatives by Nordic companies illustrate that there is still great potential to reduce the use of electricity and consumption of fuel in very profitable ways. In fact, many targeted investments in new technology still have a return on investment of less than three years. This goes for investments into reducing the use of energy in buildings and production, as well as the operation of stores and offices.

READ MORE IN THE FOLLOWING CASE STORIES:
Det Norske Veritas, ICA, Manpower, A.P. Moller – Maersk Group, Coloplast, Atlas Copco, Electrolux

5.



RESPONSIBLE LOBBYING

Companies around the world enjoy – individually or collectively – significant influence over governments and other decision-makers. Companies can influence regulatory measures as well as voluntary industry standards in ways that will create incentives for reducing the carbon burden of products, services, and processes. This publication includes examples of how this has been done within specific industries and at a national or regional level. Every company that joins Caring for Climate is in a way engaged in a similar endeavours at a global scale by supporting a call on governments to make markets work for the climate.

READ MORE IN THE FOLLOWING CASE STORIES:
Grundfos, Skanska, SAS, Storebrand, Electrolux, Ericsson, StatoilHydro

Introduction to Case Studies

The 22 case studies presented in the following pages portray climate initiatives taken by Caring for Climate signatories of the Global Compact Nordic Network.

The Global Compact Nordic Network is a learning forum for companies from Denmark, Finland, Iceland, Norway, and Sweden who since 2001 have come together to advance sustainable business practices. In recent years, climate change has been a recurring topic for discussion, and the case studies in this publication thus partly reflect the mutual learning taking place within the Global Compact Nordic Network.

For Inspiration and Learning

Each case study illustrates how the Caring for Climate commitment has been translated into voluntary targets for reducing the company's carbon footprint. They all demonstrate a strong linkage between carbon reduction strategies and enhanced competitiveness. This can hopefully encourage more UN Global Compact participants from around the world to demonstrate similar leadership on the issue of climate change.

Most importantly, the case studies highlight a number of very practical examples of how companies from a wide range of

different industries are taking action to mitigate climate change. This is intended to provide useful inspiration and concrete input to companies who are about to develop their own strategy on climate change.

How to get started?

Based on the experiences of those presented in this publication, companies are recommended to take a 7-step approach to the development of climate change strategies:

- Step 1: Ensure CEO support. Sign up to Caring for Climate.
- Step 2: Appoint a person or a department to drive and coordinate climate actions.
- Step 3: Analyze your company's carbon footprint, including all known direct and indirect emissions.
- Step 4: Set voluntary targets for reducing the carbon burden of products, services, and processes.
- Step 5: Develop an action plan, prioritizing cost-effective measures with a strong business case.
- Step 6: Take action! Create incentives for all employees to join in.
- Step 7: Evaluate and report publicly on progress.

Global Compact Nordic Network

There are currently approximately 110 members of the Global Compact Nordic Network. Membership of the Network is open for businesses and business associations from Denmark, Finland, Iceland, Norway and Sweden that are signatories to the Global Compact. To learn more about the Nordic Network, please visit www.gcnordic.net

Similar Global Compact Local Networks exist in approximately 60 countries around the world. To find a Local Network in your country or region, please visit www.unglobalcompact.org.

The 22 case studies presented in the following pages portray climate initiatives taken by Caring for Climate signatories of the Global Compact Nordic Network



A.P. Moller – Maersk Group

Headquarters: Copenhagen, Denmark

Industry: Transport, energy, and industry



Caring for Climate Voluntary Targets

A.P. Moller – Maersk Group is involved in two energy intensive industries: transport and energy. In terms of transport, Maersk Line has established relative CO₂ target reductions for the container vessels of 10 pct. by 2012 as compared to 2007 data for transporting a tonne of goods one kilometer. In terms of oil and gas production, Maersk Oil has developed an action plan on behalf of Danish Operators in the North Sea and the Danish government to reduce the consumption of energy and CO₂ emissions. This will lead to a net reduction by 2011 of 3 pct. compared to 2006 levels.

Strategic Highlights

Efficiency on Board

Optimised voyage planning is an essential tool to reduce emissions. The Voyage Efficiency System (VES), an A.P. Moller – Maersk developed voyage planning programme, is used on all large ships (and chartered ships) to identify the most fuel efficient route, and a 'just in time' steady running strategy is applied to keep the engine load at a minimum.



Products / Services: Shipping, oil, gas, and manufacturing

Web: www.maersk.com

The Quest project – installing software in containers to reduce energy consumption for cooling in containers – has shown remarkable results for reducing CO₂ emissions. At the end of 2008, 69 pct. of Maersk Line's and Safmarine's reefer fleet was equipped with Quest software, generating CO₂ savings equivalent to 260,000 tonnes per year.

Fuel Saving through Slow Engines

With a new and thoroughly engineered containership design, Maersk Line and Maersk Maritime Technology are saving fuel and money, at the same time significantly reducing environmental impact. A new series of sixteen container vessels will be running with at least 22,6 pct. less fuel consumption than the ship originally proposed by the yard. In fact, the improvements obtained so far show at least 22.6 pct. savings, corresponding to 180,000 tonnes of fuel saved per year.

These savings have been obtained by introducing a slow running main engine with better fuel efficiency (3 pct. reduction of fuel consumption). This enables the use of a slow running propeller with an improved efficiency (additional 5 pct. fuel reduction).

Carbon Capture and Storage

Carbon Capture and Storage (CCS) removes CO₂ when fossil fuels are burned, and stores it underground, for instance in depleted oil and gas fields. Maersk Oil is currently investigating future CCS projects together with Maersk Tankers and Maersk FPSOs. One of these projects involves the entry of Maersk Tankers into the CO₂ transportation market.

“ Naturally, climate change is a concern for everybody – especially for A.P. Moller – Maersk – as our main business areas are within transportation and energy production. Our environmental strategic ambition is to go beyond compliance and pursue eco-efficiency in our daily operations, across all business units, and in the business opportunities we seek. In fact, improving our environmental performance remains one of our Group priorities in 2009. ”

Nils S. Andersen, Group CEO

Atlas Copco



Headquarters: Stockholm, Sweden

Industry: Construction and manufacturing

Products / Services: Industrial productivity solutions

Web: www.atlascopco.com



Cycle Assessments to determine where the main environmental impact occurs during the product life cycle. The Group follows up on the targets and reports on new and more energy efficient products. In 2008, Atlas Copco launched its most energy-efficient oil-injected compressor, which resulted in approximately 13 pct. lower use of electricity.

CO₂ Reduction through Environmental Management Systems

Atlas Copco seeks to reduce its CO₂ emissions through the implementation of an Environmental Management System (EMS), which is present in every aspect of the business processes, from design and purchasing over machining and assembly to marketing, distribution, and service. For example, environmentally friendly heating and cooling systems are installed at production sites to follow the prescriptions of the EMS. The EMS ensures proper allocation of resources, assignment of responsibilities and ongoing evaluation of practices, procedures, and processes. The implementation process and its achievements are summarized in a yearly report.

Reporting on Emissions and Targets

Atlas Copco reports on its CO₂ emissions from direct and indirect energy used in production and from transportation to and from production sites. So far, the CO₂ emissions from the production sites in relation to cost of sales have been reduced by approximately 20 pct. from 2004 to 2008 and from transport by approximately 10 pct. The Group also reports on targets for energy efficiency of main product categories and on specific initiatives to reduce CO₂ emissions. These include environmental friendly heating and cooling of the production site, energy-efficient lighting, and through reduced use of air freight to transport products to customers.

Caring for Climate Voluntary Targets

In January 2008, Atlas Copco's environmental targets were revised. Management decided that all production sites shall be ISO 14001 certified and that all employees shall work in an Environmental Management System (EMS) certified environment. In addition, all divisions shall have measurable targets for increasing energy efficiency within main product categories.

Strategic Highlights

Energy Efficiency Integrated into Product Development

Atlas Copco has introduced a practice to ensure that all product development projects include energy efficiency aspects as well as other environmental aspects. All Atlas Copco's divisions have defined targets to reduce the energy consumption on their main product categories. To identify the targets and emphasise the efforts, the operating units perform Life

“ Developing Atlas Copco in a sustainable way is not only our responsibility as a corporate citizen in the communities where we work, but also one of our best business opportunities. We are well positioned to meet customer demands for more energy efficient compressors, tools and mining equipment. Product development is the key to reducing Atlas Copco's main environmental impact which is the energy consumption during the use of our products. ”

Gunnar Brock, President and CEO

Coloplast

Headquarters: Humlebæk, Denmark

Industry: Meditech



Caring for Climate Voluntary Targets

Coloplast's goal is to continuously reduce their emissions of climate gases relative to growth, through financially sustainable initiatives. For now, Coloplast has only set specific reduction targets within selected areas, including a reduction target related to business travel activity of 40 pct. In the oncoming year, when Coloplast has the necessary experience and methods of measuring CO₂ emission, Coloplast will set a target, stating the reduction of CO₂ emissions relative to growth.

Strategic Highlights

Reduction of Emissions from Business Travel

Company travel is responsible for approximately 5 pct. of Coloplast's CO₂ emissions, not including the climate impact related to vapour exhausts from high altitude commercial jets. Coloplast has limited the business travel activity to meet the target of 40 pct., by installing and promoting web-meeting facilities in all major sites and by restricting all travel to an



Products / Services: Medical products and intimate healthcare

Web: www.coloplast.com

absolute minimum. This will result in an estimated overall CO₂ emission reduction of approx. 2 pct. in 2009. In order to reduce car fuel consumption, which is currently responsible for approximately 8-10 pct. of emissions, Coloplast is developing a company car policy in 2009. The potential for emission reduction by choosing different efficient vehicles (diesels, hybrids, and EV) is estimated to be at least 50 pct.

Systemised Energy Efficiency

Coloplast is initiating a systemised energy efficiency investigation at all existing sites, both facility and production. Energy consumption at Coloplast's facilities (electricity, district heating and gas) covers 40 pct. of the company's global emissions. For some of the major production sites the emission savings potential is 50 pct. All future sites will be designed to meet the highest emission standards. As a part of the strategy of designing energy efficient facilities, the new Coloplast headquarters in Minneapolis is LEED certified (Leadership in Energy and Environmental Design), reducing energy and water consumption to an absolute minimum.

Upgraded Waste Management in the Supply Chain

Coloplast is investing in reducing waste throughout the supply chain. 30-40 pct. of the company's global emissions are caused by production of raw materials (polymers, aluminium foils, and cardboard), and incineration of used products. Due to high risks of microbial infections, recycling is not an option for the company's products and primary packaging. The emission reduction potential is currently under investigation.

“ Coloplast has always had a strong focus on Corporate Responsibility, and developing an active climate strategy is a natural step for us. When we started analysing the carbon footprint of our business, we soon realised that cutting down energy consumption and emissions often comes with a healthy business case improving not only the environment but also our bottom line result. ”

Lars Rasmussen, CEO

Danisco

Headquarters: Copenhagen, Denmark

Industry: Food ingredients



Caring for Climate Voluntary Targets

Using 2007 as the baseline year, Danisco intends to reduce energy consumption by 10 pct. per kilogram product over the next three years and to reduce water consumption by 5 pct. per kilogram product over the next three years.

Strategic Highlights

Increasing Use of Renewable Energy

Genecor, the division with the third largest energy consumption in Danisco, has reduced its direct and indirect CO₂ emissions by 7.2 pct. from 2006 to 2008. This has been achieved by switching to renewable energy, increasing production efficiency, and installing variable frequency drives on motors etc. The use of renewable energy at Genecor increased by a total of 6 pct. – one site switched to 100 pct. renewable energy sources, including wind and solar energy.



Products / Services: Bio-based solutions

Web: www.danisco.com

External Energy Efficiency Audit

By 1st July 2010, the aim is to reduce energy consumption at the Grindsted site by an annual 8-9 pct. and CO₂ emissions by 6,000 tonnes. To reach these savings, an agreement has been made with an energy efficiency auditor, who will carry out both technical improvements and the monitoring and targeting of activities. Danisco will continue the collaboration with the energy efficiency auditor in the future to identify the saving potential at the most energy-consuming sites. This will result in a further reduction of Danisco's environmental impact.

New Steam Energy Solution for Danisco Production

Danisco and Fortum, a leading Nordic energy company, have agreed to build a thermal power plant in Hanko, Finland, using renewable fuel from woodchips. Fortum will build the plant, and Danisco has committed to buying the steam energy. The power plant will be located on Danisco's premises.

The plant will provide district heating for the about 1,500 people in Hanko and industrial steam for the Danisco production facility in the town. The plant's output capacity will be 18 megawatts (MW), and will be commissioned by the end of 2009. As district heating is introduced to the plant premises, it is the aim that the excess heat energy from Danisco's processes can be utilized in district heating. This will further improve energy efficiency.

“ At Danisco we are taking a dual approach to combating climate change: reducing our own energy usage and developing products that help others reduce their environmental impact. As a supplier of bio-based solutions, we help our customers reduce their activities' carbon footprint by minimizing water and energy consumption, emissions, and waste across a wide spectrum of industries. ”

Tom Knutzen, CEO

Det Norske Veritas

Headquarters: Oslo, Norway

Industry: Maritime, energy and process industries



Caring for Climate Voluntary Targets

DNV has established individual Caring for Climate targets in different locations. For example, the energy consumption at the DNV head office was reduced by 22 pct. in 2008 as a result of technical upgrades. Business travel has been identified as a key focus area, and in Norway the target is to reduce the environmental impact of work-related travel by 10 pct. in 2009.

Strategic Highlights

Focus on Environment Friendly Transportation for Staff

A large part of DNV's emission is linked to travel activities of staff. To reduce work-related travel, DNV is investing in more video-conferencing equipment. At head office, a fleet of electric cars is available for external meetings, and a shuttle bus service is available to make it easier for employees to use public transport to work. In order to create awareness and to be

Products / Services: Risk management

Web: www.dnv.com

able to monitor the impact of air travel, it is mandatory to register all work-related air flights in a central DNV database. All employees in Norway have also been through an e-learning programme focusing on the environment and DNV's environmental management system.

"WE Do" Programme for DNV Employees

In 2008 DNV launched a programme that supports the personal commitment of employees to reduce their environmental impact in daily life. Through the 'WE Do' program, USD 6.25 million was made available for employees to introduce measures in their private lives that would reduce emissions and improve their environmental footprint. Typical initiatives have been to buy bicycles, more energy-efficient home appliances, electric or hybrid cars, solar-heated water tanks, and improved isolation in houses. 50 pct. of DNV's employees globally applied for funding for a personal project with an upper financing limit of USD 1,500 per person per year, regardless of location.

The 'WE Do' programme continues in 2009, with an even greater focus on impact. Employees are now able to apply for up to USD 3,000 for designated large projects that have been shown to have a higher impact. And while employees were able to purchase a bicycle through the 'WE Do' program last year, they are now being rewarded for using the bicycle.

Climate Change Related Services

DNV addresses climate change through a wide range of services that help businesses, organisations, and governments improve performance and reduce their environmental footprints. These services include studies and risk management related to Carbon Capture and Storage (CCS) and wind energy projects, verification of emissions reductions in CDM and JI projects as well as energy management in the shipping industry.

“ DNV's vision is Global Impact for a safe and sustainable future. DNV can make an important difference in combating and adapting to climate change, first and foremost through the services we deliver to our 80,000 customers, but also through our own operations and our employees' personal footprint. ”

Henrik O. Madsen, President and CEO

DONG Energy

Headquarters: Fredericia, Denmark

Industry: Energy production and distribution



Caring for Climate Voluntary Targets

DONG Energy has set the voluntary target of producing 85 pct. of the power without CO₂ emissions. DONG Energy seeks to triple the renewable capacity from 1,000 MW to 3,000 MW before 2020, and at any time to run the most efficient thermal power plants.

Strategic Highlights

Wind for the Future

DONG Energy is world leading in building and operating offshore wind farms. Today DONG Energy is involved in more than half of the global offshore wind capacity. The company will continue to be in the front in this area and has many projects in its pipeline already.



Products / Services: Energy exploration and production

Web: www.dongenergy.com

DONG Energy is still working hard on identifying other investments and R&D developments needed to ensure the overall target of producing 85 pct. of the energy without any CO₂ emissions within a generation.

Development of Renewable Power Plants

DONG Energy has the most efficient thermal power plants in Europe. The company has a R&D programme, and will increase the use of co-firing biomass in coal-fired power plants as well as the number of pure biomass fuelled power plants in Northern Europe.

Sustainable Geothermal Power

DONG Energy has built two geothermal plants, where hot water from inside the earth is used to heat buildings. Geothermal power is a sustainable energy source featuring environment- and climate-friendly technology.

Biofuels and Electrical Cars

DONG Energy is involved in finding new solutions to significantly reduce the climate challenge impact of the transportation sector. Before the end of 2009, DONG Energy will have established a plant producing second generation biofuels.

DONG Energy has engaged in a partnership with the electric vehicle company, Better Place, to introduce environmentally friendly electric cars in Denmark. Before 2011, the two partners will have established an infrastructure for charging and switching batteries for electrical vehicles in Denmark. This will allow a major shift from cars driven by fossil fuels to electrical cars in Denmark.

“ We have to find new ways to secure a stable energy supply that will not have a negative impact on the climate. Today 15 pct. of the energy in DONG Energy is produced by renewable energy sources and 85 pct. by fossil fuels. We have set the target to switch these numbers within one generation. It is very ambitious but it is necessary and it is possible! ”

Anders Eldrup, CEO

Electrolux



Headquarters: Stockholm, Sweden

Industry: Consumer durables and appliances

Products / Services: Household appliances

Web: www.electrolux.com



Caring for Climate Voluntary Targets

With its target to reduce energy consumption with 15 pct. by 2012 compared to 2008 levels, Electrolux has renewed its commitment to decrease energy consumption in all factories, offices, and warehouses. In addition, each business sector will promote its own product that is water and energy-efficient and feature climate-smart functions.

Strategic Highlights

The Electrolux three part climate strategy encompasses products, operations, and wider awareness-raising on the role of energy-efficient appliances.

Promote a Green Range of Products

Given the nature of Electrolux' business, energy and water efficiency in appliances is where Electrolux can make the greatest contribution to the climate solution. With the biggest environmental impacts occurring during the product use phase, the Group's approach is to innovate and promote energy-lean products. Global green range for Electrolux Major Appliances already accounts for 20 pct. of the volume and 28 pct. of net sales.

Reduce Energy Consumption in Operations

At the end of 2008, Electrolux had reduced energy consumption in operations by 14.5 pct. compared to 2005 levels just short of its 2009 target and a year ahead of schedule. This resulted in a CO₂ reduction of 90,000 tonnes the equivalent of the yearly emissions from some 40,000 cars.

Awareness-raising among Consumers and Policy-makers

Electrolux is well-positioned to raise awareness among consumers on how efficient appliances can reduce total CO₂ emissions. In Europe, one in three appliances in operation is currently over ten years old. They needlessly emit 20 million tonnes of CO₂ a year. Today's refrigerators, on the other hand, consume about 70 pct. less energy than their standard equivalents did 15 years ago. For this reason, Electrolux actively supports market incentives such as tax reductions and credits that trigger change in consumer purchasing.

As part of its information campaign, Electrolux globally rolled-out an online service that calculates the impact of replacing thirsty appliances on electricity and water savings. Potential savings are presented not only for individual consumers, but also for municipal and national governments.

“ With our focus on innovation, global presence, and broad consumer interface, Electrolux is in a strong position to effect positive change. Electrolux will innovate appliances that help consumers lead more climate smart lives. Yet the technology already exists that allows us to make a carbon-lean jump into the future. To put these energy efficient products into people's homes, effective market incentives that support green consumer choices is what is needed. ”

Hans Stråberg, CEO and President

E.ON Nordic

Headquarters: Malmö, Sweden

Industry: Utilities



Caring for Climate Voluntary Targets

E.ON Nordic has decided on two climate targets. The first is a global CO₂ reductions of one million tonnes per year to be reached in 2009. The second is a global CO₂ reductions of four million tonnes per year to be reached in 2015.

Strategic Highlights

New Electricity Generation Leading to Energy Savings

E.ON Nordic will reduce the total emissions from Nordic and North European energy systems, by providing new electricity generation capacity. This is achieved by upgrades and life time extensions at the OKG nuclear power plant north of Oskarshamn; by building one of the world's largest offshore wind parks, Rødsand 2; and by building a high efficient CCGT combined heat and power plant in Malmö. This plant will provide yearly savings of one million tonnes of CO₂ emissions and also provide opportunities to extend the Malmö/Burlöv district heating network and thus providing additional savings when house owners can disperse of their old oil boilers.



Products / Services: Production and supply of energy

Web: www.eon.se

Expanding Production Capacity of Nuclear Plant

During 2009 a project of upgrading safety as well as expanding production capacity at the O3 nuclear reactor will be completed. As the generation capacity increases from 1,200 MW to 1,450 MW an additional 1.6 million tonnes of CO₂ emissions will be saved as the planned production of an extra two billion kilowatt hours per year will decrease the need for other types of generation.

Increasing Efficiency of Hydro Power Stations

The efficiency of the E.ON Nordic hydro power stations is improved continuously, providing climate relief in two ways: Firstly, the hydro power provides CO₂ free generation which decreases the need for fossil fired electricity generation. Secondly, as the wind power generation capacity is rapidly being expanded, the hydro power stations' ability to almost instantly change their output is increasingly needed to compensate for the fluctuation on wind power output. As a result hydro power now provides possibilities for the expansion of wind power.

Fuelling Climate Friendly Transport

E.ON is expanding its biogas production capacity and is also building additional vehicle gas filling stations to provide its customers with this environmental friendly fuel. Steps are also being taken to introduce infrastructure for the emerging market of electrical vehicles.

“ Climate change is one of the biggest challenges facing our society. It cannot be solved by one organisation or by one technology; we all have a responsibility and a part to play. At E.ON Nordic we are fully committed to be part of the solution and our current investment program of 8 billion US Dollars from 2006 until 2013 will make a substantial contribution towards a more sustainable future. ”

Håkan Buskhe, CEO

Headquarters: Stockholm, Sweden

Industry: Telecommunications

Products / Services: Telecom solutions

Web: www.ericsson.com



Caring for Climate Voluntary Targets

Ericsson has committed to reduce its life-cycle carbon footprint by 40 pct. over the next five years. To meet this target, the company will continue to primarily focus on introducing solutions and services to optimize network energy efficiency in order to help its customers achieve energy and CO₂ savings.

Strategic Highlights

Focusing Efforts with LCA

Ericsson's life-cycle assessment (LCA) emphasizes environmental impacts of products from raw material extraction, manufacture, transport, disassembly, and end-of-life treatment. Ericsson's LCA approach covers supplier and operator activities and offers a full picture of the value chain. This includes CO₂ emissions during product use, which is the phase where Ericsson produces about, 70 pct. of the company's total environmental impact.

The Ericsson portfolio offers energy optimization services and solutions to help customers and society reduce costs and CO₂ emissions. Tools such as life-cycle management and energy optimization consultancy services help customers to lower OPEX, secure energy provisioning to site, and minimize the environmental impact.

Reducing CO₂ by Intelligent Use of New Technology

Recent studies show that intelligent use of telecommunication can save 10-20 times more CO₂ than it generates. Ericsson's ambition is to contribute to cut 98 pct. of manmade CO₂ currently produced by society and other industry sectors, through facilitating the shift from a material to a virtual world. The sector could offset societal CO₂ emissions by as much as 15 pct. by 2020. Ericsson's contribution is to provide the foundation for low-carbon services and smart solutions, through mass deployment of mobile and fixed broadband networks.

Developing 'Climate Positive' Concept

Ericsson and WWF Sweden are partnering to investigate telecom solutions for a low carbon economy. Together, they will work on a methodology to calculate savings from the avoidance of emissions, introducing the concept of 'climate positive.' This will include calculating CO₂ efficiencies gained through telecommunications solutions. Examples will include an in-depth CO₂ analysis of large-scale smart grid schemes, mobile health, mobile banking, intelligent transport systems, and smart working.

“ To meet the climate challenge, Ericsson has a vision to use telecommunications to foster a more carbon-lean society. Society faces a huge challenge to drastically reduce CO₂ emissions by 2050, while the world economy triples. Ericsson is taking an active leadership role in shaping the market for innovative solutions, not only by substituting carbon-intensive travel, but also by cross-sector initiatives like smart utility grids and other digital solutions. ”

Carl-Henric Svanberg, President and CEO

Grundfos



Headquarters: Bjerringbro, Denmark

Industry: Pump production

Products / Services: Pumps and pump solutions

Web: www.grundfos.com



Caring for Climate Voluntary Targets

The ambition is to make Grundfos a leading green company – in the way it acts and in its innovation efforts and exploration of new business opportunities. The core of its ambition is to provide a growing world with better living standards in a sustainable way, utilising new, breakthrough technologies that contribute to minimising the impact on the environment.

Strategic Highlights

Energy Efficient Pumps

The largest amount of a pump's impact on the environment occurs during its operation. In private households, for example, circulators are responsible for up to 15 pct. of the total energy consumption. For this reason, Grundfos has prioritized the development of energy-efficient pump solutions, and Grundfos is a frontrunner in the development of such pumps for both domestic use and for the industry. The focus on energy consumption and CO₂ emissions during the operation of the pump does not only apply to circulators and motors, but to all Grundfos products.

"Put sustainability first", "Be there for a growing world", and "Pioneer new technologies" are the basic statements of Grundfos' policy of "Innovation Intent". It is Grundfos' ambition that every major concept they launch over the next 15 – 20 years should include these three main challenges. By developing innovative and sustainable products – and at the same time making efforts reduce the environmental footprint in its operations - Grundfos intends to be part of the solution to reduce climate change.

Promoting New Regulation in the EU

Grundfos led a successful initiative resulting in the energy labelling of circulators for heating installations in Europe. To begin with, Grundfos took a leading role, when the Association of European Pump Manufacturers (Europump) developed and implemented a voluntary labelling scheme for circulator pumps. This voluntary scheme is now the basis for regulation expected to be introduced by the European Union (EU). The EU Commission's Ecodesign Regulatory Committee has hence proposed that from 2013 only A-label pumps may be marketed in the EU. From 2015, the regulation will be further strengthened, effectively allowing only the top 30 pct. of current A-labelled circulators to be marketed. Once implemented, the energy consumption is forecasted to be reduced by 23 TWh per year.

In the same way, Grundfos played a significant role as a stakeholder in the drafting of a new EU regulation to reduce electricity consumption of industrial motors. These motors accounts for approx. 30–40 pct. of the world's total electricity consumption. The new regulation will result in a reduction in electricity consumption of 5 pct. in 2020.

“ We focus strongly on ensuring that Grundfos will remain a leader as regards clean-tech pump solutions as well as being a world leader in innovative system solutions supplying the growing world population with high-quality water at competitive prices. In this way we not only take part in reducing climate change – we also make sustainable and responsible business, which always has been a major value in our company. ”

Carsten Bjerg, President and CEO

Hydro

Headquarters: Oslo, Norway

Industry: Aluminium



Caring for Climate Voluntary Targets

From 1990 to 2007, Hydro reduced its specific emissions from the electrolysis process by 57 pct. Hydro aims to reduce these at least another 15 pct. by 2012 from the 2007 level. Hydro will continue to search for new technologies and more renewable sources of energy so the company can reduce these even further.

Strategic Highlights

Using Renewable Energy

Today Hydro is the second-largest hydropower producer in Norway and these energy plants supply Hydro's aluminium production plants with energy. Two-thirds of Hydro's power consumption used in the production of aluminium comes from renewable energy. Furthermore, Hydro is working to maximize efficiency from existing renewable energy sources.



Products / Services: Aluminium products and energy

Web: www.hydro.com

Close Collaboration with Customers in Order to Save Energy

Hydro works closely with its customers to develop products that use less energy and reduce emissions. A car with more aluminium is lighter, meaning fuel savings and lower emissions. An aluminium facade enables lower operating costs and the possibility of energy-neutral buildings. Lighter aluminium products and packaging reduce transportation costs and emissions. These are just a few of the areas in which Hydro is working with its customers to use aluminium to save energy and reduce emissions.

Technology Improvements Reduce Greenhouse Emissions

Continuous improvements in technology in the production of aluminium reduces both direct greenhouse gas emissions from the production process and indirect emissions from the production of electricity needed to make aluminium. Hydro's new aluminium smelter under construction in Qatar will be one of the most efficient plants in the world. Furthermore, Hydro's next-generation smelter technology, HAL4e, breaks new ground in reducing emissions per kilogram of aluminium produced.

Make the Future Recycled

As one of the world's largest remelters of aluminium, Hydro is proud to push this expertise further by developing the company's state-of-the-art recycling facilities and increasing the post-use recycling in coming years. Recycling aluminium requires only roughly 5 pct. of the initial energy used to produce primary aluminium, thus Hydro is continuously investing in new facilities that will increase the recycling capacity of the company. Furthermore, Hydro facilitates product design and alloy development to enable easier recycling after use. All automotive products from Hydro are systematically labeled in order to simplify the future recycling of materials.

“ We take our mission seriously – ‘to create a more viable society.’ This means making climate change an inherent part of how we run our business. Our climate strategy is exactly that – a set of priorities to guide our business in addressing this challenge. ”

Svein Richard Brandtzæg, President and CEO



Caring for Climate Voluntary Targets

In April 2007, ICA's Group Management adopted a new climate strategy with the goal of reducing direct and known greenhouse gas emissions by 30 pct. by 2020 compared with 2006 emissions levels. As a result of ICA's climate strategy the increase of ICA's known greenhouse gas emissions levelled out during 2008.

Strategic Highlights

Energy Efficient Stores

ICA's most substantial climate impact results from ICA's stores. Therefore several initiatives have been taken to reduce energy consumption in the outlets, for instance by installation of lids on freezers, doors on refrigerated cases, and air curtains on refrigerators and freezers. An independent test at ICA Supermarket Floda, Sweden, showed that adding lids and doors reduced energy consumption by 26 pct. The temperature in refrigerated display cases was more consistent and safe, and the staff found the work environment more comfortable.

A survey showed that these initiatives had no negative impact on sales. To follow up on the initiatives, ICA is running a pilot project measuring equipment in stores. In addition, renewable energy stands for about 30 pct. of the Swedish stores' energy consumption.

Climate Adjustments in the Value Chain

The climate impact of producing foodproducts is large, however there is little actual knowledge in this area. In 2007, ICA analyzed 100 private label food products to better understand their climate impact and how it can be reduced. The results have significantly improved the understanding of climate change, and will be used together with suppliers to reduce the climate impact in the value chain of food. The outcome of this dialogue has been that a large majority of Swedish tomato greenhouses are now heated with renewable energy sources.

Fossil Free Transport

In the area of transport, ICA has committed to fossil free distribution in Stockholm. This involves new vehicles and renewable fuel. ICA also requires its truckers to receive eco-driver training. By using the latest engine technology in the vehicles and alternative fuels, the climate impact from transport is expected to decrease even more. ICA is also striving to move transports from road to train.

“ I'm convinced that our efforts to reduce long term climate impact can also reduce long term costs and support profitability. Our short term, “low hanging fruits” actions already show that we can level out the increase of emissions even if a wider range of fresh products demand cooling. This is in line with our basic values to adopt sound environment practises and be driven by profitability and high ethical standards. ”

Kenneth Bengtsson, President and CEO

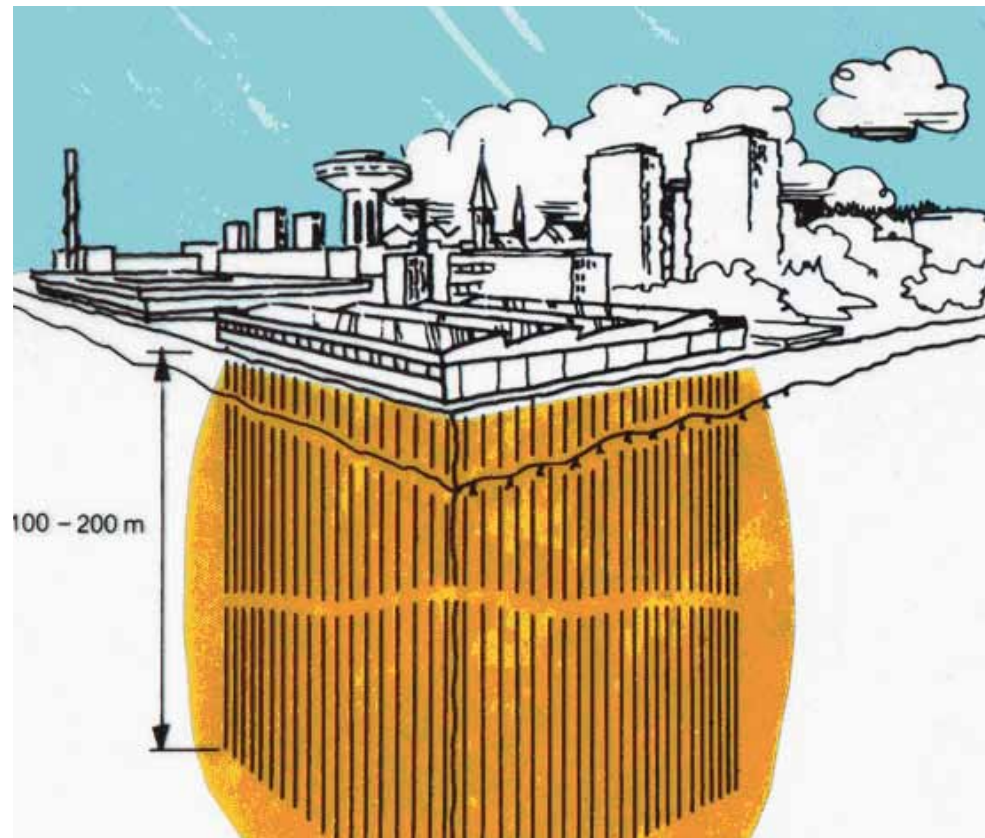
ITT Water & Wastewater

Headquarters: In Sundbyberg, Sweden

Industry: Transport, water treatment

Products / Services: Wastewater and drainage pumps

Web: www.itt.com



Caring for Climate Voluntary Targets

ITT has committed to a 5 pct. annual reduction in energy consumption from 2009-2012. In the same period, ITT will reduce air freight transportation by 20 pct, reduce emissions from transportation on main routes by 5 pct. annually, and improve the average energy efficiency of all sold pumps by 0.5 pct. annually.

Strategic Highlights

Life Cycle Assessment

ITT uses Design for Environment (DFE) and Life Cycle Assessment (LCA) for all new pumps. Our LCA has brought to light the fact that about 90 pct. of the environmental impact of their products occurs in the user phase. This information has been key to increase the energy efficiency of their products. It is a grounding policy that a new product should deliver better environmental performance than the one it is replacing.

Reducing Electricity Consumption

From 2000 to 2008, ITT reduced yearly electricity usage by 37 pct. per delivered tonnes of production. These reductions have mainly been achieved through daily energy management, including an enforced policy of "shut off when not in use" and the production of a monthly energy report based on 75 units of equipment monitoring electrical consumption.

Secure Utilization of Waste Heat

In just one plant, the purchase of district heating has decreased from 11 GWh in 1999 to 4.8 GWh in 2008. Reductions are the result of central control system that seeks to secure utilization of waste heat from as many sources as possible. For example, waste heat from the compressor central is used for hot water showers in the entire factory. The system also enforces a demand-based control of data from air quality sensors that are located in all buildings and rooms. Heat and ventilation is hence managed on a daily basis, depending on the need and activity.

Thermal Energy Storage

ITT has projected a bore hole thermal energy storage, which is designed to make waste heat recovery more efficient. The system consists of 140 boreholes at a depth of 150 m, acting as a heat exchanger. The waste heat will be stored over summer to about +60° C and recovered in the winter at around +40° C. This will replace about 2,800 MWh of purchased district heat annually. Green electricity will be used to run the system without any emissions of CO₂ or other environmentally harmful substances.

“ As the leaders in our industry, we are using our strengths to meet environmental challenges. When we develop solutions for the water cycle, our core business, which will be beneficial for the environment through reduced carbon emissions, our customers also benefit through savings in energy costs during the lifetime of our products. ”

John P. Williamson, CEO

Landsbankinn

Headquarters: Reykjavík, Iceland

Industry: Financial services



Caring for Climate Voluntary Targets

It is Landsbankinn's ambition to increase its participation in projects in the field of renewable energy and funding of other efforts to combat climate change. In addition, the bank strives to increase electronic transactions in order to minimize the use of paper. Finally, the bank's purchasing policy is becoming increasingly focused on environmental concerns.

Strategic Highlights

Doing Business on Renewable Energy

Landsbankinn has over the past years been active in financing renewable energy projects in Iceland, both in the field of geothermal and hydroelectric power production. Almost all domestic undertakings in this industry in recent years have been at least partially financed by the bank.



Products / Services: Retail and corporate banking

Web: www.landsbanki.is

Increased emphasis on environmentally friendly energy in the international arena is also considered positive development by Landsbankinn. The bank strives to contribute to these developments by continuing to support Icelandic companies in promoting their experience and knowledge of harnessing geothermal and hydro energy both domestically and abroad.

Waste Management and Conscious Procurement

Environmental aspects continue to gain in importance in the bank's operations, with particular emphasis on increased classification of waste and more responsible waste disposal. The bank's purchasing strategy is also under constant review with the aim of maximizing procurement of environmentally friendly and eco-labelled products. For example, the bank now only purchases paper manufactured solely from eco-farmed trees. With the exception of car fuel, all of the bank's energy use is based on renewable energy sources.

Reduction of Travel Activity

Recently, the overseas operations of Landsbankinn have been significantly curtailed and this has led to greatly reduced international travel. However, already during the period of greater overseas activities, the bank had made significant headway in the use of teleconferencing equipment to reduce travel. Current operations continue to emphasise this point, both with respect to domestic and international travel.

“ Iceland has suffered great setbacks due to the financial crisis. Increased use of clean energy sources, by Landsbankinn as well as other Icelandic companies, will be a major factor in rebuilding our economy. The country's unique position and capacity to contribute with industry-specific knowledge initially encouraged the bank to participate in the Caring for Climate initiative. Our emphasis has not changed and the bank will continue to endeavour to support projects in the field of renewable energy and to combat climate change. ”

Ásmundur Stefánsson, CEO

Manpower

Headquarters: Oslo, Norway

Industry: Service



Caring for Climate Voluntary Targets

Manpower's ambition is to reduce the total use of paper by 25 pct. by the end of 2009 compared to the consumption in 2008. Manpower will recycle a minimum of 50 pct. of all paper and plastic waste by established policies, efficient equipment, and routines for handling waste.

Strategic Highlights

Reuse of Equipment in Developing Countries

Manpower is a certified partner to a NGO that takes care of 90 pct. of the discarded ICT equipment. The equipment is shipped to developing countries where it is used by children in local schools. To avoid dumping of used electronic equipment, the NGO has a return system. In 2008 Manpower sent ICT equipment equivalent to the need of 3,000 school children.

Products / Services: Staffing

Web: www.manpower.no

Building Green IT

After moving the head office in Norway to a new location, Manpower has reduced the energy demands of the data centre through server consolidation and dynamic management across a pool of servers. This virtualization allows Manpower to run multiple virtual machines on a single physical machine, sharing the resources of that single computer across multiple environments. The energy savings are more than 50 pct. compared to the use of separate servers.

Reducing Use of Paper and Plastic

Recycling of paper has been introduced for 80 pct. of the offices, and plastic recycling has also been introduced for major offices. A "reduce paper" policy was launched in February 2009. This gave immediate results, by extending the use of electronic media and introducing double sided printing and the elimination of the use of cover pages.

Electric Cars for Employees

Manpower introduced the use of electric cars two years ago, thereby contributing to the reduction in air pollution in the greater Oslo area. Electric cars are available for external meetings. Each el-car drives 5,000 km per year, thereby contributing to reducing the air pollution in the greater Oslo area.

“Paying attention to our environmental profile is an essential part of our role as a corporate citizen, and we want to serve as an inspiration to the community and our industry. With Manpower's "Green Building" concept we want to show that you can be eco-friendly while creating a space that supports productivity and is fiscally responsible. Wherever and whatever we can do, within the appropriate limits, we should act greener in the buildings that we live in because it's the right thing to do.”

Jeffrey A. Joerres, Chairman and CEO

Novozymes

Headquarters: Bagsværd, Denmark

Industry: Biotechnology



Caring for Climate Voluntary Targets

The application of Novozymes' enzyme products helps customers in 40 industries across the world to reduce CO₂ emissions. Novozymes' goal is to help its customers to save the planet for 75 million tonnes of CO₂ per year by 2015. By 2008, Novozymes' customers saved 28 million tonnes CO₂ through the application of the company's 700 products and that number is increasing rapidly. The size of the reductions is quantified through thoroughly peer reviewed Life Cycle Assessments conducted in close cooperation with our customers.

Products / Services: Biotechnological solutions

Web: www.novozymes.com

Strategic Highlights

Making More With Less

Biotechnology effectively and immediately mitigates climate change by 'making more with less.' This is done by raising the efficiency of a wide range of processes with regards to consumption of energy, water and resources more generally, which in effect reduces CO₂ emissions. This is e.g. done when enzymes are added to detergents. This enables consumers to reduce energy consumption by allowing them to wash their clothes at very low temperatures using less water and minimizing the use of harsh chemicals. Novozymes is making a continuous effort in product development to further the CO₂ emission reduction potential of our products.

Reducing Reliance on Non-renewable Resources

Novozymes wants to reduce the reliance on non-renewable resources such as fossil fuels and replace them with the use of renewable resources. Bio-fuels are a prime example of this, as they substitute the use of fossil fuels such as gasoline and are produced from renewable raw materials such as corn stover and straw. In the near future, Novozymes expects to see the emergence of bio-refineries that consume a wide range of agricultural products and residual products from forestry and agriculture. The bio-refineries will be capable of producing a wide range of commodities that today are produced from fossil fuels. These commodities include bio-plastics, textiles, chemicals and ingredients for the food and feed industry.

“ Climate change is happening and things are only expected to get worse in the years to come. Luckily, we have the technologies to help counter this threat at our disposal already today – and accordingly, we have a responsibility to act. Biotechnology is one of the technologies that offers a tremendous opportunity to mitigate GHG emissions cost effectively here and now. ”

Steen Riisgaard, CEO

Headquarters: Stockholm, Sweden

Industry: Airline



Caring for Climate Voluntary Targets

SAS' principal strategic targets are 20 pct. lower emissions by 2020 with traffic growth included, and 50 pct. lower emissions per unit produced by 2020.

Strategic Highlights

Supporting the Development of a Solid Regulatory Framework

Optimizing flight operations, new technologies, more efficient air traffic management, and economic instruments are the pillars in achieving the goals. Through national and international meetings and suggestions, SAS has actively supported that aviation should be included in the emission trading system of the European Union (EU). As a result the EU adopted the revised general ETS directive and a special directive to incorporate air transport into the EU/ETS from 2012. Furthermore, SAS supports a fair and international framework that covers all air traffic in a way that, as far as possible, will minimize distortion of competition.

Products / Services: Passenger transportation and cargo

Web: www.sasgroup.net

Pioneering "Green Approaches"

SAS is the European Commission's partner in trials of "Green Approaches" in intercontinental traffic. A "Green Approach" implies that the pilot does not begin the flight until the entire flight path and landing clearance has been given by control towers. Using the shortest possible flight route and securing landing clearance before take-off prevents any hovering above the airport before landing. In addition, in a "Green Approach" the descent is made in sufficient time from the cruising altitude to the runway with the engines idle. "Green Approaches" reduce fuel consumption and the noise near airports. Furthermore, it is more comfortable for the passengers.

Alternative Fuels

There has recently been progress in the development of alternative fuels. Since 2000, SAS has been involved in, the research and development of alternative fuel for aviation in order to contribute to making commercial production a high priority. New engine technology can deliver reductions in noise, fuel burn, and emissions. Simply put, SAS will be able to produce more by using fewer resources.

Fuel Saving Programme.

In 2006, SAS began a fuel saving programme with the goal to cut consumption 6–7 pct. by 2011. The program follows the set plans, and the end of 2008 saw savings of 2-3 pct. compared with the base year. The fuel saving programme includes a number of measures in areas such as new technology, aircraft handling, and route planning. In this area, SAS is sharing information and experiences with other important players.

“ At SAS, sustainability work is an obvious and integral part of our strategy for future growth. Our fundamental view and our aims regarding sustainability issues are not affected by transitory events in the outside world. They are given the same high priority as before, and the efforts will help to strengthen SAS both financially and in the market. Initiatives to save fuel, green approaches, weight reduction etc, will have beneficial effects on both costs and the environment. ”

Mats Jansson, CEO

Skanska

Headquarters: Stockholm, Sweden

Industry: Construction



Caring for Climate Voluntary Targets

Skanska's ambition is to be the leading green builder and developer in Skanska's home markets, with a commitment to proactive environmental management at all levels from local to global. This commitment is described in the long term objectives of Skanska's Environmental Policy: 'Champion the efficient use of energy and reduce emissions of gases associated with Climate Change'.

Strategic Highlights

Emission Measurement and Reporting

In 2008 Skanska started to measure and report on its carbon footprint at a Skanska Group level. Measurement of carbon emissions increases organizational knowledge, facilitating organizational decision making related to carbon issues. Skanska uses the GHG-Protocol as a structural framework for all work-related carbon reporting.

According to the GHG-Protocol's reporting boundaries, 80-90 pct. of Skanska's emissions are estimated to be found in the supply chain (indirect emissions from materials and sub-

SKANSKA

Products / Services: Civil works and building

Web: www.skanska.com

contractors etc.) counting for about 3-3.5 million tonnes of CO₂ emissions. That leaves Skanska with a huge responsibility in terms of influencing their suppliers and subcontractors in providing environmental products and services.

Making Customers Choose Low Carbon Building Materials

Skanska's own operations in the construction phase accounts for approximately 20 pct. of total emissions related to a new building. The remaining 80 pct. of the life cycle emissions relates to the use and operations by clients. By introducing the concept of carbon footprinting in the design phase of Skanska's projects, clients are able to explore different materials' climate impact at an early stage, providing them with the ability to choose low carbon products. Skanska takes responsibility for guiding them in these matters, enabling clients to find suitable materials, and helping them plan for long-term energy efficiency.

One example, which incorporates many of Skanska's green construction techniques for minimizing energy and water consumption, is One Kingdom Street in Paddington Central, London, UK. On this project, the supply chain was mapped in detail for each material used with regards to carbon emission, scrutinizing also the methods of delivery, and the mode of transportation. Additionally the carbon emissions coming from on-site activities were measured using the Skanska environmental management system. An outcome from this project was to provide an embodied carbon benchmark for future builds.

Industry wide Improvements to GHG Reporting

Together with other construction companies Skanska has taken an initiative to develop a sector specific reporting regime for construction companies. This will make the GHG reporting more accurate, reliable and sector relevant. Exploring useful Key Performance Indicators are also an important part of this collaboration, which eventually should further carbon reduction throughout the sector.

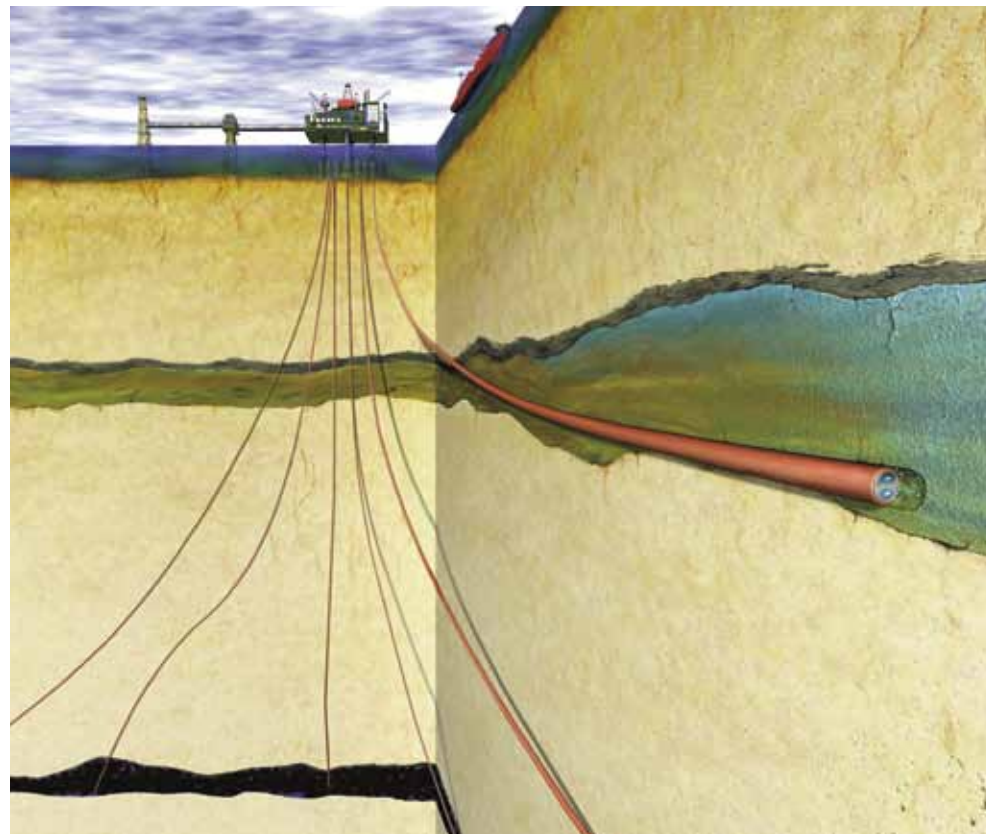
“ As a global player in the construction industry, we're in a unique position to help make the world a greener place. That's why we're putting our hearts into it, as well as vast resources and expertise. Skanska's Green Initiative is beneficial for all of us – from our employees, customers and shareholders to our local communities and ecosystems. ”

Johan Karlström, CEO

StatoilHydro

Headquarters: Stavanger, Norway

Industry: Energy company



Caring for Climate Voluntary Targets

StatoilHydro's ambition is to remain an industry leader in terms of having a low climate impact in each of the activities in which the company is engaged. The total effect of StatoilHydro's energy efficiency measures and CO₂ storage on the Norwegian Continental Shelf during the period 1997-2007, corresponds to 32 million tonnes of CO₂. This can be compared with Norway's emissions of 45 million tonnes of CO₂ in 2007.

Strategic Highlights

Optimizing Energy Efficiency

The Norwegian Continental Shelf is already the world's most energy-efficient petroleum region. Even so, StatoilHydro emphasises energy efficiency through upgrading older platform systems and, for example, by transferring power from ashore to offshore platforms. This makes StatoilHydro capable of additional energy savings.

StatoilHydro

Products / Services: Energy producer

Web: www.statoilhydro.com

Promoting Carbon Capture and Storage

StatoilHydro is actively promoting Carbon Capture and Storage (CCS) as a key technology to reduce global greenhouse gas emissions. StatoilHydro has helped to put CCS at the top of the political agenda in the EU and elsewhere, influencing the EU's view of this technology and making progress in gaining public acceptance for the technology as a climate change mitigation measure.

In 2008, the Sleipner West field reached an important milestone, with a total storage of CO₂ amounting to 10 million tonnes since storage began in 1996. The Sleipner project demonstrates that CO₂ can be stored safely. The successful storage of CO₂ at Sleipner has been followed up by another pioneer carbon storage project – in 2008 the Snøhvit field started injecting and storing CO₂ from LNG production at Melkøya into a geological formation. The cooperation between StatoilHydro, the Norwegian government and other business partners on the European CO₂ Test Centre Mongstad for carbon capture technology is moving forward with the aim of taking an investment decision during the first half of 2009.

“ As an energy company we have a particular responsibility with regards to the climate issue. We need to utilise all sources of energy to fuel a growing and more prosperous population, while at the same time limiting GHG emissions from energy production. It is not a question of renewables or fossil fuels – we need both. Global challenges require global solutions, and a concerted effort from industries and governments is required if we are to succeed. I hope the upcoming meeting in Copenhagen will provide a global regulatory framework with a higher CO₂ price. That will incentivise efficient CO₂ reductions and spur innovation and technology development. ”

Helge Lund, CEO

Storebrand



Headquarters: Oslo, Norway

Industry: Insurance and finance

Products / Services: Life insurance and banking

Web: www.storebrand.com



Caring for Climate Voluntary Targets

Storebrand reduced its CO₂ emissions by 16 pct. from January 2008 to January 2009. This year, Storebrand has set an additional and voluntary target of reducing its CO₂ emissions by another 20 pct. by 2010, based on 2008 figures. In addition to actively reducing its CO₂ emissions, the company is developing financial products and services that increase the awareness of climate challenges and the need for lower emissions.

Strategic Highlights

Socially Responsible Investments

It is through its investments that Storebrand can best influence business and society in the direction of a more sustainable development. Storebrand applies a comprehensive responsible investment standard to all its own investments. In 2008, Storebrand strengthened its commitment by expanding the current climate change analysis for funds and by introducing a new climate change criterion into its current Group standard for responsible investment.

In the analysis, a company's strategic understanding of, and contribution to, climate change is evaluated. Storebrand will not invest in performers within particularly climate intensive industries unless they live up to the required standards.

Climate-neutral through Certified Emissions Reductions

Storebrand is the first Nordic financial enterprise to become climate-neutral by buying UN certified climate quotas (Certified Emissions Reductions – CER).

From an early point Storebrand has introduced a number of measures to reduce the company's emissions of greenhouse. Energy follow-up systems have been installed for most of the buildings, and financial environmental incentives are included in the company vehicle program. During 2007-2008 Storebrand managed to reduce energy consumption at head office by 16 pct.

It has, however, proved to be impossible to reduce the total CO₂ emissions to a zero level. To compensate for this, Storebrand started buying CER to offset its total CO₂ emissions from air travel, energy consumption, and company vehicles.

Reducing Emission through Eco-driving

In 2008, Storebrand launched Norway's first online eco-driving course in partnership with the Norwegian Association of Authorised Driving Schools. More than 10,000 people have completed the course, which teaches drivers how they can reduce their fuel consumption and CO₂ emissions.

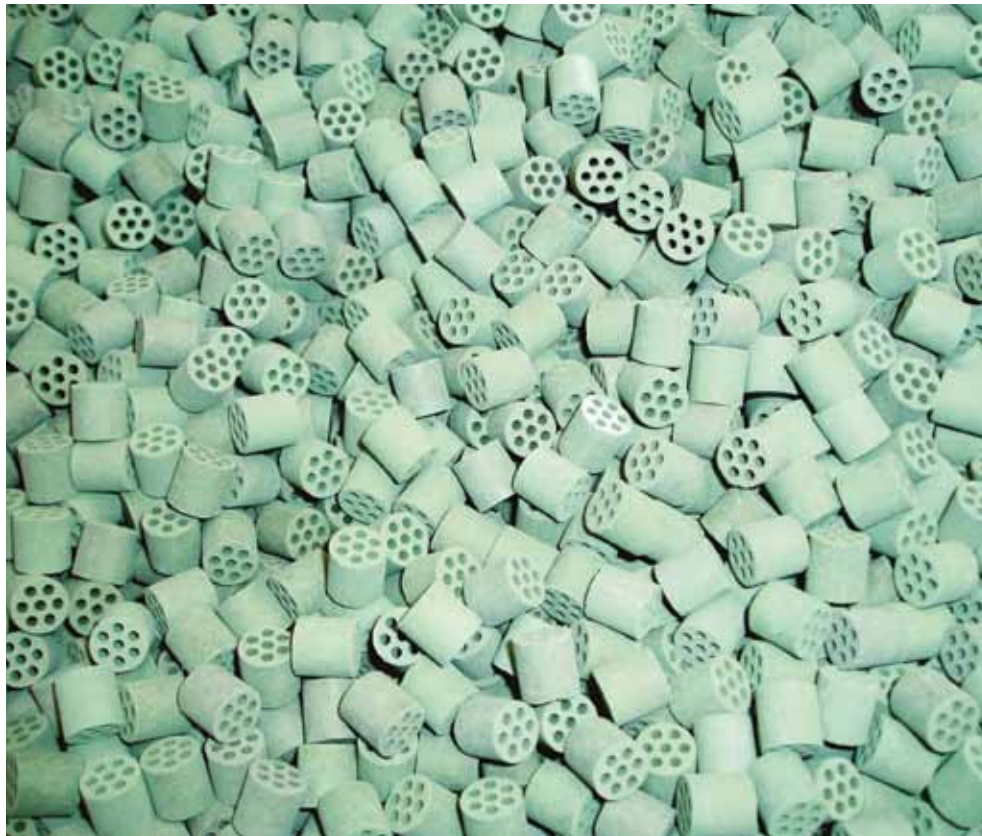
“ Climate changes are among the most severe challenges the world is facing. Storebrand's approach to this is to be a part of the solution through our investments, product development, and internal measurements. I believe that industry winners in the future will be those who develop products and services in a way which unites global challenges with the company's own profitable growth. ”

Idar Kreutzer, CEO

Yara International

Headquarters: Oslo, Norway

Industry: Chemicals



Caring for Climate Voluntary Targets

Yara's ambition, set in 2004, was to reduce global greenhouse gas emissions by 25 pct. in 2009, compared to the 2004 level, and to be among the most energy efficient companies in the industry. Yara reached its greenhouse gas emissions target in 2008, ahead of schedule, after cutting emissions by 30 pct. compared to the 2004 level.

Strategic Highlights

Reducing N₂O and NO_x Emissions Around the World

Yara has been one of the pioneers amongst fertilizer companies in recognizing the need for reducing nitrous oxide (N₂O) emission – one of the main green house gasses related to agricultural production. N₂O contributes to global warming with 6-11 pct., and Yara has spent more than USD 30 million on developing a breakthrough catalyst technology for nitric acid plants since the early 1990's that reduces N₂O emissions by 70-90 pct.



Products / Services: Mineral fertilizers

Web: www.yara.com

This new technology is now being used in 50 pct. of all Clean Development Mechanism (CDM) projects worldwide. The single most important contributor to Yara's overall emissions reduction has been the installation of the N₂O-catalyst technology in 12 of the company's 25 nitric acid plants.

Yara has equally invested in technology for reducing NO_x-emissions, a gas mainly related to air quality. Through products such as Air1® and NOxCare®, Yara contributes to reducing NO_x-emissions both within shipping and the auto industry.

Technological Upgrades in Production Plants

Approximately 80 pct. of Yara's energy consumption is related to ammonia production, and a key element in improving energy efficiency is achieved by upgrading plants technologically to optimize production and reduce downtime and malfunction.

From 2007 to 2008 Yara's energy efficiency was improved by 13 pct., and of four Yara's production plants are among the ten most energy efficient in the world. In 2009 the plant in Sluiskil, Netherlands, was awarded the first ever Green Leaf Award by the International Fertilizer Industry Association (IFA). These improvements have contributed substantially to Yara's overall GHG emissions reductions and Yara's efficiency.

“ Yara aims to be an industry shaper and in this respect our environmental commitment is a major priority for us. We have seen a significant reduction in our emissions combined with improved energy efficiency, and at the same time our environmental products are becoming a growing part of our business. Our environmental efforts definitely make sense both in a social responsibility perspective and a business perspective. ”

Jørgen Ole Haslestad, CEO and President

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"I proudly support the Global Compact Nordic Network, which was one of the first Local Networks to take shape. Today it brings together an important group of companies in support of the Global Compact's Ten Principles. Both individually and collectively, Nordic companies in the Global Compact are making significant contributions to the advancement of sustainability practices."

Georg Kell, Executive Head, Global Compact

The background is a solid red color. On the left side, there are several thick, white, curved lines that sweep across the page from the bottom left towards the top right, creating a dynamic, abstract graphic element.

Reporting on corporate social responsibility

– an introduction for supervisory and executive boards

**Reporting on corporate social responsibility
– an introduction for supervisory and executive boards**

Published by the Danish Commerce and Companies Agency 2009

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The guide has been prepared by the Danish Commerce and Companies Agency
and a number of experts from various stakeholdergroups.

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Foreword

The vision of the Danish Government's Action Plan on Corporate Social Responsibility is to make the Danish corporate sector internationally renowned for responsible growth. A large number of Danish businesses work determinedly on corporate social responsibility, but far too few businesses release systematic information about their initiatives. And then it is difficult for them to gain recognition for their work. So some businesses need to be better at communicating about their initiatives. Reliable communication and transparency play a key role for the businesses to reap the full benefits of their initiatives because customers, consumers, employees, investors, etc. request such communication and transparency.

I see two pivots if we are to succeed in making the Danish corporate sector *internationally renowned for responsible growth*: Enhanced propagation of business-driven social responsibility, continuously improved performance and increased and improved reporting and communication on corporate social responsibility.

The government's message is clear: A strategic, business-driven approach is required if businesses are to make use of the ethical, social and environmental challenges we are facing to the benefit of both businesses and society. I basically agree to that. In fact, the experience gained by the businesses working strategically on sustainability and social responsibility shows that this is not merely a right, but also a sound way to do business.

It can be quite a balancing act to communicate corporate social responsibility in a way that conveys an impression of the business' initiatives in a positive, but also reliable manner. In this context, the new government rules on how large businesses must report on corporate social responsibility can play an important role. Because the new rules point out that corporate social responsibility is not a question of a business being a world champion in all possible social and environmental disciplines and in full control of all links in an often very long and complex international supply chain. Instead, it is a question of the business having a strategy (i.e. it has made some clear choices in terms of what it wants), achieving some specific results on an ongoing basis and developing its initiatives and improving its results. These are the three fundamental requirements for the financial reporting on corporate social responsibility of large businesses that the Council on Corporate Social Responsibility intends to follow up next year.

Mads Øvlisen

Chairman of the Council on Corporate Social Responsibility

The Council on Corporate Social Responsibility was established up by the Danish Government in 2009. The role of the Council is to make recommendations and advise the Government on major corporate responsibility issues. The Council consists of representatives from a wide spectrum of stakeholders in the field, e.g. businesses, investors, trade unions, NGOs, consumers and academics. More info on the Council on Corporate Social Responsibility can be found at www.raadetforsamfundsansvar.dk

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Using this guide

On 16 December 2008, the Danish parliament adopted a bill making it mandatory for about 1,100 of the largest businesses, listed companies and state-owned public limited companies to report on corporate social responsibility (CSR) in their annual reports.

This guide serves to support and inspire Danish businesses in their efforts to report on corporate social responsibility and ensure that it is easy for them to meet the new statutory requirement to report on corporate social responsibility in their annual reports.

The guide exists in two versions:

- This brief version, which is intended for supervisory and executive boards.
- A longer web-based version, which addresses staff members preparing the report in the businesses. This version also includes text examples from Danish businesses' reporting on corporate social responsibility, more in-depth step-by-step recommendations on how to report, as well as references to various principles, initiatives and tools available for businesses to use in their work with corporate social responsibility. In particular, it includes a more thorough guide on how to report through a Communication on Progress to the UN Global Compact as well as the use of the Global Reporting Initiative's G3 Guidelines. This longer version is available at www.samfundsansvar.dk, but only in Danish.

The guide falls into three parts:

Part 1: How do businesses meet the statutory requirement?

This part describes which businesses are governed by the statutory requirement and how they can meet the requirement to report on corporate social responsibility. It is relevant to all businesses comprised by the statutory requirement, and they need to address it – regardless of whether and how they perform work on corporate social responsibility.

Part 2: Useful advice on reporting on corporate social responsibility

This part presents specific recommendations for businesses on how to prepare a report on their work on corporate social responsibility. Recommendations are presented for the three phases in the reporting process: before preparation of the report, actual preparation and publication.

Moreover, this part gives an introduction to reporting on corporate social responsibility by means of a UN Global Compact Communication on Progress and the Global Reporting Initiative guidelines.

Part 3: How can we work on business-driven social responsibility?

To be of optimum benefit, the report on corporate social responsibility should form part of an overall strategy for the area and not a goal in itself. This part introduces businesses to the strategic approach to corporate social responsibility.

Introduction

As part of the government's "Action plan for corporate social responsibility", the Danish parliament adopted the proposed "Act amending the Danish Financial Statements Act (Report on social responsibility for large businesses)". The act aims at encouraging Danish businesses to address their social responsibility in a proactive manner.

The legislative amendment means that about 1,100 of the largest Danish businesses must now give a report on their work on corporate social responsibility in their annual reports.

A business must report on the following three items:

- What are the business policies on corporate social responsibility?
- What has the business done to realise its policies into action?
- An assessment of the business on achievements resulting from its work on social responsible in the financial year, and any future expectations to the work.

Policies

Realisation of policies into action

Assessment of achievements resulting from the work

Businesses which have not devised a policy on corporate social responsibility must disclose this. Furthermore they can choose to present an explanation of why they do not have such policies.

Corporate social responsibility is still voluntary

In the act, corporate social responsibility is defined as the way that "businesses voluntarily include considerations for human rights, societal, environmental and climate conditions as well as combating corruption in their business strategies and corporate activities" (Act no. 1403 of 27 December 2008).

As far as possible, it is up to the businesses to decide how it makes sense for them to work on corporate social responsibility. Danish businesses operate in different industries and different countries so the businesses and the problems they face in terms of corporate social responsibility will differ.

It is important to point out that the act does not place businesses under an obligation to work on specific corporate social responsibility activities, let alone work on corporate social responsibility at all. The objective of the act is to ensure that Danish businesses become more open about their work on corporate social responsibility and better at communicating their efforts to ensure that they reap the optimum benefits from their work in the area.

>> I am very pleased that the Parliament has supported this law so strongly. Many Danish companies are good at working with CSR. However, often they don't tell the outside world about their efforts. I hope that this law will strengthen the knowledge abroad that Denmark is capable of creating responsible growth. In a globalised world facing a financial crisis and climate changes, CSR becomes an even more important competitive parameter.

Lene Espersen, Deputy Prime Minister and Minister of Economic and Business Affairs

Furthermore, the act aims at stimulating businesses to address corporate social responsibility actively so new possibilities are examined and developed for the benefit of businesses and society alike.

Business-driven social responsibility

Social challenges are not merely conditions influencing business operations. Businesses themselves can actively influence and make use of these challenges. However, businesses and society will gain the most from their work on social responsibility if the work is linked closely to their business strategies and core competences. That is what is known as business-driven social responsibility.

Business focus on social responsibility can identify new market opportunities and – by showing responsibility – the business can also strengthen its competitiveness and the basis for increased earnings.

Communication on corporate social responsibility

A large number of Danish businesses have come a long way in terms of working on corporate social responsibility. Seven out of 10 businesses work on corporate social responsibility and regard it as an increasingly important element in their business (Danish Commerce and Companies Agency 2007).

Considering the fact that Danish businesses have generally come a long way in terms of integrating corporate social responsibility into their activities, it is remarkable that only 26% of the businesses communicate their work on corporate social responsibility (Danish Commerce and Companies Agency 2008). So a risk exists that business stakeholders are not aware of the businesses' work and that the businesses therefore do not gain optimum benefit from their work.

To gain optimum benefit from their work on corporate social responsibility, businesses should communicate and report on it and the results achieved.

Some potential advantages of reporting:

- It can improve a business' general reputation and make it more known. It can make it easier to attract well-qualified employees and profile the business vis-à-vis customers, partners, investors and other stakeholders.
- It provides an opportunity to attach special values to the business' products. It can create added value for customers and help the business differentiate its products from those of its rivals.
- It can meet specific customer demands. Many large businesses have a socially-committed profile and thus make demands on their sub-suppliers. Many private consumers also consider it important that the products have been manufactured under responsible conditions.

»» I wish to congratulate the Danish Government for adopting a bill that advances the responsibility of business and investors. By asking for the disclosure of non-financial performance, this bill will make an important contribution to enhance private sector responsibility. It is my hope that this bill will become a model for others to follow.

Georg Kell, executive director, UN Global Compact

- It may contribute to long-term building of legitimacy in the business. If the business operates in an industry which is particularly exposed to criticism for its environmental or working conditions, etc., it may be a good idea to “take some goodwill to the bank” on an ongoing basis.
- It can make the staff proud of working in the business if they see that it is well publicised in the media and widely acclaimed in the industry and perhaps among their own families, friends and acquaintances.
- The process of preparing a report can be just as important to a business as the actual report. Management and staff typically focus more on, say, energy consumption, greenhouse gas emissions, waste and absence when problems, actions and results are made easier for the surrounding world to understand via a report.
- The report can be used as a management tool for steering the business internally.

Six pieces of useful advice

Finally, six pieces of useful advice are presented to businesses venturing into the world of corporate social responsibility:

1. As far as possible, base the work and the report on internationally accepted standards and guidelines such as the UN Global Compact and UN Principles for Responsible Investment.
2. Define what your business understands as corporate social responsibility and pick out the elements of work that are essential to your business. Corporate social responsibility should be based on the core business and strategic challenges of a business. Make use of existing core competences in the business to assume social responsibility. That will be of greatest value to society and the business.
3. Take one step at a time. Make sure that the entire business is able to keep up during the process.
4. Integrating corporate social responsibility into the business takes time. The businesses that today are among the most highly recognised businesses in the area have all built up and developed their corporate social responsibility in the course of a number of years and have embedded it with the top management.
5. Report only what the business can vouch for. Give an open and honest report. An embellished picture of the real work will just result in public criticism, e.g. from the media and NGOs.
6. Get started – the business advantages of reporting on corporate social responsibility more than offset the costs if the work is approached in a well-considered manner.

PART 1: Meeting the statutory requirement

WHO IS TO REPORT?

Section 99a of the Danish Financial Statements Act, which was adopted in Act no. 1403 of 27 December 2008, states the requirement for a business to report on its policies on corporate social responsibility. The disclosure requirement comprises large businesses in accounting class C and businesses in accounting class D. The duty to report applies to financial years commencing on or after 1 January 2009. Institutional investors, unit trusts and listed financial businesses must also disclose their policies on their work on corporate social responsibility.

Institutional investors, unit trusts and listed financial businesses must also disclose their policies on their work on corporate social responsibility.

Subsidiaries are exempted from reporting on corporate social responsibility if the parent company does so for the entire group. However, a Danish subsidiary of a foreign group will only be exempted from the disclosure requirement if the parent company presents the information in publicly available consolidated financial statements. If this is not the case, the subsidiary must include the information in its own annual report.

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Businesses that have endorsed the UN Global Compact or UN Principles for Responsible Investment (PRI) and publishing a Communication on Progress are exempted from the obligation to report in their annual report. Additional information about this exemption is available in the longer version at www.samfundsansvar.dk (only in Danish).

WHAT IS THE REPORT TO ADDRESS?

Corporate social responsibility is understood to mean that businesses voluntarily integrate considerations for, for instance, human rights, social issues, environmental and climate issues and anti-corruption into their business strategies and business activities. If a business has drawn up policies on corporate social responsibility, the report must provide information about the following:

If a business has drawn up policies on corporate social responsibility, the report must provide information about the following:

1. The business' policies on corporate social responsibility. Policies are broadly understood as the business' in-house guidelines, objectives, strategies or other documents describing the business' work on corporate social responsibility. The business must also disclose information about any standards, guidelines or principles for corporate social responsibility applied by the business.

➤➤ In the current financial crisis, it is more urgent than ever to promote greater transparency, especially in the field of environmental, social and governance performance. For investors, corporate responsibility and the proper management of extra financial risks is essential. The Danish Government's initiative to encourage companies to become leaders in CSR reporting will bring major benefits to Danish companies in international financial markets, and will be welcomed by global investors.

Donald MacDonald, chair, UN Principles for Responsible Investments

2. How the business translates its policies on corporate social responsibility into action. The business must also report on any systems or procedures in this respect. These may be management systems, control systems, evaluations or other procedures systematically reviewing the implementation of the policies. Also, the business can disclose if it has been certificated under a certification scheme for either processes or products (labelling schemes).
3. The business' opinion on the results achieved thanks to its work performed on corporate social responsibility during the financial year and on expectations for the future work. The business is not required to assess what measurable financial results the work on corporate social responsibility has produced.

The Danish Financial Statements Act does not list detailed requirements for the report because it is still for each business individually and voluntarily to decide in what areas and how it will work on corporate social responsibility. In this way, the Act is in keeping with the fundamental idea underlying business-driven social responsibility. If the business has not drawn up any policies on corporate social responsibility, it must disclose this in its annual report. But it is not required to state its reasons for not having done so.

WHERE TO REPORT

The report on corporate social responsibility is to be included in the management's review or as an appendix to this review. If the report is inserted as an appendix, the management's review must refer to it, and the inserted appendix must clearly point out that it forms part of the management's review.

The report is a part of the management's review, but it may alternatively be published in a supplementary review in the annual report or on the business website, via a reference in the management's review to the supplementary review or the business website. Additional information about where to provide the report is available in the longer guide at www.samfundsansvar.dk (only in Danish)..

LANGUAGE REQUIREMENTS

The report must be given in the same language as the other parts of the annual report, i.e. in Danish, unless the business falls within the scope of section 6(7) or (8) of the Danish Executive Order on Submission to the Danish Commerce and Companies Agency of Annual Reports, etc. The provisions mentioned stipulate special language requirements for annual reports of certain listed companies.

Communications on Progress are not required to be prepared in the Danish language.

AUDIT REQUIREMENTS

In pursuance of section 135(5) of the Danish Financial Statements Act, the auditor are required to issue a statement on whether the information in the management's review is in accordance with the financial statements and, if applicable, consolidated financial

»» The economic and financial crisis and the scientific evidence of climate change have shown us that we need to invest more in sustainability. But this is not just about doing the right thing for the future of the planet – Europe stands to benefit enormously from investing in new low carbon technologies for future jobs and growth.

José Manuel Barroso, President of the European Commission

statements. The auditor's statement must also cover the relationship between information in the management's review and matters of which the auditor became aware while conducting their audit. In the event that the auditor becomes aware of any material errors or omissions, he or she must draw attention to this in his or her statement on the management's review, cf. section 5(7) of the Danish Executive Order on Statements made by State-Authorised and Registered Public Accountants. The auditor's statement on the report of corporate social responsibility will therefore form an integral part of the auditor's overall statement on the management's review.

This is also the case even if the report on corporate social responsibility is published in a supplementary review to the annual report or on the business website by reference from the management's review. It is therefore essential that the information belongs to the management's review. Hence, the method of publication is not of importance in this context, cf. section 135(5) of the Danish Financial Statements Act. In other words, the requirements for the auditors' review of the content of the information are the same as if the information had been included in the management's review. For further information, reference is made to the guideline to the Danish Executive Order on Statements made by State-Authorised and Registered Public Accountants of 24 March 2009.

Executive order no. 761 of 20 July 2009 on Publication of Reports on Corporate Governance and Corporate Social Responsibility in supplementary reviews and on business websites stipulates a few additional obligations on the part of the auditor. These include an obligation to verify that the management's review contains the link to the relevant website if the account is to be published on the website. The executive order can be accessed at www.samfundsansvar.dk (only in Danish).

Businesses that have endorsed the UN Global Compact or UN Principles for Responsible Investment (PRI) and are publishing a Communication on Progress in this context are, as mentioned above, exempted from the obligation to give an account of corporate social responsibility in pursuance of section 99a of the Danish Financial Statements Act. If the business makes use of this exemption, the auditor must ensure that it fulfils the conditions for making use of the exemption. The auditor ensures this by verifying that a Communication on Progress has been prepared for the period in question and that the Communication on Progress is publicly available as mentioned above. Moreover, the auditor must ensure that the management's review contains correct information about where the Communication on Progress is publicly available. The auditor has no other tasks with respect to the Communication on Progress.

However, it could be advisable to have a third party issue an independent statement on the account. This would contribute to ensuring the correctness and legitimacy of the information.

EXAMPLES OF CORPORATE SOCIAL RESPONSIBILITY REPORTING

Actual examples of how to meet the statutory requirement are available at www.samfundsansvar.dk (only in Danish).

Useful advice on

PART 2: reporting

This part serves to present useful advice on how to approach the work on reporting on corporate social responsibility. It also outlines a number of internationally accepted principles and guidelines that could prove useful in connection with reporting.

RECOMMENDATIONS FOR THE REPORT – STEP BY STEP

Below follow a number of recommendations for the report on corporate social responsibility.

Step by step recommendations:

Step 1: Before preparing the report

Step 2: Preparing the report

Step 3: Publishing the report

It is important to note that the following steps in the process are carefully linked. The choice of strategic area will be of significance to the choice of stakeholders, so it is important that the report on corporate social responsibility in a targeted manner addresses the stakeholders for whom it is intended.

Step 1: Before preparing the report

Before starting on the actual preparation of the report, it is important that you consider some aspects of a more general and fundamental nature such as objective and ambitions, organisational embedding, resource allocation, focus, target group definition, scope, purpose of and strategy for involvement of stakeholders and method definition. Management plays a special role in this part of the process in terms of laying down the general strategies and framework.

Objective & ambitions

As prescribed by the act, the reporting requirement relates to a business' policies on corporate social responsibility. Such policies will typically indicate what areas the business finds most relevant. So it is obvious to give a report of these areas. Business policies should be based on the business' core business, core competences and strategic challenges and goals. When the report is subsequently based on the policies of the business, a correlation should exist with the strategic priorities of the business.

Resources & organisational embedding

Allocating sufficient resources to the task of reporting is a key element in fulfilling the objective and realising the ambitions. The work on corporate social responsibility may have different priorities from one business to the next, but it will generally be an extremely good idea to appoint one person or a small inter-disciplinary group whose members come from different units in the business to be responsible for the report – and again in consideration of the report areas and placing.

Report target group

As the report on corporate social responsibility is basically just one of several ways in which a business communicates with its stakeholders, the success of the report will

» I believe that the companies to lead us out of the recession will be those which consider CSR as part of their core business strategy. They will be the companies that have developed innovative forms of cooperation with stakeholders in order to bring new products to new markets. The competitiveness advantages of CSR are increasingly linked to innovation and to the creation of new value in a sustainable way.

Günther Verheugen, Vice-President of the European Commission and Commissioner for Enterprise and Industry

very much depend on whether it communicates the information requested by the stakeholders. In other words, it would be a good idea if the work on the report includes certain identification of and dialogue with the stakeholders to disclose their expectations for the business in the area. This can be a comprehensive process – especially for businesses embarking on their first report. So it may be a good idea to start by identifying the most significant stakeholders and target the report at them. As the business accumulates experience, the report can be extended to include a broader target group and thus also more areas.

Method definition

Finally, businesses need to determine how they want to go about the work on the report. Numerous standards, guidelines and initiatives exist that can be used for reporting on corporate social responsibility so there is no need to invent your own methods and tools. This guide introduces Communications on Progress for UN Global Compact. Additional information about the G3 Guidelines from the Global Reporting Initiative (GRI) and AA1000's guidelines on involving stakeholders is available at www.samfundsansvar.dk (only in Danish).

Using the above may help ensure the quality of the report and pave the way for comparison with other businesses operating in the same or other industries.

Step 2: Preparing the report

Once the overall framework of the form, contents and organisational embedding of the report has been laid down, the business can embark on the actual preparation of the report. In this phase, it is particularly important to consider how to involve internal and external stakeholders, which specific indicators to include in the report, how to communicate messages and how to check the contents of the report. Some considerations are mainly of a practical nature, while others are of a more strategic nature.

The strategic considerations include considering the degree to which various stakeholders should be involved in the work. Additional information about specific considerations is available in the longer guide at www.samfundsansvar.dk (only in Danish).

Step 3: Publishing the report

External ways of publication

Pursuant to the act, a business is obliged to publish its report:

- in the management's review in the annual report;
- in a supplementary review (e.g. sustainability report) with references in the management's review in the annual report;
- on the business website with references in the management's review in the annual report; or
- as a Communication on Progress or questionnaire prepared by the UN Global Compact or UN Principles for Responsible Investment with references in the management's review.

However, the business does not need to restrict itself to only one of these ways.

>> Our studies show that eight out of 10 businesses maintain or increase the amount of work on corporate social responsibility despite the financial crisis.

Niels Aagaard, Danish Association of Managers and Executives

Internal communication

Using a business' internal communication channels for communicating the knowledge about this work to staff members will often be relevant.

Internal communication channels include:

- intranet
- newsletters
- staff journals
- joint meetings
- training or continuing education
- staff programmes

INTERNATIONAL INITIATIVES AS INSPIRATION FOR THE REPORT

The act does not require the report on corporate social responsibility to be given in accordance with international standards and principles in this context. However, it could be a good idea for businesses to use – or merely be inspired by – one or more accepted initiatives, standards and guidelines.

Global Compact Communication on Progress

The UN Global Compact is the largest voluntary network in the world for corporate social responsibility and contains 10 principles in the areas of human rights, labour, environment and anti-corruption.

As a member of Global Compact, a business commits itself to describing once a year how it attempts in practice to observe the 10 principles in a report known as a Communication on Progress.

Also businesses not having endorsed the Global Compact should consider reporting on corporate social responsibility by means of the Global Compact guidelines and recommendations. The Global Compact website also contains a useful guide on how to report on corporate social responsibility, and the guide is available to everyone and can be used free of charge.

The annual Communication on Progress offers the advantage that the activities of a business in terms of social involvement are gathered in a shorter report, which may prove to be an efficient communication tool vis-à-vis internal and external stakeholders.

Using the Global Compact Communication on Progress means that businesses can use the universally accepted principles of the Global Compact as a framework for the report. This will pave the way for a joint framework of reference no matter where in the world a business operates. Moreover, Global Compact recognises businesses' business-driven approach to corporate social responsibility. So a business does not have to work on all 10 principles, but should prioritise its work in terms of its core business.

>> The experience gained by the businesses working strategically on sustainability and social responsibility shows that this is not merely a right, but also a sound way to do business.

Mads Øvlisen, Chairman of The Council on Corporate Social Responsibility

Additional information about how to prepare a Communication on Progress for the UN Global Compact is available in the longer guide at www.samfundsansvar.dk (only in Danish) and the UN Global Compact website at www.unglobalcompact.org.

Global Reporting Initiative (GRI)

The Global Reporting Initiative is an accepted framework for reporting on sustainability. The GRI contains principles and indicators that can be used by businesses to measure and report on their financial, environmental and social performance. The GRI cooperates with Global Compact to ensure coherence between principles and indicators in corporate social responsibility reporting.

The GRI presents a structure for reporting on financial, environmental and social performance with core indicators and supplementary indicators. Moreover, a number of principles are presented that businesses should take into consideration when preparing and writing the report.

It therefore follows that the advantages of the Global Reporting Initiative are that it is based on a flexible model, which makes it possible to start with a limited number of indicators (level C) and extend the report over time to include more indicators and thus achieve a higher reporting level.

Additional information about the use of the GRI guidelines in the report on corporate social responsibility is available in the longer guide at www.samfundsansvar.dk (only in Danish) or on the GRI website at www.globalreporting.org.

PART 3: Business-driven social responsibility?

To be of optimum benefit, the report of corporate social responsibility should form part of an overall strategy for the area and not a goal in itself. The objective underlying the duty to report is thus to encourage Danish businesses and investors to address actively how their core competences match the social challenges facing them. However, it is up to themselves to determine how to meet these challenges specifically.

WHAT IS BUSINESS-DRIVEN SOCIAL RESPONSIBILITY?

Corporate social responsibility creates most value for a business when it forms an integral part of the core business of the business. The idea is to exploit actively the business' special knowledge and core competences to the benefit of both the business and the society. At the same time, corporate social responsibility is integrated into the entire organisation of the business. Business-driven corporate social responsibility is about choosing activities that are in keeping with business values and challenges in a way that helps the business meet social problems while at the same time creating new growth opportunities for the business itself.

Businesses can:

- require suppliers to observe human and labour rights and actively cooperate with them to integrate these requirements with an eye on improving social and environmental conditions. This can improve quality as well as supplier reliability.
- work on climate and environmental management in the form of systematic climate and environmental work, reduce raw material and energy consumption or invest in environmental and energy-efficient technology. This can reduce the costs of, for instance, energy, chemicals, carbon taxes, etc.
- develop new products or services with a social or environmental dimension. This can grant the business access to new markets and give it a possibility of differentiating itself from its rivals.
- improve working conditions and health and safety within the business. This can make the staff more committed and motivated and enable a business to attract and retain staff.
- communicate actively on the work on corporate social responsibility with customers, consumers, NGOs and other stakeholders. This can help further the development in relation to increased corporate social responsibility among these players and improve the image of the business.

DILEMMAS IN THE WORK ON BUSINESS-DRIVEN SOCIAL RESPONSIBILITY

Even though business-driven social responsibility can boost business growth and competitiveness, it may also pose difficult dilemmas.

The social issues in which a business can engage itself are often complex and multifaceted. Moreover, the effect of the business' work on corporate social responsibility

»» For any company, strategy must go beyond best practices. It is about choosing a unique position – doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs. These principles apply to a company's relationship to society as readily as to its relationship to its customers and rivals.

Michael E. Porter & Mark R. Kramer

will often take some time to feed through. How, for instance, is the business to act when a supplier uses many hazardous chemicals or does not observe fundamental rights? Should the business discontinue the cooperation to point out its values or should it continue the cooperation and try to correct the criticisable conditions? Corruption can also be a dilemma to the business – should it compromise its basic belief of avoiding corruption to maintain market shares and thus create jobs on favourable terms?

The answer to the dilemmas related to the work on corporate social responsibility is to be found in a business' core values. Based on values and traditions, the business needs to ensure coherence in its behaviour. For instance, it would be a problem if the business actively communicates its work to establish a socially inclusive Danish labour market at the same time as the production of one of its suppliers takes place under unacceptable conditions. In other words, it is paramount that the business aims at creating coherence in its activities and that it communicates reliably regarding its work on corporate social responsibility as an integral part of its business strategy.

INTERNATIONAL PRINCIPLES FOR CORPORATE SOCIAL RESPONSIBILITY

In its action plan for corporate social responsibility of May 2008, the Danish government encourages Danish businesses to endorse the UN Global Compact or UN Principles for Responsible Investment. These initiatives are based on UN conventions that are universally accepted and, therefore, can be used as a reference regardless of where in the world a business operates. Both sets of principles are explained in more detail below.

UN Global Compact

The UN Global Compact is the largest network in the world for businesses focusing on corporate social responsibility. The initiative is widely endorsed by Danish businesses. The principles can work as a joint framework of reference for businesses all over the world. The 10 principles are:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

>> Studies show that one third of the businesses do not have a strategy for their work on corporate social responsibility. This means that they risk missing competitive advantages that can be gained by working on business-driven social responsibility.

Carsten Ingerslev, Head of the Danish Government Center for CSR

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

The principles for human rights, labour standards, environment and anti-corruption have already been implemented into Danish legislation. However, the challenges are much greater when Danish businesses operate in countries where social and environmental conditions are not on a par with those in Denmark.

It is up to the individual business to decide how and when to integrate the principles into its business strategy. Endorsing the principles is in the nature of a declaration to the effect that the business voluntarily will make an active effort to make a continual special attempt to achieve progress in relation to the subjects of the principles.

Additional information about the UN Global Compact is available at www.CSRgov.dk or at the UN Global Compact website at www.unglobalcompact.org.

UN Principles for Responsible Investment (PRI)

The UN Global Compact and the UN Environment Programme Finance Initiative (UNEP FI) have drawn up a set of guidelines targeting investors – the UN Principles for Responsible Investment (PRI).

The principles are general principles applicable to investors' work on corporate social responsibility. The UN points out that individual business endorsement of PRI must not be regarded as a form of certification of the business, but more as an indication by the business that it intends to observe the PRI principles and guidelines. Investors can observe the PRI by means of many different strategies, the essential element being agreement about the goal.

Additional information about the UN Principles for Responsible Investment is available in the longer guide at www.CSRgov.dk or at the PRI website at www.unpri.org.

Information and tools for working on corporate social responsibility

CSRgov.dk aims at communicating information, knowledge and tools in relation to corporate social responsibility. CSRgov.dk is the Danish Commerce and Companies Agency's website for corporate social responsibility and forms part of the government action plan for corporate social responsibility.

Additional information is available at www.CSRgov.dk

CSR-kompasset (The CSR Compass; only in Danish) helps businesses address requirements of social and environmental responsibility – regardless of whether the business is to document its responsibility towards its customers or it wants to make its own demands on suppliers, etc. CSR Kompasset is the result of a partnership between the Ministry of Economic and Business Affairs, the Danish Institute for Human Rights and the Confederation of Danish Industry.

Additional information is available at www.csrkompasset.dk

Klimakompasset (The Climate Compass; English version due in late 2009) helps Danish businesses draw up a climate strategy and calculate their CO₂ emissions. Klimakompasset is the result of a partnership between the Ministry of Economic and Business Affairs and the Confederation of Danish Industry.

Additional information is available at www.klimakompasset.dk

Overskud med Omtanke (People and profits project) was launched by the Danish Commerce and Companies Agency in 2005 and has put strategic social responsibility on the agenda by, for instance, teaching more than 12,500 managers and employees of Danish small and medium-sized enterprises about strategic social responsibility. In this way, the project is the biggest and most comprehensive of its kind seen so far in Denmark as well as internationally.

Additional material is available at www.overskudmedomtanke.dk

The UN Global Compact is a UN initiative listing 10 general principles for businesses' work on corporate social responsibility. The 10 principles are a sound basis when businesses commence work on social responsibility and sustainability. The principles rest on internationally accepted conventions on human rights, labour standards, environment and anti-corruption.

Additional information is available at www.unglobalcompact.org

The Global Reporting Initiative (GRI) is an accepted framework for sustainability reporting. The GRI contains principles and indicators that businesses can use to measure and report their financial, environmental and social performance. The GRI cooperates with Global Compact to ensure the required coherence between the principles and indicators in corporate social responsibility reporting.

Additional information is available at www.globalreporting.org



The Promise of Socially Responsible Investing

Conference Report

A roundtable jointly hosted by Bendheim Centre for Finance,
Princeton University and the Danish Ministry of Economic and Business Affairs





4 Research agenda

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44 List of research questions

Princeton Roundtable on SRI:

Questions and themes for future research

Introduction:

The purpose of this paper is to follow up on the presentations and discussions at the roundtable “The Promise of Socially Responsible Investing” (SRI) held at Princeton University on the 14-15th of November 2008 and organised by The Bendheim Center for Finance and the Danish Ministry of Economic and Business Affairs.

The focus of the summary is on the main conclusions that we believe can be derived from the discussions in terms of a future research agenda. This research agenda should support the investment practices of institutional investors, venture capitalists and hedge funds as well as individual companies. As such, future research should generate knowledge on the business case of SRI, and of CSR more generally, that will enable companies and investors to factor in so-called “ESG” (Environmental and Social Governance) factors more consistently in their business and investment practices.

Our point of departure:

The initial mission of the roundtable was to discuss the possibility of generating new and practically applicable knowledge concerning the business case for and societal value of SRI. More specifically, the mission was to initiate a research agenda that would improve the methodological basis for including ESG factors into the investment analyses and decision making of both institutional investors and companies in general. In the light of the discussions of the roundtable, we believe this priority still holds.

As such two general questions have guided discussions at the roundtable: 1) What do we know about SRI today? 2) Where is further research needed?

Notes on the financial crisis:

When the idea for this roundtable on SRI came up and we began preparing the agenda, the present financial crisis had not yet unfolded. From our point of view, SRI was and remains relevant for a number of other reasons relating to e.g. the issue of climate change and different social challenges posed by globalisation. However, the financial crisis has made the discussions at the roundtable all the more relevant. Consensus was that the outcome of the crisis could basically go two different ways: Either the crisis has put SRI practices under pressure, or, it has underlined the necessity of SRI forcing companies and investors alike to pay more attention to corporate responsibility and long-term profitability of their investments.

The behavioural effects of the financial crisis in this respect remains to be seen, but could obviously be a relevant question for further investigation. As such the behavioural response by companies and investors could be included in several of the potential agendas for future research that we suggest in following.

General themes for future research:

The roundtable was deliberately organised around a very broad range of issues and potential approaches to SRI and CSR as reflected by the 8 different sessions and topics, which guided our discussions. The conclusions and suggestions for future research may arguably be realigned under the following 6 broad headlines or themes, inspired by the summary of Geoffrey Heal. (Summary by Heal presented at the concluding session).

1. Uncovering complex interdependencies between business and society:

Business and society are fundamentally interdependent and business can't succeed when society fails. Obviously no business or individual company can succeed, if the surrounding society fails to provide the necessary framework conditions in terms of markets and fundamental physical as well as institutional infrastructures. On the other hand business or individual companies may in some respects actively contribute to solving social challenges and at the same time strengthen their business case.

There is accordingly a general and generic (social) interdependency between business and society, which is a fundamental collective concern or interest of all companies. However, this interdependency is arguably more complex than this.

Interdependencies are both collective and individual (for each company) and may be categorised into three different groups (Porter & Kramer, 2006):

1. Generic interdependencies / social issues.
2. Value chain social impacts / interdependencies.
3. Social issues / interdependencies closely connected to the competitive context of the individual company.

Each of these categories of interdependencies can furthermore be seen "inside-out" i.e. the ways that the activities of individual companies affect the surrounding society and "outside-in" i.e. the ways that society affects the individual company. In conclusion, business has an interest in long-term success of society and vice versa.

Perspectives for future research: Future research could focus on the development of the theoretical framework that describes the nature and dynamics of the complex interdependencies between business and society. Focus could be on tracing differences / similarities between different types of businesses in terms of the business case for CSR in general and, in particular, the specific interdependencies between business and society that characterises individual branches and business sectors.

The methodological approach would most likely be systematic case study analyses uncovering and describing the variety of interdependencies between individual businesses and society. These would ideally include interdependencies in the form of both negative externalities resulting from companies' activities and positive externalities e.g. in the form of public goods produced as a part of private business investments.

Further studies systematically uncovering the interdependencies between business and society would most likely also contribute to the learning potential embedded in case studies and therefore also the practical relevance and applicability of these as seen from the perspective of other companies.

2. SRI / CSR as a response to market failures and externalities:

As almost all CSR activities relate to external effects and distributional issues of business activities, both CSR and SRI can be seen as instrumental for correcting market failures, which governments do not correct. This naturally raises the question of where to strike the socially optimal balance of responsibilities between business and society. What is "society's case" for SRI and CSR both in economic and democratic terms? And how does this relate to determining the business case for SRI / CSR?

6 Questions and themes for future research

At the national level CSR (and SRI) may be seen as supplementary to regulatory intervention to correct market failures or minimise the externality problem or it can be seen as a way to optimise social welfare provision. (Examples are social partnerships / public-private partnerships and voluntary environmental regulation). Alternatively, and maybe more controversial, it can be seen as way to reduce or avoid governmental intervention in general or ease (“excuse”) the retreat of the state.

At the global / international level CSR and SRI can be seen as a way of closing the so-called “governance gap”. This gap basically has two different forms. First, externalities may be of cross-border nature and defy national regulation (such as the climate change issue). Some may also see the distributional effects of global competition and trade as a social externality that defies national regulation. In the absence of effective / powerful global institutions and governance, CSR and SRI may be seen as a way to close this governance gap. Second, CSR and SRI may be seen as a way to compensate for lacking national institutions and governance in third world countries. Corporate responsibility may be seen as leverage for fighting corruption, compensating for poor implementation of environmental regulation, supporting human rights or optimising the social and distributional effects of global trade. Supply chain management is the typical instrument through which business may contribute to closing this governance gap.

Perspectives for future research: Giving special priority to the international perspective (above), future research might focus on the potential effect of global (governance) regimes / institutions for correcting market failures, minimising externalities associated with globalisation in general. In particular, research could focus on the role of international institutions / regimes supporting the proliferation of CSR and SRI practices (such as the UN Global Compact, UN PRI, ISO standards and Global NGO initiatives such as GRI etc.). Future research might also clarify to what extent an active contribution from companies and investors to alleviate market failures and negative externalities at the global level will (positively) affect long-term business and investment strategies.

3. Short-term vs. long-term interests / incentives:

Some businesses don't see the need for CSR while others do. What accounts for this variation in attention to corporate responsibilities? In particular, what types of incentives (including incentives for CEOs such as bonus schemes) and market forces are at play to encourage long-term vs. short-term business and investment strategies? Do ownership structures (trustee ownership and family owned businesses vs. listed companies) affect the attention of companies to CSR and long-term strategies?

Capital markets apparently value environmental, social and governance (ESG) performance as there is a small but consistent relationship between corporate social and financial performance (Margolis et al., 2008). There seems, however, to be widespread consensus that short-term drivers are also at play resulting in suboptimal focus on the long-term as indicated by the financial crisis, which has eventually punished “short-termism”. Tracing the (market) drivers of both long-term business and investments strategies and short-termism is therefore also a relevant issue.

Perspectives for future research: Can potential drivers be traced by macro-analyses focussing on variations in focus on long-run interests by sector – e.g. variance by branch or by comparing business-to-business with consumer facing businesses? A problem may be to define both or distinguish consistently between the long-term and short-term as this may vary by sector / branch (co-variance). Sector-specific definition and categorisation of the short-term and the long-term may therefore be part of a future research agenda.

4. Institutional investors and long-term perspectives:

Institutional investors may play a crucial role in stimulating CSR through responsible investment practices (SRI). In particular pension funds arguably have a propensity to focus on long-term profitability and risk of investments as clients may be pension recipients 70 years from now. Apart from the long-term perspective of e.g. pension funds, SRI investors may stimulate CSR, if they represent a significant percentage of ownership.

There are several potential mechanisms through which demand for CSR may be communicated through SRI strategies. These may range from boycott / disinvestment to various forms of active engagement / ownership.

SRI investors taking ESG factors explicitly and systematically into account are relatively few and far between. This relatively low critical mass (more researchers / scientists than practitioners) could be a challenge or a problem for attaining reliable data on e.g. the effects of SRI on long-term profitability of investments.

Another open question is whether the universal character of ownership by institutional investors / big funds makes them more dependent on macro-economic tendencies and / or world economic trends rather than on particular firms or sectors? How would this affect SRI strategies?

Perspectives for future research: Future research could e.g. focus on how SRI investors (including institutional investors and pension funds in general) can stimulate CSR more specifically. What role does “push factors” such as bargaining powers measured by percentage of ownership play as compared to other relevant “pull factors” relating to the business case such as the potential for cost reduction, reducing legal liabilities and risk, improved recruitment opportunities / staff engagement, customer demands, NGO and stakeholder relations or moral standards etc.? In other words, to what extent does active engagement strategies rely on the bargaining powers of the investor as compared to other potential drivers? More generally, what are the experiences with active engagement and disinvestment strategies respectively? What determines the choice of strategy?

Another line of research could focus on the institutional investors' relations with their own customers. How do SRI investment strategies affect investor loyalty? Will investors stay more loyal if SRI strategies are in place? How do corporate governance structures including management structures and ownership representation affect SRI strategies? Methodological approaches might include comparative studies of pension funds, investment banks, hedge funds etc.

5. Ratings and access to information:

The overarching challenge when rating investments by SRI / CSR / ESG standards is access to information. A fundamental problem pertains to the fact there is no objective definition of “good” and “bad” by which we can identify responsible investments, distinguish these from others or rank them according to ESG standards. Maybe SRI ratings are subjective by nature and should remain so as cultural preferences and moral standards vary.

As investment strategies and capital flows become increasingly global in nature this, however, could be a problem for applying consistent SRI strategies based on ratings. (CSR rating in US are paid for by users, and provide detailed breakdown, but are still quite subjective).

Traditional screening methods, on the other hand, are maybe too inaccurate and do not give a sufficient assessment of e.g. the risk profile of companies. Analyses indicate that only 25% of the value of a company is caught by traditional investment analysis (“tangible” book values assessment) while 75% go unexplained (“intangible” unexplained value)¹.

Screenings are typically only negative establishing guidance or criteria for excluding or disinvesting certain assets. Positive screening, however, may be a more efficient strategy optimising long-term profitability, which, in turn, would require more objective measures of these positive criteria.

¹ Project by CSR Europe: “Valuing non-financial performance: A European framework for company and investor dialogue”. (www.investorvalue.org).

Perspectives for future research: Future research may focus on developing instruments and methods with which investors could measure the social and environmental impacts of their investment strategies. This would, in turn, enable them to report on their SRI performance on par with traditional investment performance criteria (triple bottom-line?).

SRI-screenings and ratings of investment portfolios by CSR / ESG standards or measures must ultimately rely on the value assessment of non-financial performance at company level. Therefore the development of better methods and identification of relevant metrics for value assessment of ESG factors at the company level must be a prerequisite for developing better SRI ratings and screenings.

6. Consumers' perspectives - behaviour and motivations:

Consumers may be a key driver of CSR and SRI, in particular if they are willing to pay extra – i.e. to put a price on responsibility. However, other motivational factors might also affect consumer choice. Key issues of discussion include e.g. different perspectives on individual rationality, motivation, cultural values and social behaviour. Thus consumer behaviour and the drivers behind it may contain essential answers to uncovering the demand-driven business case of or assessing the market value of CSR. A general point, which may be emphasised, is that individuals may be increasingly seeking to express values both through consumption and / or through investment.

Perspectives for future research: Existing studies on the so-called “political consumer” may be supplemented by further studies particularly focussing on the “political investor”. More precisely, the term “political” may be substituted by “ethical” or “value-driven”? Are we in an era of “Shopping your values” (The Economist)? Studies on the role information or the lack of it (incl. labelling schemes etc,) for consumers informed choices or value-driven or ethical purchasing decisions could be part of this research agenda.

Conclusions for a future agenda:

Concerning research into the business case for CSR and SRI the general challenge is arguably which path of exploration should be given priority in future research. Margolis et.al. (2008) points at two different agendas or paths of exploration that arguably stand out:

- “The well-worn path of refinement”- i.e. further statistical analyses and methodological refinement of research into the correlation between CSP (Corporate Social Performance) and CFP (Corporate Financial Performance).
- “A new path of exploration”: This could arguably include new qualitative research and systematic case study analysis of the individual and context dependent business case of CSR / SRI. Focus could be on further development of the theoretical framework describing the interdependencies between individual businesses and society. Focus is on variance of correlation between CSP and CFP as opposed to average correlation.

We believe that the latter of these two paths of exploration is particularly compatible with developing the theoretical framework behind the concept of strategic CSR as presented by Porter & Kramer (2006), which is also the CSR concept underlying the Danish “Action Plan for Corporate Social Responsibility (2008)². Margolis et. al. (2008) also highlights that if CSR and SRI is increasingly weaved into the business / investment strategy, the impact of CSP on CFP will be more difficult to measure, and may call for innovative approaches to measurement.

² This would also be in line with the recommendations for more extensive research given by Kramer, Pfitzer and Lee (2005) in connection with the project “People & Profit conducted by the Danish Commerce and Companies Agency (2005 – 2007).

One possible refinement of the well-worn path of quantitative statistical analyses, however, could be to pursue what might be labelled a “partial” analysis specifically focussing on the segment of companies engaging in strategic CSR. This partial analysis would focus specifically on the effect of CSP (as measured by strategic CSR activities) on CFP thereby ideally controlling for the statistical interference by non-valid or irrelevant (non-strategic) CSR activities. Isolating or selecting the population of companies conducting strategic CSR activities and excluding “false positives” would arguably give a more accurate indication of the business case for strategic CSR (as defined by Porter and Kramer).

To avoid methodological problems of self-selection, objective or generic criteria for defining the independent variable (strategic CSR) would have to be established first. This might be difficult, but not impossible. Hong and Kacperczyk (2007) likewise isolated “sin” stocks defined as companies involved in producing alcohol, tobacco and gaming and concluded that some investors pay a financial cost in abstaining from these stocks. A similar effort to isolate companies involved in strategic CSR activities could in principle be made.

Concerning the need for improved quantitative methods for including ESG factors into investment decision making (SRI decision making) one such possible question for further research may arguably stand out:

- How can individual companies calculate (and document) the economic effect of ESG activities with the aim of providing potential investors with a better and more accurate assessment of the value of their assets?

This research agenda would most likely also require special attention and research aimed at identifying both the independent variable(s) (which ESG activities) and the dependent variable(s) in further detail (i.e. defining the economic effects as measured by stock value, return on investments, annual returns etc.).

Theoretical perspectives:

The above-mentioned 6 themes for future research are generally cast in the form of empirical questions and in some cases they may arguably carry an “applied science bias”. Still, we believe that they also carry the potential for developing economic theory describing different aspects of e.g. finance, economic efficiency of investing / return on investments, market failure / regulation failure and the role of government for optimising social welfare.

As such, the proposed agenda is not meant to ignore specific focus on developing economic theory and, in particular, on theoretical models to capture ethical and moral considerations in the objective functions of investors or corporations. Development of economic theory will hopefully increase our understanding of how corporations or investors would behave to the extent their objective function was something other than (short term?) maximization of the wealth of shareholders.

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Princeton Roundtable on SRI:

Summary of sessions

Introduction:

The purpose of this summary is to follow up on the presentations and discussions at the roundtable on “Socially Responsible Investing” (SRI) held at Princeton University on the 14-15th of November 2008 and organised by The Bendheim Center for Finance and the Danish Ministry of Economic and Business Affairs.

The focus of the summaries is on main points and conclusions presented by the speakers on each of the 8 thematic sessions. Please note that the summaries are presented here as relatively unedited, non-narrative versions. For a full version of the presentations, please see the recording of the conference at www.thepromiseofsri.org.

Sessions on the 14th of November 2008 (Day 1):

1. Sustainable Investing:

Surprisingly, many hedge funds and venture capital funds also factor in CSR and SRI in their investing practices, particularly regarding sustainability practices. What is their basis for these decisions?

Panel:

Bas Rüter, Managing Director of Funds, Triodos Bank

Jason Tyler, Senior Vice President and Director of Research Operations, Ariel Capital

Jason Scott, Managing Partner, Eko Asset Management Partners

Moderator: Justin Lahart, Journalist, Wall Street Journal

Resumé:

Bas Rüter introduced the profile and investment philosophy of Triodos Bank (the Netherlands). Triodos has a special focus on sustainability that guides which types of investments they can engage in and which has (to their own conviction) has been key to Triodos' annual growth rate of 20-40% since 1980 resulting in 160.000 customers, 11.000 shareholders. They have 3,4 billion Euros under management and a Net profit (2007) of 9 million Euros. Overall strategic target is to “optimize” not “maximize” profits. Triodos investments are characterised by a direct link between those who need money and those who provide it. Furthermore, investments are targeted at concrete projects – preferably with a potential for solving societal problems (innovative niche markets). Examples are investing in sustainable energy solutions like wind energy etc. The link to societal problems encourage a “relation based” economy / investment strategy rather than only an “investment based” strategy. A Central question guiding the SRI strategy is: Which products will best meet societal needs / solve societal problems? (Answers also contain crucial answers to the business case).

Jason Tyler: A central problem of SRI is that it is relatively difficult to package. There is no true definition. The challenge of SRI is accentuated by especially two key issues that still exist today: 1) Potential investments are more complex than ever. 2) Investment advisors are inconsistent in their investment recommendations. Even if there are clearly some firms that are more sustainable than others, most companies fall somewhere in between the extremes of the spectrum of “good” and “bad” (for the common good). No investment advisors have the answers of where to place individual companies and target investments on this spectrum. Investment advisors typically advise investments in both sustainable and harmful companies. Traditional screens do not work as a good tool. SRI is about more than the environment and the need for having stronger focus on the advisor, governance and diversity. None of the consulting firms have provided a comprehensive measurement system. The “wish list” therefore includes more comprehensive screening and measurement tools and greater accountability on behalf of fund managers.

Jason Scott: The thesis behind Eko Asset Management Partners is that they can provide better investment strategies. Ratings and screenings are key to this and here we need to focus more on “best in class ratings” / “positive screenings” rather than negative screenings and listings. The rationale for this is particularly evident from the perspective of institutional investors such as pension funds. They clearly must have focus on long term profitability as measured by return relative to risk (return/risk) as well as on how to contribute to a better society. The crisis has shown that sustainable strategies with lower risk have outperformed strategies biased towards short term profit. The next step of SRI is “systemic solution” to global problems.

2. Business Case for CSR:

This session lays out the state of the art research (both theoretical and empirical) for whether CSR enhances a firm’s fundamental value. Do firms that score well on CSR metrics also score highly in terms of firm profits? What about valuations? If so, how do these valuations come about? What types of practices of CSR lead to higher firm earnings? Which are important unresolved issues and what is the road-map toward resolving them?

Panel:

Mark Kramer, Senior Fellow, Harvard’s Kennedy School of Government

Joshua D. Margolis, Associate Professor of Business Administration, Harvard Business School

Raymond Fisman, Professor, Columbia University, Graduate School of Business

Moderator: Tom Rotherham, Head of Corporate Responsibility, Radley Yeldar

Resume:

Tom Rotherham introduced the session by presenting a number of examples and analyses. In relation to screening, Innovest’s “Iceberg Balance Sheet” 4-factor model suggests that only 25% of a companies’ true risk profile is captured by traditional financial analysis while the remaining 75% is potentially the most critical for competitive advantage. There are arguably three different approaches to the challenge of screening to uncover the full competitive advantage of companies: Negative (off limit sectors), positive (risk and opportunity) and thematic (focusing future industries of clean energy, health, knowledge, quality of life etc.). A central challenge is to identify common ESG factors across companies that will translate into common (key) metrics and, in turn, into financial drivers and (market) value assessment of non-financial performance (Rotherham referred to CSR Europe’s initiative “Valuing non-financial performance: A European framework for

company and investor dialogue). However, even if there are common (generic) ESG issues across all companies the challenge is to understand complexity and variance in approaches between different sectors and branches. Rotherham posed a number of questions in his introduction to the session as a point of departure for discussions: What is the ultimate objective of CSR / SRI?: More successful companies, investors or a market system that rewards public good creation? Has research reflected the complexity of SRI? Do investment models reflect the complexity of the business case? How closely can the “map” approximate the “territory”? Is the meta-metric related to management effectiveness – i.e. governance, information input & managing change and complexity? Is “CSR” an absolute? If not, how much is “enough”? And who decides?

Raymond Fisman: Understanding the business of CSR is basically a discussion of the “Friedman perspective” that companies do good by doing well vs. the perspective that companies (also) can do well by doing good. There are two basic drivers for acting responsibly: Complementarities between social imperative and profitability; Stakeholder-induced deviations from profit maximization. Likewise drivers for not acting responsibly are: Profit-induced deviation from the social optimum. Mismatch of social and operational activities. Key questions to understanding the business fit of CSR include: Where are the greatest complementarities between social and business activities? Which social activities increase profits? Where can company maximise social impact for a given expenditure? For a CSR research agenda in particular: Which stakeholders value CSR and why (theory & empirics)? Understanding existing patterns of CSR (descriptive) and figuring out what works in CSR (prescriptive). Fisman continued with some regression analyses showing complementarity between philanthropy and consumer advertising including analysis on the differential impact of CSR on profits for advertising-intensive firms/sectors.

Joshua Margolis presented the meta-analysis (Margolis, Elfenbein and Walsh, 2008) on the relationship between corporate social performance (CSP) and corporate financial performance (CFP). The general finding is a modest but statistically significant positive effect of CSP on CFP. Effect size $r = .140$ (CSP=>CFP). 26,6 % of the studies showed a positive CSP-CFP relationship and only 2,1 % a negative relationship while 58,3 % were non-significant. Margolis turned to different interpretations of the results and measure of effect size. Statisticians would typically argue that this is a small effect while economists would typically be more prone to recognize the effect. Margolis presented three different views of the effect of CSR 1) It pays (reducing costs, attracts and retains investors, customers and employees) 2) It protects (reducing risks) but 3) It provokes (invites criticism). Margolis indicated that further studies were still added to the existing meta-analysis.

Mark Kramer introduced with the basic proposition that it simply does not make sense to ask whether it pays to be nice simply because there are very different opinions as to what that means. The point is rather that there is a fundamental interdependency between business and society as the social and environmental framework conditions influence on business opportunities. The difficulty lies in balancing short-term costs against long-term externalities. Social issues falls into three different categories (generic social issues, value chain impacts and competitive context) but which issues fall into each category varies by company, industry, cluster and location. Competitive context issues are central to strategic CSR as these include “social issues in the company’s **external environment** that affect the **underlying drivers of competitiveness** in the locations where the company operates”. Case studies reveal that competitive advantage depends on (e.g.) constructing a unique value chain that lowers costs or better serves a particular customer niche.

3. Role of Institutional Investors:

Institutional investors are the leaders in the implementation of SRI. Why? Is the rationale political catering to constituents or are there economic risk based reasons for staying away from sin stocks etc.? Is this the right policy vis-à-vis stakeholders? This session lays out the case for the role of large institutional investors.

Panel:

Lars Rohde, CEO, the ATP Arbejdsmarkedets Tillægspension

Carl Rosén, Chairman of the AP-funds Ethical Council and Head of Corporate Governance and Communications, Second Swedish National Pension Fund

Henrik Syse, Senior Research Fellow, International Peace Research Institute, Oslo (PRIO) and former Head of Corporate Governance, Norway's Bank Investment Management (NBIM)

Moderator: Alan Blinder, Professor of Economics, Princeton University

Resume:

Lars Rohde started by asking the question of whether it pays to be responsible as an integrated part of an institutional investor's fiduciary responsibility and concludes that it does pay. However there is a lot of variance both in styles and ways to practice SRI. In particular, there seems to be a strong correlation between CSP and corporate governance. Dialogue and active ownership is the preferred strategy rather than exclusion and negative screening, but both this and disinvestment may be the preferred concrete SRI decision. Examples show the variance: Wall Mart was excluded since there was no prospect of dialogue. Total (Myanmar) was excluded because of political considerations (general foreign policy concerns) even if the investments were well within SRI limits. Cheminova (*Danish company producing pesticides and other chemicals red.*) acted irresponsibly on third world markets, but dialogue changed behaviour. In conclusion: The ownership question is central as ownership is typically very diffuse. Dialogue or appeal to anyone in particular becomes difficult.

Carl Rosén sees SRI as being at the early stages so far and the ratio between scientists and practitioners to be surpassed only by astronautics. However, the Swedish (second) AP Fund is deeply engaged in SRI and actively supports the international initiatives in the field. Rosén focused on the way AP addresses SRI in their global investment portfolio. Screening is a three-stage "funnel" process reducing 3500 companies into only 10. The process does not only consist of negative screening (and disinvestment) but also involves active dialogue. AP has chosen to maximise transparency of both the screening process and concrete dialogues (on dialogues they have chosen a different strategy than the Norwegian "oil" fund). The conclusion is that they have sent a strong SRI signal to companies in their portfolio even in China. AP deliberately act as "norm entrepreneur" for Scandinavian values, "but there are no giant leaps only small steps, but they are all for mankind". Rosén noticed the difference in strategies between AP and the Norwegian fund when engaging in dialogue with companies. A possible issue for further research could be the effect of transparency versus confidentiality when engaging in dialogues.

Henrik Syse reflected on the fundamental question of "what's really the problem with ethics/governance and money". One problem is that there clearly seems to be perverse incentives at play e.g. giving (over) priority to short-term profitability. In retrospect, an illustrative indication of short-termism was a recent television documentary (showed on British Airways flights to Iceland in June 2008) emphasizing investment opportunities in Iceland. Sources to the ethics / governance and money problem include: Temptations, Unclear relationship between primary and secondary aims, focus on short-term

rather than long-term, plural motivations (e.g. child labour is not only seen as an economic issue but a moral one as well). Syse commented on the different disclosure strategies of the Norwegian fund and AP in relation to dialogue with companies. They are monitoring / evaluating their strategy on both exclusion and active ownership (*a potential research question?*). The focus on governance (ESG) is driven by at least four reasons: 1) The long-term solidity of the markets themselves (“universal ownership”). 2) The profile of our fund(s) – what our owners expect of us and our reputation vis-à-vis our owners. 3) The reputational damage to the companies we are invested in, and to the overall markets. 4) The fact that it is right in itself. Questions for future research suggested by Syse include: What is the distinction between the ethical, the political, and the financial? To what extent do investors have the same interests, and to what extent do they diverge? What are the “virtues” that we need more of in the financial markets – and that institutional investors can ask for? How can we help each other become more long-term oriented?

Session held on the 15th of November 2008 (Day 2):

4. Psychology, Sociology and SRI:

Why do investors care about SRI? How will norms change over time with globalization? Will SRI become more or less important as the world becomes more globalised? This session will include theoretical perspectives on how e.g. norms and risk perception (aversion/ seeking) inform decision makers and influence micro-economic behaviour.

Panel:

Roland Benabou, Professor of Economics, Princeton University

Jon Elster, Philosopher, College de France and Columbia University

Augustin Landier, Partner, Ada Investments

Moderator: Antony Bugg-Levine, Managing director, Rockefeller Foundation

Resume:

Roland Benabou reflected on the determinants of prosocial behaviour (such as charitable giving, SRI green goods etc.) and the implications for SRI. This behaviour is driven by a complex mix of motives including “intrinsic motivation” (desire to do good / help); “material incentives” (laws, taxes, profit); “social / self esteem concerns” (self perception, social norms, personal rules). These motives vary across people and are interdependent. Benabou elaborated on the key role of self / social image concerns (with a number of cases) and continued to address the question of implications for policy, SRI and ratings agencies. Cases on (prosocial) consumer behaviour show interdependency with regulation as small interventions can have huge effects on behaviour (e.g. small tax on plastic bags caused consumption to drop). The importance of self / social image may leverage image concerns to increase prosocial behaviour (positive or negative image), but it may also distort CSR activities towards the more visible targets / activities. “Moral credentialing” by having done good in the past may people (or corporations) to feel immunized against negative (self) image. SRI may “buy” you respectability or be perceived as such. In a zero-sum game of image-seeking / self-image enhancement the value of doing good tends to be depleted as prosocial behaviour increases (if everyone does it, the image-seeking effect decreases). This points to taxation as a more efficient instrument and policy implications include eg.: 1) The socially optimal incentive rate is less than the

standard [Pigovian] subsidy (or tax?) necessary for agent to internalise full public good value of their contribution. 2) Rating agencies. Aim to incorporate an “invisibility” premium or “publicity” discount in their scores. Further: There is probably no call for favourable tax treatment of SRI investments finds or green / sustainable goods – and subsidy / tax should vary non-monotonically with the proportion of people choosing the SRI option.

Jon Elster focused on the “Motivations for socially responsible investments”. In doing so, Elster adopted a broad definition of “investment” as “any decision taken by managers. These include not only investments in plants, firms or stocks, but also wage decisions, hiring decisions, lay off decisions, workplace improvements, and the like”. SRI (as well as CSR) is basically about combining the two motivations of doing well by doing good. He then continued with some reflections on SRI and combining these multiple motivations stating that doing good by doing well does not equal “doing good when doing well”. As such “do-gooders may be more active energetic and generally more competent. It follows that principals should choose agents who are involved in local politics, but **not** that agents should go into local politics”. Elster continued his comments on multiple motivations stating that people (subject to tradeoff aversion) generally prefer either a “threshold model” (using one value to define the set and the other to choose within the set like when using seniority criteria in selecting employees for layoffs model. This would also include “best-in-class” strategies / ESG screenings), or, “lexicographic altruism” (applying ESG guidelines to give a preferred selection when all other factors including profits are equal). Elster then turned to the issue of norms for setting wages and deciding layoffs exemplifying dilemmas of balancing private and collective utility. The social acceptability of both layoffs and wage reductions seem to be highly dependent on economic performance. In particular, both types of actions are more acceptable as damage control than as way to seek super profits. Social responsibility norms of these types (including norms of efficiency wages above a market minimum) might, however, be economically inferior not only to shareholders but also to unemployed, if lower could alternatively be translated into more jobs. Constraints on profit maximization might in economic terms seem to decrease total social utility in the long run. On the other hand relentless profit maximization (through layoffs) arguably ignores transaction cost for workers who have to look for a new job. Elster concluded with some examples of moral, quasi-moral and social norm behavior among consumers and investors.

Augustin Landier presented a typology of investors and revisited a number of social trends relating to SRI and concluded with some views on what values are at play in connection with SRI. Landier identified three basic types of SRI investors: “Yellow” investors who want investments to conform with their (personal) principles; “Red” investors who focus on SRI for purely economic reasons seeking better financial returns by using ESG screens; and “Blue” investors who care about expressing their values, but are sensitive to **cost** and **impact**. All three types of investors are to be counted with and contribute to the rise of “post-materialist” values that characterises globalisation. These values are reflected in e.g. the rise of the so-called “Cultural Creatives” (Ray & Anderson, 2000). The view that (globally) affluence reduces concern for survival and boost interest in other people and the ecosystem also reflects a post-materialist trend (Inglehart & Wetzels, 2005). Information and media contributes to the trend by making actions and companies more visible. Between the two extremes of yellow and red investors, the blue investors “segment” probably play a key role in mainstreaming SRI. What values, then, are central to blue investors? Impact will depend on a large fraction of assets being targeted for SRI, which again depend on consensual values. Using shareholder resolutions or World Value Survey (on e.g. environmental protection, employee treatment or product safety) might be a catalyst for this. Landier concluded stating that problems of collective action should still be taken into account. Further, if wealth and global economic growth is central the rise of post-materialist values, the financial crisis is bad news.

5. Corporate Social Responsibility and Corporate Governance:

Why do firms practice CSR? Does CSR lift the bottom line? Is it compatible with Corporate Governance? What are their evidence and thinking? How do companies and investors combine the dual challenges of sustainability/corporate social performance, corporate governance and corporate financial performance? What are the drivers of decision making for sustainability, and what is the role of political framework conditions?

Panel:

Alain Belda, CEO, Alcoa

Jean Tirole, Director, Toulouse School of Economics

Sara Løchte, Danish Insurance Association

Moderator: Jose Scheinkman, Professor of Economics, Princeton University

Resume:

Jose Scheinkman introduced the session with the proposition that corporate responsibility and, in particular, corporate governance is basically about asking management to do what shareholders want. The proposition is further, that you should distinguish between what you do for all shareholders (*and stakeholders?*) or on behalf of them, and what shareholder could alternatively do by themselves (philanthropy / donations).

Alain Belda presented Alcoa's perspectives on SRI / CSR via interview by Scheinkman. Belda explained the intrinsic interdependencies between their core business and society. As a mining company and a producer / extractor of raw materials Alcoa is very capital intensive and dependent on its connection with local communities. Alcoa has to be part of the local community and there is a clear business case in terms of integrating local investments and core business activities. As a company with substantial energy consumption there is equally a clear business case for and immediate bottom line effects of CO2 emissions reduction. Alcoa's focus on CSR and its interdependency with local community has also reflected positively on competitive advantage in terms of winning public procurement contracts (extraction contracts). Alcoa's CSR strategy has possibly translated into competitive advantages winning extraction contracts in e.g. Greenland.

Jean Tirole pointed to the fact that the concepts of SRI and CSR were very broad and were a bit "catch-all" covering a number different activities and concepts. However, as a very basic point of departure, SRI (and CSR?) is basically about going beyond legal obligations to contribute to the common good. And the central question is whether there is a business case for SRI / CSR or whether this involves the sacrifice of profits. Criticism comes from two different angles: One is that firms should not substitute for the state (Reich) and the other is that you should not do charity with others money (Friedman). Tirole then outlined three visions of SRI: Vision 1 is about doing well by doing good and avoiding short-termism. Vision 2 is about the firm as a channel for citizen behaviour (stakeholders sacrificing private goods for the common good). Vision 3 is about corporate philanthropy and where profits (pr. definition) are not maximised. Tirole continued discussing the implications for the mission of management and practice concluding with comments on the basic "raison d'etre" as seen from the perspective of standard economics of externalities: 1) Market: Protect stakeholders through contracts, exit options and (relatively) flat claims. 2) Pigo-vian perspective: Government should be responsible for correcting market failure (through taxation, subsidies and regulation etc.) – but SRI is somehow related to or could be justified to correct government failures. Challenges include 1) problems of free riding; 2) need for information (rating agencies) and; 3).

Sara Lochte: Presented results from two recent Danish surveys on 1. consumer opinion and knowledge on SRI and 2. published SRI-strategies among Danish life-insurers. The presentation focussed on investors interacting with customers, companies and others: Why engage in SRI; consumer opinion and investor behaviour, challenges of SRI governance and knowledge that could encourage the process. Main drivers as seen from the perspective of investors include the possibility to differentiate themselves to align to customer expectations; to maximise return by minimising risk; to develop good relations in general; to get ahead of the market and discover new opportunities for sustainable corporate value; and to consolidate long-term investment strategy. The survey on consumer opinion and knowledge indicate that consumers consider SRI (ethics) to be important: 14% rate ethics over other considerations, 50% attribute equal importance to ethics and returns while only 8% give first priority to returns. Consumers rely on investors to handle SRI (82%), but still 65% expect politicians / government to take action as well. The survey on SRI-strategies among life insurers indicate that establishing SRI guidelines is seen as the most important general step towards an SRI-strategy (66%) while only 9% actively deselected this. Main SRI-challenge on the part of investors is the choice between exclusion or influence. Consumers clearly prefer active ownership over disinvestment (46%) while only 17% prefer immediate disinvestment. On the investors side 45% claim they exercise active ownership. Strategies further include screening agencies (50%), disclosure of portfolios (30%) and information about managers application of SRI-strategies (32%). Matters for further reflection include: How to measure risks embedded in company behaviour non-compliant with good CSR-behaviour? What risks are entailed in future non-compliance with SRI-norms? What happens to the "value of SRI-risks" when SRI norms expand? How to secure the continuing focus on SRI strategies among investors in the wake of financial crisis? Can initial costs related to the incorporation of SRI or CSR be reduced?

6. Society's Case:

How do institutional factors (e.g. regulation and stakeholder relations) influence SRI strategies in the EU and USA? Also, the session might focus more broadly on the role of international standards and we might include CEO perspectives on why companies would want to join UNPRI, Global Compact or ISO standards. How may international standards influence investment strategies of institutional investors?"

Panel:

Betina Hagerup, Deputy Permanent Secretary, Danish Ministry of Economic and Business Affairs.
Donald MacDonald, Chair of the UN Principles for Responsible Investment and Trustee of British Telecom Pension Scheme

Moderator: Robert Kinloch Massie, Board member and former Executive Director, Ceres

Resume:

Bob Massie introduced the session pointing to the risk of speaking past each other. Basically SRI and CSR is about the role of business in society **not** business ethics. We fundamentally need new language and terminology / new terms. The challenge of reporting on the full role of business in society (*i.e. equivalent to triple-bottom-line reporting?*) captures the essence of this. We need generally accepted standards for non-financial disclosure. The GRI is such a step and a central question is accordingly: How does GRI fit with standard accounting rules?

Betina Hagerup outlined the perspective of government and the theoretical basis for the Danish national Action Plan. The theoretical basis for this action plan is largely in line with the work of Porter and Kramer as it rests on the concept of "business driven" / "strategic" CSR. The essence of this is

that the business case for CSR and SRI is very much individual and context dependent. As such concrete initiatives by individual companies must be based on their individual interdependencies with society and their core business activities. Betina Hagerup presented a number of illustrative cases of companies using their core business and competencies to meet social demands. As the business case is arguably already out there (effectively dissolving the “Friedman-dilemma” or proposition that CSR will sacrifice profits), the role of government is primarily to support the adoption of strategic CSR. In theoretical terms, the strategic application of CSR and SRI by companies and investors offers the opportunity for generating extra positive externalities. The role of government is therefore not to expand regulation into the realm of CSR and SRI should therefore not be seen as a market-based response to the classical problem of externalities. For these purposes, regulation, taxation subsidies etc. are still relevant). Since the business case is context dependent and individual by nature, the main implication for research is furthermore that priority should be given to qualitative case stories revealing the full variance of business cases rather than on statistical analysis focusing on the average business case as measured by correlation between CSP and CFP.

Donald McDonald: well-governed entities are best placed to obtain optimum return for investors. Portfolios are much more diversified and globalised creating increased need for applying ESG factors. We need to look at the impact of ESG considerations with regard to emerging economies. The UN Principles for Responsible Investment have made two initiatives to support more SRI: 1) investment clearing house – this allows PRI signatories to pool their investments and join forces in terms of ESG investment criteria. 2) The PRI academic network which main objectives are to provide research and analysis for practitioners interested in responsible investment. The financial crisis and CSR: 6 proposals to what it will take to re-establish confidence and trust: 1) We must recognize CSR as the key to re-establishing trust to the financial sector. 2) We must have more focus on ESG factors in the financial decisions. 3) Investors must cooperate with governments in order to make companies use CSR best practices. 4) We need more transparency within short term selling/buying. 5) We need to develop more sustainable investment products – currently there are not enough available in the market. 6) We must put focus on the responsibility of shareholders especially among the big institutional investors.

7. SRI, Cost of Capital and Change:

This session lays out the state of the art for whether SRI, measured as roughly 1 in 9 dollars invested, can influence real change? Does the boycott of a firm’s stock lead to the firm to change their policies? If so, how? Is it through the cost of capital channel? If not, what other channels? Is SRI redundant if there are already boycotts in the consumer product side?

Panel:

Matthew Kotchen, Professor of Economics, UC Santa Barbara

Vinay Nair, Partner, Ada Investments

Brad M. Barber, Professor of Economics, UC Davis

Moderator: James Gifford, Executive director, UN Principles for Responsible Investment

Resume:

Matthew Kotchen presented three brief perspectives on CSR: 1) Green market and private provision of public goods. 2) Voluntary provision of public goods for bad: A theory of environmental offsets. 3) Corporate social responsibility for irresponsibility. Kotchen with asking when is green good or SR “beneficial”? (from an economic / utility perspective). He continued with some perspectives on impure public goods

that are characterised by joint production and with both private and public characteristics. He pointed to pollution externalities as an impure public “bad” and mentioned carbon offsets as voluntary provision of a public good to offset a bad. Could CSR be seen to offset corporate social irresponsibility (CSI)? Here Kotchen continued presenting some empirical data covering seven different issue areas and 80 indicator variables in “strengths” and “concerns” respectively. The CSR variable for a company in a given year (t) was defined as the sum of all strength items I a given year. CSI was likewise set as the sum of all concern items in a given year. Variables were standardised for each year accounting for items being removed or added. Separate CSR / CSI variables were created for each of the seven issue areas. Financial and accounting data included a) return on assets / debt ratio and b) total assets, total sales, employees.

Brad Barber presented his study of pension funds activism and institutional activism which he called a double-edged sword. When prudently applied, shareholder activism can provide effective monitoring of publicly traded corporations. When abused, portfolio managers can pursue social activism to advance their personal agendas at the expense of those whose money they manage. Social activism involves taking public stands on sensitive issues. Most institutions simply ignore these considerations when investing. Unfortunately, ignoring these considerations is not necessarily in the best interests of investors. As part of the study Barber analysed the announcement reaction of CalPERS focus list firms indicates these targeted and well-reasoned interventions have created \$1.9 billion dollars of shareholder value. This is surely an underestimate of the total value of CalPERS activism for several reasons. With rare exceptions, CalPERS interventions in focus list firms are designed to improve shareholder rights. Barber concluded that there is strong empirical evidence that improving shareholder rights improves shareholder value. Institutional activism designed to improve shareholder value should be well grounded in scientific evidence. When moral considerations affect investment policy, investor preferences should be paramount and institutions should be carefully monitored to ensure they live up to these standards.

8. Rating Agencies and Market for SRI:

This session focuses on the difficult issues of rating firms on environmental, ethical and social considerations. Are there consistent means to rating companies? Which screens are more difficult to implement? How can markets be used to help in the process?

Panel:

Colin Melvin, Director of Corporate Governance, Hermes Investment Management Limited

Ulrika Hasselgren, President, Ethix SRI Advisors

David Lando, Professor, Department of Finance, Copenhagen Business School

Moderator: Peter Webster, Executive Director, EIRIS

Resume:

Peter Webster introduced the session by giving some proposals of good ways to get out of the present financial crisis: Financial institutions should show leadership as responsible market stakeholders looking out for the market in general. They should encourage accountability for their strategies and make better foresights linked with action. Proposal: Market Risk Forecasts: Financial institutions should annually identify ESG factors posing risks to investors in general, effective operation of markets and market or public confidence. This should be backed up with statement of actions taken to protect own interests, actions taken to reduce market wide risk and actions that other stakeholders need to take. Corporations, other capital users, governments and regulators should also take action in due time. Peter proposed a number of questions and issues for further investigation / future research agenda: What are the problems

for ESG ratings agencies? Should there be consistent ratings? Which screens are hard to implement? How can markets help? When and how does ESG integration work? What are corporate experiences of engagement effectiveness? How may asset owners effectively reward would asset managers? What about shareholder value of stakeholder trust/confidence? Should there be a Stern review in other areas (conflict; human rights; fair globalisation; bribery reduction)? Are there conflicts of interest within ratings agencies? Which CSR management systems really work? What effects does public reporting of data produce?

Colin Melvin spoke about the problems and benefits of rating firms on environmental, ethical, social and governance considerations and the research that is used to support the ratings. Melvin focused specifically on the following questions: Who uses this information? (Note the danger of a conversation between 'experts' on both sides.) If the information is produced for shareholders, the question is which shareholders and over what period? What is the information used for? Melvin continued outlining the Hermes background. Melvin described Hermes EOS as a user of ratings and research and pointed to its main focus / action in terms of responsible investment strategies – e.g.: Supporting engagement, linking owners and companies and analysing banks and credit crunch context etc. Examples of engagement include: BP, Sudan, Zimbabwe, cluster munitions, Siemens, Thyssen and Krupp. Melvin continued focussing on the questions, which might be particularly relevant for further research and investigation: 1) Is there a consistent means to rate companies? There are clearly problems with consistency as GRI/CDP and other ratings may conflict. CSR & SRI can be part of the problem and furthermore, companies may be 10 years ahead of investors? 2. Which screens are more difficult to implement? Melvin mentioned social screens, Environmental – Trucost example of good and problems with questionnaires. 3) How can markets be used to help in the process? EAI and broker research could be mentioned addressing a market failure, but the market is still failing – an issue for UNPRI to take forward? Further problem include structural problems of short-termism in the investment industry, need better investment practice and more transparency / accountability. Melvin pointed to CSAM / Hermes ASEAN fund as an example of good practice. The promise of (S)RI is better alignment and sustainable growth. Without it, it is "boom or bust".

Ulrika Hasselgren gave an overview of main SRI trends and strategies in Scandinavia. Here public pension funds are typically required by law to take ethical issues into consideration. As an SRI advisor, Ethix works with asset owners and asset managers with both mainstream and specialized SRI-funds. In Sweden there are relatively many specialized SRI investors, whereas in Norway and Denmark SRI is mostly (just) another challenge for main stream investors and funds. Hasselgren continued giving an overview of the main strategies applied among Scandinavian investors. These include a broad selection of the usual well-known methods and approaches such as: Engagement as well as divestment, negative criteria for screening and best in class and positive screening. In sum, one can conclude that the criteria, definitions and delimitation vary significantly among Scandinavian investors. However, international conventions on human rights, environment, labour standards and anti-corruption, and the principles of corporate conduct – the UN Global Compact, applied through a norm-based screening are clearly a common approach in Scandinavia. Regarding the question of consistent means of rating companies, and which screens are more difficult to implement, Hasselgren gave some examples and pointed out that depending on the investor's policy, ambition and scope the means to rate or screen companies, or the approach to implement the results varies greatly, and can therefore be a challenge for the asset manager.

David Lando started by posing the question: Why is credit rating different from SRI rating? Here a number of key difficulties can be identified: Danish Law requiring optimal returns taking diversification into account. This may justify the focus on ESG factors, but after several years of underperform-

ance company will have to leave or the board can be criticized for not reacting soon enough. If the law would allowed investing according to SRI criteria – even at a cost – then there would not be a problem. This problem lies in justifying screening and ranking costs. Much focus in the credit crisis has been on the fact that issuer pays for rating. The problem lays in reliable ratings vs. price differentiation vs. the willingness to pay for ratings and investors implement rating-based criteria. Good performance a pre-requisite for success. Only when they differentiate are they interesting for clients. The problem can be illustrated with this analogue: A student pays to go to a university who then rates the students' exams. Will this affect the university's grading of the students (Grade inflation)? Can agencies provide a fee-based service for SRI rating? Where ratings are going? The ratings used today seems to be scores in a variety of categories, allowing investors to engineer their own rating. This is similar to publishing a company's accounting ratios etc. and let the investors use their own weighting (using statistical methods). We may see a certain concentration of agencies because there is a limit to how many surveys companies will respond to. Big rating agencies will publish extensive reports on rating performance investigating how ratings did in asset classes, countries, how they depend on outlook watch lists etc. Further questions by Lando include: Is there a historical sense in which SRI ratings can be evaluated? How do we track performance of SRI ratings?

Questions

Long list of questions:

The following list of questions were posed either directly by the speakers, or can be, we believe, derived from the discussions and may point to a future research agenda. The questions are listed here in chronological order according to the roundtable sessions 1-8

- Does the ability or extent to which these funds factor in CSR/SRI explain variations in how they have been affected by the financial crisis?
- Do investors (hedge funds and venture capital funds) apply quantitative measures when factoring in CSR/SRI in their investment practices (e.g. by using constant / average multipliers for values assessments) or purely qualitative and individual measures?
- What is the ultimate objective of CSR / SRI?: More successful companies, investors or a market system that rewards public good creation?
- Has research reflected the complexity of of SRI?
- Do investment models reflect the complexity of the business case?
- How closely can the “map” approximate the “territory”?
- Is the meta-metric related to management effectiveness – i.e. governance, information input & managing change and complexity?
- Is “CSR” an absolute? If not, how much is “enough”? And who decides?
- Do dilemmas of collective action (e.g. free riders) prohibit exercise of strategic philanthropy / CSR?
- Are individual business cases strong enough to overcome the potential free rider dilemma involved in producing public goods via CSR activities?
- Is it possible to design strategic CSR activities so that the benefits to the company are sufficiently “private” to eliminate free riders?
- Are general measures of the relationship between CSR and CSP (correlation) irrelevant considering the individual nature of the concept of strategic CSR/philanthropy?
- Should research focus more on case studies and qualitative analyses (new path of exploration) to reveal the variance of effects of CSP on CFP rather than quantitative studies of average effect size?
- Should research focus on qualitative studies with the purpose of contributing to further theoretical development of the Porter/Kramer theory of strategic CSR/philanthropy?
- Porter/Kramer’s (generic) theoretical framework as presented in “Strategy & Society” (HBR, December 2006) invites further theoretical development and sophistication. A research agenda could focus on the categorisation of social issues and interdependencies by individual company level idiosyncrasies and / or branch and type of industry etc.
- Can the PRI signatories actions be explained by profit-maximizing alone, or might there be other motivations? This could use the PRI Clearinghouse as a data set.
- How can we explain the differences of opinion between investors and companies? This could look specifically at engagement, and involve analysis of the investors’ position and the company’s responses (probably needs to be interview-based).
- Is there a relationship between likelihood of raising ESG issues by an investor and the “nature” of that investor? e.g. long vs short? OECD vs Emerging Market? retail vs institutional?
- Do governance models that build in stakeholder engagement into decision-making lead to more successful companies, over what time? The premise is around alignment of interests. We accept (I think) that companies are more successful if their governance models more closely align owners’ and man-

- agers' interests; what about if we expand the set of interests to include employees? supply chain? communities? NGOs? i.e. this is a proxy for testing if a company's governance seeks to align the interests of the company with the interests of society.
- What is the relationship between the emergence of CSR-related standards in a sector (e.g. FSC, MSC, FLO, BREAM, ...) and the actions / attention of investors? I.e. to test the degree to which having a "recognised" standard helps either create a business case or helps create a basis for investor comparison and engagement.
 - Is there a link between "commoditisation" and responsible investment activity? i.e. this tests the premise that the less of a difference there is between the product/service quality and price, the more intangibles including CSR become part of the competitive context.
 - What is the distinction between the ethical, the political, and the financial?
 - To what extent do investors have the same interests, and to what extent do they diverge?
 - What are the "virtues" that we need more of in the financial markets – and that institutional investors can ask for?
 - How can we help each other become more long-term oriented?
 - Are institutional investors particularly dependent on or interested in stricter regulations and corporate governance standards in the light of financial crisis?
 - Are pension funds less susceptible to pursue high risk investment opportunities and therefore less dependent collective standards for corporate governance (Given their focus on long term profitability)?
 - On the micro-level, to what extent can we rely on rational actors to produce collective goods?
 - To what extent individual companies at all be seen as rational actors and how might the organisational / institutional characteristics (e.g. different forms ownership) of a company influence on decision making and rationality?
 - Can we at all talk about responsibility of companies / corporations in terms of moral behaviour?
 - To what extent can we rely on strategic philanthropy and CSR to overcome dilemmas of collective action?
 - How to measure risks embedded in company behaviour noncompliant with good CSR-behaviour?
 - What risks are entailed in future non-compliance with SRI-norms?
 - What happens to the "value of SRI-risks" when SRI norms expand?
 - How to secure the continuing focus on SRI strategies among investors in the wake of financial crisis?
 - Can initial costs related to the incorporation of SRI or CSR be reduced?
 - To what extent does CSR rely on corporate governance standards?
 - Must standards of corporate governance be universal or rely on international / global standards to avoid unequal competition or a race to the bottom?
 - In general do global regimes or principles for corporate governance become more important as global trade and movements of capital increase?
 - Is there a conceptual / fundamental difference between CSR and SRI in terms of the relevance of focussing on case studies and variance of business cases as opposed to focusing on the average statistical business case?
 - As opposed to individual companies, would institutional investors be more focused on the average business case for SRI as they rely more on the general profitability of CSR? (To the extent that their investment portfolios cover a wide range of different companies and branches)?
 - Should CSR and SRI be seen as a way to have companies cure what ails us (the negative externalities view) or should it be seen as increase total social utility through positive externalities?
 - Is retrospect analyses of the magnitude of SRI (as 1 in 9 dollars) at all indicative in terms of predicting future practices?
 - Does the financial crisis make it more difficult to calculate the future magnitude of SRI?
 - Is there a historical sense in which SRI ratings can be evaluated?
 - How do we track performance of SRI ratings?
 - What lessons from the experience of responsible investment and corporate responsibility may be relevant to generally fixing the world's financial systems going forward? (Peter Webster).
 - Does the financial crisis prompt rating agencies to alter or modify their rating practices?

The conference “The Promise of Socially Responsible Investing” was jointly hosted by the Bendheim Center for Finance at Princeton University and the Danish Ministry for Economics and Business Affairs.

The purpose of the roundtable was to bring together leading academics, policy makers and practitioners from around the world to debate and lay out a vision for generating new and practically applicable knowledge regarding the business case for and broader societal value of Socially Responsible Investment (SRI).

About the organizers:

About Bendheim Center for Finance, Princeton University

The Bendheim Center for Finance was established in 1998 to encourage interdisciplinary research in finance, primarily from a quantitative or mathematical perspective. The research activities of the center are directed toward the study of financial markets and asset prices, the financial structure of firms, commercial banks and other financial intermediaries, and the linkages between financial economics and other fields, such as engineering, operations research, mathematics, computer science, psychology and public policy.



The Danish Ministry of Economic and Business Affairs

The main mission of the Danish Ministry of Economic and Business Affairs is to secure future-oriented conditions for growth in an increasingly globalised world. The Ministry is responsible for a number of policy areas which are essential to the business environment for industries, services, shipping, construction etc. inclusive business regulation, financial supervision, intellectual property rights, competition, consumer and statistics policy. The Ministry is strongly engaged in EU and other international organisations.

The Ministry is responsible for developing policy initiatives on Corporate Social Responsibility and for coordinating the interdepartmental work on the national strategy on CSR. This work is placed in the Danish Centre for CSR (CenSa). In addition to this, the Ministry conducts activities concerning climate change policies and preparations for COP 15.

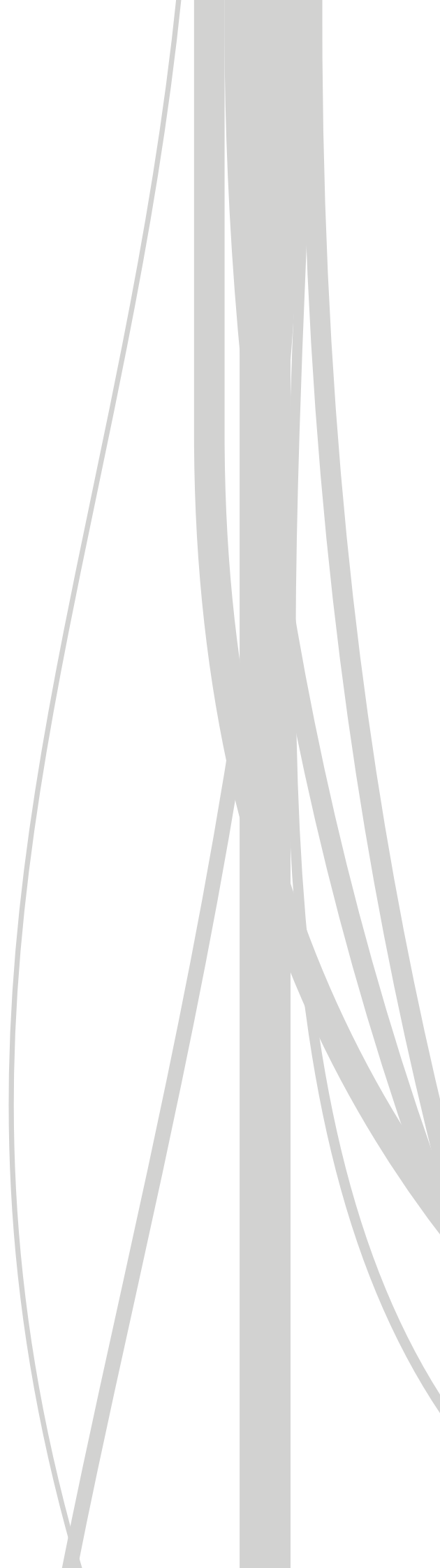


For more information please visit our website at: www.thepromiseofsri.org or contact:

Danish Centre for CSR (CenSa)
Danish Commerce and Companies Agency
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CSRgov.dk

ACTION PLAN FOR CORPORATE SOCIAL RESPONSIBILITY





Foreword

Danish businesses are doing well at present. Danish competitiveness is developing strongly, and Denmark generally scores high in international surveys and comparisons.

Surveys also show that Danish businesses have progressed far in the context of social responsibility, a position we want to maintain and develop. The Government intends to see this strong position enhanced and utilised so that Danish businesses win advantages on the global market by being responsible.

By the same token, a responsible corporate sector will help market Denmark favourably in other countries. For this reason, the Government wants to give businesses the optimum framework within which to conduct their social responsibility work – in both Denmark and the global markets

With this action plan, the Government wants to promote social responsibility and help Danish businesses reap more benefits from being at the global vanguard of corporate social responsibility. It will underpin the goal of making Denmark and Danish businesses internationally renowned for responsible growth.

The action plan should be seen as a continuation of the Government globalisation strategy, in which strategy the Government pledged to support businesses' social responsibility work. The action plan also supplements the Government's draft proposal for a sustainable development strategy, "Green Responsibility", the environmental technology action plan, the Government's action plan for marketing Denmark globally, the Government's trade-policy strategy and the Government's plan for future fiscal policy "Towards new goals – Denmark 2015 – sustainable welfare and growth".

– The Government



1. Summary

Globalisation means that financial, cultural and political ties across national borders are becoming ever closer. This process creates a more open world, offers new opportunities. Trading among countries is exploding, coupled with increasing international division of work such as outsourcing. This development generates growth and boosts prosperity.

But globalisation also fosters – and makes manifest – a range of challenges. The world has the common challenge of ensuring that the poor countries share in global development and thus attain better social and working conditions. We all face the challenge of solving transboundary environmental and climate problems and of combating escalating international crime and terrorism. We also share the challenge of further advancing the observance of human rights all over the world.

Any one country cannot meet such challenges alone. They require active cooperation between nations and a common understanding of where we want to go. A range of international regulations cover these areas, but many countries' failure to enforce, fully or even partly, these regulations poses a challenge. Denmark will continue to participate actively in solving global challenges and pressing for common rules to be adopted and efficiently observed. Denmark is set to host the 2009 UN climate summit (COP15), envisioned to culminate in a new global climate agreement on reducing greenhouse gases after 2012. In that capacity, the Government will strive to ensure an ambitious agreement involving all nations.

However, governments alone cannot meet these challenges; they require cooperation between various players in society.

Not least businesses play key roles in contributing to solutions to social challenges. With their market awareness, flexibility and

innovative power, businesses can rapidly and resolutely find solutions to national and global challenges.

In many instances, businesses can also help fill the gaps where rules have yet to be established or where existing rules are not efficiently imposed. Such measures could take the form of requiring a foreign supplier to observe basic labour and human rights.

Thus, a business' behaviour and consciousness of its social responsibility can produce any number of results unattainable through legislation and rules. Internationally, this is called "Corporate Social Responsibility", abbreviated CSR.

Corporate social responsibility is high on the international agenda, and Denmark is a country where many businesses have embraced this agenda. Through this action plan, the Government aims to intensify and support Danish businesses in continuing their active work of social responsibility, thus helping to improve conditions in the countries with which they trade or have set up business. The Government will focus on business-driven social responsibility and internationally recognised principles for social responsibility.

Business-driven social responsibility

Globalisation entails intensifying competition between businesses, a positive development in itself. It helps to promote innovation and enhance efficiency to consumers' benefit. Conversely, it puts heavy demands on businesses' competitive powers. If exclusively focusing on enhancing its surroundings, a business risks being rapidly out-rivalled by competitors that focus more intensely on their earnings ability. This benefits no one.

However, recent years' development shows that businesses' ability to assume social responsibility at national and international levels has impacted on their business suc-

ness – irrespective of the business' size. Consequently, a business' practice of showing responsibility need not clash with its additional desire to strengthen its competitiveness and basis for higher earnings. On the contrary, it seems. Increasingly, responsibility seems to function as a competitive parameter, particularly for businesses acting on the global markets.

Today, six out of ten Danish businesses face CSR requirements from their surroundings (Gallup, 2005). Corporate customers and investors pose requirements to businesses' management of human rights, labour rights, environmental protection, climate responsibility and corruption. Employees expect their workplaces to show social responsibility, and consumers are putting increasing focus on sustainability when purchasing. At the same time, innovation focusing on social responsibility paves the way to new markets.

But how a business chooses to work with CSR is not insignificant. Businesses and society each reap the optimum benefits from CSR work, if it constitutes a natural part of its business strategy and core competences. This action plan refers to this aspect as business-driven social responsibility. Business-driven social responsibility entails that businesses consider social challenges not only as aspects impacting on business operation, but also as conditions they can actively influence and utilise.

The idea of "business-driven social responsibility" is gaining a stronger and stronger foothold. The concept implies that a business should strive to combine responsibility and its core business. It might, for instance, be more appropriate for a stove manufacturer to focus on developing environment-friendly and energy-efficient stoves, since that would benefit the business' competitiveness as well as society in general.

The Government's focus on business-driven social responsibility in the action plan is not meant to denigrate the many efforts that businesses, investors and a range of voluntary, private organisations expend to contribute to positive social development, efforts that may not necessarily improve competitiveness. On the contrary, such wide, non-profit activities with their intrinsic social values are equally important and can

co-exist with companies' business-driven approach to social responsibility.

Responsible growth – an international trend

Many countries have focused more sharply on businesses' roles as regards responsibility, including in light of debated issues like outsourcing. In that context, the agenda has featured the question of how businesses utilise comparative advantages while keeping in mind that outsourcing should not spark off a race-to-the-bottom in terms of regulatory frameworks.

To support businesses' CSR work, the UN Global Compact initiative has laid down ten general principles for how businesses can assume social responsibility in the contexts of basic human rights and labour rights, the environment and anti-corruption principles. For investors, the UN has set up separate principles – Principles for Responsible Investment (PRI) – that urge investors to be active owners who embed social, climate and environmental conditions in their investment analysis and decision processes. Under the auspices of the OECD, guidelines have also been set up for CSR work.

At the same time, a number of countries have launched various measures aimed at promoting national businesses' social responsibility. Britain has recently adopted an act that compels listed British businesses to describe in their annual reports any policies aimed at the social and environmental fields and clarify how they are implemented in practice.

In this context, more and more countries have formulated policies for businesses' social responsibility – including Britain, the Netherlands, Norway and Finland. Corporate social responsibility further constitutes an element of an overall sustainability strategy in France, Sweden, Ireland, Germany and Austria.

Danish businesses and responsible growth

More than ever, Danish businesses operate their businesses at the international level. This applies not only to major businesses, but also to the thousands of small Danish businesses that operate in developing countries or growth economies. Figures from Statistics Denmark

show that small and medium-sized businesses account for more than 50 % of total Danish trade with developing countries and growth economies - imports and exports alike.

Similarly, many Danish businesses work as subsuppliers to major international groups that increasingly emphasise social and environmental responsibility. As subsuppliers, Danish businesses therefore also face heightened demands for social responsibility.

This makes the way businesses operate their businesses more important. Danish businesses must actively take on global challenges by integrating social and environmental considerations into their business strategies.

Several activities have already been launched to support Danish businesses in assuming greater social responsibility. Where the business and the socially inclusive labour market used to be in focus, it has now shifted more strongly to businesses' behaviour when they act internationally and to the environmental aspects of operating a business.

Many Danish businesses have progressed far in the context of social responsibility. Using the UN Global Compact principles as their springboard, several Danish businesses have won wide acclaim for their CSR work and their ability to combine these principles with sharp business acumen.

However, estimates show that even more businesses can benefit from working actively with business-driven social responsibility. Such work can generate benefits for the individual business, for other Danish businesses and for society as such.

Denmark is already known as a country that unites financial welfare with high social and environmental standards, an excellent platform for further work. As the Government action plan for active global marketing of Denmark (2007) states, the Government wants to strengthen the international marketing of Denmark precisely on the basis of these qualities and competences. The promotion activities are needed to ensure that Denmark upholds its strong position in the global competition for competent labour, investments and market shares.

The Government wants this action plan to spur a development in which even more Danish businesses work actively with business-driven social responsibility, for this could help ensure that Denmark and Danish businesses are generally associated with responsible growth.

Thus, the action plan aims to help Danish businesses reap more benefits from being a global frontrunner in the matter of corporate social responsibility. At the same time, the action plan aims to make Denmark and Danish businesses internationally renowned for responsible growth.

The action plan contains a total of 30 initiatives distributed on four key action areas:

- Propagating business-driven social responsibility
- Promoting businesses' social responsibility through Government activities
- Corporate sector's climate responsibility
- Marketing Denmark for responsible growth

KEY ACTION AREA 1: PROPAGATING BUSINESS-DRIVEN SOCIAL RESPONSIBILITY

The Government wants to propagate business-driven social responsibility among both large and small businesses. The Government wants to underpin large businesses' CSR reports and give businesses the knowledge and tools to enable them to work with business-driven social responsibility – nationally and, in particular, internationally.

With a view to propagating business-driven social responsibility, the Government is launching the following activities:

The Government wants to:

- encourage Danish companies and investors to continue and develop their commitment and CSR work
- make it mandatory for large businesses to report on CSR in the management's review of the annual report
- make it mandatory for institutional investors and unit trusts to report on CSR in the management's review of the annual report
- set up the Social Responsibility Council, charged with making recommendations for the Government, the corporate sector and associations

- establish a new social responsibility communication portal (www.samfundsansvar.dk)
- organise campaign activities on business-driven social responsibility
- intensify counselling on innovation and social responsibility for small and medium-sized businesses in the regional growth houses
- organise international conference 'Danish Business innovating for World Challenges' to identify innovation areas for Danish businesses
- set up a knowledge network among organisations, researchers and advisors on business-driven social responsibility and responsible supplier management
- advise businesses through Danish representations in other countries
- work to ensure a transparent market that promotes social responsibility considerations in consumer purchasing. The Government will launch a study of consumers' role in CSR
- prepare a biennial progress report on Danish businesses' observance of and commitment to Global Compact and PRI, first time in 2010
- make it mandatory for state-owned public limited companies to report on CSR in the management's review of the annual report
- ensure that all major state-owned public limited companies accede to the UN Global Compact
- ensure that the Vækstfonden accedes to the UN principles for responsible investment (PRI)
- ensure that the Eksport Kredit Fonden (EKF) accedes to the UN Global Compact
- continue its work of embedding social responsibility in Danish development work
- ensure that the Industrialiseringsfonden for udviklingslande (IFU) and the Investment Fund for Central and Eastern Europe (IØ) accede to the UN Global Compact
- organise conferences on businesses' social responsibility in developing countries jointly with Danish representations outside Denmark, local players and businesses
- ensure that the regional trade and industry development system contributes to propagating business-driven social responsibility
- strive to ensure that international investment banks embed social responsibility in their business and investment strategies

KEY ACTION AREA 2: PROMOTING BUSINESSES' SOCIAL RESPONSIBILITY THROUGH GOVERNMENT ACTIVITIES

Businesses and investors play key roles in the work of making Denmark known for responsible growth. However, the state sector also has a number of options for aiding in disseminating social responsibility through its own activities.

This is why the Government intends to heighten focus on social responsibility in connection with state purchasing, investments and state-owned public limited companies, through the following initiatives:

The Government wants to:

- ensure that, in future, joint state supply contracts will systematically embed requirements for social responsibility as articulated in the conventions that provide the foundation for the UN Global Compact
- ensure that all state procurement officers can access the guidelines for embedding social responsibility
- open up dialogue with local authorities and regions with a view to disseminating experience in embedding social responsibility in their areas

KEY ACTION AREA 3: CORPORATE SECTOR'S CLIMATE RESPONSIBILITY

Denmark will host the 2009 UN Climate Change Conference, COP15, the goal of which is to achieve an ambitious global climate agreement. The Government wants businesses to contribute actively to tackling global climate challenges. Thus, businesses can target their work on maintaining and strengthening their competitiveness by reducing their energy consumption and greenhouse gas emissions in their own and suppliers' businesses, while also helping to develop and disseminate global climate solutions. The work would enable businesses to support the goals made in the energy agreement concluded 21 February 2008. The Government wants to underpin businesses' work on preparing climate accounts and climate strategies. Finally, the Government will focus on businesses' and sectors' options for reducing their greenhouse gas emissions through partnerships on climate responsibility.

In the area of the climate, the Government will launch the following initiatives:

The Government wants to:

- encourage businesses to include sections of climate responsibility in their reports on CSR in the management's review of the annual report (see the mandatory requirement in key action area 1)
- jointly with the Confederation of Danish Industries develop the Climate Compass – a web-based climate tool aimed at helping businesses prepare climate accounts and climate strategies
- initiate four partnerships on climate responsibility in relation to investors, in the retail sector, the construction sector and the maritime sector

KEY ACTION AREA 4: MARKETING DENMARK FOR RESPONSIBLE GROWTH

The Government wants the marketing of Denmark for responsible growth to help Danish businesses reap greater benefits from their social responsibility work.

To this end, the Government wants to initiate targeted international marketing activities. The Government has prepared an overarching action plan for global marketing of Denmark. The marketing activities should create a clear, transparent picture of Denmark internationally, an image that puts us in a strong position in future global competition. The marketing activities will focus on, e.g., making Denmark known internationally as a responsible, balanced country, where responsibility and careful behaviour are key elements for individuals, for businesses and for the public sector. Additionally, the Government will also market Denmark for environmental awareness, cleanliness and energy-efficient solutions.

Thus, the action plan dovetails with the overall plan for marketing Denmark, and the initiatives below must be seen in the context of the Government's general marketing activities.

The following initiatives will be launched to market Denmark for responsible growth:

The Government wants to:

- promote Danish tools and competences in the area of corporate social responsibility
- head up a 2010 international summit on international standards for social responsibility in Copenhagen (ISO 26000)

- organise an international conference on responsible investments aimed at creating the basis for better targeted and usability-oriented research

All in all, the action plan sets up a range of initiatives targeted at strengthening the possibilities for realising the objective of Danish businesses' reaping greater benefits from being a global leader in CSR and at making Denmark and Danish businesses internationally known for responsible growth. All the initiatives are based on an international approach to social responsibility and on business-driven social responsibility, common features to be elaborated in the next chapter. The individual key action areas will be described in subsequent chapters.

Evaluation

In 2012, the Government will take stock of the work to realise the action plan for promoting corporate social responsibility.

Global Compact Leaders Summit

5-6 July

2



2. The international approach and business-driven social responsibility

As described in the introduction, this action plan is based on an international approach to corporate social responsibility and business-driven social responsibility.

To make Denmark a country renowned for responsible growth, the social responsibility work undertaken by Danish businesses needs to be based on an internationally known and recognised frame of reference.

Even though it may seem obvious that the Government should establish Danish principles or certificates for the work on social responsibility, these are bound to originate in a special Danish context. However, a Danish framework for businesses' work not tied to internationally recognised principles will therefore not as greatly enhance businesses' competitiveness in global markets where responsibility is on the agenda.

When Danish businesses work on social responsibility – whether with an international approach or more proximate challenges – the work must pivot on strengthening their core business. This is what this action plan refers to as business-driven social responsibility.

Responsible growth rooted in the individual business' commercial challenges and core competences can be achieved in many ways. A business cannot commit itself with the same intensity in all areas, but has to prioritise the activities with the highest business and social value and concentrate its efforts on them.

Below follows an account of the relevant international approach and the core of business-driven social responsibility.

2.1. AN INTERNATIONAL FRAMEWORK FOR BUSINESS-DRIVEN SOCIAL RESPONSIBILITY

A host of countries have introduced policies on corporate social responsibility, a fact that reflects the growing awareness of the CSR area (see appendix 1 for a closer explanation).

The range of international principles that has emerged in recent years also testifies to the mounting importance of social responsibility on the international agenda – and in many ways has further raised international focus on social responsibility.

The UN and the OECD have designed principles applicable to corporate social responsibility. The principles are multifarious, have different target groups and address different challenges. Both general and more specific principles have been devised, e.g. how businesses can help solve environmental and climate challenges.

Key general principles are:

- UN principles for corporate social responsibility – UN Global Compact
- UN principles for investors' social responsibility – UN PRI
- OECD Guidelines for Multinational Enterprises

Key specific principles are (see appendix 2):

- United Nations Environment Programme Financial Initiative (UNEP FI)
- The Equator Principles
- Global Reporting Initiative (GRI)
- Transparency International – Business Principles for Countering Bribery (BPCB)
- Carbon Disclosure Project (CDP)
- UN Caring for Climate

- Principles for Responsible Management Education
- Business Social Compliance Initiative (BSCI)

The above list is not exhaustive, but illustrates that many international initiatives have been taken and that the precise fact that we have these multifarious international principles makes laying down special, national principles far less relevant. For instance, a Danish certification scheme or special Danish principles would be of only limited value to Danish businesses operating on the international scene. International principles, however, would certainly enhance international clout and visibility.

2.2. UN PRINCIPLES FOR SOCIAL RESPONSIBILITY

It is worth focusing on the UN principles for social responsibility, which comprise principles targeting businesses (Global Compact) and investors (Principles for Responsible Investments, PRI).

The plus of the UN principles is that they are based on international conventions on human rights, labour, the environment and anti-corruption. Moreover, businesses employing a staff of more than 10 and investors worldwide may join – the principles are limited neither to special regions nor to big multinational enterprises.

Since the establishment of the Global Compact in 2000, the Danish Government has been supporting the initiative, e.g. financially. With this action plan, the Government intends to commit itself to keeping the Global Compact high on the international political agenda.

2.2.1. UN GLOBAL COMPACT

The UN Global Compact is the world's biggest voluntary network for corporate social responsibility. A total of 4,054 businesses have joined the Global Compact, 54 of them from Denmark. The Global Compact centres on 10 principles founded in international conventions on human rights, labour, the environment and anti-corruption. The principles can thus be a shared frame of reference for businesses all over the world. The principles appear from box 1 below.

The human rights, labour and anti-corruption principles have already been implemented into Danish legislation. Hence, Danish businesses must ensure that their activities in Denmark comply with the Global Compact's 10 principles. However, the challenges are far greater when Danish businesses operate abroad where social and environmental conditions often fail to be at the same level as in Denmark

Joining the Global Compact

The Global Compact principles are general, and each business must decide

BOX 1: GLOBAL COMPACT – 10 PRINCIPLES FOR SOCIAL RESPONSIBILITY

Human rights

1. Businesses should support and respect the protection of internationally proclaimed rights; and
2. make sure they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. support the elimination of all forms of forced and compulsory labour;
5. support the effective abolition of child labour; and
6. eliminate discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.
-

how and how soon it will integrate them in its business strategy. Endorsement of the principles is like a declaration that the business will voluntarily make an active effort to achieve regular progress in the areas covered by the principles.

When a business has joined the Global Compact, it is committed to:

- changing its operations to include the Global Compact principles as part of its strategy and daily activities;
- to promoting the Global Compact in public through various communication channels (e.g. press releases, speeches, etc.); and
- describing how the business in practice attempts to comply with the Global Compact principles in the so-called Communication on Progress report. The first report must be submitted not later than two years after the business joined the Global Compact and then once a year.

The crucial point is not that the business adheres to all UN principles from day one, but that it is prepared to improve its compliance in a continuing process – both in the business and in relation to suppliers.

The business needs to prioritise its efforts in terms of its core competences, challenges and risks and against that background assess which activities will be of relevance. This flexibility gives businesses the advantage of being able to implement the general principles themselves, which is exactly the idea behind business-driven social responsibility.

In this way, the Global Compact principles differ significantly from, for instance, corporate governance principles, which advance more detailed requirements for, say, the composition of the supervisory board and specific financial reporting.

The Council of Sustainable Business Development has prepared a charter on sustainable business development, which elaborates the 10 principles of UN Global Compact. Hence, the charter recognises the Global Compact principles and aims at creating a joint basis for Danish businesses wishing to target work at sustainable development.

Communication on progress

Furthermore, the UN Global Compact Office places knowledge, tools and useful examples at its members' disposal – for the purpose of both generally implementing the principles and communicating on progress. In addition, local Global Compact networks, established virtually all over the world, can support business implementation of the principles.

Certain costs are involved when businesses endorse the principles and subsequently incorporate them into their business strategies.

The primary cost is that businesses must incorporate social responsibility into their strategies and daily activities. The businesses also incur costs in producing their annual communication on progress in implementing principles. However, businesses are free to decide the form and content of the communication. Members are required to submit their communication on progress to the UN Global Compact Office, which will publish it on the Global Compact website.

This communication may lead to increased public exposure, which in some cases may impose costs on the business. Nevertheless, endorsing the international principles offers the possible advantage of helping market Danish businesses internationally by virtue of the joint international frame of reference represented by the principles.

2.2.2. UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

In early 2005, the UN Secretary General asked 20 of the world's biggest institutional investors to prepare principles for responsible investments. The UN Global Compact and the UN Environment Programme Finance Initiative (UNEP FI) coordinated the process.

The results of this work translated into the UN Principles for Responsible Investment, listed in box 2 below.

Worldwide, 255 investors have endorsed PRI. To this number should be added 67 businesses or organisations offering advisory services to investors. Aggregately, PRI members manage about

BOX 2: UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

Investors will:

1. incorporate ESG issues into investment analysis and decision-making processes
 2. be active owners and incorporate ESG issues into their ownership policies and practices
 3. seek appropriate disclosure on ESG issues by the entities in which they invest
 4. promote acceptance and implementation of the Principles within the investment industry
 5. work together to enhance our effectiveness in implementing the principles
 6. report on their activities and progress towards implementing the principles
-

PRI members fall into three categories:

- 1) Asset owners: pension funds, insurance companies and other institutional investors. The category comprises 103 businesses.
- 2) Investment managers: investment banks. The category comprises 116 businesses.
- 3) Professional service partners: investment advisers. The category comprises 57 businesses.

In Denmark, four investors, including the Labour Market Supplementary Pension Fund, have joined so far. However, it should be said that this does not provide a complete picture of Danish investors' work on social responsibility. For instance, two out every three Danish life insurance companies and pension funds have published their own guidelines on ethical investments. And 11% publish their deliberations on ethical considerations in investment choices. In Holland, 12 investors have joined, with 10 in Sweden and 35 in the UK.

Investors that have signed the PRI are obliged, for instance, to integrate social responsibility into their investment strategies and be active owners promoting openness on social and environmental matters in the companies in which they invest. PRI members are required to report on this.

Like the Global Compact principles, the PRI principles are general. The UN points out that the PRI may not be regarded as certification, but more along the lines of broad principles. Investors can use many different strategies for complying with the principles, and consensus on the goal of the work undertaken is what matters. For example, an investor who strategically concen-

trates his efforts where the problems or risks are greatest adheres to the PRI. Furthermore, advancing requirements for a single project in which investment is made is also in keeping with the PRI – without the investor's having to account for how the business fulfilled social and environmental requirements in other contexts.

The obligations do not entail new activities for all investors. On the contrary, for some it is a question of changing or extending existing activities. Others will incur certain costs on beginning to integrate social responsibility into their business and investment strategies.

The UN has established a secretariat charged with helping investors implement the PRI principles. The UN's support activities focus on teaching members about the implementation process, setting up networks among PRI members, promoting knowledge-sharing through web-based intranets for members and examining best practice in the fields once a year.

The UN principles for social responsibility do not exclude other principles that may complement the general principles of the Global Compact and PRI. Hence, any business joining the Global Compact can also adhere to other principles, such as the OECD guidelines, if relevant.

2.3. OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD Guidelines for Multinational Enterprises dating back to 1976 (revised in 2000) are government recommendations for multinational enterprises. They represent a voluntary framework for "principles for good business prac-

tice". The guidelines are designed to help both big and small multinational enterprises act in accordance with the political and social standards applicable in the countries involved. The guidelines aim at promoting and developing sustainability and social responsibility and creating a climate of trust between enterprises, employees, public authorities and society as a whole.

The guidelines are not legally binding, but governments will work to comply with them. The Danish Government considers complying with the guidelines highly important. According to the guidelines, the member countries must establish national contact points. These points are meant to facilitate compliance with the guidelines. Cases where enterprises in Denmark or abroad contravene the guidelines may be brought before the Danish contact point.

The guidelines form part of the OECD Declaration on International Investment and Multinational Enterprises, which also urges the countries to treat all investors in the same way, recommends that enterprises be prevented from having to fulfil conflicting obligations and encourages full openness and cooperation on how governments try to influence investment flows.

A large number of countries support the guidelines, which set standards that cover a broad range of "good business practice" aspects – e.g. in the context of employment, the employer-employee relationship, the environment, duty of disclosure, competition, corruption, taxation and new knowledge and technology. The governments of the OECD member countries (and Argentina, Brazil and Chile) have endorsed the guidelines. The countries are working to comply with the guidelines, which cover the activities of multinational enterprises in countries having endorsed the guidelines as well as countries that have not.

One strength of the guidelines is that both employer and employee organisations back them. The advisory bodies affiliated to the OECD, which consist of representatives from the organisations mentioned, have endorsed the guideline principles and are active players in the work to increase the scope of their application.

The guidelines are not intended to introduce different terms for multinational enterprises and local businesses, but to reproduce norms for good behaviour for all businesses. It is up to businesses whether they follow the guidelines.

2.4. THE ACTION PLAN'S INTERNATIONAL APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

If Danish businesses are to gain greater benefits from their leading position globally in terms of social responsibility and Denmark is to be internationally renowned for responsible growth, an international approach to the work on social responsibility is – as mentioned – a must.

Unlike other principles for social responsibility, the Global Compact and PRI are global UN initiatives that businesses with a staff of more than 10 and investors all over the world may join.

The UN principles offer the obvious advantage of constituting an overall joint frame of reference worldwide. This provides a solid platform for social responsibility work and for communicating this work to the surrounding world, thereby marketing Denmark and the Danish corporate sector as a responsible player in the global economy.

The UN Global Compact and PRI consist of fundamental principles broadly addressing an array of issues in businesses' and investors' work on responsibility. This makes the principles for social responsibility a good starting point for promoting the objective of this action plan.

Moreover, the UN principles are not so detailed that they fail to give businesses and investors ample opportunity to choose how they specifically want to translate the principles into action in their business strategies and thus to make the most of them for themselves and society.

This general approach of both the Global Compact and PRI makes them particularly useful – to both big and small businesses addressing business-driven social responsibility.

This being the case, this action plan uses the UN principles for social responsibility as an international frame of reference for the work on business-driven social responsibility, which is elaborated in the following.

2.5. ABOUT BUSINESS-DRIVEN SOCIAL RESPONSIBILITY

Social responsibility is a broad and abstract concept encompassing numerous activities. Businesses may therefore have a hard time knowing where to start. They may also be concerned that social responsibility will become just another cost.

For many businesses, social responsibility will typically require focusing on and improving efforts already made. Thus, social responsibility can become a natural part of the business strategy, which is also applied to new activities. And social responsibility based on core business is business-driven social responsibility. In addition to taking this business-driven approach to social responsibility, many businesses, investors and NGOs make an effort to contribute to positive societal development. This is a material contribution fully recognised by the Government.

The greatest advantage of business-driven social responsibility is that a

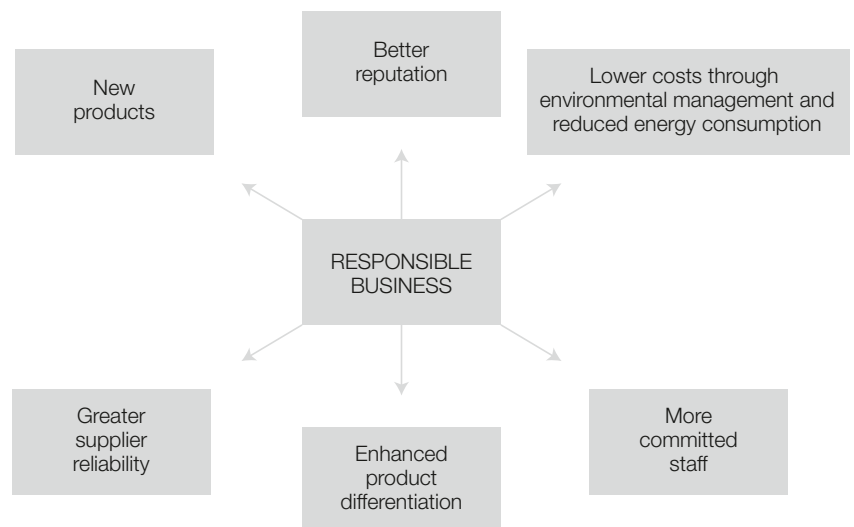
business actively utilises its expertise and core competences for the benefit of both the business and society. At the same time, social responsibility is integrated throughout the business organisation. In this way, the business helps solve social problems while also opening new growth opportunities for the business itself.

For instance, the business can:

- request suppliers to observe human rights and employee rights and actively cooperate with suppliers to integrate these requirements with a view to improving social and environmental matters. This may improve both quality and supplier reliability.
- address climate and environmental management by working systematically with the climate and environment, reduce the consumption of raw materials and energy or invest in environment and energy-efficient technology. This can lower the business costs of energy, chemicals, CO2 taxes and the like.
- develop new products or services with a social or environmental dimension. This can give the business access to new markets and allow it to stand out from its rivals.
- improve working conditions and health and safety internally in the business. This can increase staff commitment and motivation and make it

The following figure illustrates potential advantages of social responsibility for the business.

FIGURE 1. ADVANTAGES OF BUSINESS-DRIVEN SOCIAL RESPONSIBILITY



- possible to attract and retain staff.
- communicate actively on social responsibility work with customers, consumers, NGOs and other stakeholders. This may further develop social responsibility among these players and improve the reputation of the business.

2.6. DILEMMAS OF THE WORK ON BUSINESS-DRIVEN SOCIAL RESPONSIBILITY

Even though business-driven social responsibility can boost a business' growth and competitiveness, it may also face the business with difficult dilemmas.

The social questions to which businesses can commit themselves are often complex and multifaceted. Moreover, the effect of social responsibility can often take a long time to materialise. How should a business react if a supplier uses a large number of hazardous chemicals or does not observe fundamental social rights? Should it discontinue the cooperation to point out its values or should it continue the cooperation and attempt to improve the criticisable conditions? Corruption may also put the business in a difficult situation – should it compromise a fundamental position of avoiding corruption in order to maintain market shares and thus create jobs on good terms?

Even in an area such as child labour where the ethically justifiable stance seems clear, assuming social responsibility is inherently complex. Save the Children has pointed out that western businesses' endeavours to protect children from child labour can in practice put children and their families in an even worse situation. Instead, Save the Children recommends distinguishing between work that is harmful to a child's development and work that will contribute positively to his development and perhaps combining the latter with offers of education and training.

Businesses must find the answer to such social responsibility dilemmas in their core values. Using their values and traditions, businesses must ensure coherence in their business behaviour. For example, a problem would arise if a business actively communicated its responsibility for increasing the socially inclusive Danish labour market,

while at the same time one of the business' suppliers produced its goods under unacceptable conditions. In other words, businesses need to aim at creating coherence between their activities and to communicate reliably on their social responsibility work as an integral part of their business strategies.

It is also important to emphasise that corporate social responsibility does not necessarily reduce the need for legislation on social and environmental issues. Legislation lays down and must continue to lay down the fundamental social and environmental requirements that each and every business must fulfil. Furthermore, the Government regards a high level of protection as important.

When businesses assume social responsibility, it does not mean that responsibility or tasks are transferred from the state to the businesses. However, businesses' voluntary efforts may represent a useful – and often needed – supplement to legislation. This is because legislation alone may not be enough to solve complex challenges in our society. We increasingly need to develop new solutions to social challenges, a task that calls for businesses' commitment, competences and innovative skills. Examples are the development of energy-saving technologies or the promotion of human rights considerations and proper working conditions in poor countries.

Hence, social responsibility does not mean that a business must assume tasks intended for the public authorities to be solved. On the contrary, thanks to its special knowledge and competences, a business can help solve social challenges as part of its day-to-day activities – an effort that will benefit the individual business as well as society.



3. Propagating business-driven social responsibility

The Government aims to propagate business-driven social responsibility among both large and small businesses, an objective that will allow Danish businesses to benefit more broadly from their CSR work.

To help propagate businesses' work on business-driven social responsibility, the Government will launch the following initiatives:

The Government wants to:

- encourage Danish companies and investors to continue and develop their commitment and CSR work
- make it mandatory for large businesses to report on CSR in the management's review of the annual report
- make it mandatory for institutional investors and unit trusts to report on CSR in the management's review of the annual report
- set up the Social Responsibility Council, charged with making recommendations for the Government, the corporate sector and associations

Further, the Government will support businesses' work to link social responsibility with their business strategy, management and innovation. In this context, the Government will focus specifically on small businesses.

However, a significant number of studies on the subject show that businesses' ability to assume social responsibility at national and international levels has impacted increasingly on their business success – irrespective of the business' size. But many businesses are unaware of the possibilities inherent in combining social responsibility with business strategy. Thirty-nine percent of Danish businesses find it hard to put the idea of social responsibility into practice (Capacent Epinion, 2007). The businesses lack knowledge on and tools for approaching the work in practice. This applies not least to small and medium-sized businesses.

For this reason, the Government will launch several supporting initiatives aimed at providing businesses with knowledge and tools for working on their voluntary business-driven social responsibility in practice – nationally and internationally.

The Government wants to:

- establish a new social responsibility communication platform (www.samfundsansvar.dk)
- organise campaign activities on business-driven social responsibility
- intensify counselling on innovation and social responsibility for small and medium-sized businesses in the regional growth houses
- organise international conference 'Danish Business innovating for World Challenges' to identify innovation areas for Danish businesses
- set up a knowledge network among organisations, researchers and advisors on business-driven social responsibility and responsible supplier management
- advise businesses through Danish representations in other countries
- work to ensure a transparent market that promotes social responsibility considerations in consumers' purchasing. The Government will launch a study of consumers' role in CSR
- prepare a biennial progress report on Danish businesses' observance of and commitment to Global Compact and PRI, first time in 2010

3.1. ONGOING ACTIVITIES

In recent years, a more comprehensive perception of corporate social responsibility has gained ground in Denmark. A survey made by the Copenhagen Center (2007) on Danish media communication about CSR shows that the Socially Inclusive Labour Market was a hot topic up until the new millennium, while the debate on businesses' global commitment and international supplier chains has intensified in recent years.

Denmark has focused keenly on businesses' social commitment in the context of the socially inclusive labour market. Initiatives like wage subsidies and mentor schemes have given businesses optimum conditions for attracting and retaining the needed labour, while also displaying social commitment. The activities have improved the options for achieving the task of attaching and retaining disabled, non-ethnic citizens and citizens with reduced capacity for work in the labour market.

Compared to the initiatives on the socially inclusive labour market, business-driven social responsibility focuses not only on activities related to current and future employees in Denmark's workplaces, but also on a wide range of social and environmental considerations – particularly in relation to suppliers in other countries. Currently, businesses' responsibility for climate change and environmental matters are attracting increasing attention; see chapter 5.

The Government has already launched activities in several areas that support and inspire businesses in their CSR work:

- The CSR Compass, recently updated, is an Internet-based business tool for responsible supplier control.
- The Danish Contact Point is set up to spread awareness of the OECD guidelines for Multinational Enterprises by, e.g., handling concrete inquiries about the guidelines.
- Initiatives under the socially inclusive labour market, including the Prevention Fund and cooperation between the Danish National Centre for Employment Initiatives (CABI), the regional corporate networks (DRN) and the national network of business managers (DNN).
- An accredited health and safety certificate documents businesses' extra work to ensure excellent health and safety conditions, e.g., through an occupational health and safety management system. A new model is being developed for a health and safety certificate for small and medium-sized businesses. The green Smiley on the National Working Environment Authority website is an extra incentive to promote health and safety conditions, its being awarded to businesses with good health and safety conditions.
- Diversity programme: "Jobs for new Danes", compiling publicly owned and private businesses' good experience in managing diversified groups of employees.

- The Danish Trade Council under the Ministry of Foreign Affairs offers counselling and simple tools to avoid corruption and reduce risks related to cooperating with or investing in countries with high levels of corruption. Counselling will be adjusted to the individual business' needs and be based on country-specific information on corruption and local legislation as well as knowledge on particularly exposed markets, sectors and regions.
- Project "People & Profit", in which more than 12,500 managers and employees from small and medium-sized businesses were taught how to work strategically with CSR.
- Project: CSR-driven innovation in the Nordic region 2007-2009: The Danish Commerce and Companies Agency (Danish Center for Corporate Responsibility) has launched a project on CSR-driven innovation. The project strives to strengthen Danish and Nordic businesses' work with product and process innovation driven by environmental and social considerations.

A range of private initiatives aimed at promoting businesses' social responsibility supplement the Government's activities. Examples are the Council of Sustainable Business Development, consisting of about 25 major Danish businesses, Danish Ethical Trading Initiative, aimed at uniting the corporate sector and various associations to promote ethical trade and responsible supplier management, as well as CSR research activities conducted, for instance, at Copenhagen Business School.

3.2. NEW INITIATIVES

Reporting requirements on CSR for major businesses

The Government is satisfied that private initiatives are also aimed at propagating and promoting CSR. They help boost the agenda of which this action plan also forms part, and the Government can only applaud such activities. This is why the Government has already initiated a dialogue with, e.g., the Council of Sustainable Business Development, and the Government generally wants to support private initiatives (for example Danish Ethical Trading Initiative) through close cooperation and constructive dialogue.

Thus, the Government generally urges Danish businesses and investors to continue and develop their commitment and CSR work.

Additionally, the Government will legislate to ensure that major businesses, institutional investors and unit trusts report on their CSR work in the management's review of the annual reports. Institutional investors comprise pension funds, life-insurance businesses, the Labour Market Supplementary Pension Fund and LD Pensions.

The duty to report for major businesses, institutional investors and unit trusts will entail an obligation to report on their CSR policies and how they implement the policies in practice. Businesses and investors must also report if they have yet to set up policies for the area. This fact should appear from the management's reviews of the businesses' annual reports.

The duty will cover the 1,000 largest Danish businesses. It will also apply to the institutional investors who are, under the Danish Financial Business Act, obliged to present management's reviews as well as unit trusts. If insurance businesses, pension funds or unit trusts are now including social, environmental or ethical considerations in their investment policies, they are already obliged to include a description in their annual reports. However, existing legislation only compels pension funds, insurance businesses and unit trusts to state how considerations for social conditions, the environment or ethics impact on their investment policies.

The duty to report does not mean that the Government will decide or interfere in businesses' actual business and management strategies or investors' investment strategies. It is still left to each business owner and management to decide how to operate their business, just as investors and pension fund managers decide – in dialogue with their members – how their funds are to be invested.

The duty to report aims to urge businesses and investors actively and constructively to consider how their core competences match the global challenges they face. Businesses and investors need to consider the international agenda actively, which is exactly what the duty to report should motivate them to do. However, they must determine independently how they concretely decide to counter the challenges and opportunities inherent in globalisation.

The duty to report will encourage more openness, thus strengthening sharehold-

ers', customers' and members' opportunities to take a stance on businesses' and investors' CSR work. Another objective of the duty to report lies in the fact that the more businesses and investors who actively decide on CSR and communicate their decision to the public, the stronger a position Denmark will enjoy internationally as a country known for responsible growth. The cumulative effect can bolster Danish businesses' market shares.

The reports can be based on how businesses observe the UN principles for social responsibility. If businesses or investors have acceded to either the UN Global Compact or the UN principles for responsible investments they need only refer to the progress report being prepared in the context of their membership.

In 2007, the British government implemented similar statutory requirements for listed businesses. Under British legislation, businesses will in future have to report on social, societal and environmental conditions – to the extent necessary to understand the business' development, performance or position.

Since propagating business-driven social responsibility is relevant for not only large businesses but also small and medium-sized businesses, the Government generally wishes to urge Danish businesses and investors with international business activities to follow either the UN Global Compact or the UN principles of responsible investments (PRI). Large businesses, in particular, should consider acceding to the Global Compact or PRI.

Of course, the Government's appeals will not change its obligation to continue ensuring that the OECD guidelines are observed, a task that will be effected through, for instance, the Danish Contact Point.

New Social Responsibility Council

To ensure that the Government's objectives of propagating business-driven social responsibility are embedded more widely, the Government will set up the "Social Responsibility Council" to make recommendations and advise the Government on the design of concrete supportive initiatives. The Council may, for instance, be tasked with helping to map Danish strongholds in the social responsibility field that can make Denmark better known for responsible growth. Against this backdrop, the Council

can also identify actual key action areas. The Council is meant to replace the board of governors for The Copenhagen Center, which has been closed down.

The Council can seat representatives from trade associations, the financial sector, unions, the Danish Consumer Council and other NGOs, the science sector, etc. The Council chairman will serve as an “ambassador” for Danish businesses’ and investors’ CSR work by participating in international settings, meetings and conferences. The new Danish Center for Corporate Responsibility under the Ministry of Economic and Business Affairs (Danish Commerce and Companies Agency) will function as the Council secretariat.

3.3. SOCIAL RESPONSIBILITY – BUSINESS STRATEGY, MANAGEMENT AND INNOVATION

As mentioned, the Government will support the work of business strategy, management and innovation – particularly for small and medium-sized businesses, which often lack the resources and inspiration needed to get started on structured and focused CSR work. This is why the Government wants to raise Danish businesses’ awareness of the value of business-driven social responsibility and inspire them to embed social responsibility in their business strategies.

Knowledge network on global CSR

To improve businesses’ awareness of international social responsibility, the Government will, through the Danish Center for Corporate Responsibility, set up a knowledge network between researchers, organisations and advisors. The network is meant to teach businesses knowledge about business-driven social responsibility on global markets and responsible supplier management, with the focus being on dialogue and cooperation with suppliers in developing countries, international standards and labelling as well as supplier management.

Advising businesses through Danish representations in other countries

Where relevant, Danish representations in other countries will in future offer Danish

businesses advice on social responsibility. The advice can focus on issues such as environmental conditions, corruption, health and safety and human rights.

New communication portal – www.samfundsansvar.dk

To communicate knowledge and inspiration on strategic social responsibility to businesses, the Government will set up a communication portal for social responsibility – www.samfundsansvar.dk. At this virtual portal, visitors can find the latest knowledge on businesses’ social responsibility, tools and training material. Blogs and debating forums will ensure that the site stays updated and dynamic.

Sector campaigns on business-driven social responsibility

The Government will also – jointly with relevant trade associations – initiate sector campaigns on business-driven social responsibility. As an aspect of the campaign, sector-oriented idea catalogues can be developed to provide inspiration and new ideas for CSR work. Additionally, a sector campaign can comprise conferences, after-work meetings or other events.

Innovation and social responsibility

The Government will also centre on business-driven social responsibility connected with innovation by giving businesses and entrepreneurs tools and knowledge. Focus will be on innovation in relation to both products and processes that at once benefit consumers and employees, the environment and society. Only 26 % of Danish small and medium-sized businesses have developed products with a social or environmental dimension. This is true even though surveys indicate that innovation based on these dimensions positively affects businesses financially (Gallup, 2005). This potential could be exploited by many more businesses and entrepreneurs than is the case today.

This is why the Government wants to reinforce regional counselling on innovation and social responsibility based on the results of a Nordic project on innovation and social responsibility that runs in the period 2007-2009 (see the section on current activities below). In cooperation with the

five growth houses in Denmark, a “Train the Trainers” programme will be developed with a view to preparing 30-50 counsellors to teach small and medium-sized businesses how to include social and environmental considerations in innovation and product development based on the individual business’ needs.

Furthermore, the Government will organise a conference entitled “Danish Businesses Innovating for World Challenges” to be attended by international experts and business representatives. The aim of the conference is to identify specific innovative areas where Danish businesses can find new growth opportunities on the global market by developing new products. The conference will result in a report containing a prioritised list of relevant key action areas for Danish businesses.

Survey of consumer roles in corporate social responsibility

The Government is also focusing on consumer roles in relation to CSR. Product background as well as production and trading conditions have a bearing on many consumers’ purchasing. This makes a transparent market a key factor in helping consumers to grasp how they can contribute to sustainable development. Denmark needs to ensure that consumers have access to and trust in the information they need for their purchases. For this reason, the Government has initiated activities to elucidate how consumers act in the context of sustainability and climate and what barriers prevent them from purchasing more sustainably. The survey will conclude in November 2008.

Progress report on the UN principles for social responsibility

Moreover, the Government will prepare a progress report to follow up Danish businesses’ compliance and accession to the UN principles of social responsibility. The report will be prepared biennially – the first time in 2010. The report will take stock of the extent to which and how Danish businesses perform CSR work in the context of the UN principles. Furthermore, the report

should pinpoint strengths and weaknesses in Danish businesses’ national and international activities. The aim is for the report conclusion to be followed up in the continued efforts to improve Danish businesses’ opportunities for reporting and communicating on their social responsibility.



4. Promoting businesses' social responsibility through Government activities

Businesses and investors play key roles in promoting social responsibility and making Denmark known for responsible growth. But the state sector also has a number of options for using its own business activities to aid in disseminating social responsibility. Each year, the state procures products for about DKK 27bn, has a total guaranteed amount of about DKK 23bn in export credits and a turnover of about DKK 140bn in state-owned public limited companies.

State business activities cover a range of areas, including:

- the state as purchaser
- the state as investor and credit facilitator
- state-owned public limited companies

4.1. THE STATE AS PURCHASER

In future, the Government wants to include CSR even more systematically and consistently in state procurement policy, thus using the policy to underpin Denmark's image as a country with responsible growth. For this reason, the Government will launch the following initiatives:

The Government wants to:

- ensure that in future joint state supply contracts will systematically embed requirements for social responsibility as articulated in the conventions that provide the foundation for the UN Global Compact
- ensure that all state procurement officers can access the guidelines for embedding social responsibility
- open up dialogue with local authorities and regions with a view to disseminating experience in embedding social responsibility in their areas

Opportunities and challenges

Total state procurement comes to about DKK 27bn annually. On a par with other major purchasers, this gives the state excellent opportunities for promoting responsible growth through its procurement policy.

Since 2006, binding joint state procurement agreements have been concluded in several areas as an aspect of implementing the State Procurement Programme. The State Procurement Programme will continually conclude new procurement agreements on the elements of state procurement that are joint. This means procurement of products and services used in largely all parts of the state organisation, including office supplies, computers, etc. Outside this scheme lies institution-specific procurement purchased by only one or very few state institutions, e.g. defence equipment by the Ministry of Defence and railroad sleepers by the Ministry of Transport.

The joint procurement agreements of the State Procurement Programme are concluded by means of EU tendering. Due to requirements for objectivity, equal treatment and transparency in the EU public procurement directives, the state cannot, unlike non-public purchasers, impose various requirements on its suppliers. Unlike non-public purchases, the state cannot require its suppliers to accede to principles or implement environmental management, as such requirements are not related to the purchased products or services and are also difficult to measure objectively. This fact faces the state with very specific challenges when a decision has to be made on the design of a procurement policy. The Government is promoting activities related to Green Public Procurement in the EU.

Ongoing activities

Even though several challenges relate to designing state procurement to accommodate and support the requirement for social responsibility, the Government has already implemented a range of initiatives to shift public procurement in a more responsible direction:

- Joint state purchasing agreements on, e.g., IT equipment, telephony, etc., contain minimum requirements for environ-

mental and energy friendliness.

- National Procurement Ltd. has concluded a procurement agreement aimed at promoting environment-friendly official cars in the public sector.
- In the most recent framework agreements under the joint state agreements, the state has included basic ILO conventions and human rights as minimum requirements for suppliers' completion of the framework agreements. Bids making reservations to these minimum requirements will not be considered. In completing the framework agreement, suppliers must also "contribute to protect nature and the environment with the aim of making society's development sustainable in respect of people's living conditions, as well as to protect animal and plant life".
- The Government has set up a panel for professional green public procurement seating public and private players. The panel is to engender knowledge on the possibilities of both public and private purchasers conducting an offensive green procurement policy.
- The Ministry of the Environment, the City of Copenhagen and the local authorities of Aarhus and Odense have set up the Partnership for Public Green Procurement. By participating in the partnership, the participants commit themselves to implementing systematic environmental requirements in their procurement activities.

New initiatives

The Government has set the goal that, in future, the state must include social responsibility considerations based on the UN principles even more systematically and consistently in its procurement. The activities are targeted at ensuring that the state does not procure products or services supplied on conditions that conflict with the conventions on which the UN principles are founded.

Generally, the Global Compact is a list of intentions and not fixed rules that can be provided as the direct basis for a contract. The advantage of the principles for businesses – their being founded on general principles and management decisions – is also their weakness in relation to state procurement policy, as they are intangible and unconnected to the actual products.

Thus, the principles need to be operationalised in procurement agreements. To this

end, they will be made into more specific requirements to the extent they are embedded in the convention forming the foundation of the principles, and included as a statement of intentions in agreements supplemented by very concrete requirements specifically targeted at the purchased product or service. Further, the agreements will contain non-performance provisions covering non-observance of the contractual obligations.

To a much wider extent than today, social responsibility may thus be included as actual contract law minimum requirements that can lead to non-performance of the concluded agreements if suppliers fail to observe the requirements.

In practise, relevant, concrete requirements from conventions forming the basis for the UN principles will be embedded as contractual requirements in state procurement agreements to the extent the requirements are seen as important to the actual procurement.

The Government thinks that such requirements should initially cover joint state procurement under the State Procurement Programme. As the Programme expands in future, contractual requirements will systematically be made with the aim of ensuring that product or service suppliers observe relevant conventional requirements on which the UN social responsibility principles are based.

Considering experience from joint state purchasing agreements, the Government will also support systematic inclusion of social responsibility in procurement projects falling outside the scope of the joint state agreements. Thus, the Government will make sure that state purchasers can, generally, access guidelines on including social responsibility in their procurements.

The initiative must be implemented in a way that continuously ensures effective, professional state procurements as well as observance of competition legislation and the EU Public Procurement Directive.

In addition, the Government will open up a dialogue with Local Government Denmark and Danish Regions to determine how to disseminate experience with including social responsibility. Several local authorities and

regions have already made great progress in this area. Local authorities and regions can already join the joint state procurement programme.

Finally, the Government wants to continue activities targeted at green public procurement and sustainable purchasing. These activities are outlined in the Ministry of the Environment action plan "Improved efforts targeted at green procurement in 2008-2009". As stated in the Government programme, the Government will ensure that all relevant state procurement agreements systematically embed environmental requirements.

4.2. THE STATE AS INVESTOR AND CREDIT FACILITATOR

The Government aims for the state to promote the objective of responsible growth through its investments and when it makes export credits available. The Government will ensure adherence to the UN principles of social responsibility among the organisations that manage state funds as either investments or export credits.

Specifically, the Government will make sure that the Vækstfonden accedes to PRI and that the Eksport Kredit Fonden and the Industrialisation Fund for Developing Countries accede to the Global Compact. Furthermore, the Government will ensure that the regional trade and industry development system helps disseminate business-driven social responsibility and will also strive to get international investment banks to make social responsibility part of their business and investment strategies.

These initiatives should ensure that the state is not, through credit facilities or export credits, enabling products or services to be produced under conditions inconsistent with the conventions forming the basis of the UN social responsibility principles. Further, the fact that the state's own investment organisations accede to the international principles that can be directly communicated will reinforce the overall marketing of Denmark.

The initiative will spring from the specific measures already taken by a number of the organisations. Of course, the individual organisation must still be allowed to work with social responsibility in the way most appropriate for it. As mentioned in chapter

2, the UN principles widely facilitate that approach.

The Government will therefore launch the following initiatives:

The Government wants to:

- ensure that the Vækstfonden accedes to the UN principles for responsible investment (PRI)
- ensure that the Eksport Kredit Fonden (EKF) accedes to the UN Global Compact
- continue its work of embedding social responsibility in Danish development work
- ensure that the Industrialisation Fund for Developing Countries (IFU) and the Investment Fund for Central and Eastern Europe (IØ) accede to the UN Global Compact
- organise conferences on businesses' social responsibility in developing countries jointly with Danish representations outside Denmark, local players and businesses
- ensure that the regional trade and industry development system contributes to propagating business-driven social responsibility
- strive to ensure that international investment banks embed social responsibility in their business and investment strategies

State activities in these areas share the common denominator of being related to trade and industry development. Furthermore, IFU is tasked with promoting trade and industry development in developing countries by investing in such countries jointly with the Danish corporate sector. Trade and industry development comprises measures and initiatives aimed at strengthening development in the Danish corporate sector by promoting competitiveness and globalisation. This can be done, for instance, by improving and expanding the framework for corporate growth, by adjusting the corporate structure to competitive conditions, environmental conditions and general social development, or by promoting regional trade and industry development and employment.

The trade and industry development system also consists of export credits. Export credits are financial assistance in markets where banks and/or businesses are unwilling to assume the full risk. In uncertain markets, export businesses can take out insurance against buyers not paying in due time or against the collapse of a deal due to circumstances in the country. Thus, the

insurance covers both commercial and political risks. A private credit insurance market supplements the state export credit scheme.

4.2.1. VÆKSTFONDEN

Opportunities and challenges

The state realises its role as investor in the trade and industry development system primarily through the state investment fund, Vækstfonden, which invests in Danish unlisted companies and in venture funds that focus on Denmark and the Nordic region. Generally, the Vækstfonden strives to develop the Danish market for innovation financing, thus helping to create more growth entrepreneurs. Vækstfonden activities comprise, e.g., direct corporate financing, co-financing of venture funds and management of state loan guarantees - recourse guarantee commitments. The Vækstfonden was set up in 1992 with basic capital of DKK 2bn.

Entrepreneurship and innovation, two of Vækstfonden's focuses, are other areas where the state's activities can aid in developing products and services that help solve social challenges. Vækstfonden's analyses of the potential for venture capital in 'Cleantech' reveal major growth potential for the Danish corporate sector when it comes to developing sustainable energy and energy-efficient solutions.

Ongoing activities

The Vækstfonden already embeds social responsibility in its investment strategies and exercises active ownership in its decision process. The Vækstfonden works with social responsibility as follows:

- In accordance with its legislative basis, the Vækstfonden considers environmental and ethical aspects when it invests in businesses and venture funds. The Vækstfonden looks favourably on a business able to document that it has more environment-friendly products or production processes or an organic alternative.
- The Vækstfonden is also engaged in initiatives that can support focus on CSR in the Danish entrepreneur environment. Vækstfonden has, for instance, identified reuse and energy and resource optimisation, 'Cleantech', as a new key action area for investments. In 2007, the Vækstfonden also introduced a Cleantech

award for the most promising business plan for the area, offering a prize of DKK 500,000.

- Finally, the Vækstfonden has internally launched a range of CSR measures such as CO2 saving initiatives that are being implemented.

New initiatives

The Government will make sure that the Vækstfonden accedes to PRI. The above examples show that it already embeds environmental and ethical considerations in its investment strategy and exercises active ownership. By acceding to PRI, the Vækstfonden obtains an international framework for its social responsibility work, a factor that may help market the fund's work with responsible investments internationally.

4.2.2. REGIONAL TRADE AND INDUSTRY DEVELOPMENT

Opportunities and challenges

The trade and industry development system includes a regional system consisting of the Danish Growth Council, the regional growth forums and the regional partnership agreements between the Government and the regional growth forums, which together form the framework for regional growth and business development activities.

The Danish Growth Council advises the Minister for Economic and Business Affairs in matters of growth and industrial development policy and is tasked with ensuring that the Government's growth policy and activities to promote growth and industrial development in regions interlace. The Council was set up in 2005.

Represented in the Danish Growth Council, the regional growth forums are responsible for regional activities concerning growth and industrial development. The regional growth forums were set up in 2006 and have continued the work initiated by the temporary growth forums. Their task is to prepare regional industrial development strategies for regional efforts aimed at growth and industrial development, monitor local and regional growth conditions and propose to the state how to use EU structural fund means or to the regional council how to use regional means for industrial development.

Ongoing activities

In June 2007, the Government concluded

regional partnership agreements on growth and industrial development with their regional growth forums. Regional partnership agreements should help the Government realise its globalisation strategy in close connection with regional efforts for growth and industrial development that are managed by the regional growth forums in consideration of each region's specific opportunities and challenges.

New initiatives

In relation to the regional industrial development system, the Government will ensure that social responsibility is included in the Regional Growth Strategy in future. Further, the Government will ensure that social responsibility is embedded in the work of the regional growth forums, for instance when they prepare industrial development strategies and propose co-financing of regional industrial development activities. Finally, the Government will ensure that advisory services on social responsibility are offered to growth companies through regional growth houses.

4.2.3. EKSPORT KREDIT FONDEN (EKF)

Opportunities and challenges

The Eksport Kredit Fonden (EKF) manages the state export credit scheme, which supplements the private market. At the end of 2007, EKF had a total guaranteed amount of DKK 23bn including conditional offers. In 2007, new issues came to around DKK 6bn.

Certain limitations are inherent in the state's possibilities of using the export credit field to promote social responsibility. The limitations result from the fact that EKF cannot act as an investor or loan provider but solely as a guarantor for loans. This means that EKF puts demands on the project it guarantees, while its ability to influence the company in general may be limited. In response to this problem, Britain has formulated its policy for the area by basing evaluations on specific projects rather than on the entire company.

Ongoing activities

EKF is already actively working with social responsibility and making demands on companies in terms of environmental conditions, social conditions and anti-corruption based on the OECD guidelines and the World Bank standards. Additionally, EKF is preparing an overarching policy for social responsibility,

which may accommodate, e.g., uncovered aspects of the UN human rights principles. EKF has also taken the following initiatives in the area of social responsibility:

- Since 2000, EKF has had a policy for environmental and social conditions, having prepared an annual environmental report since 2002. EKF assesses any environmental and social risks in all transactions and has implemented procedures for processing environmental and social conditions in applications for export credit guarantees.
- As the first export credit institute, EKF has acceded to the voluntary but binding cooperation based on the Equatorial Principles (prepared by the World Bank), a set of common guidelines for loan providers to assess and manage environmental and social risks related to project financing in developing countries.
- Since 2001, EKF has had an anti-corruption policy, under which exporters and guarantee-holders must sign a non-corruption statement.

New initiatives

The Government will make sure that EKF accedes to the UN Global Compact. As the above section proves, EKF has already progressed far in its CSR work, having acceded to more specific guidelines for social responsibility. Accession to the Global Compact will give EKF another significant international framework that even better enhances the fund's ability to market its international CSR work and, particularly, its CSR policy.

4.2.4. STATE ACTIVITIES IN DEVELOPING COUNTRIES AND CENTRAL AND EASTERN EUROPE

Opportunities and challenges

Within the framework of the development work, the Ministry of Foreign Affairs and IFU (Industrialisation Fund for Developing Countries) have already boosted CSR work in developing countries for a number of years, for instance through the trade instruments.

Denmark's international investment funds, IFU and IØ

IFU and IØ (the Investment Fund for Central and Eastern Europe) are tasked with promoting trade relations with developing countries and selected eastern European countries by investing directly in local

businesses jointly with Danish businesses. IFU and IØ are independent funds that offer risk-taking capital in the form of share capital, loans and guarantees on market conditions, while also advising businesses looking to invest in developing countries or central and eastern Europe. IFU was set up by an act of parliament in 1967, IØ in 1989. Since their establishment in 1967, IFU/IØ have together invested in more than 1,000 projects in 90 countries for a total sum of DKK 11.6bn.

Concretely, IFU/IØ invest jointly with Danish businesses in project companies when the funds deem the projects commercially sustainable and capable of leaving a lasting, positive effect on the host country's development. IFU and IØ participate actively in project development, generally as directors.

Ongoing activities

- Public Private Partnerships granting financial subsidies, advisory service and access to local networks for Danish businesses looking to launch CSR activities in developing countries. In the scope of the Business-to-Business programme, Danish businesses can attain financial subsidies for environmental improvements and socially targeted activities related to commercial activities in developing countries.
- The Ministry of Foreign Affairs has held conferences on CSR in Brazil and Vietnam in cooperation with embassies, local players and businesses. Based on Danish CSR experience, the conferences aimed to create a dialogue on how business-driven CSR is best practised.

Denmark's international investment funds, IFU and IØ

The IFU and IØ objectives are for investments to support long-term sustainable development in project companies.

- IFU/IØ introduced its first environment policy in 1996 and a Code of Conduct for labour rights in 1998.
- In 2005, IFU/IØ updated its policies for the environment, health and safety at work, labour and human rights and business ethics to form a complete CSR policy based on the ten principles of the UN Global Compact and underlying conventions. As a minimum, project companies must observe host countries' legislation and use Danish and interna-

tional standards as their benchmarks. The funds require companies to prepare CSR action plans and status reports.

- The project companies must embed the IFU and IØ guidelines in their strategies and work methods, making them integral parts of the business strategy – even when IFU and IØ no longer participate in the project.
- In recent years, IFU/IØ have urged project companies to accede to the Global Compact.

New initiatives

Conferences in developing countries

Jointly with Danish international representations, local players and businesses, the Ministry of Foreign Affairs will initiate conferences to be held on CSR in developing countries.

IFU and IØ – accession to the Global Compact

The Government will make sure that IFU and IØ accede to the UN Global Compact. IFU/IØ have already for worked actively a number of years with CSR as an integral part of IFU's daily activities. Accession to the Global Compact would be a useful contribution to marketing IFU/IØ's international CSR work.

4.2.5. INTERNATIONAL INVESTMENT BANKS

Opportunities and challenges

The Danish state also makes indirect investments by participating in international forums such as the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NIB).

EBRD aims to support market economy development in central and eastern Europe and in the CIS countries by financing activities in the private sector. EBRD has an obligation to operate only in countries committed to democratic principles. Environmental consideration is one element of the strict corporate governance requirements EBRD poses to all investments.

The Nordic Investment Bank (NIB) aims to strengthen member countries' competitiveness and activities targeted at promoting sustainable growth, including by contributing to environmental improvements.

The banking activities are focused in the neighbouring areas of the Nordic Region supplemented with loan activities in the Baltic States.

New initiatives

At the international investment banks, the Danish state alone does not decide the basis for making investments. However, the Danish Government will strive to make sure that the organisations take CSR considerations into greater account in their investments. One way of doing this would be to accede to the UN principles for responsible investments.

4.3. STATE-OWNED PUBLIC LIMITED COMPANIES, ETC.

The Government wants state-owned public limited companies to observe international principles for social responsibility through their CSR work. The Government will therefore launch the following initiatives:

The Government wants to:

- make it mandatory for state-owned public limited companies to report on CSR in the management's review of the annual report
- ensure that all major state-owned public limited companies accede to the UN Global Compact

Opportunities and challenges

The state can contribute to propagate responsible growth by ensuring that social responsibility is more frequently made a systematic part of business strategies for major state-owned public limited companies and that small state-owned public limited companies take an active stance on social responsibility.

Ongoing activities

The report *The state as shareholder* (Ministry of Finance, Ministry of Transport and Ministry of Economic and Business Affairs, 2004) already focused on the social responsibility that lies with state-owned public limited companies, i.e. the companies, etc., in which the state has, for example, a majority share and thus a controlling interest. Since then, the state has therefore required state-owned public limited companies to decide actively whether the companies benefit from publicising additional in-depth non-financial

information on topics like ethical and social responsibility and health and safety. Further, by statutory requirement the annual report for state-owned public limited companies, among others, must describe knowledge resources and companies' impact on the external environment as well as measures for preventing, reducing or alleviating that impact.

On that basis, a range of state-owned public limited companies are already working actively to promote basic labour conditions and human rights. This applies to DONG Energy A/S, Danske Spil A/S, Danish State Railways and Post Denmark A/S.

DONG Energy A/S

- has acceded to the UN Global Compact. This requires all subsidiaries to observe the principles, while the observance can be reported jointly at group level
- has since 2007 publicised an annual responsibility report in relation to the company's annual report.
- has prepared ethical re-regulations for its suppliers, which will become a part of the contract basis for future suppliers.

Danske Spil A/S

- has designed ethical guidelines that state, for instance, that the company must realise its gaming business within a social responsibility framework.

Danish State Railways

- has implemented ethical rules (Code of Conduct), requiring suppliers to observe all international conventions and national legislation applying in the country in which the work or service is being performed.
- also requires its suppliers to observe a range of specific requirements on complying with international and national legislation against child labour and non-discrimination and on health and safety in the area where work is performed.

Post Denmark A/S

- has launched CSR activities in a range of areas such as health and safety, ensuring a socially inclusive workplace and the environment, all covered in the company's annual report.

New initiatives

The Government will develop the concrete measures that the state as shareholder and the state-owned public limited companies have already initiated.

Statutory requirements on reporting for all state-owned public limited companies
On a par with major private companies, the state-owned public limited companies will - irrespective of their sizes - become obliged to report on CSR in the management's review in their annual reports. This will make statutory the practice that state-owned public limited companies have followed since at least 2004.

As today, the way state-owned public limited companies report on CSR will differ considerably. This difference reflects the great differences between state-owned public limited companies. This is true in terms of size, with Dansk Jagtforsikring A/S having a turnover of DKK 3m and one employee at one end of the spectre and DONG Energy A/S having a turnover of DKK 41.5bn and more than 5,000 employees at the other. Secondly, the diverse activities the state-owned public limited companies perform mean that the focus given to various social responsibility aspects simply must vary.

Joining the Global Compact

As an additional initiative, the state as shareholder will ensure that certain major state-owned public limited companies, etc., will, like DONG Energy A/S and several private businesses, accede to the UN Global Compact principles, which are, as previously mentioned, the most relevant international principles for CSR. Businesses must accede to the Global Compact as a group, in which the parent company accedes. The parent company then reports on the group's observance of the principles on behalf of the subsidiaries. This is the procedure selected by businesses that already work with CSR.

The initiative should ensure that state-owned public limited companies are not enabling products or services to be produced under conditions inconsistent with the conventions forming the basis of the UN social responsibility principles.

The initiative calls for the state to contribute to heightening support for these principles in other parts of the corporate sector by committing major state-owned public limited companies. At the same time, it will create a strong, joint international starting point for the Danish state-owned public limited companies. Accession to the Global Compact may give state-owned public limited companies advantages compared to marketing in the global market where a few of them are active.

Based on concrete assessments of the individual state-owned public limited companies activities, the Government will direct Danske Spil A/S, Danish State Railways, Post Denmark A/S and Sund & Bælt Holding A/S to accede to the Global Compact on a par with DONG Energy A/S, which has already acceded of its own volition.

A key factor in deciding which state-owned public limited companies, etc., should be directed to accede to the Global Compact, was that most of the companies operate within a limited business area, primarily in Denmark, which has principles of human rights, labour rights and anti-corruption embedded in its Danish legislation.





5. Corporate sector's climate responsibility

Denmark will host the 2009 UN Climate Change Conference, COP15, its goal being to achieve an ambitious global climate agreement. The Government wants businesses to contribute actively to tackling global climate challenges. Thus, businesses can target their work at maintaining and strengthening their competitiveness by reducing energy consumption and greenhouse gas emissions in their own and suppliers' businesses, while also contributing to developing and disseminating global climate solutions. The work would enable the businesses to support the goals made in the energy agreement concluded 21 February 2008. The Government wants to underpin businesses' work on preparing climate accounts and climate strategies. Finally, the Government will focus on businesses' and sectors' options for reducing their greenhouse gas emissions through partnerships on climate responsibility.

The Government wants to:

- urge businesses to include sections of climate responsibility in their reports on CSR in the management's review of the annual report (see the mandatory requirement in key action area 1)
- jointly with the Confederation of Danish Industries develop the Climate Compass – a web-based climate tool aimed at helping businesses prepare climate accounts and climate strategies
- initiate four partnerships on climate responsibility in relation to investors, in the retail sector, the construction sector and in the maritime sector

Opportunities and challenges

Denmark and Danish businesses will have a special opportunity to set a positive agenda when it comes to the aspect of CSR that deals with tackling the global climate challenge.

Denmark will host the 2009 UN Climate Change Conference, COP15. In that connection, the Government will strive hard to meet the target of an ambitious global climate agreement. A solution to the climate challenge will require active contributions from the corporate sector, the idea being to ensure that global players actively pull development in the right direction and help solve the climate challenge – directly and indirectly.

In many ways, the corporate sector assumes a key role in ensuring that the goals of an ambitious global climate agreement are realised, since corporate activities are a major source of global greenhouse gas emissions.

Therefore, the corporate sector will have to realise actual reduction efforts, preferably as cost-effectively as possible. At the same time, the corporate sector assumes a key role in developing new technology and spreading technology, including to developing countries. In that connection, a range of businesses will experience new growth possibilities as the market for climate-friendly technologies and solutions gains strength.

Since 2005, several Danish businesses have been covered by the common EU quota regulation of CO₂ emission. In Denmark, the regulations cover some 380 production units, collectively accounting for about 50% of Danish CO₂ emissions. These businesses must report on CO₂ emissions. Additionally, in 2007 the EU adopted ambitious targets for the EU for:

- reducing greenhouse gas emissions by 20% in 2020 (compared to the 1990 level). The EU has further declared that it will commit to a 30% reduction as part of a new global climate agreement, if other industrialised countries assume similar obligations and developing countries also contribute.

- having sustainable energy reach a 20% share of total energy consumption by 2020.

By means of the energy agreement from 21 February 2008, Denmark has initiated momentous energy-saving efforts, setting the goal that Denmark's gross energy consumption should decrease by 2% up to 2011 and by 4% up to 2020 (compared to the 2006 level).

The corporate sector will play a key role in meeting the above goals. Voluntarily, Danish businesses can concretely contribute to handling the global climate challenges by reducing energy consumption and greenhouse gas emissions from their own businesses and suppliers and by prioritising development and the spread of energy-efficient products/services. To enable businesses to work strategically with reducing greenhouse gas emissions, the individual business can benefit from stating its total greenhouse gas emissions as well as a climate strategy having climate goals that can be embedded in the business strategy.

Climate-oriented activities further pave the way for maintaining and strengthening the corporate sector's competitiveness and growth:

- Businesses can lower their energy consumption to reduce their operating costs by, e.g., optimising logistics
- Businesses can up their earnings by developing new climate solutions
- Businesses can strengthen their marketing vis-à-vis customers and investors

The holding of the 2009 UN Climate Change Conference in Denmark and any specific corporate activities up to, during and after will also offer a unique opportunity – in the climate area – to market Denmark and document Danish companies' specific and general responsibility as well as Danish strongholds in the fields of energy technology and climate solutions.

A new survey made by Berlingske Nyhedsmagasin reveals that almost 90% of Danish corporate executives believe that focus on businesses' climate impact will pose greater managerial challenges in three years than today. But even as the need to do something grows, six out of ten state that they have difficulty seeing how to reduce their businesses' load on the climate. Thus, a challenge lies in the fact that many companies today do not know of/use the existing

tools to work strategically with climate accounts or even climate strategies. A Ministry of Economic and Business Affairs survey shows that only few Danish companies today mention climate changes in their annual reports as conditions that might impact on future earning capacity.

Ongoing activities

The Government has already launched several initiatives in the climate area, including:

- 'Programme for user-driven innovation' focuses particularly on how climate-friendly products can be promoted by including users – thus increasing companies' growth options in areas like sustainable energy.
- Environmental-technology action plan aimed at innovating strong Danish positions in environmental and energy-efficient technologies. The aim is for environmental conditions, development and financial growth to go hand in hand.
- 'One-tonne-less campaign – 2007-2009' centres on how the individual citizen can reduce CO₂ emissions through everyday choices. A CO₂ calculator was developed for the campaign, able to calculate an individual's personal CO₂ emission.
- Energiguide.dk is a web-based tool that gives businesses – in various sectors – good advice on how to reduce energy consumption. The Danish Energy Authority developed the tool jointly with Electricity Companies in Denmark.
- Agreements on energy efficiency improvements: around 280 businesses have concluded agreements on energy efficiency improvements with the Danish Energy Authority under the CO₂ tax subsidy scheme.
- Establishment of a Climate consortium in close cooperation with a range of trade associations. The Consortium is to market Denmark and Danish businesses' competences and technologies that can help tackle the global climate challenge – e.g. in the Cleantech area.
- Establishment of the 'Energy Technology Development and Demonstration programme' aimed at supporting energy-policy goals, including global climate considerations. The Programme is to nudge new energy technologies and solutions into the market and promote the use of their business potential in the energy area.
- More public funding for research, development and demonstration of new climate-friendly technologies. The

Government wants to double the public funding up to 2010.

- Agreement of 21 February 2008 on Danish energy policy in the period 2008 – 2011 contains a number of initiatives aimed at promoting savings and energy-efficiency while also spreading the use of sustainable energy. A Knowledge Centre for promoting energy savings will be set up, to which businesses can give and find advice on energy savings.
- The Government's climate adjustment strategy from March 2008 underlines that in addition to reducing greenhouse gas emissions, Denmark must adjust to expected climate change like more frequent floods and stronger winds. Businesses involved in urban development, building material development or disposal of matter like wastewater can contribute by developing methods or materials that take these extreme weather conditions into consideration.
- The Government has concluded partnership agreements with a number of countries paving the way for setting up Clean Development Mechanism (CDM) projects or Joint Implementation projects under the Kyoto agreement. Such partnerships enhance the opportunities for realising projects that couple technology transfer with reduced greenhouse gas emissions.
- The energy-saving agreement of 2005 established that all buildings larger than 1,000 square metres must be energy-labelled at least every 5 years. Irrespective of size, all public buildings must be energy-labelled every 5 years. At the same time, the Government wants to cut down 10-15% of energy consumption in state institutions up to 2011. Energy labelling should help focus on possible savings and therefore engender significant energy savings. Thus, businesses can voluntarily opt to energy label buildings not already covered by the energy-labelling scheme (i.e. buildings smaller than 1,000 square metres) to achieve major energy savings.
- Under the UN Environment Programme, the Government has strived to include globalisation and the environment on the international agenda, one goal being to mitigate the negative effects of globalisation on the environment. These effects include risks of businesses moving production to countries with weak or no environmental requirements. The Government has urged UNEP to develop principles for sustainable outsourcing, investments and trade in a globalised world and to reinforce dialogue and cooperation

with the WTO with a view to strengthening environmental concerns in the trade regimen.

New initiatives

Urging businesses to include climate responsibility in managements' reviews

The Government will urge businesses to include climate responsibility sections in their reports on CSR in the management's review (see the mandatory requirement in key action area 1). In this way, the Government encourages businesses to relate to the global climate challenge when they report on their CSR work.

The Climate Compass – a web-based climate tool

To facilitate Danish businesses' reduction of greenhouse gas emissions and design of climate strategies, the Government will – jointly with the Confederation of Danish Industries – prepare a web-based climate tool, the Climate Compass. The Compass targets all sectors and company sizes, but centres particularly on simplifying the work for small and medium-sized companies.

The Climate Compass is to aid Danish businesses in their voluntary work to reduce climate impact. Businesses can use the Climate Compass to calculate their own CO₂ emissions and estimate the emissions that relate to their products and value chain in general. Against this backdrop, the Climate Compass helps businesses to prepare climate strategies containing targets for reducing their CO₂ emissions. Further, the Climate Compass enumerates examples of climate measures as well as guidelines and tools for communicating and reporting the measures.

Partnership on climate responsibility in selected industries

The Government will initiate four partnerships to enhance businesses' incentives to focus on reducing their greenhouse gas emissions and handling the challenges faced when they have to communicate on climate-oriented activities. The partnerships will focus on investors, retail, the construction industry and the maritime industry and must map opportunities and barriers affecting how these industries play active roles in the area of the climate.



6. Marketing Denmark for responsible growth

The Government wants the marketing of Denmark for responsible growth to help Danish businesses reap greater benefits from their social responsibility work.

To this end, the Government wants to initiate targeted international marketing activities. The Government has prepared an overarching action plan for global marketing of Denmark. The marketing activities should create a clear, transparent picture of Denmark internationally, so that we enjoy a strong position in future global competition. The marketing activities will focus on, e.g., making Denmark known internationally as a responsible, balanced country, where acting responsibly and conscientiously is important to individuals, businesses and the public sector. The Government will also market Denmark for environmental awareness, cleanliness and energy-efficient solutions.

Thus, the action plan dovetails with the overall plan for marketing Denmark, and the initiatives below must be seen in the context of the Government's general marketing activities.

The following initiatives will be launched to market Denmark for responsible growth:

The Government wants to:

- promote Danish tools and competences in the area of corporate social responsibility
- head up a 2010 international summit on international standards for social responsibility in Copenhagen (ISO 26000)
- organise an international conference on responsible investments aimed at creating the basis for better targeted and usability-oriented research

Opportunities and challenges

Denmark is already known as a country that unites financial welfare with high social and environmental standards, and the Government wants to strengthen the international

marketing of Denmark based on precisely these qualities and competences. The promotion activities are needed to ensure that Denmark upholds its strong position in the global competition for competent labour, investments and market shares.

The Danish welfare model constitutes an excellent platform for improving the marketing of Denmark for responsible growth. Basic values and standards mean that many Danish businesses see their taking responsibility for the surrounding society as a natural development. Moreover, Danish businesses can take advantage of current positions of strength in, for instance, biotechnology, renewable energy, IT solutions, quality food and high-quality services.

In 2007, the British think-tank Accountability analysed motive forces for responsible business operation in 108 countries. The survey covered motive forces in businesses, in the political system and in society generally. Denmark came second in the "Responsible Competitiveness Index" – 0.5 percentage points behind the winner, Sweden. The survey places Denmark high on the list both as to policies supporting responsible business operation in wider relation to the social and political contexts, and as to businesses behaviours.

Thus, the surrounding world sees Denmark as having a responsible corporate sector. We must take this point of departure to make the surrounding world aware that Denmark and the Danish corporate sector have the traditions and competences in place to develop market-based solutions, where growth goes hand in hand with considerations for people and the environment.

The corporate sector can help ensuring that, internationally, Denmark is connected with responsible growth, a connection that benefits our society in general, but also the individual company. Danish companies

will, for example, find it easier to differentiate themselves from competitors in global markets, if Danish products and services are basically perceived as responsible and sustainable.

Ongoing activities

The Government has already launched a range of activities to market Denmark internationally. As the Government 2007 action plan for global marketing of Denmark describes, the Government wants to market Denmark as a responsible, well-balanced country and as experimental and bold. This vision includes making Denmark visible as a country that is about high quality, environmental consciousness, simplicity and efficiency.

To market Denmark, the Government has:

- set up the Marketing Denmark Fund granting support to events, promotional drives, conferences and campaigns that raise the surrounding world's awareness of Denmark. The Fund can support projects that market Danish businesses' social responsibility – in Denmark and on global markets alike
- supported the work of the UN Global Compact and participated in developing the OECD guidelines, the upcoming ISO 26000 standard, ILO standards, EU guidelines and the Global Reporting Initiative (GRI)
- established cooperation with the World Bank on using the Danish experience from the People & Profit project in World Bank projects worldwide. The World Bank is offering training in how to practise social responsibility, based on an English version of the training material from People & Profit.

New initiatives

To underpin the general marketing activities and utilise that framework to make Denmark known internationally for responsible growth, the Government must realise a range of marketing activities outside Denmark's borders, and Denmark's representation in international contexts must be intensified.

Marketing Danish competences, knowledge and tools

The Government will enhance Denmark's becoming associated internationally with responsible growth by boosting marketing of Danish CSR competences, knowledge and tools. In particular, the Government will strive to propagate Danish contributions to practical CSR work globally - including the CSR Compass, Human Rights Compliance Assessment, Human Rights Country Risk Assessments, Business-Anti Corruption Portal, Child Labour Toolkit and the People & Profit project. The marketing activities must ensure that Denmark and the Danish corporate sector become better known internationally for their CSR knowledge and competences. The work will be coordinated closely with the activities launched with the Government's overall action plan for marketing Denmark globally.

Summit on international standards

Plans are being made for the Danish Government to host the 2010 international summit, which will adopt the new social responsibility standard, ISO 26000. The summit is expected to attract participants from all over the world. In connection with the summit, the Government will focus on Danish businesses' social responsibility with a view to supporting the international marketing of responsible growth in Denmark. This goal can be realised through a range of associated events, activities and exhibitions held on the occasion of the summit.

International conference on responsible investments

In cooperation with researchers from Princeton University, the Government is also organising an international conference on the profitability of responsible investments. The conference is to assemble leading economic researchers and professional investors actually engaged in responsible investment. The conference will form the basis for better-targeted and user-oriented research in responsible investments.

Appendix 1: Other countries' CSR initiatives and policies

Great Britain is one of the countries focusing on CSR. As early as in 2000, the British government appointed a minister for CSR. In 2004, Britain became the first country in Europe to launch an actual strategy for CSR, prepared by the CSR minister. Additionally, the British Foreign Office adopted a separate CSR strategy focusing on the corporate sector's global activities.

In December 2007, the Dutch government launched its CSR strategy. Under the heading "Inspiring, Innovating, Integrating", the Dutch strategy focuses on three areas; 1) increasing the corporate sector's awareness of social responsibility – with one element calling for the public sector to set an example through sustainable procurement, 2) innovation and product development are key motive powers in CSR work and 3) CSR work must in practice become an aspect of a business' implementation strategy throughout the entire supplier chain.

In the Nordic region, Finland presented a "Corporate Responsibility Finland programme" in 2004, centring on integration of CSR in business activities, support to small and medium-sized companies and transparency and reporting. Using an adoption from the parliament, the Norwegian government is currently preparing its policy for the CSR area. The aim of the work is to underline increased commitment, clearer policies for the area and the government's expectations of how Norwegian companies should act on foreign markets.

A number of countries have also prepared CSR policies as an element of a sustainability strategy. This is true for France, Sweden, Ireland, Germany and Austria.

Appendix 2: International principles and initiatives

In addition to the UN principles for social responsibility and the OECD guidelines, a number of other principles apply, some of which are regionally based and others are restricted in terms of participating businesses and institutions. Below follow some examples of such principles.

United Nations Environment Programme Financial Initiative (UNEP FI)

UNEP FI is a global partnership between UNEP and the financial sector. The initiative involves 160 financial institutions (banks, insurance companies and funds) that have signed a statement binding them to contribute to sustainable development. UNEP FI offers capacity building, information and network activities to the financial institutions.

The Equator Principles

The Equator Principles are a set of common principles for assessing environmental and social issues in project financing. The principles are generally applied to projects with a total investment sum of USD 10 million or more, regardless of sector. The guidelines were prepared at the initiative of the World Bank, fundamentally for large projects in third-world countries. Later, the guidelines were extended to comprise small-scale projects in OECD countries as well. The principles were introduced in 2004 and have now been endorsed by 60 finance banks worldwide, one being the Danish export credit fund, EksportKredit-Fond (EKF).

Global Reporting Initiative (GRI)

The GRI is a UN initiative where businesses, consultants, NGOs, accountants and researchers team up to establish global guidelines for sustainability reporting. The initiative has developed into a recognised standard for sustainability reporting and is applied by more than 1,500 businesses worldwide. It contains sector-specific guidelines, e.g. for the financial sector. In 2007, the Swedish government decided to make it mandatory for state-owned public limited companies to report on their sustainability activities in compliance with the GRI.

Transparency International – Business Principles for Countering Bribery (BPCB)

The BPCB are practicable principles for how businesses can avoid and counter corruption. The highly respected organisation Transparency International prepared the guidelines. Not being a member scheme, the BPCB have been prepared to give companies practicable guidelines for their work on anti-corruption, for example on formulating anti-corruption policies.

Carbon Disclosure Project (CDP)

The CDP is a global organisation of investors that have signed a collective global request for businesses to disclose the amount of their CO₂ emissions. In excess of 1,300 businesses report their emissions through the CDP website. More than 385 institutional investors have signed the initiative, launched by Tony Blair in 2000.

UN Caring for Climate

The Global Compact, UNEP and World Business Council for Sustainable Development (WBCSD) have in concert with business organisations and NGOs issued a Caring for Climate statement, which Global Compact businesses are encouraged to adopt. For instance, businesses commit themselves to enhancing energy efficiency, reducing CO2 emissions, setting voluntary reduction targets, being ambassadors of climate improvement and training staff. The statement has been adopted by 152 big businesses and 53 small ones.

Principles for Responsible Management Education

The UN Principles for Responsible Management Education are six principles issued in 2007. By endorsing the principles, educational institutions commit themselves to integrating education on CSR and sustainability into management education, developing student competences in responsible management and sustainability, participating in research in the area and forming partnerships with the corporate sector. The educational institutions that have endorsed the principles must also report on initiatives and progress once a year.

Business Social Compliance Initiative (BSCI)

The BSCI is a European cooperation on monitoring social standards for goods production in all supplier countries. The

BSCI offers its members joint monitoring of suppliers and a business development system. It has 120 members, primarily from the retail and industrial sectors, and was established in 2003 by the Foreign Trade Association – a European trade association specialising in foreign trade.

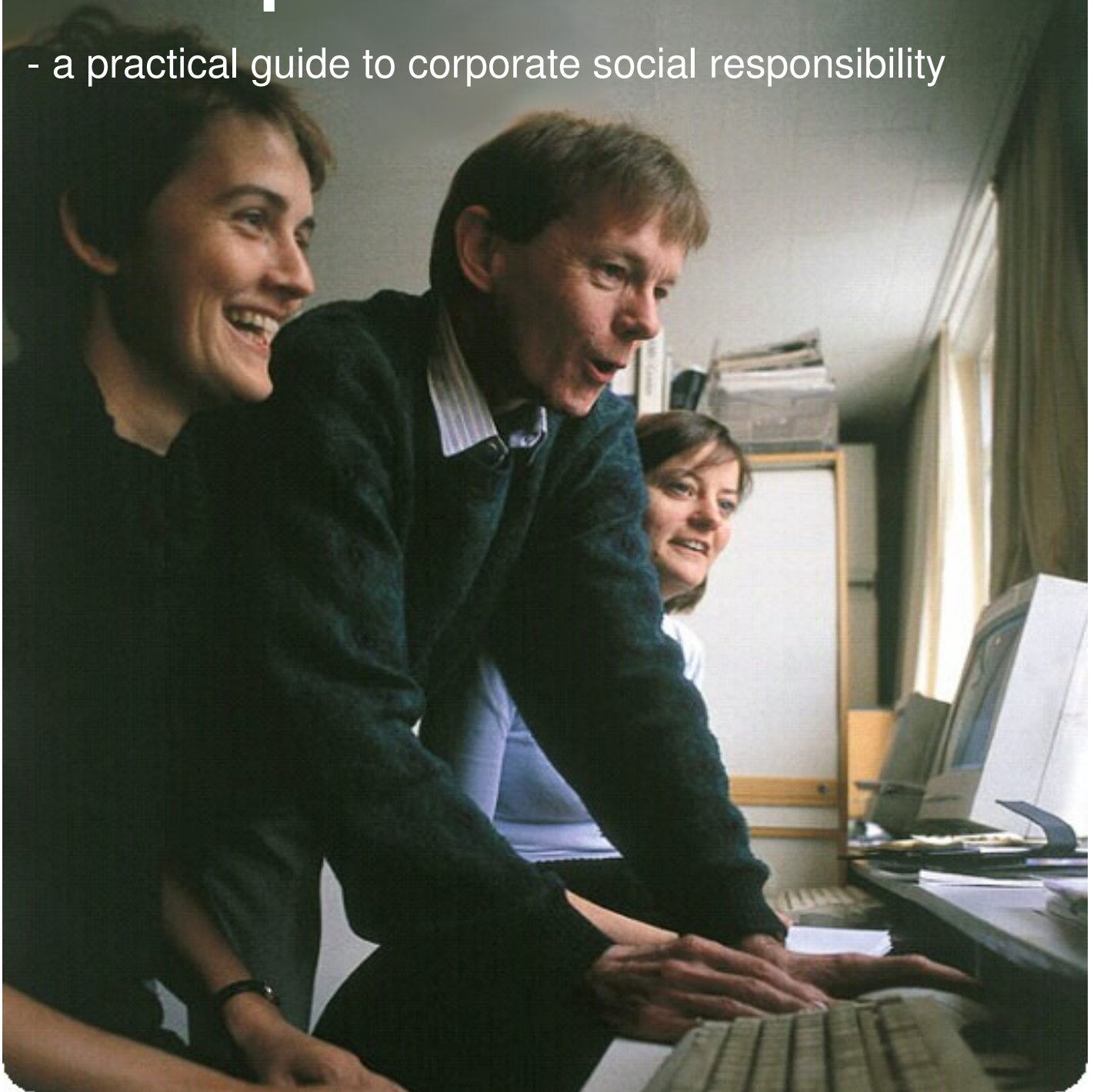
As illustrated by the above, a host of international principles apply to social responsibility. They are supplemented by UN principles, which do not exclude other principles. Hence, any business joining the Global Compact can supplement these general principles with other guidelines where relevant. A business joining the Global Compact may thus, in endeavouring to comply with the eight principles to promote greater environmental responsibility, choose to do so by joining the UN Caring for Climate, among others. Similarly, an investor having endorsed the PRI may also endorse the OECD guidelines or the Equator Principles, etc., if considered relevant for the individual business.

Globalisation means that financial, cultural and political ties across national borders are becoming ever closer. This process creates a more open world, offers new opportunities.

Corporate social responsibility is high on the international agenda, and Denmark is a country where many businesses have embraced this agenda. Through this actionplan, the Government aims to intensify and support Danish businesses in continuing their active work of social responsibility, thus helping to improve conditions in the countries with which they trade or have set up business.

People and Profit

- a practical guide to corporate social responsibility



CSR activities are.....



People & Profit

A practical guide to corporate social responsibility

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The book has been prepared by Rambøll Management in co-operation with the staff of the Danish Commerce and Companies Agency and a number of experts.

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The contents of this book may be reproduced on acknowledgement of source.

The material has been prepared in connection with the People & Profit project and can be downloaded free of charge from the website: <http://www.eogs.dk/sw28291.asp>

Preface

October 2007



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Social responsibility pays off

In Denmark, we have a strong tradition for taking responsibility for our actions, for our fellow citizens and for our society. The Danish welfare system has meant that it's natural for Danish companies to work actively with protecting their workers, the environment and the society in general.

This guide has been put together to help prepare small and medium-sized businesses for working with voluntary environmental and social issues, also called Corporate Social Responsibility (CSR). In total, more than 12,000 managers from companies across Denmark were trained in 2006 and 2007, making the training program one of the largest in the world, both in absolute and relative terms. This English translation has been carried out due to expressed interest from the World Bank Group, and we hope that companies around the world will find the material useful.

Danish companies' CSR efforts have already gained international attention. In 2007, the international think tank AccountAbility named Denmark the second best nation in the world when it comes to working with CSR. It is the goal of the Danish government to be a leader in this area, and to assist companies in their efforts to improve their already impressive efforts.

It is the Danish governments' intention that this guide will serve two purposes. Firstly, to disseminate knowledge about how businesses can take advantage of their CSR activities to boost their earnings, corporate image, and ultimately financial result. Secondly, to inspire managers and members of staff in small and medium-sized enterprises to get involved with CSR in ways which support their core activities.

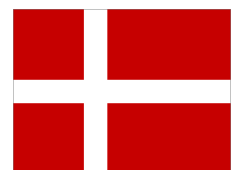
The People & Profit project is subsidised by the European Social Fund and the National Fund for Inclusion under the Danish National Labour Market Authority. I would like to thank the European Social Fund and the National Labour Market Authority for their generous support.

I would also like to thank the numerous employer and employee organisations, Danish and international experts, etc. who contributed to the realisation of the project and the courses.

I hope that the guide will inspire businesses around the world to put their CSR initiatives to active use and thus realise their true People & Profit potential.

A handwritten signature in black ink that reads 'Bendt Bendtsen'.

Bendt Bendtsen
Minister for Economic and Business Affairs



Kingdom of Denmark

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How to use this guide

The guide is a reference guide and a workbook which allows your business to:

- Identify the CSR activities which are strategically relevant to your business in particular
- Find out more about the relevant activities
- Find guidelines and inspiration for getting started.

The contents of the guide forms part of the material used at the People & Profit courses. Subjects and headlines, therefore, are identical to those used at the course. The topics are also available on www.overskudmedomtanke.dk

The guide is divided into a number of subjects and activities, the description of which is two-fold:

- introduction
- guide and inspiration for working with the subjects in you own business

The instructions are as hands-on as possible taking into consideration that small and medium-sized enterprises in various sectors are very different.

You are not supposed to introduce all of the activities mentioned in the guide. The guide has been prepared as a source of inspiration for a discussion on which activities are relevant to your business in particular.

Good luck with your project!

E-learning – material available online

This guide is also available online in an interactive version on the project website where you will find:

- The charts and analysing tools from the guide
- Instructions and inspirations
- Interactive tools
- Video cases illustrating the experiences of other businesses
- Links to other relevant websites.

Find out more on www.overskudmedomtanke.dk (in Danish).

Introduction to CSR

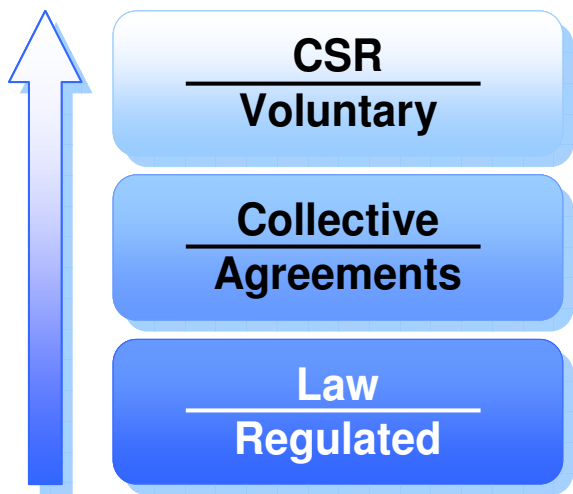


1. Introduction to CSR – Corporate Social Responsibility

CSR (Corporate Social Responsibility) is a concept committing companies voluntarily to consider social and environmental issues. In other words, CSR is your voluntary effort to include society, the environment and your stakeholders in the context of your activities and operations. Thus, CSR includes the activities which make a difference to people and the environment. But CSR is also the actual process of including relevant stakeholders in the decision on which activities you plan to undertake in relation to people and the environment.

CSR is way of operating a business – and may be a means for developing the business and for improving its competitive edge.

In addition, CSR builds upon the activities regulated by law or collective agreements in which the business is already engaged.



The scope of statutory regulation, agreements and the degree to which they are complied with vary considerably from one country to the next. This means that just by complying with statutory provisions and collective agreements, Danish businesses make a stronger effort in the field of CSR than many third-world countries do on a voluntary basis or businesses in other countries subject to less strict regulation. This may be used as a competitive advantage, when Danish small and medium-sized enterprises face CSR demands from their international customers. You are often able to meet the demands of your customers just by observing Danish legislation.

In Denmark, the concept of CSR is often mentioned in the context of other concepts such as “the socially inclusive labour market”, “sustainable development” and “the triple bottom line”; they are, however, only sub concepts of CSR. CSR includes numerous activities which may be divided into 10 areas as illustrated by the figure on the following page:

Definitions

Corporate Social Responsibility (CSR) is a concept committing companies voluntarily to consider environmental and social issues.

Small and medium-sized enterprises (SME) are companies with 1-250 employees, annual revenues of max. €50m or annual total assets of max € 43m.

Sources:

http://www.europa.eu.int/comm/enterprise/csr/index_en.htm;

European Commission, *The New SME Definition*,

<http://www.egion.dk/lib/files.asp?ID=5>



To find out more about the areas and activities, see the following chapters of this guide.

1.1. Apply CSR strategically – think CSR in terms of your business

CSR will add the greatest value to your business when it complements your core business, and when societal commitment becomes an integral part of the business and its processes. Strategic CSR is about choosing the CSR activities that match your business and reflect your values and challenges.

It is also a question of identifying the activities in which you are already engaged and of ensuring the interaction between current activities, your business strategy and future activities.

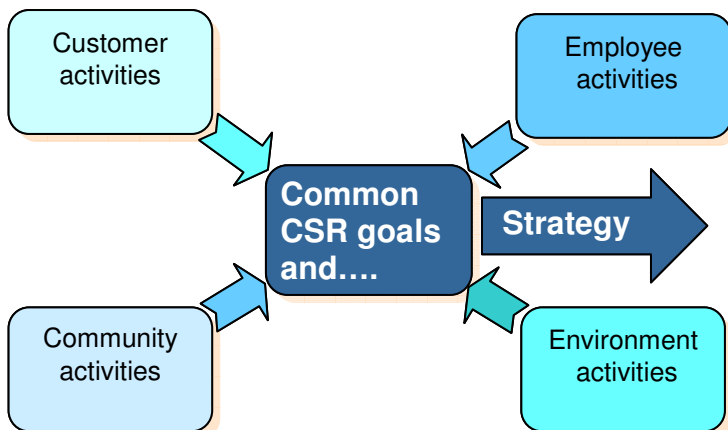
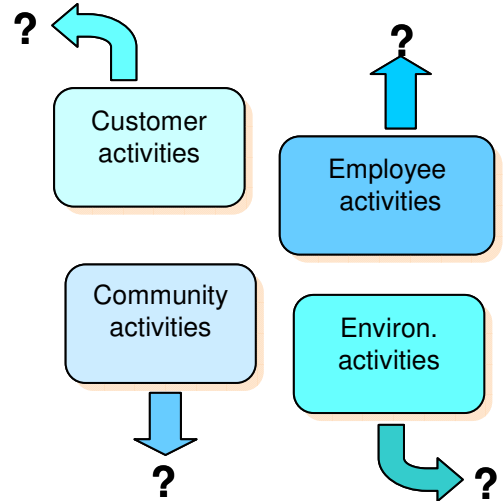
Internal CSR strategy

The concept of CSR incorporates numerous activities all of which are well-known and have been applied by many companies for years. The activities are initiated because of various needs, requirements, wishes, etc., and are often undertaken by different employees throughout the business.

For instance, an environmental manager may prepare a draft strategy for the business' environmental activities with particular focus on environmental problems. Likewise, a JSC is in charge of action plans in connection with occupational health and safety, and a human resource manager is in charge of staff development based on staff development interviews.

When you look at all the different activities which you are obliged to undertake or voluntarily engage in, a number of benefits emerge – through synergy effects and as a result of optimised decision-making.

It will seem quite natural to link environment and health and safety at work and to draw up action plans based on a common wish for optimisation. It will seem quite natural to view staff development in the context of health and safety as well as welfare – taking into consideration improved customer service. It will seem only natural to apply all the positive results and activities actively in the promotion of the business' products. This will strengthen and enhance the dialogue with the business' key external stakeholders.



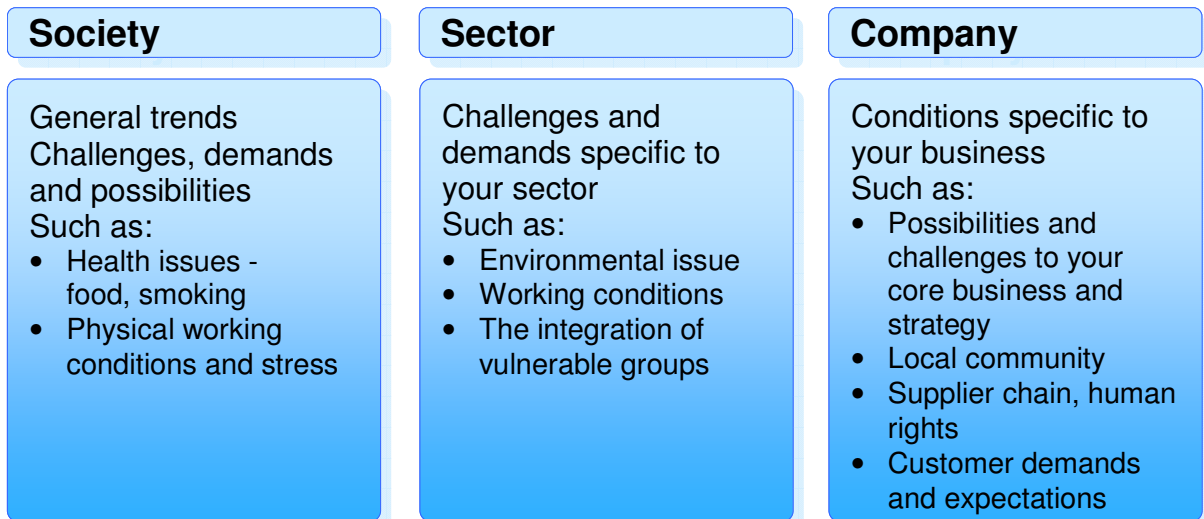
There are multiple examples that a strategic approach to CSR and all CSR activities will have a positive effect on earnings, corporate image, promotional efforts and in-house job satisfaction.

Finally, synergy effects may in some cases be a source of inspiration for developing new products and services with a CSR perspective. Some of these companies are described as case stories in the course material and this guide.

stories in the course material and this guide.

External CSR strategy

Strategic CSR activities require you to target the CSR activities at your core business. This will offer your business the full benefit of its societal commitment. The below figure illustrates that several factors are involved when you choose how to make a CSR effort. Certain factors apply specifically to your business, others to your sector in general. In addition, all businesses are under the influence of certain general trends in society. You should take into consideration all three levels before you decide which CSR activities to pursue.



Below you see a number of questions which may help you target your activities. They involve all three levels – society, sector and business:

Society

1. Are there any subjects to which society pays particular attention?
Such as corporate initiatives to alleviate stress, which has attracted a lot of attention lately.

Sector

1. Are there any subjects which are particularly relevant in your sector?
Such as focus on hiring and retaining employees in certain sectors (e.g. bus drivers and cleaning staff).

Business

1. Would your core business be strengthened through CSR activities?
Every year, ECCO, the shoe manufacturer, host a Walkathon and donates money to charities based on the number of kilometres walked by the participants. That way the business engages in a health-promoting activity, makes a charitable donation while at the same time attracting attention to its product – shoes.
2. Would it be possible for you to enhance your products or services through increased societal commitment?
Some businesses benefit from taking a CSR approach to their products. You may cultivate new markets by including your stakeholders developing socially relevant products and services. One example is the turbine industry which has been very successful in creating a new market for renewable energy. Other examples include the Danish company Specialisterne, which has managed to create jobs for people suffering from autism by using their strengths to create a commercial success. Specialisterne was awarded the Netværksprisen 2005 (the 2005 network price).
3. Will it be possible for you to reduce your production costs by increasing your societal commitment?
Many manufacturing companies introduce increasingly environment-friendly production processes and thus show social responsibility, and at the same time they reduce the cost of energy, water and resources. Can you enhance your product/services by making environmental or societal considerations?

4. Will your customers, now or in the future, demand that you show societal commitment?
Many small and medium-sized enterprises, which operate as suppliers to other companies, face demands of social responsibility to maintain this relationship. A survey undertaken by the Copenhagen Centre shows that six out of 10 Danish companies face CSR demands from their customers¹.
5. Do any of your suppliers present a particular risk in terms of your corporate image?
Companies with suppliers in third-world countries, where rules on child labour, environmental protection, corruption, etc. are not the same as in Denmark, risk being held responsible for the activities undertaken by the supplier and risk receiving bad media coverage.

The different types of CSR activities may, directly or indirectly, contribute to your earnings by e.g. improving your corporate image and your possibility of attracting qualified staff and reducing production resources, by enhancing cooperation with your suppliers and your goodwill in general.

1.2. Possible CSR pitfalls

It is important to remember that CSR is an obligation. When you get involved with CSR, your stakeholders may expect more from you. Therefore, it is worthwhile considering any potential CSR pitfalls.

The below questions will help you identify any potential challenges resulting from your CSR involvement:

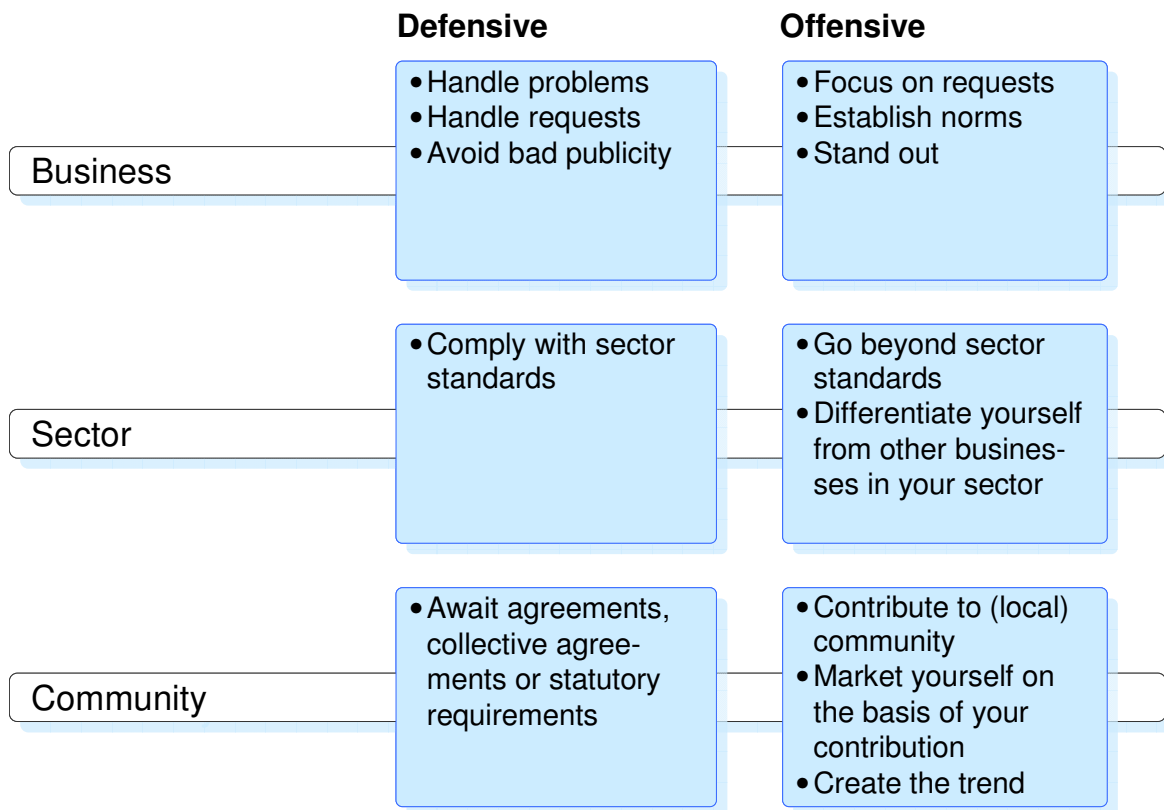
- How do you make sure that all members of staff are committed to the CSR effort?
- How can the cost of the CSR effort be adjusted to match your outcome?
- Do your stakeholders have conflicting interests?
- Does CSR match what is expected from your business in general?
- What does CSR mean to your business partners?
- May trade secrets become disclosed to your competitors?
- What happens if you decide to reduce your CSR activities?
- Are you putting your money where your mouth is?

1.3. The CSR approach

You can choose a defensive or offensive approach to CSR or you can choose both. The figure below illustrates the defensive and the offensive approaches to factors relating to business, sector and society. The defensive approach involves responding to the trend, whereas the offensive approach is about creating the trend. This means that not only do you react to statutory requirements, sector standards and demands from your business partners, you take a pro-active approach to new legislation; differentiate yourself from other companies in your sector by taking the lead and engaging in a dialogue with your stakeholders.

¹ Source: The Copenhagen Centre: Sustainable Competitiveness in Global Value Chains- *How do Small Danish Firms Behave?* 2006

The offensive approach may offer you a competitive advantage in the form of an enhanced corporate image, increased leeway and improved opportunities for attracting and retaining qualified employees.



1.4. Working on your own

Below are suggestions for various activities which you can continue working with at home.

Working on you own with CSR comprises the following sections:

1. Clarification
2. Management model

1.5. Working on your own 1: Clarification

There are several ways of working with CSR activities. It is important, therefore, to identify the activities which are of strategic importance to your business in particular.

Step 1:

Identify your crucial short and long-term challenges. This involves all kinds of challenges, such as recruiting, vendor management and the cultivation of new markets. Write down three short-term and three long-term challenges!

Step 2:

Below are a number of questions designed to identify which areas seem the most obvious for you to work with. When discussing the areas, take into consideration the challenges you noted above.

Management, vision and values

How can you incorporate CSR into your corporate strategy, vision and values?

You may:

- Formulate CSR policies, procedures and guidelines – e.g. guidelines for specific areas such as diversity and health and safety conditions.
- Putting your social responsibility into practice – e.g. by authorising employees to make decisions and to offer them the required training which will allow them to comply with the corporate policies and procedures.
- Good management ethics – by e.g. applying standards for your corporate activities as regards lobbying, tax evasion or profit-sharing.

Employee activities

How can your employees contribute to the business?

- Would your business benefit from diversity management? Some companies find it difficult to recruit staff. They may improve their recruiting potential by hiring older employees or workers on the fringes of the labour market.
- Would your business benefit from developing employee competences? Certain members of staff are highly specialised. If they are made redundant because of new technology, they need supple-

mentary training or re-training. This may be prevented by ensuring that employees are capable of undertaking several functions; increasing their value to the business and allowing them to retain their earnings capacity to the benefit of society. On the other hand, employees holding other jobs may require further specialisation. Particular attention must therefore be paid to individual job function and the sector in question.

- Would your business benefit from improving physical and psychosocial working conditions? Certain sectors are characterised by a high rate of sickness absence. Experience shows that if working conditions are improved and employees are offered increased influence on own job functions, the level of job satisfaction increased and the level of sickness absence decreases.

Customer activities

How can your business benefit from customer activities?

- Would your business gain a competitive advantage from eco-labelling your products? An eco-label may almost be a pre-requisite for entering a particular market – such as the market for paper, cleaning agents and detergents. It sets the product apart from other products in the market and offers the producer a competitive edge.
- Would your business benefit from engaging in a dialogue with your customers? Topics such as food safety and quality often make headlines. Companies in the food sector may improve customer relations and enhance customer confidence by entering into a dialogue with their customers.
- Would your business benefit from acting pro-actively to the demands of business partners? Companies whose customers are other companies often face demands of social and environmental considerations. The business may not lose customers if it adopts a pro-active approach to such demands.
- Would good business ethics increase customer loyalty? Certain companies in the plumbing sector have been accused of cartelisation and of entering into price-fixing agreements. By focusing on good business ethics, the business may acquire loyal customers.

Stakeholder dialogue

How can your business benefit from a dialogue with your stakeholders?

- Would your business avoid conflicts by entering into a dialogue with your stakeholders? Certain companies are criticized by their local community for being a source of noise pollution. Companies may seek to discourage such criticism by entering into a dialogue and taking ideas and concerns seriously.
- Prioritising stakeholders makes it easier to focus your efforts. Many companies depend heavily on retaining competent employees, whereas companies relying on third-world suppliers are dependent on these suppliers not acting in opposition to their values and guidelines. Which stakeholders are most valuable to your business?
- Do your customers require you to report on and communicate your CSR commitment? Companies, which count large enterprises among their customers, may be required to report on their CSR efforts.

Community activities

How can your business benefit from community activities?

- Would you benefit from contributing to local community activities? Companies with a large number of local business partners need a good corporate image locally and may therefore contribute to local activities.
- Would your business benefit from cooperating with educational institutions? Some companies find it difficult to recruit qualified staff. Cooperation with educational institutions, therefore, may facilitate the recruitment of new employees or ensure a qualified recruitment base in the local community.
- Would you benefit from encouraging employees to get involved in voluntary work? Your employees may become proud of your business if you encourage them to get involved in voluntary work and thus to contribute to society. Perhaps the voluntary work could take place during working hours.

Supplier activities

How can your business benefit from supply chain activities?

- Would you benefit from making community and environmental demands of your suppliers? Certain companies in the textile sector have been criticised for dealing with suppliers who use child labour. By making certain demands of your suppliers, you may try to counter this criticism.
- Would your business benefit from establishing even closer ties to your suppliers? If you offer to train the suppliers' staff in areas such as the environment, safety and occupational health and safety they may become better at meeting your demands. By cooperating with your suppliers, you may improve your relationship. The result may be an increasingly flexible and reliable supply chain.

Environmental activities

Would your business benefit from environmental activities?

- Would you benefit from environmental management and certification? Some production companies may save resources by implementing an environmental management system. By certifying its environmental management, the business is able to document its environmental considerations to customers, employees and other stakeholders.
- Would you benefit from focusing on pollution prevention and reduced consumption? Energy, water and chemical-intensive companies may save resources by developing processes and applying machinery which consume less energy.
- Would your business benefit from developing and assessing products? Environmental considerations may contribute to developing your products and services. It may contribute towards differentiating your product or services from those of your competitors and offer you a competitive edge.

CSR innovation

Would your revenues improve if you engage in CSR innovation?

- Is it possible to develop your products or services from a CSR perspective by including your stakeholders in the innovative process?
- Are there any environmental or social problems which your products or services may help alleviate? This may promote the market share for your products.

- Can you develop products which may assist your corporate customers in achieving their CSR goals? Such as energy-saving machines.

Step 3:

Hopefully, you have now identified the CSR activities which may enhance your business' competitive edge.

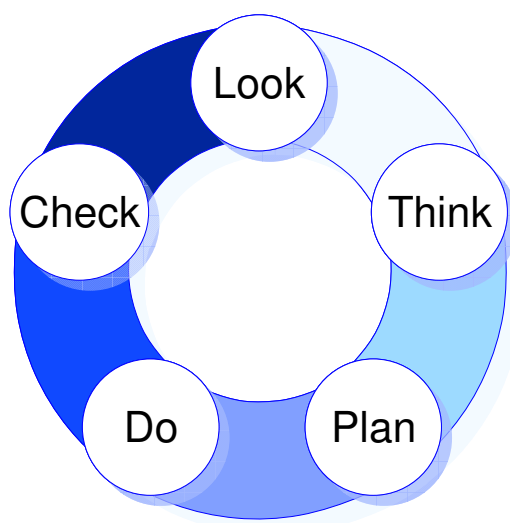
1.6. Working on your own 2: Management model: Management system – the CSR circle

To ensure the successful implementation of the CSR activities you can apply a simple management system. It is a very simple model inspired by quality management systems. Similar systems are applied in environmental and occupational health and safety management with varying degrees of complexity.

You can use this very simple model as a starting point and develop it in keeping with our own experiences. By following the steps of the CSR circle, management as well as staff can stay updated even though the various elements are the responsibility of others in the organisation.

Experience shows that the best results are achieved when management and employees cooperate. One of management's primary duties is therefore to consider how to include the employees in the assignments. Cooperation and active involvement of employees in the CSR project will help ensure support for the project and thus its embedding in the business.

Moreover, it is important to decide how much time and how many resources to spend on the CSR activities. This ensures openness in terms of the scope of the CSR project and will help coordinate everyone's – managements' and well as the employees' – expectations for the project.



Look

The first step is the mapping-out process where you focus on which CSR activities will be instrumental in handling the problems or challenges facing your business.

Depending on the challenges you face, you can apply different models. In connection with environmental and occupational health and safety activities, work routines, processes, materials and chemicals are often systematically reviewed. As for other activities, such as innovative processes, other methods may be applied in which members of staff and management jointly identify any challenges.

You can control the process by adhering to the following questions:

- Which overall challenges does your business face?
- How can CSR make a positive contribution?
- What matches your values, mission and strategy?
- Include management and employees – and other stakeholders in the process!

Think

The second step is the assessment and prioritisation process. This is where you assess and prioritise the challenges you have identified and the related CSR activities. The most important is given top priority. Make sure to set yourself realistic goals and not to pick too complex problems for the initial project; even though this may seem quite difficult. It is important that the CSR activity becomes a positive and successful contribution to your business. At this stage you also need to define the CSR project success criteria – regardless of whether this is a small activity or a large project.

Some good advice

- Prioritise your challenges – and elaborate on the challenges you identified during the mapping-out process
- Formulate objectives and goals to chart the course and the contents of the CSR project/activity
- Include employees; the process provides several crucial inputs and anchors the environmental activities throughout the business
- See to it that information about the project is communicated in-house to support anchoring and knowledge about the activities
- Look into how many hours and resources management is willing to allocate to the activity/project.
- Consider which activities will result in the most significant reduction in costs, increase in revenues or will solve the problems you are facing?

Plan

The third step is about who solves what problems, how, and when. Once you have decided where to focus your efforts, you can prepare an action plan for the coming activities. If you have selected only a small project, a single sheet of paper for the management and project group will suffice to describe the project content, goals, responsibilities and resource allocation. For large projects, sub-goals, schedules, a detailed description of responsibilities and the allocation of resources for sub-activities may be added. The action plans can be both short-term and long-term.

During the planning phase, your primary duty is to prepare an action plan:

- Begin with small projects
- Set realistic goals
- Prepare an action plan and appoint individuals responsible for specific areas
- Use the existing organisation and staff.

Act

During this stage, the specific assignments stated in the action plan are launched and completed. It is important that the implementation of the project takes into account your corporate culture, i.e. working conditions, routines, etc.

Check

The final phase is the evaluation process where you evaluate whether you reached your goals or whether adjustments or additional projects are required.

You should regularly follow up on whether the action plan progresses as planned or whether it needs to be adjusted. Did you achieve your targets? Do parts of the system need to be changed because they do not work? – Or because authorities, customers or others make new demands?

Once you have completed your CSR project, communicate it to the rest of the world. You can do this on your website, in local newspapers or to customers in the sales situation.

Stakeholder activities



2. Stakeholder activities

2.1. What are strategic stakeholder activities?

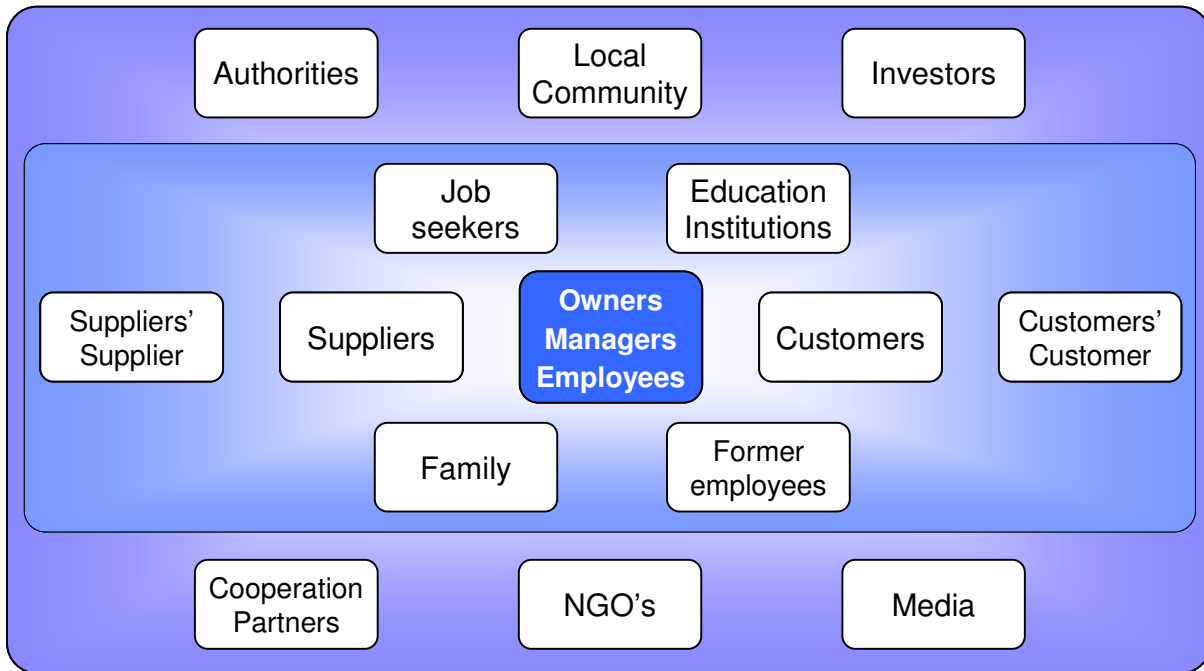
Stakeholders are parties influencing or being influenced by the decisions and actions of your business. Stakeholders are groups of people, for instance customers, employees and local communities directly influenced by the activities of your business. They may also be parties making demands on behalf of other groups or the environment which are unable to safeguard their own interests.

Dialogue with some of your stakeholders can contribute to avoiding or solving conflicts with stakeholders. This applies to both the internal dialogue between management and the various employee groups in businesses, but also to your relationship to the local community. A higher degree of openness can create an understanding of your business, and conflicts may be avoided.

Dialogue with other stakeholders, for instance your customers and users, may be used to improve your present products and services. They may also be involved in developing new and more competitive products.

The figure below illustrates some of the most ordinary stakeholders, but the list is not exhaustive. It distinguishes between internal stakeholders, i.e. your management and employees, and external stakeholders that are more or less directly connected to the business. Naturally, not all stakeholders are of equal importance to your business. Some stakeholders are relevant to most businesses, for instance employees, authorities and customers. Other stakeholders may in some situations be of overall importance, like mass media and interest groups (NGOs).

Many small and medium-sized businesses have close connections to many of their stakeholders. In a strategic stakeholder dialogue you have to determine which stakeholders are of most importance to the continued existence of your business and give them top priority.



Seen in a stakeholder perspective, CSR is about the business listening to its stakeholders and having a dialogue with them. In that way, a stakeholder dialogue may be used strategically to meet the stakeholders' expectations and demands to your business. The need for a dialogue with your stakeholders changes over time and may be determined by situations and unique in relation to a given problem which the business – or the stakeholder – encounters. Consequently, you should evaluate regularly the key stakeholders of your business and the subjects they attach importance to.

Here you may find inspiration to identify the stakeholders of vital importance to your business as well as a number of suggestions to creating a dialogue with them. Focus is on external stakeholders. There are numerous opportunities for dialogues with internal stakeholders – employees, management and owners – and a great deal is also required by law and rules like joint consultative committees and JSC s, board representation, workplace assessment, etc.

2.2. Working on your own

Here you can find inspiration to identifying the stakeholders that are most important to your business. Once you have identified them, there are a number of suggestions for creating a dialogue with them. Focus is on external stakeholders. There are numerous opportunities for dialogues with internal stakeholders – employees, management and owners – and a great deal is also required by law and rules like joint consultative committees and JSC s, board representation, workplace assessment, etc.

Working on your own with stakeholder activities comprises the following sections:

1. Identify your stakeholders
2. Evaluate how important your stakeholders are
3. Stakeholder dialogue
4. Tool to dialogue with stakeholders

2.3. Working on your own 1: Identify your stakeholders

To identify the stakeholders of the business you can use some introductory questions about the stakeholders' relationship to the business.

IDENTIFY THE STAKEHOLDERS OF YOUR BUSINESS

	Comments
Which persons, businesses and organisations are influenced by your products or services?	
Which persons, businesses and organisations are influenced by or important to your operations?	
Which persons, businesses, authorities or organisations – apart from the above – may be of vital importance to your business?	

BELOW YOU CAN FIND A NUMBER OF TYPICAL EXTERNAL STAKEHOLDERS – WHICH STAKEHOLDERS ARE RELEVANT TO YOU?

	Comments
Customers, clients and other buyers of your products or services	
Creditors – financial stakeholders – e.g.: <ul style="list-style-type: none"> • Banks – sources of financing • Financial institutions – e.g. mortgage • Financial analysts – including auditors • Insurance companies 	
Suppliers – from critical to ordinary	
Authorities – community – e.g.: <ul style="list-style-type: none"> • Local community • Local authorities and politicians • Government authorities • Regulatory authorities 	
Unions – e.g.: <ul style="list-style-type: none"> • Industrial associations • Employers' associations • Employee organisations • Consumer organisations 	
Media – e.g.: <ul style="list-style-type: none"> • Local and national media • Television • Electronic media • Other public contact 	
Service companies – e.g.: <ul style="list-style-type: none"> • Business partners – including e.g. consultants • Researchers – including universities and other providers of training 	
Other stakeholders – e.g.: <ul style="list-style-type: none"> • Competitors • Social movements • Lobbyists • Various NGOs – including environmentalists, animal activists, human rights fighters, etc. 	

2.4. Working on your own 2: Determine how important your stakeholders are

Once you have identified the relevant stakeholders, the next step is to evaluate their importance to your business. You could for example ask the following questions:

<ul style="list-style-type: none"> How important is this stakeholder to your success? <ul style="list-style-type: none"> – E.g. regarding reliability of delivery.
<ul style="list-style-type: none"> How can this stakeholder influence your business? <ul style="list-style-type: none"> – Positively or negatively? – Financial consequences?
<ul style="list-style-type: none"> What will happen if the demands/wishes/expectations of this stakeholder are not met? – Will it have minor or insignificant consequences – or may your image be seriously damaged?

You can use the table below to get an overview of the importance of your stakeholders. You use scores from 1-5 to indicate the importance of each stakeholder in relation to a specific activity or situation in your business.

See the below example of a filled in table. You can then fill in the empty table below for your business.

Stakeholder:	Customers of product PQ	Supplier of product X	The bank	Customers of product AA	Auditors	Marketing – consultant/firm	Local environment authority	Supplier of product Y	The industry – organisations	Insurance	Other stakeholders
The stakeholder's importance to the business:											
Importance to sale/turnover	3	4	5	4	1	4	2	3	2	2	1
Importance to products	3	3	4	5	2	2	2	4	4	1	1
Importance to working conditions	4	4	2	2	2	1	5	2	3	1	1
Importance to production/operations	4	4	3	3	3	3	1	1	2	1	1
Importance to our image	4	3	1	3	4	1	1	1	2	5	1
Other specific importance ...	1	3	2	1	1	1	1	5	2	3	1

5 = vital /critical – perhaps a threat to the existence of the business in special circumstances;
 4 = great/very great;
 3 = medium/great;
 2 = small/minor;
 1 = none.

You can enter the stakeholders you identified above in the empty fields at the top. You can also enter other matters of importance to the business than the ones mentioned here. Then fill in the table using

scores from 5-1, where 5 indicates that the stakeholder has vital importance to the business while 1 indicates that the stakeholder has no importance to the area.

Stakeholder:												
The stakeholder's importance to the business:												
Importance to sale/turnover												
Importance to products												
Importance to working climate												
Importance to production/operations												
Importance to our image												
Other specific importance:												

2.5. Working on your own 3: Stakeholder dialogue

Now you have a good overview of your stakeholders and how important they are to you in relation to specific areas. This should be reflected in your dialogue with the stakeholders. Please note that the importance also depends on the stakeholders' expectations to you.

As regards the stakeholders "customers" and "suppliers", you typically have ongoing contact – for instance by way of regular meetings. However, as regards other stakeholders there are no such fixed initiatives, and some of these stakeholders may be of critical importance to you. Here you can use the following types of contact:

- a) Meetings – oral dialogue
- b) Written dialogue – e.g. a questionnaire
- c) Information – e.g. via brochures and websites
- d) Press releases
- e) "Contingency plan"
- f) Networks
- g) Informal contacts
- h) Other.

A) Meetings – oral dialogue

It may be a good idea to hold regular meetings with the stakeholders that are vital to your turnover, product development, crucial deliveries, etc., and such meetings should be held at fixed intervals even if only one or two meetings are needed every year. The following items may be on the agenda:

- The status of our cooperation
- Our expectations to each other. And what are the possibilities of meeting these expectations on our part/their part? Changes to expectations – e.g. new requirements/wishes?
- Should information be exchanged in this way in future? Or should changes be made?

B) Written dialogue – e.g. a questionnaire

Particularly businesses with many – and perhaps diverse – customers may benefit from this procedure. If some of the customers are of the type described under A above, this method cannot, however, replace regular meetings.

The advantage of a questionnaire is that you can touch on many different subjects in the same questionnaire, for instance quality, delivery, image and the environment. Be sure to design the questions and possible answers so as to ensure that you get answers to the right questions and at the same time get an opportunity to process the answers so that the information provided is expedient.

Today, questionnaires are often launched on websites so that visitors may be requested to participate in a survey questionnaire/consumer survey.

C) Information – e.g. via brochures and websites

This type of information is typically aimed at all people who contact the business – for instance with questions about products, services or about the business in general.

Today, many businesses have websites providing the answers to such general questions and usually visitors can also print product information, data sheets, etc., or send a request by e-mail to the business.

D) Press releases

The stakeholder group “Media” falls outside the above categories, because only a minority of businesses have a need/possibility for ongoing contact with the press.

Typically, press releases are used to inform about new products, new – or changed – business partners, changes to financial matters – for instance change of ownership, notice about staff changes, etc. Depending on the need of your business, this information targets for instance local media, national media, etc.

If the business prepares “non-financial accounts”, such as environmental reports, ethical accounts, etc., they may be distributed together with a press release.

E) “Contingency plan”

For some stakeholders of the type “Media” – for instance in cooperation with an NGO – a press release is not always sufficient. Thus, you may need other solutions. It may be a good idea to draw up a “contingency plan” for actions in the event of unexpected crises or cases:

- How to deal with for instance poor media coverage of products, services or marketing in a broadcast consumer programme?
 - Who will defend the business?

- What type of information should the relevant person bring along?
- How far should you go in terms of acknowledgement, compensation, refusal, etc.?

F) Networks

At present, there are numerous opportunities to participate in formal networks or knowledge-sharing groups where relevant problems may be discussed with people having the same fields of responsibility. Many organisations offer this type of service which is also available in local networks – for instance established by a local/regional commercial centre. Another type of network calls for participation in lodges that may be significant to local community cooperation.

G) Other types of contact

There are of course other methods of contact with stakeholders. Some of the below methods may be interesting:

- Informal contacts – e.g. social events – may be a useful way to establish contact to people or groups that are interesting for your business.
- Open house – for instance if you need to have good relationships with your physical neighbours.
- Involvement in events in the community – your business may organise a regional soccer tournament.
- Hotlines – particularly interesting for businesses providing services to remedy utility supply problems, or providing domestic and cleaning services, etc. These areas are not necessarily related to CSR.
- Advertisements – may also be used in specific situations where for instance a message should be delivered to a special (professional) target group, local population or the like.
- Websites and regular (optional) newsletters may also keep customers and other stakeholders informed about your work with CSR.

2.6. Working on your own 4: Tools to dialogue with stakeholders

The following pages describe a dialogue tool that you can use to enter into a dialogue with your stakeholders. The purpose is to determine how your stakeholders evaluate the way you handle various problems compared to how you evaluate your efforts. This tool can be used in a dialogue with your stakeholders to assess and evaluate expectations and focus areas.

The tool may form the basis for either oral or written dialogue. You can always consider whether the daily contact to your stakeholders works best in another way.

On the next page you find an example of how you can identify the difference between your own and your stakeholders' evaluation of your efforts in various areas. On the last page you find an empty chart that may serve as inspiration if you want to select your own subjects and continue with this work.

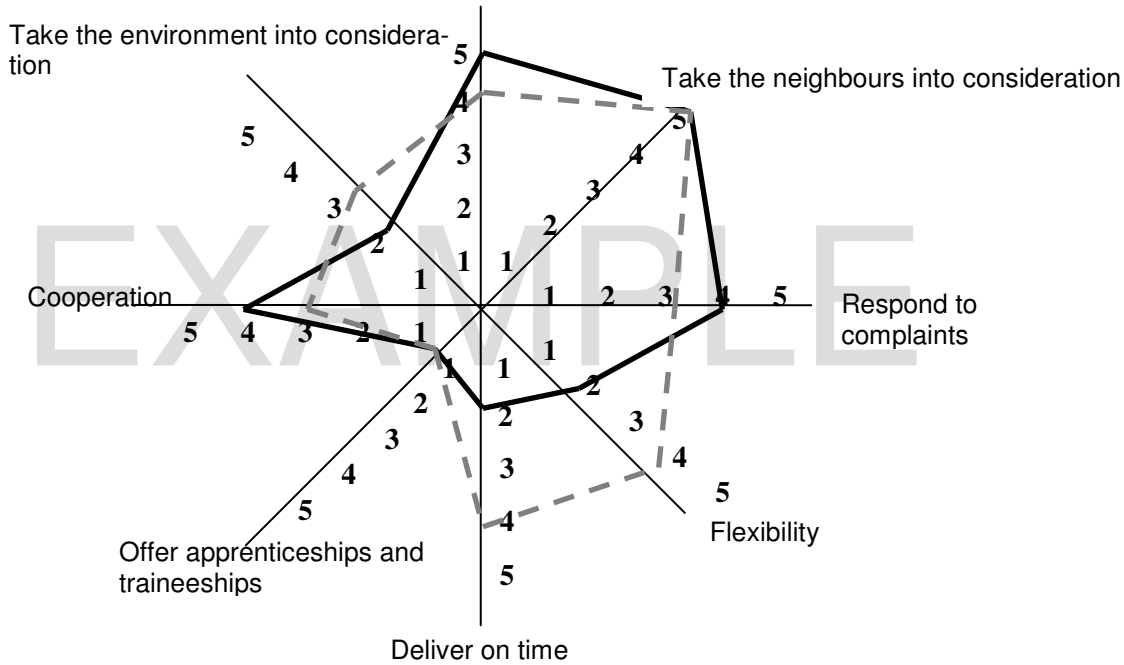
Guidelines and procedure

1. You decide whether you want to have a dialogue with more stakeholders at a time or a dialogue with each individual stakeholder.
You decide which stakeholders you want to have a dialogue with and how.
2. Identify the subjects you want your stakeholders to comment on. You decide which subjects you want the stakeholders to answer questions about.
 - If you want to have a dialogue about the same subjects with a large group of stakeholders, it may be an advantage to ask them questions about general subjects.
 - If you want to have a separate dialogue with each individual stakeholder, you may decide to discuss various subjects with different stakeholders.
3. Prepare a chart as shown in the example with a number of axes corresponding to the subjects you want to discuss. The more subjects, the more complicated the chart.
4. Fill in your own evaluation in the chart. When you have received the answers from the stakeholders, you may compare the results.
 - You can use a flip chart, an overhead projector or enter your own and the stakeholders' answers into the same chart.
 - You can see if the result of your own evaluation deviates from that of the stakeholders.
5. It is important that you take the stakeholders' comments seriously once you have asked them to give their comments. The tool therefore forms the basis for the dialogue. If you enter into a dialogue about the result with your stakeholders, you already take them seriously.
 - If, like in the example, the result of your evaluation and the stakeholders' evaluation of your efforts differ, this may be a good starting point.
 - For example, if you are very good at things which the stakeholders give low priority (e.g. to respond to complaints), but not as good at the things which the stakeholders give high priority (e.g. to deliver on time), you may consider shifting your focus.
6. When the dialogue ends, there are often some tasks that need to be carried out. Since follow-up and evaluation of the effect of the dialogue are important, it may be an advantage if you schedule when to repeat the process with the stakeholders.

How good are we in these areas?
(1 = poor; 5 = very good)

Support activities in the local community

- Your own evaluation
- Your stakeholders' evaluation



How important is it to you?
(1 = Not important; 5 = Very important)

Support activities in the local community

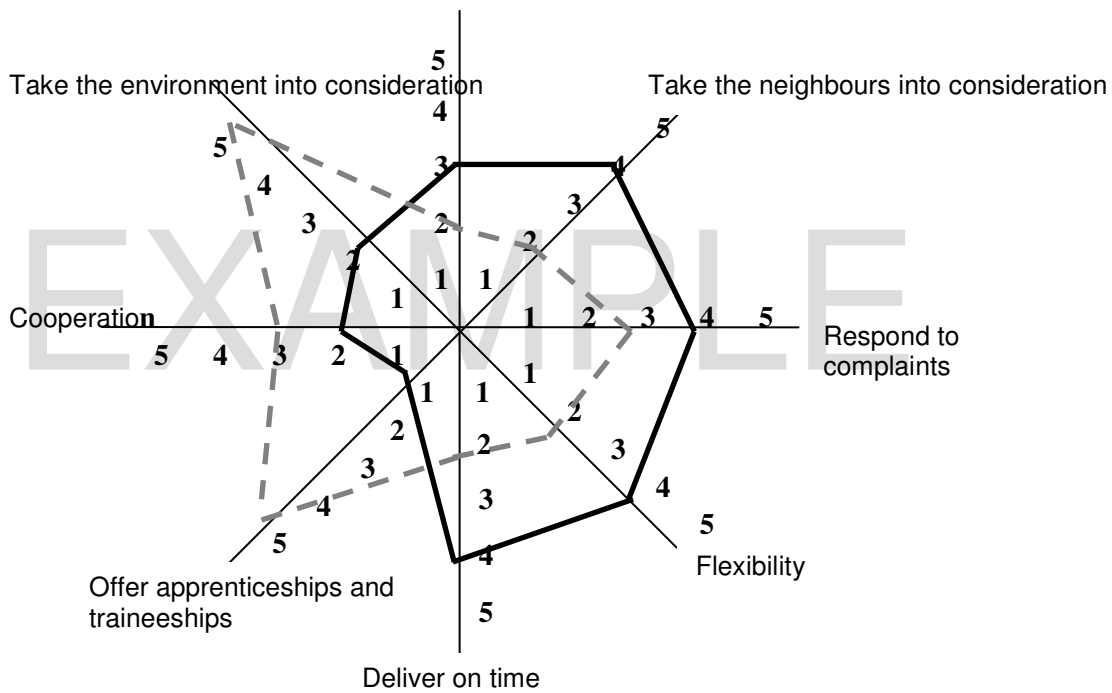
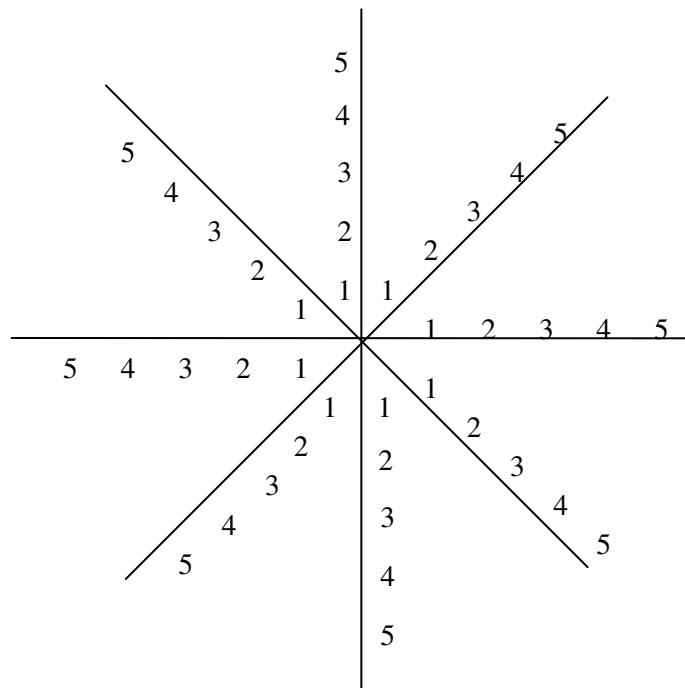
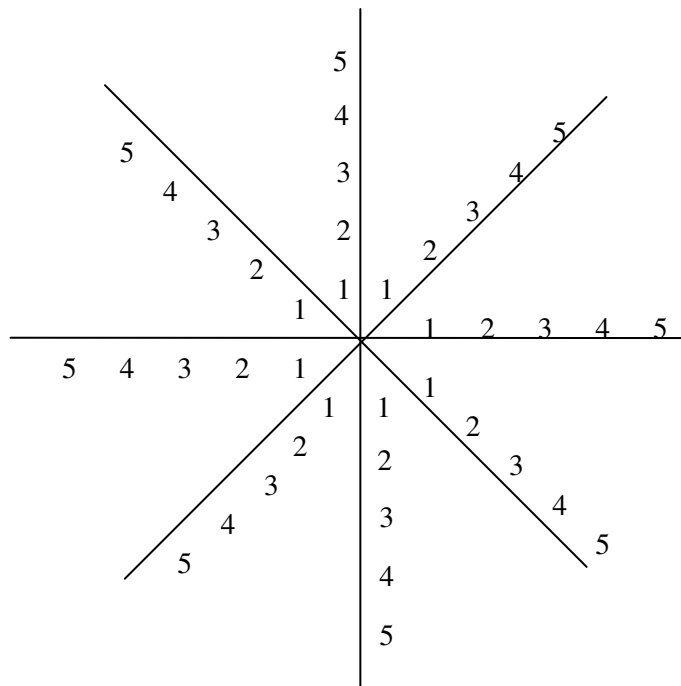


Chart for use by your stakeholders – and yourself

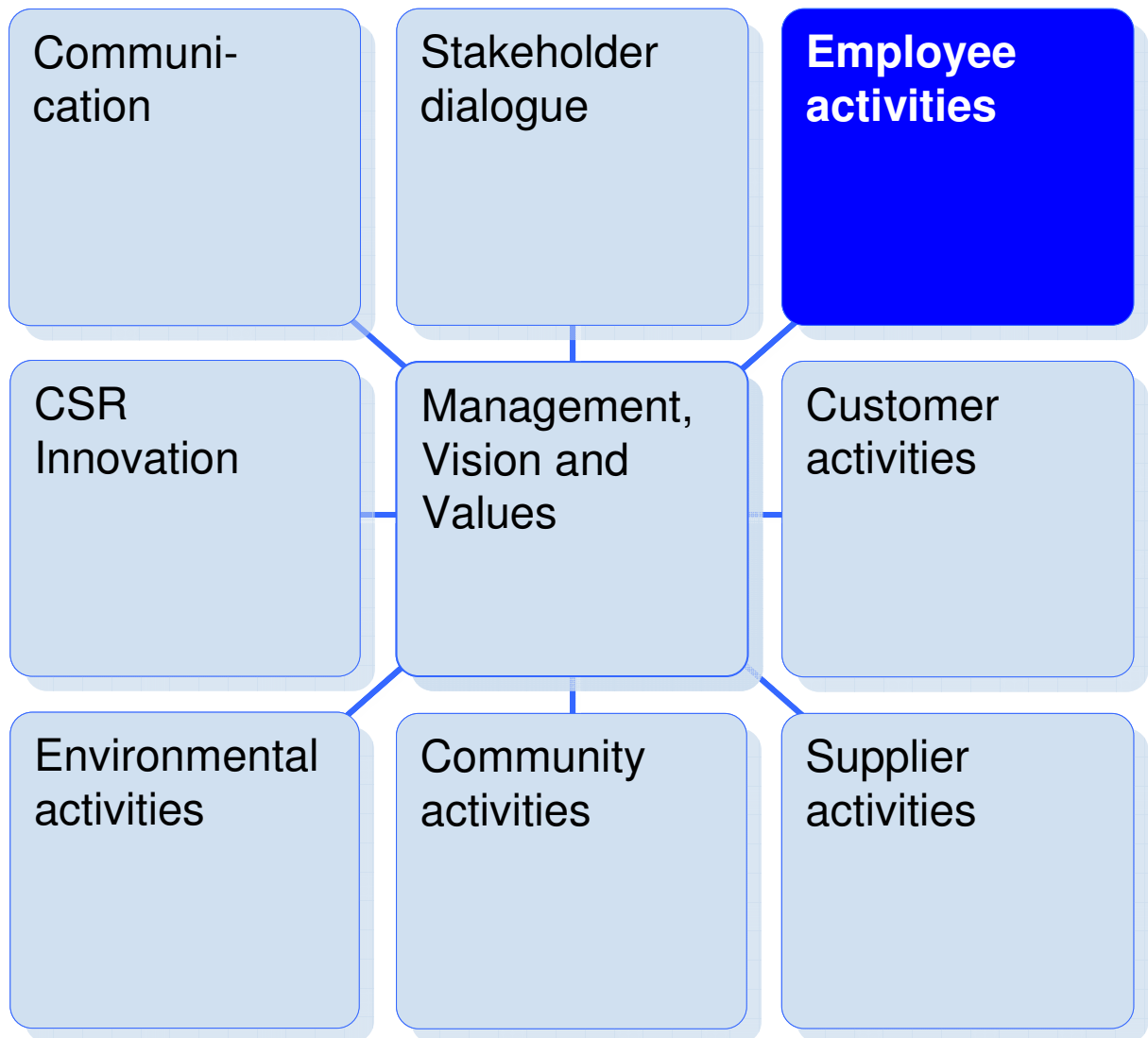


How important is it?
(1 = Not important; 5 = very important)



3

Employee activities



3. Employee activities

This chapter of the handbook deals with CSR activities for the employees of the business. Employee activities mainly comprise activities related to physical and psychosocial working conditions, welfare analyses, human resource development and the entire area dubbed ‘The Socially Inclusive Labour Market’ – including activities concerning disabled people, older employees, sickness, health and integration.

According to a TNS Gallup survey, employee activities are the most widespread CSR practice undertaken by Danish businesses. 54% of the responding businesses in the survey have activities in the employee area, and three in four of the businesses with such activities work with continuing education, skills development and/or re-training of employees.

Survey of CSR activities among small and medium-sized enterprises

Please observe:

The information in this chapter is related to Danish conditions, laws and regulations, and it is most certainly different from the conditions in other countries

A substantial number of the activities in this area fall within the cooperation agreement, and the business must therefore submit all proposals for CSR-related employee activities to the Joint Consultative Committee (JCC) for debate and decision-making. The rules governing the establishment of a JCC and its responsibilities are set out in the Cooperation Agreement between the Danish Employers’ Confederation and the Danish Confederation of Trade Unions.

Rules on joint consultative committees and safety committees

According to Danish legislation businesses employing 35 or more people within the same geographical unit are required to set up a joint consultative committee if proposed by either the employer or a majority of the employees. The number of employees is determined by including all staff performing non-management functions, including apprentices and young workers.

Businesses of fewer than 35 employees, but with a staff of at least 10 employees, are required to establish a safety organisation to work for health and safety in the business. The safety work is undertaken in cooperation between management and employees. The safety organisation will:

- Perform a workplace assessment (WA)
- Ensure observance of health and safety provisions
- Report and examine industrial accidents and injuries.

Capacity in the business, including CSR



Demands from customers and other stakeholders

A safety group must be set up for each department or area of activity. In businesses of more than 20 employees a safety committee coordinates the safety work.

Hence, businesses employing fewer than 10 people are under no obligation to establish a safety committee or safety organisation, but the requirement to perform a workplace assessment applies to all businesses with employees.

The safety committee helps balance the requirements for the business with the employees’ skills and opportunities.

Use a joint consultative committee

In businesses where a joint consultative committee (JSC) is available, this forum is the natural venue for considering strategic issues – in particular for the areas where CSR is involved. This is also because the composition of persons on the JSC ensures a high degree of decision-making power. That is not always the case in the safety organisation. Moreover, the cooperation agreement clearly specifies a number of areas to be handled by the JSC.

The JSC's overall responsibility is to develop the cooperation throughout the business for the benefit of the business at large and the individual employee. The JSC does this by:

- following and developing the daily cooperation and involving as many people as possible in this work;
- providing and maintaining just and favourable conditions of work and employment and increasing the welfare and safety of the employees;
- giving the employees a better understanding of the situation of the business in regard to operation, finances and competitiveness.

The JSC – according to the agreement – needs to be consulted on various matters to perform its tasks. Some of these tasks concern conditions in connection with the introduction of new technology, which used to be of strong relevance, but there are some fundamental areas that are very relevant in a CSR context. They include the following tasks, to mention a few:

- To organise principles for local conditions of work and welfare as well as principles for the business' staff policy in relation to staff groups represented in the JSC's group b.
- To exchange views and consider proposals relating to guidelines for production and work processes and the implementation of major business restructurings.
- To combine and coordinate all cooperation activities. In that connection, the JSC can initiate the preparation of analyses and reports, which may provide a basis for the committee's future work.
- To set up standing or ad hoc sub-committees – for instance a department committee, technology committee, training committee, staff cafeteria committee, etc. – and ensure, before launching a sub-committee, that a detailed description of its work tasks is provided.

WA – Workplace assessment

As mentioned, and according to Danish legislation, are all businesses with employees required to perform workplace assessments. This is laid down in Part 4 (General obligations) of the Danish Consolidation Act on Health and Safety at Work, which also states that a WA must be performed at least every three years. The safety organisation of the business is responsible for the WA.

A WA must include the following elements:

1. Identification and survey of health and safety conditions in the workplace
2. Description and assessment of the business' health and safety problems
3. Prioritisation and formulation of an action plan for solving the business' health and safety problems
4. Guidelines for following up the action plan.

It should be noted that a WA is primarily intended for handling and describing physical working conditions. The area "Physical working conditions" in the WA contains details about matters such as the allocation of working hours as it is physically straining to work evening or night shifts or varying hours, about monotonous repetitive work and about violence and bullying. It contains no requirements for appraisal interviews, welfare analyses or the like.

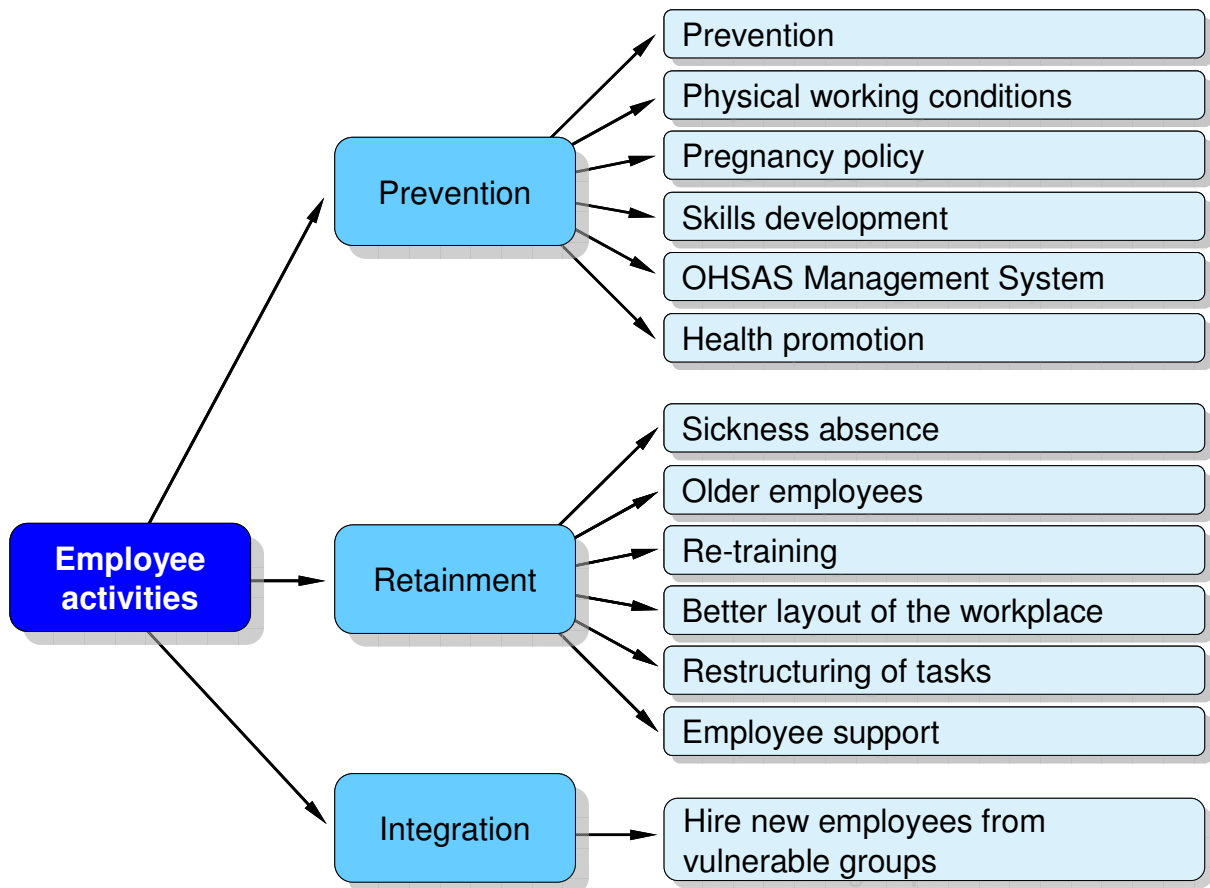
How to work with employee activities

CSR activities for employees are, as a general rule, relevant to all companies. However, employee activities may be of special relevance in situations like these:

Problem	Proposed solution (of several options!)
<ul style="list-style-type: none"> • Difficulties in attracting new employees • Difficulties in retaining employees and/or many older employees • Health-impairing working conditions • Stressful working conditions • Much sedentary work • Problems of high sickness absence 	<ul style="list-style-type: none"> • Alternative recruiting strategies • Activities for retaining older employees – for instance an older employees policy • Occupational health and safety management • Courses/training in stress management • Variation in work tasks – greater flexibility among employees • Health strategies, absence interviews and strategies

3.1. What are strategic employee activities?

Employee activities can be classified as shown in the figure below:



Prevention

CSR in the field of employees is a question of taking **preventive action** through health and safety conditions, for instance by reducing both short and long-term sickness absence and strengthening initiatives to avoid accidents and job-related health impairment. Prevention in the workplaces ensures that the maximum number of employees retain their full earnings capacity throughout their lives. Prevention also means measures to improve physical and psychosocial working conditions. This can be done by avoiding monotonous repetitive work, promoting health in the workplace or combating bullying and harassment. Besides, as a business you can help your employees balance working life, family life and leisure time, for instance by offering them flextime or telework arrangements.

Roles for prevention

Everyone in the business contributes to trusting and constructive dialogue and cooperation. Depending on whether you are a manager, shop steward, safety representative or ordinary employee, it may be expedient to focus on a range of special circumstances.

Manager's role

- ✓ Managerial responsibility involves awareness of physical and psychosocial working conditions and, hence, preventive action against sickness absence.
- ✓ It is important for the operation of a business that the manager is involved in the employee's welfare and wants to be the prime mover in the implementation of a staff policy or practice to support such a policy.
- ✓ The manager must communicate his/her intentions and attitudes clearly and unambiguously and be determined to cooperate and act.
- ✓ It is important that the manager acts as the policy/practice prescribes for the manager, but also that the manager acts and participates as desired.

Shop steward's and safety representative's role

- ✓ The safety representative in the business must help monitor and verify that preventive action is taken in the occupational health and safety field.
- ✓ The safety representative, together with the shop steward, must serve as the link between the employees and management in connection with steps to develop, implement and follow up on a staff policy/practice and, in that manner, ensure preventive action against sickness absence.
- ✓ The safety representative and the shop steward must be aware whether new production assignments and/or an organisational change can engender new problems of a preventive nature.

Employee's role

- ✓ The employee must participate in the cooperation to formulate a staff policy/practice that can have a preventive effect as health and safety conditions are essential for the day-to-day business.
- ✓ It is important to take into account the employees' attitudes and values as it is mainly the employee's actions that show whether the policy is possible/relevant in practice.
- ✓ It is important that the employee, like everyone else, does his/her best to act as intended, both in his/her own interests and in the interests of the employee's colleagues.

Retention

CSR in the field of employees is also a question of **retaining** staff. Retention means that a business and an employee have agreed that the employee can stay in employment although the employee is absent from work due to acute or long-term stress or sickness and, consequently, reduced capacity for

work. Retention is a core element of employee activities and highly relevant to focus on during these years of low unemployment and expectations of smaller working-age populations. There are several good reasons to implement a retention strategy, both for the employee, the business and society at large. The employee will maintain his/her affiliation to the labour market and continue to obtain professional, personal and financial benefits. The business will maintain a valuable employee, retain competences, create favourable health and safety conditions and often gain a financial benefit from the process. Society will maintain its workforce, avoid exclusion, achieve a flexible, safe and healthy labour market and gain an economic benefit.

Roles for retention

Manager's role

- ✓ It is important to extend a message of care and a wish to discuss the situation when the daily manager approaches an employee who is affected by stress/sickness.
- ✓ Managerial responsibility involves taking the necessary initiatives while paying attention to the need for preventive measures if an employee's health problems can be linked to physical or psychosocial working conditions.

Shop steward's role

- ✓ The shop steward and safety representative in the business contribute to agreeing procedures for how and when the business reacts to sickness and absenteeism.
- ✓ The shop steward can help ensure the colleagues' support and understanding when it comes to the solutions identified to retain a colleague who suffers a sickness.
- ✓ Close cooperation with management can ensure the best possible and most sustainable solution for the individual employee for the benefit of everyone.

Employee's role

- ✓ It is important to participate actively in finding a solution. To remember to talk about the employee's own situation, the opportunities available and know where to obtain guidance.
- ✓ It is essential for a sick employee to know who to contact in-house to discuss difficulties and who to contact and draw on among the external business partners. Finally, it is important to use the persons in whom the employee has confidence, for instance the employee's trade union, general practitioner or others.

Integration

Integration is a question of promoting access to the labour market for those excluded. The declining unemployment rate makes it necessary for businesses to use all resources available, regardless of sex, age, cultural background, reduced capacity for work, disability, etc. Integration through new employment may for instance be accomplished by contributing to the integration of people through employment in the Danish labour market, by hiring people with disabilities and by hiring people who find it difficult to gain access to the labour market due to long-term unemployment, reduced capacity for work, cultural background, etc.

3.2. The effect of employee activities²

Businesses that have introduced employee activities generally observe a positive effect on their competitiveness and bottom line. The effect is particularly strong among businesses that have offered their employees continuing education, skills development and/or re-training and improved physical and psychosocial working conditions.

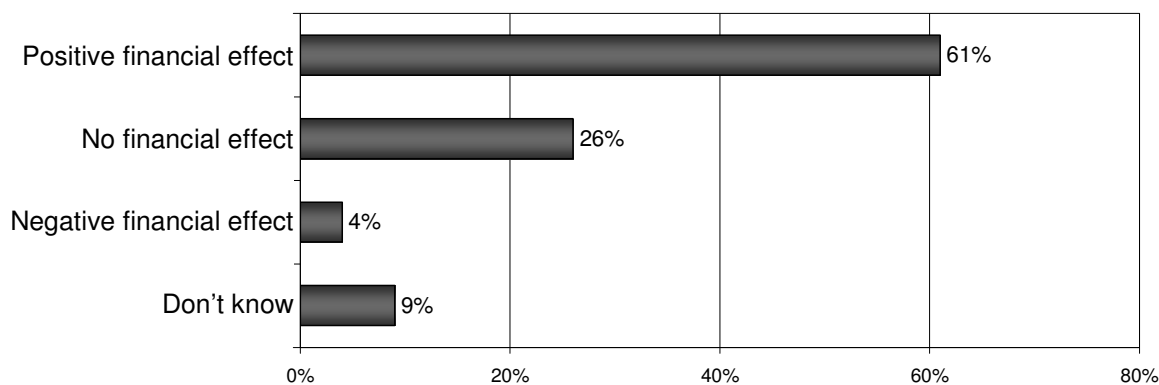
The services offered by the businesses depend on the employees' performance.

- ✓ Good physical and psychosocial working conditions *result in*
- ✓ improved employee welfare, *and therefore*
- ✓ improved performance, which ultimately shows in the *bottom line*.

The skills and abilities of businesses have often evolved from experience. Therefore, it is often an advantage to

- ✓ Retain older employees with core competences, enabling the business to
- ✓ maintain this experience in the business as long as possible and, in that way,
- ✓ optimise performance, which ultimately shows in the *bottom line*.

Financial benefit



The question was: If you compare the proceeds from your societal commitment at employee level with the cost, is it your opinion that the activities have an overall positive or negative effect on total financial performance (your bottom line)? *Financial effect of CSR activities at employee level. Source: TNS Gallup. [The survey is based on answers from Danish small and medium sized companies. It can be replaced or supplemented with other surveys.]*

Six out of ten businesses that work with employee activities have observed a positive effect on their overall financial performance – for instance reduced absence due to sickness among employees as a result of a health policy. Moreover, employee satisfaction can pave the way for a lower rate of employee turnover and, therefore, lower expenses for recruitment and advertising. Employee activities can also reduce sickness absence among employees, which may offer a direct financial benefit.

Reduced replacement of the workforce/increased employee loyalty

Many businesses that work with employee activities have observed a positive effect on the possibility of attracting and retaining qualified labour. This is mainly easier for businesses that have offered their

² Danish Commerce and Companies Agency and People & Profit Phase 2 report: "Survey of CSR activities among small and medium-sized enterprises"

employees continuing education, skills development and/or re-training, made an effort to retain their own employees, improved physical and psychosocial working conditions, created a balance between working life, leisure time and family life and introduced social activities for the employees. Employee activities can also produce a higher competence and knowledge level among the employees.

Marketing of the business

Many businesses that work with employee activities have observed a positive effect on the general reputation of the business – both among the employee and outside the business.

3.3. What do the others do?

[The cases is Danish and can be replaced by national examples on employment to prevent social exclusion, about health promotion or other relevant cases]

HOLM NIELSEN A/S

Holm Nielsen A/S is a business that offers work and services within a variety of building sector segments. The business has about 40 employees. Holm Nielsen A/S works actively to prevent social exclusion by hiring marginalised groups and pursuing a “soft” staff policy where the individual employee is at the centre of attention.

“If you give people a chance, that’s something they remember. This means our social responsibility lays the foundations for talented and loyal employees. And when the employees are dedicated to their work, it improves performance in bottom-line terms”, says Kurt Holm Nielsen, who owns the painting and constructing business.

I/S AMAGERFORBRÆNDING

I/S Amagerforbrænding employs a staff of 142 people. I/S Amagerforbrænding has managed to make health promotion an integral part of its corporate culture. Both management and the employees agree to engage in health promotion activities. It has become easier to talk about health and take health-improving measures – both for the individual and for the general health conditions of the workplace. The employees have a sense of ownership and have therefore accepted the introduction of health promotion. One of the reasons is that they have themselves played a role in the choice of activities to be launched. Today the employees know each other better, and both their team spirit and cooperative skills have been strengthened.

3.4. Some good advice

- ✓ Think of your business as an entity. Consider the consequences a specific initiative in, say, the occupational health and safety field has for lifestyle and CSR and vice versa.
- ✓ Think both short and long term: What problems is your business facing at this point and will it change in the future? Change in production methods, work routines, etc. may for instance influence the problems that are of relevance for your business.

- ✓ How does the activity match the culture of our business? If the activity changes the corporate culture, it may be more difficult to make everyone in the business support the culture.
- ✓ Start with specific – and preferably small/non-complex projects.

3.5. Working on your own

The following material contains a selection of areas that may be interesting for you to work with. The material developed for each of these areas will assist you in the process.

We have chosen the following areas:

Working on your own with employee activities comprises the following sections:

1. Overall analysis – what do you do – and what is relevant? – which contains a large number of questions about employee activities broken down into the three sub-areas of prevention, retention and integration. (Form 1):
2. Work with employee activities – proposal for a process. (Form 2):
3. Focus on health promotion in the workplace
 - a. Healthy food
4. Focus on physical and psychosocial working conditions
 - a. Sickness absence
 - b. Stress
5. Focus on retention of older employees
 - a. Retain older employees in the business
 - b. Examples from businesses
 - c. Support schemes and information
6. Focus on diversity in the business
 - a. Mentor scheme
 - b. Hire employees from other cultural backgrounds
7. Health and safety management in small and medium-sized enterprises

All areas generally contain a type of analysis with a view to assessing the scope and, if applicable, problems of the area. Besides, they contain references to addresses and places – including web sites – where additional information can be obtained. In a few cases, there are also examples from businesses with experience in the relevant area.

If support schemes are available, i.e. the possibility of obtaining financial assistance for an activity, information will also be provided about where to apply for this assistance and/or obtain the application material.

3.6. Working on your own 1: Overall analysis

The purpose of this analysis is to give you an opportunity to create an overview of employee activities of CSR relevance that are already in progress and an opportunity to mark an activity as relevant for your future work. The need to work with some of these activities could, for instance, also arise as a result of a workplace assessment or welfare analysis. If only one of the given examples of activities is in progress at your workplace or of relevance, you can mark the example/examples.

PREVENTION

Do today	Relevant in the future	
		Health promotion
<input type="checkbox"/>	<input type="checkbox"/>	<p>Healthy food</p> <p>Examples of healthy food are: Healthy cafeteria food, fruit scheme, slimming club in the workplace</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Exercise in the workplace</p> <p>Examples of exercise in the workplace are: Short breaks with physical exercises, physical training classes, establishment of a fitness room, contribution towards fees for membership of sports clubs, participation in sporting events for businesses.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Smoking policy</p> <p>Examples of what a smoking policy can include: Guidelines for where and when smoking is allowed, smoking ban, special facilities for smokers, smoke cessation courses</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Alcohol policy</p> <p>Examples of what an alcohol policy can include: Guidelines for alcohol consumption during working hours, routines for how to deal with an employee's alcohol problem, services for alcohol misuse treatment</p>
		Physical working conditions
<input type="checkbox"/>	<input type="checkbox"/>	<p>Avoid physically straining working hours - for instance evening/night hours and varying hours</p> <p>For instance by limiting the number of consecutive night shifts and early morning shifts or by obtaining influence on the planning of your working hours</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Avoid monotonous repetitive work, which may involve standing and sitting in the same position for extended periods of time</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Avoid monotonous repetitive work, which may involve using the same tool for extended periods of time</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Improved indoor climate</p> <p>For instance by taking steps to ventilate the room to outside air, avoid setting radiators at an excessively high temperature, avoid exposure to cold and draught and avoid second-hand smoke</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Prevention of mouse injuries</p> <p>For instance by using the mouse as little as possible – use keyboard shortcuts instead</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Reduction of noise nuisances</p> <p>For instance by turning down the volume of the telephone or setting it on silent, setting the computer on silent, operating noisy machines early or late in the day when a limited number of employees are present</p>
		Psychosocial working conditions
<input type="checkbox"/>	<input type="checkbox"/>	<p>Avoid stress</p> <p>Examples of initiatives to avoid stress: Increase the employees' influence on their work situation, give support from management to the individual employee, secure coherence between requirements for work performance and the employee's work pace</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Motivation at work</p> <p>Examples of initiatives to improve motivation: Ensure development opportunities for the employees in their work, ensure that the employees are satisfied with their work situation</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Balance between working life and private life</p> <p>Examples of initiatives for an improved balance: Family-friendly workplace, flextime, telework arrangements, possibility of part-time employment, possibility of bringing along children to work, possibility of family welfare days, for instance the right to stay home on the first day of a grand-child's sickness</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Avoid conflicts in the workplace</p> <p>Examples of how to avoid conflicts: Create clear roles among the employees or give the employees tools for conflict resolution</p>

Do today	Relevant in the future	
<input type="checkbox"/>	<input type="checkbox"/>	Avoid bullying and harassment For instance by training people in how to handle bullying or harassment situations or by formulating an anti-bullying policy
<input type="checkbox"/>	<input type="checkbox"/>	Social events You can for instance offer social events by organising staff parties or cultural events such as visits to theatres, art museums or cinemas
Pregnancy policy		
<input type="checkbox"/>	<input type="checkbox"/>	Pregnancy policy Examples can include: Possibility of breaks, flexible working start and finish times – for instance in case of morning sickness, exemption from inexpedient work tasks – heavy lifting, long hours of standing/walking or reduced hours
Skills development		
<input type="checkbox"/>	<input type="checkbox"/>	Development of professional/general competences This can be achieved through individual courses, joint courses, exchanges to another department or business, training programme in businesses
<input type="checkbox"/>	<input type="checkbox"/>	Development of professional/specific competences This can be achieved through continuing education under the Vocational Education and Training programmes, the Advanced Adult Education programmes, etc. or through presentations in the business
<input type="checkbox"/>	<input type="checkbox"/>	Development of personal competences This can be achieved individually through coaching sessions or jointly through teambuilding activities
Occupational health and safety management		
<input type="checkbox"/>	<input type="checkbox"/>	Formulation of an occupational health and safety policy An occupational health and safety policy can for instance include: The overall duties of management, the employees and the safety organisation, values, ethics, culture and attitudes to OHS initiatives as well as objectives, targets, milestones, strategies, success criteria and priorities
<input type="checkbox"/>	<input type="checkbox"/>	Introduction of an occupational health and safety management system An OHS management system will mainly be used to ensure that health and safety problems are identified and solved
<input type="checkbox"/>	<input type="checkbox"/>	Preparation of an occupational health and safety report A report may for instance contain the business' health and safety initiatives, principal health and safety conditions, health and safety problems, if any, and accidents at work
<input type="checkbox"/>	<input type="checkbox"/>	Occupational health and safety certification For instance through the OHS certification system of the Danish National Working Environment Authority or according to the DS/OHSAS 18001 certification standard

RETENTION

Do today	Relevant in the future	
		Sickness absence policy*
<input type="checkbox"/>	<input type="checkbox"/>	Sickness absence policy A sickness absence policy includes guidelines for: when the business demands a physician's statement, how often the employee is required to contact the business in case of long-term sickness absence, how the business stays in contact with the sick employee
<input type="checkbox"/>	<input type="checkbox"/>	Sickness absence interviews
<input type="checkbox"/>	<input type="checkbox"/>	Sickness absence statistics Sickness absence statistics may include statements of the business' average sickness absence or the average duration of sickness absence
		Older employees*
<input type="checkbox"/>	<input type="checkbox"/>	Retention of older employees Retention of older employees can for instance be achieved by holding progressive retirement interviews, targeting continuing education at older employees, reducing older employees' working hours through part-time employment, giving older employees an opportunity to perform less demanding work tasks or ensuring that their knowledge and experience are passed on to colleagues in the business
		Re-training of employees
<input type="checkbox"/>	<input type="checkbox"/>	Test of capacity for work in another job function An example of a test of capacity for work can be an employee in the warehouse who is transferred from heavy to light physical work
<input type="checkbox"/>	<input type="checkbox"/>	Courses and training For instance a PC driving licence or the training of another employee in a new job function
		Reorganisation of tasks
<input type="checkbox"/>	<input type="checkbox"/>	Restructuring of work tasks For instance exemption from strenuous work, job rotation and changes in work routines, temporary shift to other work tasks
<input type="checkbox"/>	<input type="checkbox"/>	Change in working hours Examples of this may be shorter hours for the employee (permanently or for a limited period) and the possibility of taking a day off or going home early
<input type="checkbox"/>	<input type="checkbox"/>	Gradual return to work after a period of sickness Examples of this may be that the employee starts with a 20-hour working week
		Improved design and layout of the workplace
<input type="checkbox"/>	<input type="checkbox"/>	Changes in the design and layout of the workplace Examples of this may be the acquisition of ergonomic chairs or particular aids
<input type="checkbox"/>	<input type="checkbox"/>	Flexible working hours Examples of this may be telework arrangements or the possibility of early working start and finish times
		Support to the employee
<input type="checkbox"/>	<input type="checkbox"/>	Assistance in the event of a personal crisis The assistance can for instance be in the form of a leave for an agreed period of time, the possibility of part-time work or an offer of psychological treatment for an employee
<input type="checkbox"/>	<input type="checkbox"/>	Support to employees who return to the workplace after an extended period of absence Examples of this can be regular interviews between the employee and his/her immediate superior or a scheme under which the employee generally works full time, but with the option of going home early each day

* Both “sickness absence” and “older employees” contain elements of prevention, but are placed under retention as both activities ultimately require the business to do an effort to retain its employees in the workplace.

INTEGRATION

	<p>Integration</p> <p><input type="checkbox"/> <input type="checkbox"/></p> <p>Recruitment of employees from vulnerable groups</p> <p>This can for instance be achieved by hiring: people with reduced capacity for work, people of other ethnic origins, people who have been long-term unemployed, people who have inadequate social skills</p>
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3.7. Working on your own 2: Process for employee activities

This form gives you a proposal for the things you can examine and the questions that may be relevant to ask when working with CSR employee activities. The questions are listed in accordance with our suggestion for a logical order.

Order in the process	Comments
<p>1. What is your motivation to work with employee activities?</p> <ul style="list-style-type: none"> • What are the challenges facing your business? Would you for instance like to attract employees, increase the general welfare in your business, ensure that all resources of the business are used to capacity, etc.? • Would you like to promote a particular part of your corporate culture? 	
<p>2. What is the activity that best meets your needs?</p> <ul style="list-style-type: none"> • How do you best address the challenges your business is facing? <p>If, for instance, you have a high sickness absence and an objective to reduce it, you can focus on holding welfare interviews and drawing up a procedure for how to stay in contact with an employee who is absent due to long-term sickness.</p>	
<p>3. Where will you gain the maximum benefit from your efforts?</p> <ul style="list-style-type: none"> • When you choose an activity, it is important to weigh efforts against benefits. • It is essential to optimise working conditions for the benefit of the business at large. • It is a good idea to choose an area where you build on something that is already well-functioning in the business. <p>When you choose the activity you want to do, it is advisable to look at the initiatives you have previously introduced successfully in the business and the steps you took on that occasion to make it successful.</p>	
<p>4. What barriers exist in your business?</p> <p>It is important to take into account your own corporate culture when choosing to do an activity targeted at the employees. Some employees may perceive it as intervention by the business in their private affairs if you launch health-promoting activities such as healthy food or smoke-cessation courses.</p> <ul style="list-style-type: none"> • How is the tone of the business? • How do you communicate in the business? • Informal oral communication • Written communication at meetings • Are there any differences in forms of communication between the departments of the business? <p>Pay attention to conflicts that may occur as a result of your activities in the em-</p>	

Order in the process	Comments
<p>ployee area – it is important that you realise that changes may provoke conflicts and that you are prepared to deal with them.</p>	
<p>5. Be open to the employees about the intentions you have for performing the activity</p> <ul style="list-style-type: none"> • Use the existing organisation – for instance the Joint Consultative Committee. If you have a Joint Consultative Committee, the committee should always be in on all changes to the staff policy. • No doubt you already have procedures in place designed to handle issues relating to employee activities. You may for instance start with the existing workplace assessment and expand it. • It inspires greater confidence from the employees if they are involved in the project and know the management's intentions. Openness is crucial to ensuring the success of the activity and the employees' support. Openness also implies: <ul style="list-style-type: none"> ○ Explaining who the target group for the activity is ○ Being open about the agreements concluded between management and the individual employees. 	
<p>6. What practical steps do you take?</p> <ul style="list-style-type: none"> • Determine how you would like to deal with situations when they occur and establish fixed procedures. E.g.: <ul style="list-style-type: none"> ○ To whom should employees call in sick? ○ Is it necessary to appoint someone who is responsible for intervening if an employee shows signs of stress, has an alcohol problem or the like? • Will you train mentors who can help new employees gain access to the workplace, for instance employees from other cultural backgrounds, or employees who have been long-term unemployed? • If, for instance, an employee works reduced hours for a period, who will then take over his/her tasks? Will you use the services of temporary employees or prioritise the tasks? • Make sure to communicate with the colleagues <ul style="list-style-type: none"> ○ If agreements are concluded between an employee and management, it is important also to take into account how the agreement affects the colleagues. It is essential to involve the colleagues and to tell them how you intend to address the resource problem. 	
<p>7. Evaluate the activity</p> <p>When you perform an activity, it is important to consider the following aspects:</p> <ul style="list-style-type: none"> • How will you follow up on the activity? <ul style="list-style-type: none"> ○ It may be a good idea to set measurable targets you want to achieve ○ It is important that you appoint a person responsible for following up on the activity on a continuous basis. It is also a good idea to set a date for the evaluation of your activity. • How do you want to carry on the activity? <ul style="list-style-type: none"> ○ If the activity is deemed a success, you may consider including it on a permanent basis in your day-to-day routines. <p>You may also consider whether to amend the activity in certain areas.</p>	

3.8. Working on your own 3: Focus on health promotion in the workplace

Issues such as sickness absence, the discontinuation of work and the return to work are under the influence of numerous factors related to working conditions, health, lifestyle and sociodemographics (sex, age, education and financial position). Whereas scientists agree on the significance of some of these factors, they are not able to explain the interrelationship between all the factors.

Health-promoting initiatives

The promotion of health at the workplace implies a closer look at your health and safety conditions and your CSR activities. Health promotion in the workplace is three-pronged:

HEALTH PROMOTION IN THE WORKPLACE		
Lifestyle Such as smoking, diet and exercise	Health and safety conditions Such as the design and layout of the workplace, noise and psychosocial working conditions. Good physical and psychosocial working conditions are important to the health and welfare of the employees. Monotonous work and health-impairing working conditions as well as severe physical pressure are factors which are detrimental to our health. Likewise, it is important that the tone of the workplace is positive, that no one is being bullied, ostracised, etc.	Social responsibility Such as absence policy, integration policy and retention policy. Such as how you handle sickness absence, whether working conditions are flexible, and whether you are willing to employ people who for some reason or other are not able to work fulltime.

If your business or individual members of staff are to benefit from your health-promoting initiatives, the initiatives must be designed to influence employee behaviour as well as your corporate atmosphere and culture.

To build a good and healthy workplace, you have to adopt a holistic approach and prioritise your activities. That way you are sure to focus on the right areas. A holistic approach implies that you consider all relevant factors in the planning, implementation and embedding of the activities. For instance, you have to consider the potential consequences of health and safety initiatives on staff health and your social commitment and vice versa.

Your options

Below you can find inspiration for your work with health-promoting activities:

1. What is the objective of your health-promoting activities?
Your health policy must match your corporate values in general (core values). You may consider in which direction you want your business to move and how to incorporate your health policy in these plans. Your objective may be to: <ul style="list-style-type: none">• promote employee health and welfare• obtain health and safety certification.
2. Which problems are relevant to your business?
The form on preventive measures offers you an overview of the effect of the health-promoting activities you currently undertake. In addition, the form may inspire you to consider whether you would benefit from any other health-promoting activities. You should consider any activities in the context of your core business and the challenges and options you face. That way you will be able to choose the activities which will benefit you the most.
3. Where will you gain the maximum benefit from your efforts?
Consider your efforts in relation to the potential benefit. Some activities require more resources than others. Therefore, you may benefit from considering the potential effect of a given activity and comparing it to the required resources. Employee motivation is a factor as well, because the support of your employees is pivotal to the success of your health-promoting activities.
4. Are there any pitfalls and challenges to consider?
Are there any conditions specific to your business which may influence or possibly obstruct your efforts? When talking about the promotion of health with your employees, you may have to be very specific and inquire into their consumption of alcohol; an issue which may cause some opposition against your health-promoting initiatives. Disclose in advance the purpose of the personal questions, whether they can be answered anonymously, etc.
5. Incorporate the promotion of health into your day-to-day routines
When you prepare a health policy, make sure to hear your joint consultative committee. In general, the committee should be in on all changes to the staff policy. In addition, it is a good idea to use your existing organisation. No doubt you already have procedures in place designed to handle issues relating to health promotion. You may extend your existing workplace assessment to include rules on smoking or exercise in the workplace. Involve your employees and engage in a dialogue with them on any health-promoting activities in the workplace. Make sure that your employees are involved throughout the entire process and that they do not feel that they are being forced to accept something against their will.
6. Define concrete goals and an action plan
Prepare an action plan of areas on which you want to focus, Such as healthy food, smoking or exercise. Set goals for your focus areas, such as 50% of your employees exercise regularly in 12 months.
7. Evaluate the project
Appoint a person responsible for following up on the activities you initiate. And set a date for the evaluation of your activities. When you evaluate your activities you may also consider how to continue the activity. If the activity is deemed a success, you may consider including it on a permanent basis in your day-to-day routines. You may also consider whether to amend the activity in certain areas.

Do you want to find out more about health promotion?

[As the following links are only in Danish, your own national links regarding health promotion can be added to the list of links.]

- **National Centre for the Promotion of Health in the Workplace**
Information in Danish on how to prepare e.g. a smoking or alcohol policy. The website also includes health and safety conditions. See www.ncsa.dk
- **Arbejdspladsens Sundhedsprofil**
A Danish-language tool designed to help you take stock of the health situation in your workplace. The site includes information on physical, psychosocial and social working conditions. See www.ncsa.dk
- **Virksomhedens sundhedspolitik – trin for trin**
Information in Danish which can be downloaded from www.ncsa.dk under *publikationer*
- **En sundere arbejdsplads – idékatalog**
A catalogue (in Danish) of actual activities designed to reduce sickness absence and increase employee health; can be downloaded from www.ncsa.dk
- **Dansk Firmaidrætsforbund: www.dfif.dk**
Ideas (in Danish) for exercise and company sport.

Healthy food – a source of inspiration

	Comments
<p>1. What do you do today?</p> <ul style="list-style-type: none"> • Do you have a lunch scheme? • Do you serve free fruit? • Water coolers? • Other? 	
<p>2. Who must take the initiative to promote healthy food at your workplace?</p>	
<p>3. How will your business benefit from focusing on healthy food?</p> <p>The level of sickness absence may be reduced.</p>	
<p>4. How can you address the issue of healthy food?</p> <p>Suggested activities</p> <ul style="list-style-type: none"> • Talks on the issue • Campaign focusing on healthy food • Healthy food in the canteen • Healthy packed lunches • Setting up a common food/lunch club • Healthy alternatives to cakes and sweets at meetings and events • Water coolers to replace soft drink machines • Booklets and recipes for healthy food 	
<p>5. Do you need external assistance?</p> <p>Such as seminars or the assistance of external consultants.</p> <p>Will it be possible to teach canteen staff to prepare healthy food or could an external consultant give a talk on healthy lunches for the entire staff?</p>	
<p>6. Are the financial means available?</p> <ul style="list-style-type: none"> • Will the company pay? • Must employees make a contribution? • Is financing possible through the lunch scheme (if any)? • Are there any alternative means of financing? • Other? 	
<p>7. How can the project be communicated to all members of staff?</p> <ul style="list-style-type: none"> • Through your staff journal, the staff association, competitions, etc. • How can you actively involve staff and include their suggestions? • A possible kick-off event focusing on healthy food? • Other 	
<p>8. Who will be in charge of day-to-day follow-up?</p> <p>The same person who took the initiative or should you form a working group – with representatives from staff, management, canteen staff, JSC, union representative, joint consultative committee, etc.?</p>	

	Comments
<p>9. How and when is the activity to be evaluated?</p> <p>At for instance a staff meeting. It is good idea to set specific evaluation dates well in advance as the project may otherwise "disappear" in the humdrum of daily routines.</p>	

Sources: *Rambøll Management*

NCSA: *En sundere arbejdsplads – idékatalog, 2005 (www.ncsa.dk)*

The Danish Ministry of Family and Consumer Affairs and the united federation of Danish workers: Idémappen Mad på Arbejde

An example of a healthy food action plan designed for a small company is available in Danish in "Idémappen Mad på arbejde", published by the Danish Ministry of Family and Consumer Affairs and Fagligt Fælles Forbund, 3F. The catalogue (in Danish) can be downloaded from <http://www.foedevarestyrelsen.dk/FDir/Publications/2005901/Rapport1.asp>

3.9. Working on your own 4: Physical and psychosocial working conditions

Management and employees are jointly responsible for the physical and psychosocial working conditions through a number of initiatives based primarily on the Danish Consolidation Act on Health and Safety at Work and a number of orders and instructions, all of which are available from the National Working Environment Authority's website.

According to Danish law, a workplace assessment, consisting of a series of questions regarding the physical and psychosocial working conditions, must be performed at least every third year. On the website of the National Working Environment Authority is included numerous pointers on how to compose a workplace assessment to match the specific requirements and conditions of a particular business.

Occupational health and safety management

Businesses looking to focus specifically on working conditions and/or which have already been ISO 14001 certified may benefit from becoming OHSAS 18001 certified, an international occupational health and safety management system specification. However, the business must also meet the following conditions:

- The business or production unit must not experience material problems related to its working conditions which may result in improvement notices pursuant to the Danish Consolidation Act on Health and Safety at Work.
- The business or production unit must have prepared, implemented and maintained procedures and prepared action plans corresponding to a correctly implemented workplace assessment.

Once these conditions are met, the business is considered equal to companies which have obtained a health and safety certificate pursuant to Act no. 442 of 7 June 2001 on health and safety certificates and is thus:

- a) exempt from the obligation to maintain an occupational health service,
- b) exempt from screening visits, and
- c) entitled to receive and publish a green smiley, see executive order on the publication of corporate working conditions, etc. (The Smiley scheme).

Below, we will discuss sickness absence and stress in the workplace as specific focus areas.

Where to find further information on health and safety conditions

[The links below are all Danish websites. They can be removed and National links regarding health and safety conditions can be added to the list of links instead. There is however a possibility of getting information in English from the websites in some of the links below.]

www.arbejdsmiljoviden.dk the website of the Danish Working Environment Information Centre. Includes information on physical and psychosocial working conditions, bullying and stress. The site also includes tools allowing you and your colleagues to test your knowledge of working conditions.

National Working Environment Authority: www.at.dk. Information on the rules and regulations which apply to your working conditions.

The Ministry of Employment: www.bm.dk. Further information on acts and regulations regarding health and safety conditions.

CSR Compass – www.csrkompasset.dk – a readily available source of inspiration for employee activities.

www.ncsa.dk – National Centre for the Promotion of Health in the Workplace. Information on how to prepare a smoking or alcohol policy. The website also includes health and safety conditions.

Arbejdspladsens Sundhedsprofil is a Danish-language tool designed to help you take stock of the health situation in your workplace. The site includes information on physical, psychosocial and social working conditions. See www.ncsa.dk

Virksomhedens sundhedspolitik – trin for trin Information in Danish which can be downloaded from www.ncsa.dk under *publikationer*

En sundere arbejdsplads – idékatalog A catalogue (in Danish) of actual activities designed to reduce sickness absence and increase employee health; can be downloaded from www.ncsa.dk

Arbejdsmiljø Indekset. A tool used to assess your health and safety conditions. May be used to define goals for your health and safety conditions or communicate your conditions to your business partners. The tool can be downloaded from www.kpmg.dk

The www.godarbejdslyst.dk portal Information, material and tools related to psychosocial working conditions, such as bullying and stress.

4 a: Sickness absence

Causes for sickness absence³

Below you will find a brief description of the knowledge available regarding the causes for sickness absence.

Influence. Employees who have only limited influence on the own work situation have an increased absence rate.

Psychological demands. High psychological demands such as heavy responsibility and high concentration at work may result in high absence rates. But the opposite may also be the case, where employees with high work demands have lower sickness absence. One explanation could be that some jobs involving high psychological demands are also more flexible and offer a higher degree of influence. This makes handling of high demands easier.

Social support at work. Employees who receive good social support at work possess more resources for handling demanding situations. Accordingly, their sickness absence rates are lower. Several investigations support this assumption. But others seem to indicate that the correlation between social support and sickness absence may be more complex.

Job security and fairness. High job insecurity, e.g. the fear of being fired, cutbacks and a sense of unfairness, leads to high sickness absence.

Predictability. If it is difficult to predict what will happen at work, the sickness absence rate will increase.

Burnout. For people working with other people (e.g. nurses and prison guards), it is important not to lose ones sense of commitment and become burnt out. Otherwise sickness absence will increase.

Physical working conditions. Heavy physical work may result in absence.

Lifestyle factors also affect sickness absence. With respect to smoking this is a well-documented fact and investigations also seem to indicate higher absence in relation to physical inactivity, overweight and high alcohol consumption.

Socio-economic circumstances. People with low social and financial status show a higher risk of sickness absence.

When analysing the causes for sickness absence, it may also be relevant to consider the type of sickness absence, e.g. whether the absence is due to physical illness such as influenza or mental illness such as being burnt out. The duration of the sickness absence may also be taken into considerations, e.g. whether absence lasts a short or long period, and how often it occurs.

The costs of sickness absence in your business

According to the Danish Employers' Confederation and the Danish Chamber of Commerce, average sickness absence in Danish businesses represents 3.15 pct. This corresponds to approx. 7 days of absence a year per employee. These figures include sickness, children's sickness and absence due to industrial injuries.⁴

The cost of sickness absence varies from business to business, but savings can always be achieved by reducing sickness absence in the business.

A business that employs 50 people receiving an average pay of DKK 1,000 per day and having average sickness absence will therefore have an annual sickness absence expense of approx. DKK 350,000..⁵

³ Source: The Working Environment Information Centre:

http://www.arbejdsmiljoviden.dk/Arbejde_og_helbred/Sygefravaer_og_tilbagevenden_til_arbejdet/Aarsager.aspx

⁴ <http://www.dhs.dk/cgi-bin/dhs/frontend/browse.do?channelId=&contentOID=17717>

⁵ Source: The Danish Employers' Confederation recommends the calculation method above.

Naturally, it is essential to know the cause for sickness absence in order to reduce it. It is not possible to fully eliminate sickness absence, but it can often be reduced.

As the methods of estimating sickness absence still vary significantly from one industrial organisation to the other, you may contact your own industrial organisation to check which calculation method they recommend/use.

Calculate your own business' direct costs of sickness absence based on the following formula:

$$\begin{aligned} &\text{Number of employees} \times 7 \text{ days of sickness absence} \times \text{pay per day} \\ &= \text{Annual cost of sickness absence} \end{aligned}$$

You may reduce sickness absence in your business through health promotion and thereby avoid some of the indirect costs related to sickness absence – e.g.:

- Costs of employing substitutes
- Delivery problems, which may result in loss of customers or orders
- Decreased productivity and quality
- Re-organisation of the work
- More work for the colleagues resulting in increased risk of stress
- Difficulties in recruiting and retaining employees.

However, it should be emphasized that it is, of course, important to examine the causes for the sickness absence in your business in order to be able to do something about it.

4 b: Stress

This material has been developed to help you reduce stress among your employees.

Many businesses have a common attitude towards stress, but often this attitude has not been laid down in writing. By working with and laying down the business' attitude towards stress in a policy, it will be easier for this attitude to function as a management tool.

The purpose of a stress policy is to prevent and reduce stress-related problems. Use the below table as inspiration, when you prepare a stress policy in your own business.

INITIAL THOUGHTS ABOUT STRESS	COMMENTS
<p>How does your business prevent and handle stress today?</p>	
<p>Who will take the initiative for a stress policy?</p> <p>Can you do something yourselves or do you need to contact your manager, health and safety organisation, shop steward, works council, HR department or others?</p>	
<p>Could the stress policy form part of other policies in the business?</p> <p>For example be part of the HR policy, the health policy, etc.</p>	
<p>Should a committee be appointed to prepare the stress policy?</p> <p>Who should be represented in the committee? Management, health and safety organisation, shop steward, work council, HR department or others?</p>	
<p>How will the entire business be involved in the preparation of the stress policy?</p> <p>Will there be an introductory discussion meeting, a job satisfaction survey or similar actions?</p>	

PREPARATION OF STRESS POLICY	COMMENTS
<p>What is my business' attitude towards stress?</p> <p>Inspiration for ways to prevent stress that may be incorporated in the policy:</p> <ul style="list-style-type: none"> • Influence on one's own work • Meaning and job coherence • Predictability • Support • Reward 	
<p>How is the responsibility for handling and preventing stress delegated?</p> <ul style="list-style-type: none"> • What can your manager do? • What can your colleagues do? • What can you do yourself? 	
<p>What measures are taken in relation to stress at your workplace?</p> <p>Should there, for example, be standard procedures for interviews with employees who seem to be suffering from stress?</p>	
<p>How does your business follow up on employees suffering from stress when they return to work?</p> <p>Should it, for example, be possible to have a slow start? Should the business make sure to stay in touch while the employees are reported sick?</p>	

COMMUNICATION, FOLLOW-UP AND EVALUATION	COMMENTS
<p>How should the stress policy be communicated to the employees of the business?</p> <p>Who should be in charge of communication and how? For example at meetings, via the intranet, staff magazine or similar media?</p> <p>The stress policy should send a clear signal to everybody in the business. Therefore, it is important to consider how the policy is presented. It should be clear for everybody that the policy has been introduced.</p>	
<p>Who will be in charge of following up on the objectives laid down in the stress policy?</p> <p>It is important that the stress policy is followed up to demonstrate that there is action behind the words and therefore it is important that a person or work committee is responsible for the follow-up.</p> <p>When the stress policy has been functioning for a while, it will also be a good idea to visualise the outcome of the policy, e.g. higher job satisfaction, decreasing absence and lower staff turnover.</p>	
<p>How should the stress policy be evaluated?</p> <p>For example, by staff meetings once a year, through questionnaires, through annual job satisfaction surveys, etc.?</p>	

Sources: *The Danish Chamber of Commerce: Undgå stress – det betaler sig, 2003 (Avoid stress – it pays off)*
NCSA: En sundere arbejdsplads – idékatalog, 2005 (Health working conditions – index of ideas)

STRESS POLICY EXAMPLES
<p>Our business should be characterised by dedication, job satisfaction, few days lost due to sickness, high efficiency and high performance. To achieve our objectives we will therefore strive to avoid negative stress in our business.</p> <p>We wish to strengthen the conditions that encourage involvement of the employees and enhance their job satisfaction in order to prevent stress. At the same time, we will tackle any issues that have a negative impact on the job satisfaction. We will, among other things, ensure that everybody in the business knows how to prevent and relieve stress-related problems.</p> <p>Employees as well as managers must react if and when they see signs of stress such as long-term changes in behaviour and physical condition. The individual employee must pay attention to the signals of his/her own body and react on any signs of stress. The employee ought to inform his/her closest superior of the problem.</p> <p>If an employee notes that a colleague has been showing reactions for some time that could be an indication of stress, it would be a good idea to ask the colleague whether he/she is ok and whether he/she needs help.</p> <p>If a manager has experienced over a prolonged period of time that an employee has been demonstrating behavioural or physical changes, it will be a good idea to have an interview with that employee. This interview should clarify what the problem is – and what should be done to resolve it. If problems are not tackled while they are still small, they may result in stress followed by long-term absence.</p> <p>When an employee or colleague who has been suffering from stress returns to work, both the manager and the colleagues have a duty to help this employee to start afresh.</p>

Source: *The Danish Chamber of Commerce: Undgå stress – det betaler sig, 2003 (Avoid stress – it pays off)*

Other tools for stress prevention which can be used to supplement a stress policy

Do it today	Relevant in the future	
Activities		
<input type="checkbox"/>	<input type="checkbox"/>	<p>Information channels</p> <p>It is important to use the business' information channels, e.g. staff meetings and interviews, staff magazines, emails, intranet or other channels, to communicate the business' vision, strategy, target areas, etc. so that these are clear to each and every employee.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Appraisal interviews</p> <p>An appraisal interview is a conversation during which the manager and the employee present their mutual wishes and expectations regarding the work and each other. The employee and the manager evaluate and prepare a plan for the employee's work as well as professional and personal development.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Satisfaction surveys</p> <p>Measuring the employees' satisfaction allows for expedient reactions to any issues and problems approaching.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Social arrangements</p> <p>Healthy social relationships function as a shield against dissatisfaction and stress. Social arrangements could be art societies, business parties, sporting events, etc.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>Introduction of new employees</p> <p>A thorough introduction of new employees in the business makes them feel comfortable at work more quickly.</p>

Sources: The Danish Chamber of Commerce: *Undgå stress – det betaler sig, 2003 (Avoid stress – it pays off)* and, NCSA: *En sundere arbejdsplads – idékatalog, 2005 (Health working conditions – index of ideas)*

3.10. Working on your own 5: Focus on retention of older employees

Older employees often possess skills that are essential for your business. Therefore it might be an excellent idea to make an effort to retain older employees who might otherwise be contemplating an early retirement in your business. When your business brings older employees into focus, you should be aware that not all employees above a certain age consider themselves older employees and that they may not feel the need for special treatment. It is also important to consider which age group you would call older employees.

A survey made by Rambøll Management and Jesper Wégens from The Danish Institute of Gerontology in cooperation with FTF (the Confederation of Professionals in Denmark), the Financial Services Union and the Danish Nurses' Organization in 2005 shows that older employees possess a number of specific skills that may be valuable for your business. Such as:

- Responsibility
- Sense of quality
- Professional skills
- Comprehensive view
- General knowledge and background knowledge
- High ability to listen and understand
- Experience that is valuable for the business.

Rambøll Management also carried out a study on behalf of the Nordic Council of Ministers on the competitiveness of older employees in the Nordic labour market which showed that within a large number of areas older employees possessed, to a higher degree than their younger colleagues, the competencies requested by businesses when they were recruiting new employees, such as loyalty, responsibility, sense of quality and professional skills. The study concludes that a mix of the young and older employees possessing a multitude of skills provide the best framework for creation of added value in the business.

Progressive retirement arrangements

A progressive retirement arrangement is a fully individual agreement between the employer and the employee concerning working conditions that differ from standard conditions. It could be everything from a day off each week to other tasks and job functions. The exact thing makes the specific employee choose to stay a few more years in the labour market.

The type of progressive retirement arrangements that can be made may, of course, vary significantly from place to place. The requirements and wishes of the employer and the employee with respect to a progressive retirement arrangement will likewise be based on individual choices.

A progressive retirement arrangement will typically be prepared jointly by the employer/manager and the employee. A progressive retirement arrangement will often deal with one or more of the issues below:

Part time – reduced hours:

- One or more days off each week or each month
- Arrive at work one hour later or go home one hour earlier than before
- Being entitled to longer holidays or optional leave
- Gradual reduction in working hours. E.g. by agreeing that the employee works 35 hours per week for half a year and then reduce working hours further.

Job sharing

It might also be a possibility to share the employee's job with a colleague. Some businesses enter into agreements with two employees so that they can share one job and both work half time. Both employees do not necessarily have to be older employees. Other colleagues may, for example, have small children or may for some other reason wish to have reduced hours for some time.

Flexible hours

A progressive retirement arrangement could also involve more flexible working hours for the employee so that he or she does not work every day from 8 am to 4 pm. Although it may require some planning if the employee has flexible working hours or is working from home, it is already common practice in many businesses.

Finances

Reduced working hours will often lead to similar reductions in the employee's pay. This may also have an impact on contributions to the pension scheme. In some cases, however, it has become possible to agree on continued full pension contributions. This applies to jobs in both private and public sector.

Reduced working hours also affect the amount of unemployment benefit that the employee will receive if he or she is fired. It is therefore important that the employee asks the unemployment fund and/or union for advice before signing the agreement about reduced working hours.

Tasks and influence

If the employee's working hours are reduced, but the employee continues to have the same amount of tasks to perform, this will mean an extra work load and perhaps more stress as well. In most cases it will therefore be an advantage if the job functions of the employee are adapted to the new working hours.

Reduced working hours may also have the effect that the employee will have less influence on and be less in touch with the development on job if, for example, meetings are held outside the new working hours. Therefore, things should be coordinated so that the employee is kept up to date on what happens at work after his/her working hours.

Here are some examples of older employees who, after performing the same tasks and job functions for many years, got new tasks and challenges:

- The secretary who would like to update the business' website
 - The insurance agent who due to his/her excellent grasp of situations and judge of character may act as mediator in deadlock negotiations
 - The kitchen assistant who wishes to help receive children in the morning at the day nursery
 - The engineer who wishes to be stationed abroad after the children have moved away from home
 - The cleaning assistant who due to his/her experience can carry our quality assurance of the colleagues' work
 - The skilled craftsman who due to his/her experience can prepare quotations for the customers
- The chauffeur who due to his/her extensive knowledge of the suppliers can become purchasing assistant or be in charge of the spare parts inventory.

New tasks or job functions

Maybe the employee needs to have less strenuous tasks. Or wishes to have new challenges by shifting to other tasks or functions.

If the employee becomes responsible for new areas, this could also involve new tasks such as being mentor or tutor for other employees, perhaps for new employees or apprentices.

A progressive retirement arrangement may also allow the employee to slow down by being exempted from the most demanding or stressful tasks. The employee may also wish to have fewer types of tasks in order to concentrate on the field that the employee is best at.

It might be experienced as degradation or as being sidetracked if changes occur in the ranking of the position or the fields of responsibility. Therefore it is important that the change occurs with respect for the employee's own wishes. Neither the colleagues nor the employee should regard a progressive retirement arrangement as degradation, but as part of a gradual withdrawal from working life.

Competence development

Competence development may also form part of the progressive retirement arrangement so that the manager and the employee agree that the employee should:

- Obtain a diploma or certificate to evidence the qualifications acquired through his or her daily work
- Participate in training on equal terms with other colleagues through in-house or external courses.
- Obtain supplementary training to be able to solve new tasks such as mentor or tutor, operate new tools, etc.

Conditions of employment

This could be:

- *Limited tenure*
The employee and the manager agree every year – probably during the appraisal interview – to determine for how long the employment is to continue. E.g. 1/2, 1, 2 or 5 years.
- *Project employment*
Attachment to the business for a limited period to solve a specific job.
- *Flexible employment*
For example, an agreement about being attached to the business as a consultant to solve specific tasks.
- *Job rotation*
Here the employee does not have the same job all the time, but will in some periods have more challenging or less strenuous functions.
- *Reduced hours with full, part or no salary/wage compensation*
If the working hours of the employee are reduced, this will typically mean a similar reduction in the pay. However, examples do exist of individual progressive retirement arrangements with compensation.
- *Reduced hours with full or part pension contributions*
The framework agreement for progressive retirement policies for Danish municipalities and counties allow for offering employees aged 60 years or more to work less hours, but still maintain full or part pension provided that the business etc. in question allows it. In the private labour market, there are also examples of individual progressive retirement arrangements with full or part pension savings.

Below you will find some inspiration for an evaluation of whether your business can benefit from making an effort to retain older employees and what specific actions to take, depending on the challenges that you are faced with.

5 a: Retain older employees in the business

	Comments:
<p>1. Consider which challenges your business is faced with – e.g.:</p> <ul style="list-style-type: none"> • Difficulties in retaining employees • Difficulties in recruiting new employees • Tough and strenuous working conditions – e.g. monotonous repetitive work • Stressful working conditions – e.g. requirements about speed and performance • Miscellaneous 	
<p>2. Identify how your business may benefit from making an active effort to retain older employees – e.g.:</p> <ul style="list-style-type: none"> • Keep skills and knowledge within the business • Avoid the need to recruit new employees • Avoid training of new employees • Counter existing or future recruitment difficulties • Miscellaneous 	
<p>3. Decide who is to take the initiative – e.g.:</p> <ul style="list-style-type: none"> • HR manager • Closest superior • You may also consider whether one of the employees in your business should function as Change Agent. A Change Agent is an employee whose function is to increase the working quality for older employees in the business. See examples of the Change Agent's functions below • Other issues 	
<p>4. Involve the work council If your business has a work council, this council should always be involved when making changes that affect the employees.</p>	
<p>5. Define when an employee is an older employee in your business Some businesses refer to employees "as older employees" when they reach a certain age, e.g. 50 years. Please note that some employees may not consider themselves older employees and feel that their performance equals the rest of the firm and they might be offended by being offered preferential treatment. In that case, you may consider whether the progressive retirement policy should be a fixed part of the appraisal interviews where you can assess/discuss with the employee whether there it is time for a progressive retirement arrangement.</p> <p>6. How and when should you have the interview with the older employee? One possibility is to incorporate the progressive retirement interview into your appraisal interview. Below you will find examples of some of the issues that are important to consider in relation to the progressive retirement interview.</p> <p>a) Progressive retirement interview In many businesses, the HR manager holds annual appraisal interviews to clarify mutual expectations and needs of the employees and the business. By supplementing the normal appraisal interviews with questions that are relevant to older employees, the special issues relating to the planning of the older employees' last years on the labour market will be in focus.</p>	

b) The right time

The right time to hold a progressive retirement interview is individual, but the business often chooses to discuss the issue when the employee is between 55 and 57 years old. This provides sufficient time for planning, and it "demystifies" the interview if it is an established practice to hold progressive retirement interviews for all employees when they reach a certain age.

c) Form

In some businesses the appraisal interviews for older employees are carried out based on a questionnaire to ensure that all relevant issues are discussed with all employees. Others have a more informal style which is similar to an ordinary conversation between manager and employee. The most important thing is that the interview leads to an agreement, preferably in writing, so that both parties have the opportunity to follow-up on the agreements.

d) Contents

The interview will often be based on the time passed since the last interviews, agreements for the coming year as well as more long-term planning. This includes termination of employment, scaling down or changes that are expected to occur before the employee's last year on the labour market. The contents of the specific interview can be adapted to the specific employee and the culture of the business as such.

e) Preparation

It is important that the business informs the employees in advance that the purpose of the interview is not to faze out of the older employees. It is an advantage if the employee gains the opportunity to prepare for the interview, e.g. through an agenda showing the issues to be discussed during the interview. Or gains the opportunity to participate in a course on progressive retirement to clarify his/her own options and wishes before the interview.

The business may choose to ask the employees themselves – perhaps anonymously – when they feel there is a need for a progressive retirement interview.

7. Identify whether there are departments in the business which are suitable for making an active effort to retain older employees – e.g.:

- Departments that do not involve physically demanding, e.g. heavy lifting.
- Departments where the experience of the older employee can be utilised better than others
- Other issues

<p>8. Identify possible measures you can take in the effort to retain older employees in your business.</p> <p>When you have identified the challenges faced by your business, you can take measures to meet these challenges – e.g. :</p> <ul style="list-style-type: none"> • Altered tasks • Smaller work load • Less pressure and slower pace at work • Lower requirements for adaptability and changes • Job rotation • Special tasks for older employees • High independence in the work • Better opportunities for supplementary education and training • Reduced working hours • Full pension contribution from employer in connection with reduced hours • Technical aids 	
<p>9. Decide who will be responsible for the business' continued effort to retain older employees – e.g.:</p> <ul style="list-style-type: none"> • HR manager • Closest superior • The Change Agent, if there is one in your business • Other issues 	
<p>10. Evaluate your effort to retain older employees</p> <p>Management or work council discussion about the benefits gained by the business from its effort to retain older employees. Can anything be improved?</p> <p>You can also establish a group among the employees (preferably a wide section of employees, i.e. managers, young people, older employees, etc.) who meet once every half year to discuss how things are progressing?</p>	

Sources:

Rambøll Management

SiD, HK, LH and AHTS: "Fastholdelse af seniorer i virksomheden" (Retention of older employees in the business)

www.forandringsagent.dk

AHTS, HK, LH, SiD and PwC: "Et ændret arbejdsliv" ("A changed work life")

www.senioraftale.dk

www.seniorpraksis.dk

Rambøll Management and Jesper Wégens from The Danish Institute of Gerontology in cooperation with FTF (the Confederation of Professionals in Denmark), the Financial Services Union and the Danish Nurses' Organization Financed by the Directorate General for Employment Placement and Vocational Training: Attraktive arbejdspladser til attraktive seniorer, September, 2005 ("Attractive jobs for attractive older employees")

Change Agent

Examples of functions that a Change Agent may have in the business:

- Bring the competencies of older employees into focus
- Put older employees on the agenda of the business
- Carry out measures in the business aimed at retaining older employees.

The cost of becoming a Change Agent is DKK 1,450. Learn more about the scheme at www.forandringsagent.dk

Source: www.forandringsagent.dk

5 b: Examples from businesses

The following examples are taken from SiD, HK, LH and AHTS' report: "Fastholdelse af seniorer i virksomheden" ("Retention of older employees in the business"). We have selected six examples showing how you can retain SiD (now 3F (Danish trade union for skilled and unskilled workers) older employees. Then there are two examples of how to retain HK-employees (HK = Danish union organising commercial and clerical employees) and finally two examples on how to retain older executive employees.

EXAMPLES OF RELOCATION OF 3F SENIOR EMPLOYEE

Commercial businesses

Warehouse worker goes from heavy to light physical work

For many years, it has been something natural in many businesses to move older employees from heavy physical work to less strenuous work. This can be practiced to an even wider extent, e.g. by combining jobs in other ways than previously. Take some of the lighter tasks from four jobs and combine them in a fourth. The load on the three others ought not to be significantly higher. Technical aids could be acquired.

Production man transferred to supplier contact

When businesses have used the suppliers' products in their own production for several years, they know which suppliers to use and what features etc. the goods need to have. It may be possible to find a job involving some sort of contact with the suppliers and the products as a replacement job.

TRANSPORT BUSINESSES

Chauffeur transferred to haulage planning

An older chauffeur with several years of experience within practical execution of haulage planning will often be able to benefit from this experience at a haulage planning office. By a rescheduling of the tasks at the haulage planning office, it might be possible to find a job for an experienced chauffeur. Some hands-on training may be needed. This training alone will have a tendency to make the employee stay longer in the business which will accordingly obtain maximum benefit from the employee.

Chauffeur is given a fixed-duration project assignment

In many transport businesses, "shelved projects" which cannot be solved as part of the daily operations is a common feature. The knowledge and experience of the chauffeur gained when working in the field makes him suitable for solving such assignments. Often the projects will have a fixed duration and are therefore most suitable as a conclusion to a long working life.

SERVICE BUSINESSES

Cleaning assistant for canteen

When the cleaning job becomes too hard, it may be possible to find a job in a canteen, which the employee will be able to take on after a little training

Laundry worker for physically less strenuous areas

Not all areas in a laundry are equally hard to work in. Although job rotation is very common in laundries, it is possible to find permanent, less demanding areas for older employees, if it becomes too hard to be part of the normal rotation.

Source: SiD, HK, LH and AHTS' report: "Fastholdelse af seniorer i virksomheden" ("Retention of older employees in the business").

EXAMPLES OF RELOCATION OF OLDER SHOP ASSISTANTS OR OFFICE EMPLOYEES

Sales assistants, wholesale/(retail) for less strenuous tasks

As they are getting older, sales assistants may also need relief either due to work-related stress or due to high physical demands. The employees have a wide knowledge of the business, customers, suppliers, goods, etc. and will therefore be able to take on jobs where guidance is a predominant function. This could either be during customers' or suppliers' visits to the business or guidance over the phone.

Shipping and forwarding employees' education and training

Becoming a good shipping or forwarding employee requires very long training. It will be advantageous to pass on the experience of an older employee to new and younger employees. The older employees may therefore be transferred to training and presentation or become part of a scheme where two men shares two jobs. This will be sort of mentor job for the older employee.

Source: SiD, HK, LH and AHTS' report: "Fastholdelse af seniorer i virksomheden" ("Retention of older employees in the business").

EXAMPLES OF NEW JOBS FOR OLDER EXECUTIVE EMPLOYEES

Manager for planning

A works manager's workday consists primarily in planning and organisation at the site. In major businesses, there will often be an actual planning department that plans, manages and follows up on all major projects and activities. A works manager will typically be in possession of the qualifications required for these tasks. In small businesses, such a department may not exist, but the tasks are spread on different departments. A works manager will be able to plan and manage these tasks in the departments.

Source: SiD, HK, LH and AHTS' report: "Fastholdelse af seniorer i virksomheden" ("Retention of older employees in the business").

5 c: Government support and information

[If you have National and/or Governmental economic support regarding *Retention of older employees* you can place it here. This is also the case if you have National links regarding Retention of older employees.]

3.11. Working on your own 6: Focus on diversity in the business

People differ – e.g. with respect to sex, cultural background, age, physical and mental handicaps, educational level, religion or sexual orientation. Focusing on diversity in your business means seeing opportunities in differences as opposed to seeing only problems and barriers. In the end, diversity among your employees may play a contributing role in the development of your business.

In principle, diversity relates to all groups of people, but in the following we will be dealing with how your business can hire employees from another cultural background and what impact this will have on your business.

Why hire employees from another cultural background than Danish?

DI's (the Confederation of Danish Industries) integration survey 2005 shows that businesses point out the following advantages of having employees from another cultural background than Danish:

- They contribute positively to the performance of the employees.
- The business achieves a loyal work force.
- The business achieves more diverse competencies.
- The business achieves a better recruiting basis.

Do you want to know more about diversity?

[The links below are all Danish websites. They can be removed and National links regarding integration and diversity in the business can be added to the list of links instead. There is however a possibility of getting information in English from the websites in some of the links below.]

- **DI** (The Confederation of Danish Industries)
At www.di.dk, you will find various publications, e.g. "Styrk Integrationen – Kom godt i gang på din virksomhed" ("Enhance Integration – Get off to a good start in your business").
- **HTS** (The Confederation of Danish Commercial Transportation and Service Industries)
At www.hts.dk, you will find publications offering specific tools for e.g. preparation of integration policies, retention of older employees, etc.
- **LO** (The Danish Confederation of Trade Unions)
At www.lo.dk, you will find publications on integration, e.g. "Nye kolleger er gode kolleger" ("New colleagues are good colleagues"). At the website, you will also find publications on employment and labour market as well as social politics.
- **The trade unions' knowledge centre for integration**
The knowledge centre was established to strengthen the overall effort of the trade unions regarding integration. Here you will find material and publications on integration. See www.fvi.dk
- **The Danish Ministry of Employment**
Here you will find more about the campaign for academic graduates, integration of "new Danes" on the labour market and progressive retirement policies. See www.bm.dk
- **CABI** (Danish National Centre for Employment Initiatives)
Here you will find material on labour market with room for everyone. See www.cabiweb.dk CABI also has several sites on job creation, as well as prevention and retention of the work force. See www.ijobnu.dk, www.via2000.dk and www.fleksjob.dk
- **The national and regional corporate networks**
The national and regional corporate networks deal with social commitment. At the website www.socialtansvar.net, you can read about the regional corporate networks in your region and be inspired to further develop your social commitment.
- **The association "Foreningen Nydansker"**
The association deals with issues regarding integration of "new Danes" in the labour market. At the association's website www.foreningen-nydansker.dk, you will find information on diversity, mentors and much more. The association offers discussion groups and gives lectures and presentations.

6 a. Mentor scheme⁶

When your business decides to hire an employee from another cultural background, it will be a good idea to consider how you are to ensure the integration of the new employee in your business.

In Denmark it is possible to have a mentor scheme sponsored by the Danish Government and local authorities, but the mentor scheme anyway is a very good idea, and it should be considered in all businesses whether it is sponsored or not.

In the mentor scheme an experienced employee will be responsible for the training of the newly employed person – this involves occupational training as well as a good introduction to the business' culture and social life.

A mentor scheme can be one way of ensuring a good start in your business for the new employee. Contact to the mentor gives the new employee as sense of security – especially if he or she has never been working in a Danish business before. The mentor scheme is an important short-cut for understanding the tone used among the employees as well as unwritten rules and for conquering language barriers.

⁶ Kilde: www.ams.dk/etnisk/vaerktoejskasse/vaerktoej-mentor.html

Here the mentor scheme is presented as a tool in relation to the introduction of new employees from other cultural backgrounds than Danish in the firm, but in principle the mentor scheme may function as introduction of any new employee in the firm.

Success criterion for the mentor scheme

In order for your mentor scheme to be successful, it is important that the employee(s) acting as mentors in your business are fully equipped to carry out their functions. The means e.g.:

- Management must clearly state the purpose of the mentor scheme
- Management and colleagues must back up the mentor(s)
- The mentor must know the limits of his/her responsibility and be able to seek help in case of doubt, e.g. from management or in a mentor network
- Roles should be clearly defined between the mentor and the other employees – e.g. middle managers. You can visualise the role by laying down guidelines for the mentor's functions and publish these in the business.
- The mentor must be familiar with the work-related needs of cultural minorities – are there any special challenges for persons from another cultural background in your business?
- It is important that the mentor is aware of the informal rules applicable in your business, so that he or she can inform the new colleague about them.

6 b. Hire an employee from another cultural background

ACTIVITIES	COMMENTS
<p>1. What does your business do today? Do you have any employee(s) from another cultural background or are you considering employing one.</p>	
<p>2. How can your business benefit from hiring an employee from another cultural background? Write down arguments as to why your business should hire an employee from another cultural background.</p>	
<p>3. Who takes the initiative?</p> <ul style="list-style-type: none"> • HR manager • Closest superior • Manager of a specific department • Other issues 	
<p>4. Which departments in business can make best use of an employee from another cultural background? Your new employee may have some trouble writing and reading Danish to perfection. Consider whether there are departments where fluent written and spoken Danish is not necessary.</p>	
<p>5. Can you offer the employee the opportunity to express himself/herself in non-linguistic ways in his/her application? If he or she is not quite fluent in Danish, there may be ways of letting him or her make himself/herself heard. E.g. if he or she has some technical knowledge that can be drawn.</p>	

<p>6. What are the minimum requirements for an employee from another cultural background in your business?</p> <p>For instance having to read safety instructions in Danish. Consider whether the requirements can be solved in other ways – e.g. by hooking up the employee for some time with a colleague with the same native language.</p>	
<p>7. What would be the best way to integrate your new colleague in the business?</p> <p>This could, for example, be through a mentor scheme where the new employee is introduced to written and unwritten rules in the business by a colleague (see above).</p>	
<p>8. Are there any special considerations that you can and are willing to make in your business?</p> <p>Generally, people from other ethnic backgrounds have different cultures and norms, but in a work situation there will seldom be problems that cannot be solved by means of sensible talk. This talk and differences, considerations and opportunities may very well be dealt with at the job interview.</p> <p>There are different opportunities for seeking advice, e.g. in your organisations, in the Danish Ministry of Refugee, Immigration and Integration Affairs and the association "Foreningen Nydansker".</p>	
<p>9. What rules do you want to have in the business?</p> <p>If there are already employees from other cultural backgrounds in the business, it might be a good idea to discuss – and perhaps lay down – some guidelines for cooperation and interaction.</p> <p>These could be guidelines saying that:</p> <ul style="list-style-type: none"> • You speak Danish in the business • You respect each other's differences • You respect each other's religious observance • You respect each other's choice of clothes • Other issues 	
<p>10. How will you follow-up on the employment?</p> <p>You could hold a meeting with the new employee and his/her closest colleagues to talk about how things are going.</p>	

Sources: *Rambøll Management*

DI: "Når døre åbnes" ("When doors open")

AHTS: "Udarbejdelse og implementering af en integrationspolitik" ("Preparation and implementation of an integration policy")

Where can you obtain advice?

If your business would like to hire an employee from another cultural background, it may be a good idea to write it in your job advertisement or contact your local job centre. They can help you find the right employee for your business.

At the job centres in Denmark you can obtain advice and guidance – e.g. regarding other cultures, religions, etc. – and receive financial support e.g. for a long-term training period.

The Danish job centres offer various schemes that businesses can make use of:

Employment with wage compensation

Gives private and public employers the opportunity to obtain support in connection with the employment of an unemployed person. When a private employer hires an unemployed person with wages compensation, a grant of approx. DKK 57 per hour is offered for a maximum period of 12 months. Education may be part of the offer about employment with wage compensation.

Trainee service

Provides employers with the opportunity to obtain support for taking in an unemployed person as trainee. This allows the employer to assess whether this person should be offered a permanent job or with wage compensation. As a general rule, the employer may employ the person as trainee for up to four weeks.

Mentor scheme

Provides the employers with the opportunity to obtain financial support for releasing a person from his or her normal duties to act a mentor. This could be one from the business' own staff or an external consultant. The mentor's tasks are to introduce, guide and train the new employee, e.g. with respect to the business' culture, jargon, etc.

3.12. Working on your own 7: Health and safety management tool for small and medium-sized enterprises

The e-learning module of "People & Profit" includes a "Health and safety management tool for small and medium-sized enterprises". A tool developed specifically for small and medium-sized enterprises. This tool enables the enterprise to quantify costs and savings related to general health and safety activities and the following three health and safety issues: industrial injuries, repetitive strain injuries (RSI) and heavy lifting.

The health and safety management tool is divided into the following modules: Start, Industrial injuries, Heavy lifting, RSI and General health and safety conditions. You can choose to apply one or more modules, but the Start module has to be filled in before you can work with the other modules, as this module contains the master data specific for the business and these data are used for calculations in the other modules.

Industrial injuries

Industrial injuries mean unnecessary financial costs for the business. The human costs of industrial injuries cannot, of course, be reduced to financial calculations. But stronger focus on financial costs may serve as an incentive for both management and employees to make a targeted effort to reduce industrial injuries. The tool helps you quantify the costs of an industrial injury, as it also pays attention to indirect costs. The costs may involve expenses such as:

- Loss of working hours/wages for the injured party
- Treatment
- Loss of working hours in the organisation
- Time spent on contact with the authorities
- Changes in the payroll administration and handling of notifications, etc.
- Damage to property

- Manning of injured employee's tasks
- Decreasing productivity due to interruption of the work.

Heavy lifting

A lift is considered heavy when it entails a risk of damaging your health. Heavy lifting and handling of heavy burdens are generally associated with back problems, such as backache, stiffness of muscles and joints. It may also involve pain or sensory disturbances in the legs. It may involve straining, fractures or nerve damages. Businesses can feel the impacts of heavy lifting when the employees talk of nuisances or pain in connection with the lifting of burdens or other handling, e.g. pulling or pushing burdens. It may also involve short-term or long-term sickness absence due to work involving lifting or other handling of burdens. The reason for the sick leave may also be backache or other nuisances in the back and/or down in the legs.

The heavy lifting module helps to identify the costs related to heavy lifting in your company. The costs may involve expenses such as:

- Sickness absence due to heavy lifting
- Treatment of pain related to heavy lifting, e.g. pain in the back and pain in bones and joints
- Administration of sickness absence caused by heavy lifting
- Manning of tasks due to sickness absence caused by heavy lifting
- Staff turnover due to heavy lifting.

RSI

RSI is repetitive strain injuries caused by performing repetitive work functions where the same movement(s) are carried out several times within a short time span with minimum allowance for variations in the movement pattern. It is a case of monotonous repetitive work when this pattern is seen in more than ten per cent of the working hours. The business can feel the impacts of RSI if, for example, the employee needs short or long breaks during the working day or is not able to handle various tasks due to pain or fatigue in muscles and joints. There may also be sickness absence for short- or long-term periods due to pain in muscles and joints.

The RSI module helps to identify costs of repetitive strain injuries (RSI) related to monotonous repetitive work in your business. The costs may involve expenses such as:

- Sickness absence due to RSI
- Treatment of repetitive strain injuries (RSI), e.g. in the neck, shoulders or arms.
- Administration of sickness absence due to RSI
- Manning of tasks due to sickness absence caused by RSI
- Staff turnover due to RSI.

General health and safety conditions

The module helps the business quantify the costs related to general health and safety related activities. The costs relate to the time spent on health and safety activities. Including time spent by the health and safety organisation, e.g. on meetings, implementation, systems maintenance, etc.

The costs may involve expenses such as:

- Operating the health and safety organisation
- Preparation of workplace evaluations
- Insurance

- Resources used in connection with the inspection made by the Danish Working Environment Service.
- Use of safety and health advisors
- Potential operation of health and safety management system and certification
- Health promotion initiatives

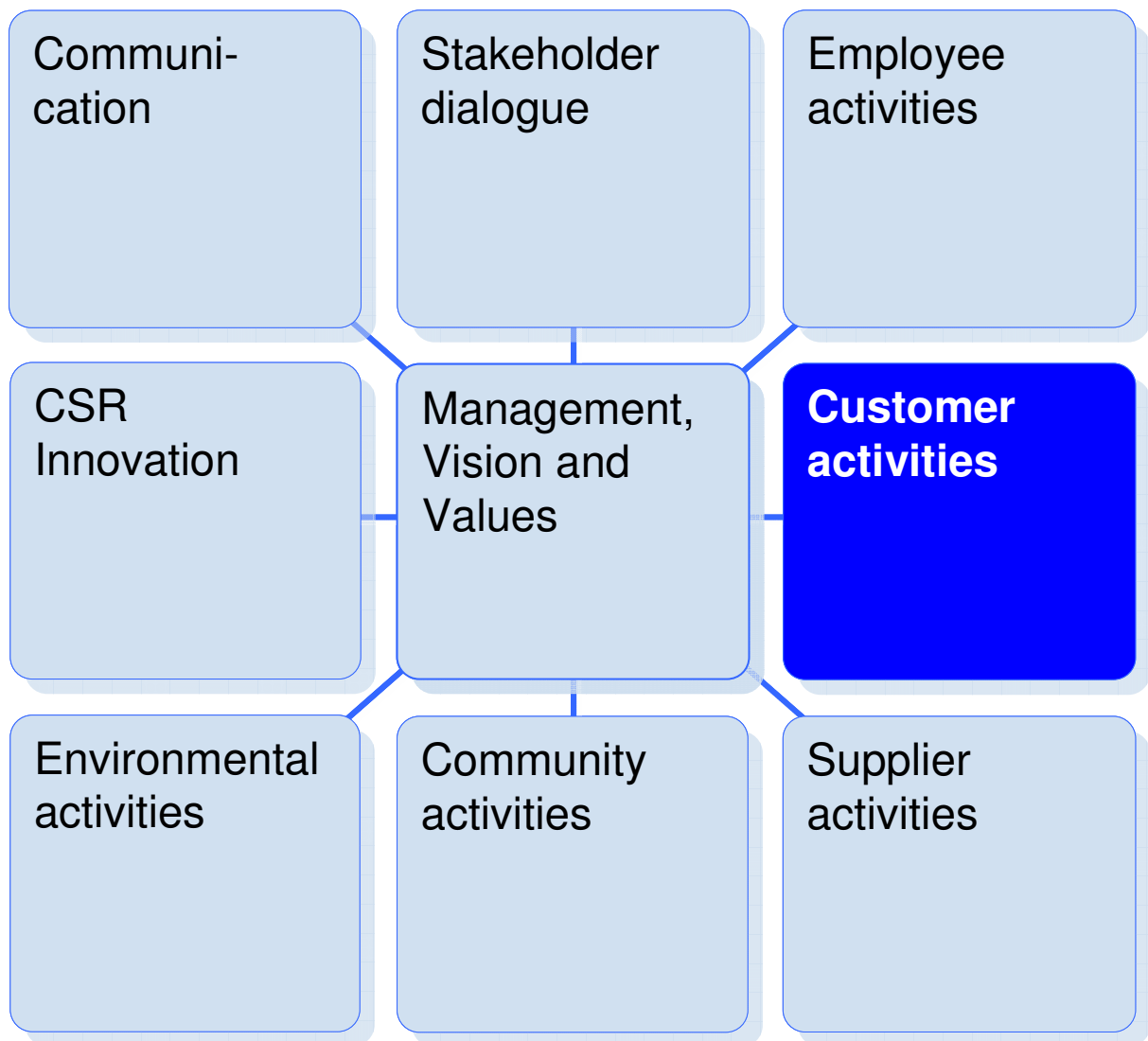
This method allows you to analyse your costs relating to both voluntary and statutory health and safety activities. For many businesses, it will be difficult to achieve savings regarding these costs, especially with respect to statutory health and safety measures. Nevertheless, it is still a good idea to know the costs, e.g. in relation to the dialogue with authorities and employees. Knowing the costs related to voluntary health and safety activities makes it possible to assess whether the efforts made within the area are in proportion to the costs that can be saved as the work leads to few injuries and less absence.

As an appendix to this handbook, there are some guidelines briefly describing what health and safety management is, which health and safety costs are the most substantial ones and how the tool can be used. It also deals briefly with subjects on how to work with health and safety management and how to organise the work. We recommend that you read *the guide* before using the “*Health and safety management tool for small and medium-sized enterprises*”.

The tool was developed in 2006 by PricewaterhouseCoopers and COWI.

4

Customer activities



4. Customer activities

Customers are often the most important stakeholders of your business, since they are the ones who buy your goods/services. Customer activities in CSR therefore target both private and corporate customers. For some businesses, private consumers are the most important, while corporate customers are more important for other businesses. Obviously, your customer activities should take into account the type of customer you have and the demands customers make of businesses.

Customer activities therefore comprise both the customer requirements you face – e.g. companies where you are the supplier - and how you can use your CSR activities in a profiling and marketing context towards a wider group of customers – e.g. users of your products.

Customer activities thus deal with:

- meeting customer requirements for CSR
- entering into a dialogue and handling requirements and expectations
- marketing and communicating your CSR activities
- using product labelling schemes
- being aware of product liabilities: e.g. informing customers about responsible use and disposal

4.1. What are strategic customer activities?

Companies working strategically with CSR activities aimed at customers typically experience that:

- their major local or foreign corporate customers require or demand CSR
- their public customers require or demand CSR
- their end users choose products/services with a responsible profile
- they can access new customer groups by having a responsible profile on products/services
- they can access new customer groups by developing new products/services based on social responsibility.

The communication with your customers should be linked with your CSR activities and your core area. If you, for instance, are an environmentally-intensive business that pollutes heavily during production, it would not be credible to communicate that you save power. However, if you communicate the CSR activities that relate to your core products to your customers, you can use your CSR efforts strategically to attract customers. This applies to private and corporate customers alike.

4.2. The effect of customer activities

- Many large businesses have visible CSR policies and make CSR demands of their suppliers. At the same time, small companies make demands of their suppliers to an increasing extent. If you are working strategically with customer activities, you can anticipate or counter your customers' requirements for social responsibility. This allows you to use your social responsibility to retain your current customers.
- Provided that they are communicated to your customers, your CSR activities can strengthen your reputation and give you a profile as a socially responsible business. This allows you to use your social responsibility to attract new customers who emphasise CSR.

- Customer activities can attract more conscious customers who may reject your less CSR-oriented competitors.

4.3. What do the others do?

[These cases are Danish and can be replaced by national examples on customer activities]

MERKUR BANK

Merkur Bank is organised as a cooperative savings bank and is primarily owned by its customers.

Merkur performs a financial, community, green, social and cultural assessment before it lends money. 75% of loans are for green, social and cultural projects meeting Merkur's values of sustainable societal development. 25% of loans are for private customers. Merkur prepares green accounts of its energy consumption and purchases products from environment-conscious customers such as Årstiderne, Hanegal and Thiese Mejeri. Merkur is also a member of the Copenhagen Environment Network.

"In Copenhagen in particular, we also support various cultural and social projects such as private independent schools and social homes. A coming focus area could be to finance workplaces that make a special effort to hire immigrants."

Customer advisor Claus Skytt, Merkur Bank

PAINT MANUFACTURER BECK & JØRGENSEN A/S

At Beck & Jørgensen A/S, the environment is more than just circulars, orders and legislation. As an active participant for Danish master painters, the environment, environmental management and environmental considerations are well known concepts for all – management and staff alike. Working with paint is to work with the environment. It is therefore natural that Beck & Jørgensen A/S has carefully formulated environmental policy and objectives. The business strives for openness in all environmental matters and works according to the EU criteria for the Flower eco-label where possible, considering quality and raw materials.

"It's decisive to offer our customers products that we can guarantee are ok and which they can be nothing but proud of selling on to end users. This increases credibility throughout the chain and can only benefit our business".

Jesper Hougesen, product manager of Beck & Jørgensen A/S

Source: www.eco-label.com

GRENEN CAMPING

Green Camping has up to 750 guests during peak season and lies in the middle of the unique natural settings of Skagen. The business has four permanent employees and is eligible to use the Flower eco-label.

"Due to our location in the middle of the listed area of Grenen, we've always thought that we should operate our camping site in harmony with the environment and nature. One of the objectives of Grenen Camping is therefore to help motivate our guests to become environment-conscious during their stay and to provide information about the myriad natural sites".

Poul Langhave, owner of Grenen Camping

4.4. Some good advice

- Consider how your CSR activities affect individual customer groups
- Prioritise the customers that are most important to your future business
- Engage in a dialogue with your customers
- Consider whether and how you can communicate your CSR activities

4.5. Working on your own

In the following section, you can read more about how you can handle requirements from corporate customers for documentation of social responsibility. You can also read more about the product label scheme the Flower and how you use it.

Working on your own with customer activities comprises the following sections:

1. Questionnaire
2. Handling CSR requirements from corporate customers
3. The Flower eco-label
4. CSR sales tool for small and medium-sized enterprises

4.6. Working on your own 1: Questionnaire

The following serves as inspiration for areas you can consider when you are working with customer activities. To launch the most strategic initiative, you have to identify the customer activities that are the most valuable to your business. As CSR deals with several subjects, some are more relevant to your particular business than others, and you obviously have to identify the CSR subjects which are the most relevant to your core business.

For this purpose, you can use the questionnaire below to determine where your primary focus should be.

CUSTOMER ACTIVITIES AND COMMUNICATION OF CSR		
Inspiration for activities:		
Do today	Relevant in future	
		Meet customer requirements
<input type="checkbox"/>	<input type="checkbox"/>	Engage in a dialogue with the customers and agree the requirements you need to meet
<input type="checkbox"/>	<input type="checkbox"/>	Make a written declaration stating that you meet the requirements
		Become certified in one or more areas:
<input type="checkbox"/>	<input type="checkbox"/>	Environmental management with ISO 14 001
<input type="checkbox"/>	<input type="checkbox"/>	Environmental management with EMAS (not widely used in Denmark)
<input type="checkbox"/>	<input type="checkbox"/>	Occupational health and safety with OHSAS 18 001
<input type="checkbox"/>	<input type="checkbox"/>	Social accountability with SA 8000
		Product labelling schemes
<input type="checkbox"/>	<input type="checkbox"/>	Product labelling schemes are about your business developing and selling environment-friendly products and organic food products. This comprises products labelled with the Flower.
		Market products that emphasise respect of human and employee rights, e.g.:
<input type="checkbox"/>	<input type="checkbox"/>	preventing the use of child labour for production
<input type="checkbox"/>	<input type="checkbox"/>	product labels that guarantee farmers and workers in developing countries a fair price, e.g. a fair trade label.
		Product liability
		Making an extra effort to ensure that your products and services are as little harmful to humans and the environment as possible. Take a panoptic perspective:
<input type="checkbox"/>	<input type="checkbox"/>	The manner in which the product is made, distributed and disposed of
<input type="checkbox"/>	<input type="checkbox"/>	The manner in which the product is used. Being prepared for possible misuse of products and services by informing users of the proper use and potentially harmful adverse effects.
		Ensuring market access for all
<input type="checkbox"/>	<input type="checkbox"/>	This is a question of your business making an effort to ensure that minority groups have access to your products and services. One example is the discussion of the HIV-infected people's access to drugs in Africa.
		Dialogue, marketing and communication
<input type="checkbox"/>	<input type="checkbox"/>	Promote dialogue with our customers
<input type="checkbox"/>	<input type="checkbox"/>	Listen to and react to customer feedback and complaints and make it easy to complain and make proposals.
<input type="checkbox"/>	<input type="checkbox"/>	Market products in a responsible and ethical manner. This can be done by disassociating a product for children (e.g. candy) with a product for adults (e.g. alcohol).
<input type="checkbox"/>	<input type="checkbox"/>	Profile the business' social accountability. Communicate our CSR activities to specific stakeholders.

4.7. Working on your own 2: Handling CSR requirements from corporate customers

An increasing number of businesses make demands of their suppliers. It is generally a good idea to anticipate your customers' demands. In addition to maintaining cooperation with corporate customers,

handling requirements may give you a competitive edge in relation to potential new customers demanding CSR. This will also help profile your business.

Competition is fierce in most markets, and if a customer is to choose between your business and another supplier capable of supplying the same product at the same price, then your business might win in the long run if you have prepared a declaration on CSR or observe certain standards. Social accountability may thus engender competitive advantages. A certification can also be used prospectively in your marketing to profile your business positively directly during the customer dialogue or indirectly in the form of good publicity.

Often, many of the activities your customers demand are activities your business is already engaged in. It may only be very few extra activities your business needs to start or change to meet these demands.

The CSR Compass

[This tool is in Danish and can be replaced by a national tool]

You can use the CSR Compass to prepare declarations in relation to your customers. The following section introduces the CSR Compass.

The CSR Compass is developed in cooperation between the Danish Ministry of Economic and Business Affairs, the Confederation of Danish Industries and the Danish Institute for Human Rights.

On www.csrkompasset.dk, you can find help if your corporate customers demand CSR. The CSR Compass can help you formulate a written answer to your customers in Danish and/or English – a CSR declaration. With a CSR declaration, you can inform your customers that your business observes Danish legislation and international conventions. Under each area you can find:

- A standard declaration explaining that your business observes Danish legislation and international conventions
- Information about relevant legislation in the area
- Links to more information

You compose your own declaration on the basis of the demands you face, and you can easily and quickly compile the declaration texts in a CSR declaration and print it for your customers and partners. You can also enclose the declaration when you make quotations and conclude contracts with customers. The declaration serves as both a declaration and a check list. Danish businesses generally observe many of the customer demands by simply complying with Danish legislation. Go over the declaration to make sure that your business performs the activities in question and complies with current legislation. You can also add any further activities you perform in the areas where your customers make demands.

You also need to be aware that your sub-contractors may not live up to the same standards as you do and that it may be necessary to make demands of your suppliers.

You can compose your own declaration on the basis of the demands you face so that the final declaration concerns several activities – child labour, workplace safety, health and safety at work, etc. The CSR Compass provides specific declarations concerning all central CSR demands:

<ul style="list-style-type: none"> • Waste and reuse • General health promotion • Working conditions, incl. accidents • Occupational health and safety management system • Working hours and rest • Lighting • Accommodation and sleeping facilities • Fire safety • Child labour • Discrimination • Packaging 	<ul style="list-style-type: none"> • Establishment and operation • Hazardous substances • Freedom of association • GMO • Chemicals • Corruption • Life-cycle assessment • Air pollution • Medical aid and first aid • Payroll and employment conditions • Environmental management • Eco-labels • Psychosocial working conditions 	<ul style="list-style-type: none"> • Safe buildings • Wastewater • Eating facilities and drinking water • Temperature • Toilet and bath facilities • Forced labour • Training of employees • Ventilation
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4.8. Working on your own 3: the Flower

[National labels can be added to this paragraph.]

You can also choose to profile yourself to a wider group than just your corporate customers – e.g. in terms of the environment. An eco-label has been developed for this purpose, showing that your products are environment-friendly and takes health into account while ensuring quality.

The Flower is the EU eco-label. The Flower was established in 1992 by the European Commission and is used all over Europe⁷.

In the check list below, you can see if you manufacture, offer or use products or services that can be labelled with the Flower. Check the list and see if the Flower is relevant for you.

SERVICES OR PRODUCTS ELIGIBLE FOR THE FLOWER LABEL:	
<ul style="list-style-type: none"> • Laptops • Camping sites • Electrical light bulbs • Washing-up liquid • Hard flooring • Fertilizers • Cooling furniture • Copying and printing paper • Mattresses • Paint and varnish • Dishwasher detergent • Dishwashers 	<ul style="list-style-type: none"> • Overnight stays (hotel, inn, hostels, etc.) • Personal computers • Shoes – footwear • Lubricants • Vacuum cleaners • Textiles • Paper products, such as tissues, toilet paper, etc. • TVs • Universal detergents and sanitary detergents • Washing machines • Detergents

⁷ Sources:



www.ecolabel.com

http://ec.europa.eu/environment/ecolabel/index_en.htm

Criteria for the Flower

Various criteria apply to the individual product or facility, so it is impossible to describe them all in this context. Above, you have identified the products that are eligible for the Flower. For more information about the criteria applying in order for your products to be labelled with the Flower, see the website of Ecolabelling www.eco-label.com.

Below, you can find examples of criteria that must be met in order for a product to be granted an environmental certificate.

THE FLOWER	
	<p>Laptops</p> <p>A laptop with the Flower label warrants reduced energy consumption. This means strict demands on the consumption of power when the PC is in use and in standby mode. In addition, the PC is designed so that is easy to disassemble and thus easy to reuse. It is prohibited to add various hazardous chemicals (e.g. brominated flame retardants). To prolong product lifetime, the manufacturer guarantees that spare parts are available for at least three years after the PC has been bought.</p>
	<p>Overnight stays (hotels, inns, hostels, etc.)</p> <p>The Flower places demands on the place of accommodation's consumption of energy and water, requires reduction in waste volumes and use of renewable resources. In addition to the mandatory requirements placed on the operation of the place of accommodation, the Flower entails a number of scoring requirements, e.g. for using eco-labelled detergents, organic food or keeping of the hotel park without the use of pesticides. The individual hotel or place of accommodation can choose the requirements they want to meet to achieve a predetermined score. See also the criteria for camping sites.</p>

Source: www.eco-label.com

How to work with eco-labelling of products and services

If you start using the guide below, you will be well on your way to becoming eco-labelled. Obviously, the activities depend on your current activities. You can use the list as inspiration when you make your own check list:

ACTIVITY	COMMENTS
<p>1. Find out why your business would like to become eligible for an eco-label - e.g.:</p> <ul style="list-style-type: none"> a) to gain an advantage in respect of competitors b) to ensure environment-friendly products c) to reach new customer groups d) to become an environment-conscious businesses and be able to communicate this fact e) Other? 	
<p>2. Find out if your business deals with products that can be labelled with the Flower</p> <p>See the list above.</p>	
<p>3. Identify what you do today to become environment-friendly</p> <ul style="list-style-type: none"> a) We use environment friendly packaging b) We avoid hazardous substances in the product c) We are aware of resource consumption d) Other? 	
<p>4. Identify the person who should apply for an eco-label</p> <ul style="list-style-type: none"> a) General Manager b) Production manager c) Employee 	
<p>5. Identify the demands made if you are granted an eco-label</p> <p>Various criteria apply to the individual product or facility, so it is impossible to describe them all in this context. For more information about the demands placed on your products go to www.eco-label.com</p>	
<p>6. Identify the changes you must make to meet the demands</p>	
<p>7. Prepare an action plan for implementation of any changes</p>	
<p>8. Collect documentation on changes</p>	
<p>9. Submit application to Ecolabelling</p> <p>Download the application procedure: http://ec.europa.eu/environment/ecolabel/how_to/howtoapply_en.htm</p>	
<p>10. Note that the licence must be renewed whenever the criteria are extended, replaced or revised.</p>	

Using the Flower in marketing

Once you have been granted the Flower licence, you can use the eco-label in your marketing. If you as manufacturer want to get the most out of your licence, it is essential that you use the labels actively as a marketing parameter in relation to your customers.

One of the strengths of the Flower and other labels is that they can be granted to various products. This means that the customer/consumer will meet the labels in many purchase contexts and not just in relation to one specific product group or industry. In this way, other licensees will also benefit from your marketing of the labels, just as you will benefit from their marketing. This creates a considerable synergy effect and thus a major boost of knowledge and development of the label.

[Replace this paragraph with references to national guidelines on ethical and environmental statements in marketing]

The Flower observes the requirements in the Danish Consumer Ombudsman's guide on ethical and environmental statements in marketing. The guide contains several items, the most important of which can be summarised in the three bullet points below, which the Flower observes:

- You must *document* that the product is more environment-friendly than other similar products: *In terms of the Flower, the requirements are so strict that only the environmentally best products can observe them.*
- Documentation must be based on a life-cycle assessment. *The life-cycle assessment is the basic method of the Flower requirements.*
- The environmental arguments in marketing must not mislead the customer/consumer: *The Flower exists to make it easier for the recipient: via an independent third party, it guarantees that the above requirements are observed.*

4.9. Working on your own 4: CSR sales tool for small and medium-sized enterprises

[This tool is Danish and can be replaced by a national tool]

A “CSR sales tool for small and medium-sized enterprises” has been developed specifically for Danish small and medium-sized enterprises. The CSR sales tool helps the salesperson integrate the business' CSR activities in the communication with the customer.

The CSR sales tool consists of two steps: CSR screening and Arguments that sell.

Under step 1, the seller maps his own and the customer's CSR profile in the following seven categories: Market knowledge, Certifiable management systems, Health and safety at work, Environment, Social accountability, the socially inclusive labour market and Product labels. Each of the seven categories contains a number of questions that cover your CSR activities in the area. At the end, the seller will have a report that provides a clear overview of the business' performance in relation to the customer. This enables the seller to identify the areas where his business can add extra value to the customer via its CSR activities.

Step two builds on the CSR screening and the knowledge the seller has of the market and the industry. The seller can use the argument tree to translate his knowledge into strong arguments that sell. The argument tree has a flexible structure that allows the arguments to be tailored to the specific customer and ensures that the seller's CSR arguments are relevant for the product.

Since CSR deals with much more than price, quality and delivery, the company can not often use CSR arguments as the central element in a sale. On the other hand, CSR arguments may give the customer an impression of overview, resourcefulness, integrity and vision. CSR arguments thus visualise the fact that the customer gets added value with the purchase – all for free. The business has already done the job!

When price, quality and delivery match those offered by competitors, CSR activities may be the factor that separates your business from your competitors. By using CSR arguments, you add a positive story to your product and present your values in a business-oriented manner.

When your business presents the CSR arguments to the customer, they will form part of the customer's decision basis. If you fail to do this, the customer will not be able to include the arguments in its decision.

4.10. Links

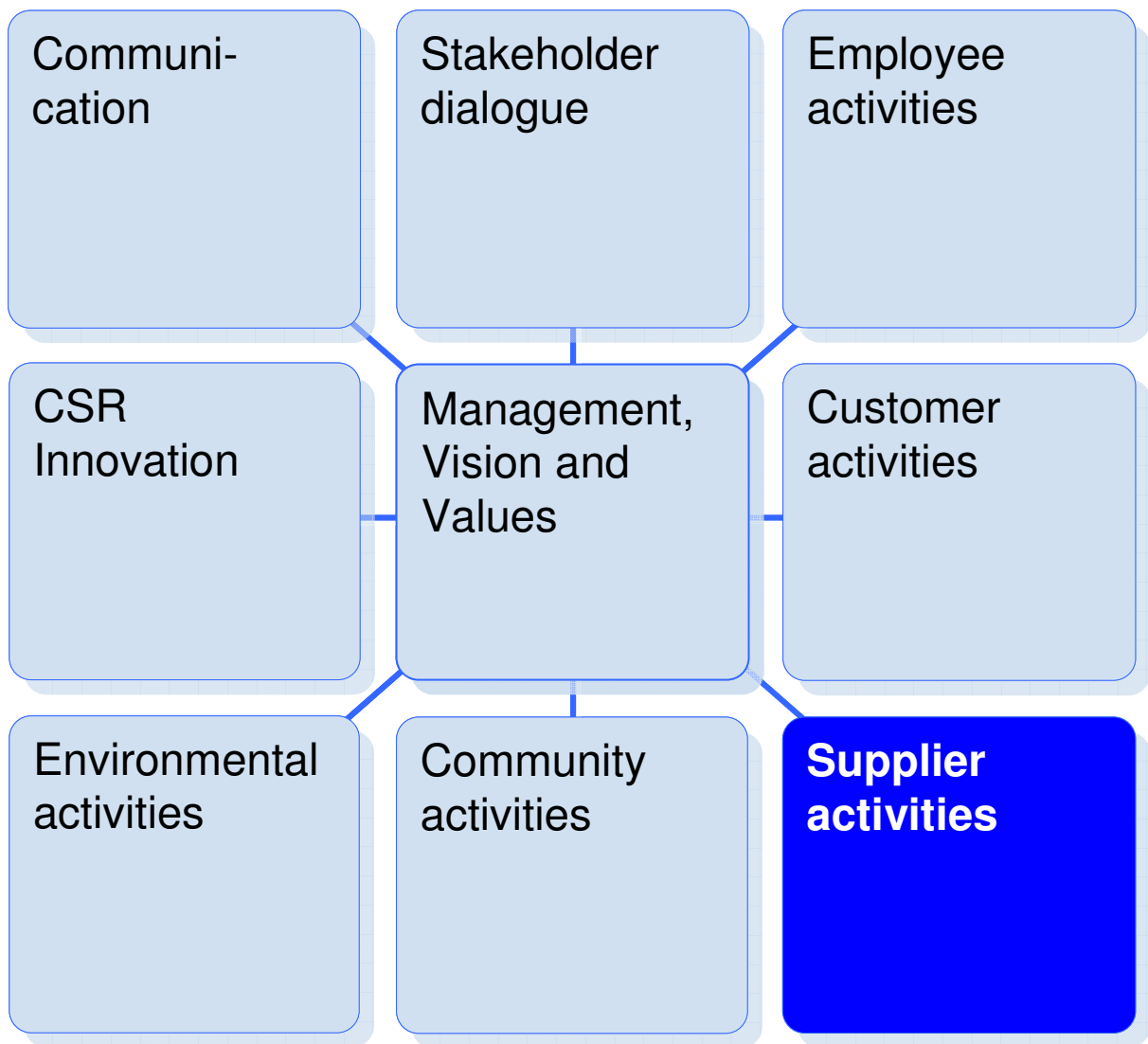
[National links regarding tools and labels can be added to the list of links.]

Below is a list of tools and websites containing additional information.

<p>The CSR Compass is developed in cooperation between the Danish Ministry of Economic and Business Affairs, the Confederation of Danish Industries and the Danish Institute for Human Rights. On www.csrkompasset.dk, you can get help if your corporate customers demand CSR.</p>		
<p>Further information and guidelines on eco-labelling</p>		
<p>EU's official website on the Flower www.europa.eu.int/comm/environment/ecolabel</p>	<p>EU's website providing information about licensees. www.eco-label.com</p>	

5

Supplier activities



5. Supplier activities

Supplier activities involve activities undertaken in cooperation with suppliers to make sure that they meet a certain standard. In a globalised world, many companies are not only concerned with how they behave themselves. Their business may be adversely affected if it turns out that their business partners act unethically or even illegally. An increasing number of companies are being associated with their chain of suppliers, and it may cause problems if sub-suppliers act in a way which cannot bear public scrutiny. For the very same reason, several companies now require proof that their suppliers comply with current regulations, act responsibly and meet certain standards, such as international conventions.

Many small companies are required by their customers to provide proof that they comply with regulations and international conventions. Consequently, companies have to pay increased attention to their own sub-suppliers.

As regards your business, activities in the supplier chain may imply that you formulate requirements in terms of environmental and health and safety conditions, that you communicate these requirements to your suppliers and that you cooperate with them to meet the requirements. Cooperation is often the key word vis-à-vis your suppliers in the work to incorporate CSR activities into your production and supply chain. It can be as such efforts directed towards joint compliance with a policy on human rights, knowledge sharing and joint enhancement of knowledge of CSR.

5.1. What are strategic supplier activities?

Strategic supplier activities imply that you consider whether it would be relevant to engage in supplier activities and on which areas to focus. You may consider the following questions:

- Do you have suppliers in risk countries, i.e. countries where national regulations and international standards on e.g. human rights and employee rights are not observed?
- Do your customers and business partners make CSR requirements?
- Will your corporate image suffer if your supplier does not meet environmental and social standards?
- Does your business or your sector in particular attract the critical attention of the media, activist groups, consumers or others; and does this warrant particular attention to your sub-suppliers as well?
- Does your business strive to meet international CSR standards?
- Do you attract investors with particular focus on social and environmental conditions?
- Would you gain a competitive advantage by seeing to it that your suppliers get involved with CSR?
- Would you gain a financial advantage by seeing to it that your suppliers get involved with CSR?

Once you have answered the above questions, you will have an idea of whether it would be relevant for your business to pursue the path of supplier activities and which efforts to focus on. Then consider which approach suits your company the best – depending on your product/services, the size of your business and market position.

Some small and medium-sized enterprises may find it difficult to make demands or to enter into a specific relationship with their suppliers, especially if they are multinationals are concerned. In that case, it may be worth considering alternative options such as getting involved at sector level or to copy the

suppliers own CSR standards, if any. If you are a small business, you may choose to comply with the CSR demands of other customers. If your supplier also trades with a multinational company, which is in a better position to make supplier demands, you may consider contacting the multinational and applying its standards.

Level of ambition

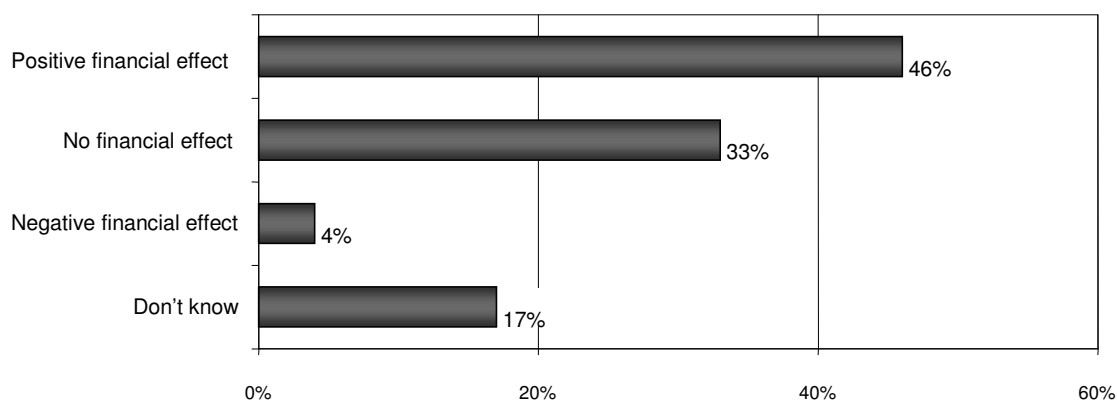
When prioritising your efforts, you may consider how ambitious you want to be in terms of supplier activities. Your ambitions may be developed over time, but it is important that you decide on the extent of your activities. Your decision must be communicated to your suppliers to ensure their appreciation of the process and the scope of the requirements.

When you prepare requirements and guidelines for your suppliers, you should make sure that they are implemented in your own business as well. You may also consider whether and to what extent you are able to check and document your own and your suppliers' efforts, and the extent of follow-up.

5.2. The effect of supplier activities

[The survey is based on answers from Danish small and medium sized companies. It can be replaced or supplemented with other surveys.]

In 2005, Gallup conducted a comprehensive survey of CSR activities among Danish small and medium-sized enterprises. The survey concluded that supplier activities do in fact have positive impact on the bottom line. As illustrated by the graph below, almost half of the interviewed companies reported positive financial effects from working with CSR or from CSR commitment at the supplier level.



The question was: If you compare the proceeds from your CSR commitment at supplier level with the cost, do you think that the activities have a generally positive or negative effect on the overall financial result (the financial bottom line)?

The Gallup survey also showed that:

- Six out of 10 companies reported *improved relations* with their business partners.
- Six out of 10 companies reported an improved ability to *attract and retain customers*.
- Seven out of 10 companies reported an *improved corporate image*.

5.3. What do the others do?

[The case is Danish and can be replaced by a national example on supplier activities]

Rice A/S designs various consumer goods for the Danish markets; the goods, however, are produced in a number of third-world countries. The company is headquartered in Odense and employs a local staff of 20. Rice is certified to SA 8000 to ensure the social working conditions at the factory in Thailand and suppliers in regions such as Asia and Africa.

"We have prepared a small leaflet explaining our views to our consumers. The product, you are holding, has been produced in an ethically, human and socially conscientious manner. A guarantee, which consumers in Britain and Germany in particular, value highly."

Quote Philippe Guéniau, Managing Director

5.4. Some good advice

Getting started with supplier activities:

- Divide the process into several steps. This will allow you to control the process and offer you better opportunities to take stock along the way.
- Start with the suppliers who mean the most to your core business.
- Start with simple initiatives and requirements which you and your customers value particularly high.
- Remember to evaluate the result of your supplier activities and to consider any future initiatives.

5.5. Working on your own

Below are suggestions for four different supplier activities which you can continue working with at home.

Working on your own with supplier activities comprises the following sections:

1. Questionnaire
2. Make CSR demands of your suppliers: The CSR Compass
3. The UN Global Compact
4. Do your suppliers observe the human rights: HRCA Quick Check.

5.6. Working on your own with supplier activities 1: Questionnaire

To launch a strategic initiative, you have to identify the supplier activities which are the most valuable to your business. As CSR deals with several subjects, some are more relevant to your particular business than others, and you have to identify the CSR subjects which are the most relevant to your core business.

For this purpose, you can use the form below.

MAKE DEMANDS OF YOUR SUPPLIERS		
Do today	Relevant in the future	
		Forced labour
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	Your suppliers do not use forced labour, threats or disciplinary means to force people to work
<input type="checkbox"/>	<input type="checkbox"/>	Your suppliers do not use debt slavery or trafficking as a means of forcing people to work
<input type="checkbox"/>	<input type="checkbox"/>	You do not work with companies using forced labour or withholding identification papers or wages as a means of forcing the employees to work
<input type="checkbox"/>	<input type="checkbox"/>	You do not work with companies preventing their employees from leaving the workplace
		Child labour
		Your business may ensure that the following conditions apply at your suppliers:
<input type="checkbox"/>	<input type="checkbox"/>	All employees are above the age of 13
<input type="checkbox"/>	<input type="checkbox"/>	Employees between the age of 13 and 15 perform only light work
<input type="checkbox"/>	<input type="checkbox"/>	Employees between the age of 13 and 15 work a maximum of two hours a day
<input type="checkbox"/>	<input type="checkbox"/>	The parents of employees between the age of 13 and 15 are informed about the work and the conditions under which the work is performed
<input type="checkbox"/>	<input type="checkbox"/>	Employees under the age of 18 do not perform hazardous work or work at night
<input type="checkbox"/>	<input type="checkbox"/>	All apprentices are more than 14 years old and perform work as part of their training
		Non-discrimination
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	Your suppliers do not discriminate on the grounds of sex, colour, religion, political views, sexual orientation, nationality, social and ethnic origin, age or disability
<input type="checkbox"/>	<input type="checkbox"/>	Your suppliers do not discriminate when recruiting, dismissing, transferring, promoting, fixing wages, determining working conditions or in the event of developing competences
<input type="checkbox"/>	<input type="checkbox"/>	All decisions regarding the recruiting, promotion and dismissal of employees, wages and other working conditions are based on relevant and objective criteria
		Freedom of association
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	Employees are not discriminated against or adversely affected by certain decisions because of their union membership or membership of any other association
<input type="checkbox"/>	<input type="checkbox"/>	Your suppliers make no attempts at influencing employees to join a particular union
<input type="checkbox"/>	<input type="checkbox"/>	Trade union representatives are offered protection when carrying out their duties
<input type="checkbox"/>	<input type="checkbox"/>	Suppliers do not interfere with the formation of trade unions or any other unions in the workplace
<input type="checkbox"/>	<input type="checkbox"/>	Employees are not dismissed because of their union membership
<input type="checkbox"/>	<input type="checkbox"/>	A particular union is not given preferential treatment
<input type="checkbox"/>	<input type="checkbox"/>	The right to collective bargaining is respected
<input type="checkbox"/>	<input type="checkbox"/>	Elected trade union representatives are offered special protection against dismissal
		Occupational health and safety
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	Health and safety management system
<input type="checkbox"/>	<input type="checkbox"/>	Fire safety OK, such as fire exits and fire fighting
<input type="checkbox"/>	<input type="checkbox"/>	Lighting

MAKE DEMANDS OF YOUR SUPPLIERS

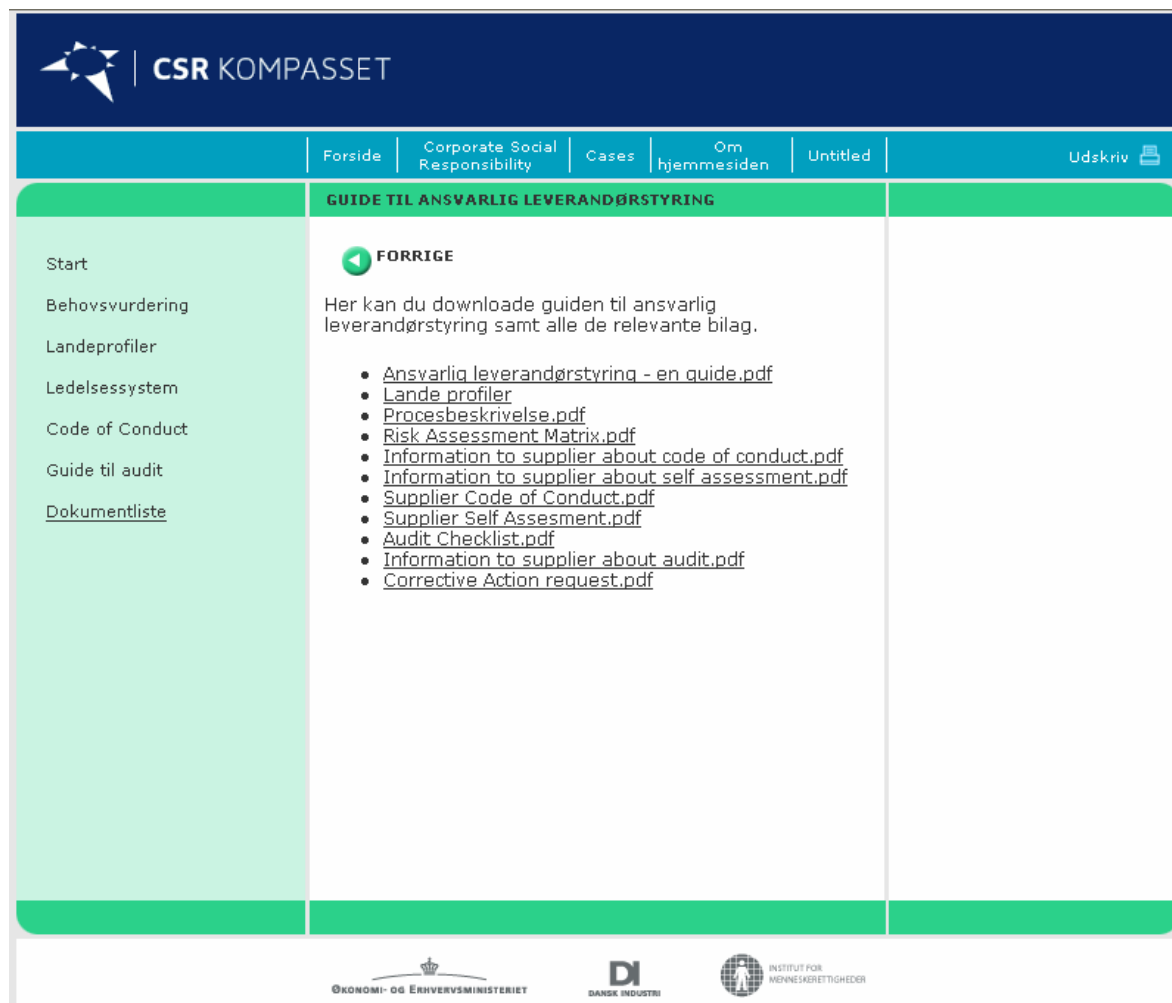
Do today	Relevant in the future	
<input type="checkbox"/>	<input type="checkbox"/>	Mental working conditions
<input type="checkbox"/>	<input type="checkbox"/>	Temperature
<input type="checkbox"/>	<input type="checkbox"/>	Ventilation
<input type="checkbox"/>	<input type="checkbox"/>	Proper safety and protective guard
		Employment terms
		Your business may ensure:
<input type="checkbox"/>	<input type="checkbox"/>	Reasonable terms as regards working hours and holidays
<input type="checkbox"/>	<input type="checkbox"/>	Reasonable wage and employment terms, such as minimum wage in keeping with international standards
<input type="checkbox"/>	<input type="checkbox"/>	Access to eating facilities and drinking water
		Accidents and health
		Your business may ensure such as:
<input type="checkbox"/>	<input type="checkbox"/>	General health promotion
<input type="checkbox"/>	<input type="checkbox"/>	Working conditions – incl. accidents
<input type="checkbox"/>	<input type="checkbox"/>	Access to medical treatment and first aid course
<input type="checkbox"/>	<input type="checkbox"/>	Safe buildings
<input type="checkbox"/>	<input type="checkbox"/>	Access to toilet and bath
<input type="checkbox"/>	<input type="checkbox"/>	Training of staff in general health and safety issues
		Products
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	Products do not contain GMO (Genetically Modified Organisms) or that the GMO content is regularly checked
		Corruption and bribery
		Your business may ensure that:
<input type="checkbox"/>	<input type="checkbox"/>	No member of staff gives or receives unjustified benefits from any government officials or private sector employees.
		Environment
		Your business may ensure:
<input type="checkbox"/>	<input type="checkbox"/>	Waste and recycling, such as responsible disposal of hazardous waste
<input type="checkbox"/>	<input type="checkbox"/>	Packaging, such as minimising the use of packaging
<input type="checkbox"/>	<input type="checkbox"/>	Hazardous substances, such as responsible and safe manufacturing, storing, use and handling of hazardous substances
<input type="checkbox"/>	<input type="checkbox"/>	Establishment and operation, such as on-going assessment by the supplier of whether emissions into the environment may be reduced.
<input type="checkbox"/>	<input type="checkbox"/>	Chemicals, such as the supplier does not use chemical substances registered as hazardous chemical substances in international conventions
<input type="checkbox"/>	<input type="checkbox"/>	Environmental life cycle assessment
<input type="checkbox"/>	<input type="checkbox"/>	Active attempt at reducing air pollution
<input type="checkbox"/>	<input type="checkbox"/>	Wastewater, such as treatment and discharge
<input type="checkbox"/>	<input type="checkbox"/>	Environmental management system

Source: www.csr-kompasset.dk

5.7. Working on your own with supplier activities 2: Making demands using the CSR compass

The CSR Compass is an internet-based tool designed to help companies make demands of their suppliers: www.csr-kompasset.dk. The CSR Compass is in Danish except the guidance for responsible supply chain management <http://www.csr-kompasset.dk/index.php?kodeks=7> (below).

[Can be replaced by a national tool]



The screenshot shows the CSR Kompasset website. The header is dark blue with the logo and 'CSR KOMPASSET'. Below the header is a navigation bar with links: 'Forside', 'Corporate Social Responsibility', 'Cases', 'Om hjemmesiden', 'Untitled', and 'Udskriv'. The main content area is titled 'GUIDE TIL ANSVARLIG LEVERANDØRSTYRING'. It features a 'FORRIGE' section with a left arrow icon and the text: 'Her kan du downloade guiden til ansvarlig leverandørstyring samt alle de relevante bilag.' Below this text is a list of downloadable PDF guides:

- [Ansvarlig leverandørstyring - en guide.pdf](#)
- [Lande profiler](#)
- [Procesbeskrivelse.pdf](#)
- [Risk Assessment Matrix.pdf](#)
- [Information to supplier about code of conduct.pdf](#)
- [Information to supplier about self assessment.pdf](#)
- [Supplier Code of Conduct.pdf](#)
- [Supplier Self Assessment.pdf](#)
- [Audit Checklist.pdf](#)
- [Information to supplier about audit.pdf](#)
- [Corrective Action request.pdf](#)

At the bottom of the page, there are logos for 'ØKONOMI- OG ERHVERVS-MINISTERIET', 'DI DANSK INDUSTRI', and 'INSTITUT FOR MÆNNEKERETTIGHEDER'.

Making a goal-oriented effort in cooperation with your supplier to observe specific CSR standards may offer numerous advantages. In principle, you and your suppliers have the opportunity to strengthen your corporate profile and improve your competitive edge. The experience of other businesses shows that efforts targeted at suppliers contribute to:

- safe-guarding the corporate image
- creating coherence between values
- attracting institutional investors
- discouraging customers and consumers from deselecting your products or services
- meeting the demands of your own customers
- underpinning your risk management.

When preparing your supplier demands – in the form of guidelines or a “Supplier Code of Conduct”, you might find that the five steps below will come in handy:

- a) Consider the need for supplier activities
- b) Prepare guidelines to your suppliers
- c) Implement guidelines in your own business and support the implementation in your suppliers’ businesses
- d) Audit your suppliers on site
- e) On-going follow-up.

a) Consider the need for supply chain activities

Initially, you need to consider to what extent CSR is required in your supplier chain. Does part of your production take place in countries, where:

- Employee rights are non-existent
- There is a risk of corruption
- There is insufficient environmental legislation
- Local and national regulations are not enforced
- Human rights are not observed.

Do you face CSR demands from customers and business partners, such as:

- Documentation that the company – and its suppliers – meets environmental and social standards?

The above considerations must be included in an overall **risk assessment**, in which you also take a look at whether your corporate image will suffer if your suppliers do not meet social, environmental or human rights standards.

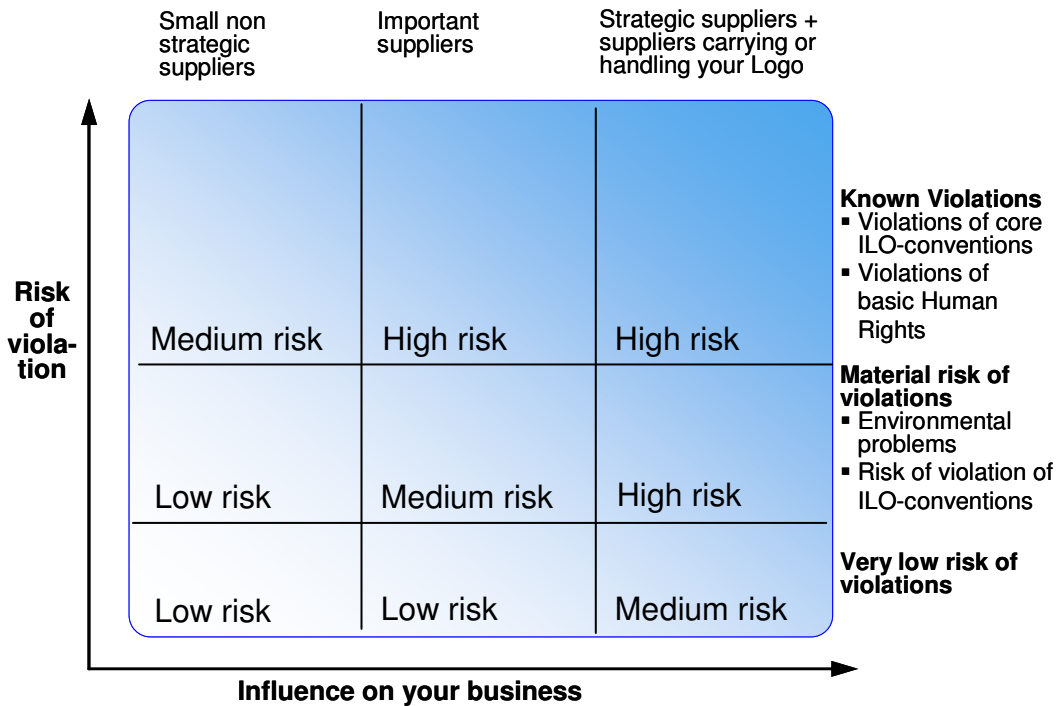
The above assessment leads to an actual risk assessment targeting your efforts at the suppliers who present the *greatest risk*. The purpose of making demands of your suppliers is *not* to terminate the relationship, but to assist them in improving conditions.

The risk assessment may be broken down into four categories:

- Low or no risk
- Medium risk
- High risk
- Unacceptable risk.

Risk assessment matrix

When assessing the risk, the below matrix may come in handy:



Furthermore the CSR kompasset has a section about risk assessment, where additional inspiration can be found

THE CSR COMPASS – WWW.CSRKOMPASSET.DK

The CSR Compass has been developed by the Danish Ministry of Economic and Business Affairs, the Confederation of Danish Industries and . The website, which is in Danish, includes a number of guidance in English:

- Supplier Code of Conduct
- Supplier Self-Assessment
- Supplier Code of Conduct checklist
- Pre-audit Information to the Supplier
- Corrective Action Request.

For further information, go to www.csrkompasset.dk.

b) Prepare guidelines to your suppliers

As mentioned above, it would be a good idea to describe the standards you want your suppliers to meet. This can for instance in the form of a Supplier Code of Conduct. Depending on your market and the geographical location of your suppliers, the guidelines may cover subjects such as:

- Forced labour
- Child labour
- Discrimination
- Freedom of association
- Employment terms and working conditions
- Occupational health and safety
- The use of security forces
- Land administration
- Accidents and health
- Products
- Corruption and bribery
- Environmental protection.

Some of the above subjects may not be relevant to your business, others are highly relevant. Of course, you need to prepare guidelines that match your business. You can download a set of standard guidelines from http://www.csr-kompasset.dk/DI/media/supplier_code_of_conduct.pdf (in English) which may serve as a source of inspiration for your own guidelines. The standard guidelines cover the areas which are traditionally included in supplier guidelines.

c) Implement guidelines in your own business and support their implementation in your suppliers' businesses

It is important to include any demands into your regular day-to-day routines. You may attach the demands as an appendix to your supplier contract. Follow-up procedures may then be undertaken in the same manner as you follow-up supplier performance in the context of quality management.

You may require that the supplier:

- Provides documentation that it meets your demands
- Allows you access to its facilities
- Appoints individuals responsible for complying with the guidelines
- Provides documentation that employees have been informed about the guidelines
- Explains how it works with CSR demands vis-à-vis its own suppliers
- Provides assurance that the guidelines apply to small farms and outworkers as well.

d) Pay audit visits to your suppliers

An inspection or audit visit may be quite resource demanding for a small or medium-sized company. Instead you may look into whether other companies have paid audit visits to the suppliers or suggest that your suppliers obtain the required certification to prove that they comply with international standards. In addition, you may:

- Arrange an opening meeting with the management
- Interview the supplier's staff
- Go on a tour of the company
- Make conclusions about the audit visit
- Arrange a closing meeting with the management to discuss material observations, conclusions and any necessary follow-up.

e) On-going follow-up

Ask your suppliers to introduce improvements so that they comply with your guidelines. From <http://www.csr-kompasset.dk/index.php?kodeks=7> you can download a standard form to be used when requesting your suppliers to introduce improvements. You may offer to assist your suppliers in complying with your guidelines. The object is not to terminate the relationship, but to help them improve conditions.

Working on your own with supplier activities 3: UN Global Compact

Global Compact is an international initiative under the UN designed to promote corporate social responsibility. The UN wants the initiative to commit private-sector companies to the solution of some of the major social and environmental challenges following in the wake of globalisation. Global Compact allows companies worldwide to participate actively in the solution of these challenges.



The UN Global Compact includes 10 principles which form the basis of the CSR idea. The principles have been listed by the UN and relate to how your business may handle social and environmental challenges. Companies are encouraged to lend support to a set of basic values within their sphere of influence:

- Human rights
- Labour
- The environment
- Anti-corruption.

Even though some of the Global Compact principles may already be incorporated into national legislation, they may not be met by your foreign suppliers. As a small and medium-sized enterprise, you can use the principles to make sure that they are adopted by your suppliers abroad and that they communicate their values to customers and stakeholders

The object of Global Compact is twofold:

- ✓ Mainstream the ten principles in business activities around the world;
- ✓ Catalyse actions in support of UN goals.

The ten principles of Global Compact are:

Human rights

Businesses should

1. support and respect the protection of internationally proclaimed human rights
2. make sure that they are not complicit in human rights abuses.

Labour

Businesses should

3. uphold the freedom of association and the effective recognition of the right to collective bargaining
4. support the elimination of all forms of forced and compulsory labour,
5. support the effective abolition of child labour
6. support the elimination of discrimination in respect of employment and occupation.

Environment

Businesses should

7. support a precautionary approach to environmental challenges
8. undertake initiatives to promote greater environmental responsibility,
9. encourage the development and diffusion of environment-friendly technologies.

Anti-corruption

Businesses should

10. work against corruption in all its forms, including extortion and bribery.

Advantages to be gained from joining Global Compact

- **Gain a competitive edge by using Global Compact as a frame of reference**
Businesses may gain a competitive edge as suppliers to large undertakings which to an increasing extent demand that social and environmental considerations be taken into account throughout the value chain. Global Compact is the world's largest voluntary network for social responsibility. The number of companies joining the initiative continues to increase and it is becoming increasingly recognised by the business community and society in general; by joining Global Compact businesses send a clear signal to their customers that they act proactively and take their social responsibility seriously.
- **Visualising efforts targeted at handling heightened demands and new expectations**
The visualisation and strengthening of your efforts may be an advantage in relation to growing demands from the local community, legislators, banks, lenders, investors and insurance companies which pay increasing attention to social responsibilities when they assess a given company. Likewise, a good corporate image may impact positively on the ability of the business to retain and attract new employees.
- **Ensuring cross-cultural acceptance**
Global Compact emphasises a set of universal values based on international norms and conventions. Thus, it offers an excellent common frame of reference and a common set of values, which may be used as a basis for cooperating with suppliers and other business partners, regardless of where in the world they operate and their cultural background.
- **Possibility of learning from the experience of others and sharing one's own experience with others**
Global Compact is an experience-sharing network covering more than 2,400 small and large companies which inspire and motivate each other in the work with Global Compact.
- **Working independently with Global Compact**
Global Compact is very flexible to use in practice and may be adapted to the particular situation and reality of any business. Businesses decide for themselves how and how soon they want to implement Global Compact. Consequently, it is up to each business to prioritise its efforts and to identify the methods it wants to use.

Why is UN Global Compact relevant to small and medium-sized enterprises?

A total of 40% of the companies which have joined the Global Compact initiative are small or medium-sized businesses. Global Compact may be relevant to your business, if:

- As a sub-supplier you face CSR demands from you customers
- You want to make CSR demands of your sub-suppliers
- You want to learn from the CSR experience of others – Global Compact is the world's largest experience-sharing network where small and large businesses share their ideas about and knowledge of CSR
- You want to commit to CSR in an easy and not too resource-demanding hands-on way.

How can you work with Global Compact?

To participate in Global Compact, you must do the following: Send a letter signed by your managing director to the UN Secretary General, expressing your support for Global Compact and the principles. If possible, the letter must be approved by the board of directors.

Subsequently, you should start reviewing your business procedures to incorporate Global Compact and its principles into your strategy, corporate culture and day-to-day routines. Moreover, you are expected to express publicly your support for Global Compact and its principles. This may be done through communication channels such as press releases, speeches, etc. In addition, you must publicly communicate how you support Global Compact and the 10 principles in your annual report, on your website and in any other information material.

UN Global Compact

To find out more, go to: www.unglobalcompact.org

5.8. Working on your own with supplier activities 4: HRCA Quick Check

HRCA Quick Check is a tool designed to help businesses detect potential human and labour rights violations. It introduces the most fundamental human rights issues to which your business must pay attention. HRCA Quick Check is a less comprehensive version of the overall HRCA tool developed by the Danish Institute for Human Rights with the support of the Industrialisation Fund for Developing Countries, the Confederation of Danish Industries and the Danish International Development Agency.

HRCA Quick Check refers to internationally recognised human and labour rights and is primarily targeted at companies wishing to detect whether *they* and their *subsidiaries* observe the human rights. The tool may also be used to detect whether *suppliers* comply with the human rights.

If you use HRCA Quick Check to check your suppliers, the tool may be used as a questionnaire or as a checklist in connection with audit visits.

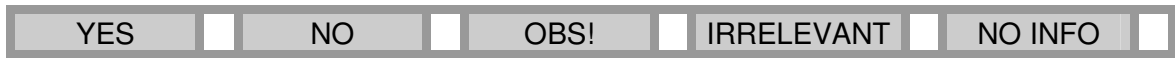
HRCA Quick Check is also available in booklet form from the Danish Institute for Human Rights and in an online version. The tool is available in English, Spanish and Chinese. You can set up an account for yourself and your sub-suppliers on: www.humanrightsbusiness.org

HRCA Quick Check relates to human rights violations within three areas:

- Working conditions – the rights of employees and job applicants.
- Impact on society – the rights of members of the local community who are under the influence of the company's activities or products.
- Supplier management – the rights of those under the influence of the activities undertaken by the company's business partners – employees, members of the local community or other stakeholders.

The Quick Check contains 28 main questions and 240 indicators, the main question consisting of:

- Questions
- Possible answers:



OBS! = further attention required.

- Narrative description of the question
- Reference to international law
- List of suggested indicators.

The suggested indicators are guidelines designed to help you determine whether your business complies with the main question. There are three types of indicators; policy, procedure and performance. It is a good idea to consider the policy, procedure and performance indicators before attempting to answer the main question.

You should remember that HRCA Quick Check is not a *guarantee* that your suppliers or you fully observe human rights. It covers important human rights issues, but cannot fully replace the overall HRCA tool or an external investigation. To improve the results, you may include local stakeholders in a dialogue on the problem areas identified by the HRCA Quick Check.

HRCA Quick Check

HRCA Quick Check is available in an online version on www.humanrightsbusiness.org

5.9. Links

Below is a list of links to tools and websites containing additional information.

- The CSR Compass: www.csrkompasset.dk, <http://www.csr-kompasset.dk/index.php?kodeks=7>
- FN Global Compact: www.unglobalcompact.org
- HRCA Quick Check: www.humanrightsbusiness.org
- ILO – the international labour organisation’s conventions on occupational health and safety and employment terms: www.ilo.org

6

Community activities



6. Community activities

Community activities pivot around the business' involvement in society at local, national or international levels. You can work with community activities in many different ways.

This chapter contains an inspiration list of activities you can study in more detail. Before you launch activities, you should consider which ones would be relevant for your business. It may, for instance, be relevant to give monetary gifts and other types of assistance in response to requests from charitable organisations. You may also choose to make available premises by, for instance, allowing a charitable organisation to meet on your business premises.

The following chapter will focus on activities in the areas of community support and investments as well as partnerships with educational institutions.

Many businesses work with community support in the form of sponsorships, i.e. the business donates money to charities, events, and culture or sports clubs. Sponsorships are often selected with a view to achieving media coverage and enhance the business' reputation. Some businesses motivate their employees by matching employee donations for selected objectives.

Businesses can also contribute to society by enabling employees to perform voluntary work and allowing them to spend time on charitable work, such as board membership at schools, sports clubs or foundations.

In addition, a business could encourage part-time project tasks by, for instance, freeing employees during their paid working hours to allow them to work on a specific charitable project. Examples could be guiding school children or advising other employees in need of support (see also the mentor scheme described in the section on employee activities).

Another approach to community activities focuses on cooperation with educational institutions, i.e. offering apprenticeships, traineeships and practical traineeships or entering into project partnerships with students from universities and business schools. You could also organise school visits to the business or tour schools to debate various subjects. Ideas for partnerships with educational institutions will be elaborated at the end of this chapter.

6.1. What are strategic community activities?

Strategic work in community activities implies that you must assess what benefits your business would achieve from it. Off hand, you can consider a range of relevant aspects. You could, for instance, consider working with community activities if your business has key importance to the community or if you sell your products in the community. Community activities would enhance your business' reputation in the community, in this way making it easier to recruit and retain employees. You could also develop employee competence through charitable projects.

6.2. The effect of strategic community activities

A business could have many different reasons for wanting to perform community activities, and you would benefit from clarifying in advance what you could glean from the activities you choose to perform. Below follows examples of reasons for performing community activities:

- Make the business an attractive workplace for employees and make current employees proud of their workplace
- Contribute to compiling new experience and learning in the business through working with organisations and areas, in which the business has not operated before. In many cases, such experience can be applied in the business' future development
- Ensure the availability in your community of resources you need – qualified labour or development opportunities for partnership businesses.

6.3. What do the others do?

[The case is Danish and can be replaced by a national example on community activities]

CASE: FRØS HERREDS SPAREKASSE

Frøs Herreds Sparekasse is a local bank in the southern part of Jutland with eight branches and 105 employees. The bank is an excellent example of how commitment in the community pays off, if integrated in the business' general strategy.

The bank has determined that the money it earns should be put to work in the community. This is the bank's reason for organising a wide range of events that are quite unconventional to a bank. In 2005, the bank organised a globalisation conference with prime minister Anders Fogh Rasmussen as the main speaker. The conference focused on how the new, global reality impacts on the regional business community. No less than 1,429 people participated. A presentation of a healthier life in balance attracted 800 local participants. The bank also sponsors 157 local sports and culture associations, such as Haderslev Sports Associations, Team Esbjerg and Ribe Chess Club.

But does it pay off? *"We can see that customers find us sympathetic as a bank because we are accountable. We give a little back, instead of just being on the receiving end. And it creates cohesion and loyalty in both directions"*, explains Flemming Simested, development manager of the bank. The bank boasts customer satisfaction as high as 96%.

In this way, social accountability results in loyal customers and an excellent reputation. But it also creates more interesting jobs for employees, a decisive factor in the bank being selected as Denmark's second best workplace of 2005.

6.4. Some good advice

A large number of small and medium-sized businesses are already engaged in community activities. The involvement may have many different reasons. Use the advice and the working-on-your-own activities when you consider strategic community activities.

Motivation

Consider your motivation for performing activities in the community. In which areas do you specifically need to improve your business' position in the community, and what do you want to achieve through the activities? Examples:

- Improved reputation
- Supplement to marketing and attracting new customers
- An attractive workplace for current and future employees
- Other

Involvement

Involve your employees. Open up a dialogue with your employees to hear their opinions on activities in the community. Quite often, they have excellent knowledge on conditions in the local community, and if your employees support the activities, you ensure that they are embedded in the community and represent an excellent starting point for the business.

Identification

Identify the activities in your community you would benefit from becoming involved in.

- Find out which problems exist in your community. You can open up dialogues with your employees, customers, suppliers, local business associations or local authorities to hear their ideas for the areas where your business can make a difference in the local community.
- Contact local associations. Find out what they are involved in and how you could benefit from entering into partnership with them.
- Consider how your business can contribute to the community so that it also makes a difference to your business. Consider the following:
 - What resources/competences can you contribute?
 - What benefits will you reap from the community activities?
 - Which activities support your core business best?

6.5. Working on your own

Below follow suggestions for various community activities which you could continue working with at home.

Working on your own with community activities comprises the following sections:

1. Clarification form for community support
2. Which community activities can you work on?
3. Assessment model for community activities
4. Cooperation with educational institutions

6.6. Working on your own 1: Clarification form for community support

One aspect of community activities is that your business is a committed player in the community. By supporting your community, your business may win a positive reputation, and you can create excellent contacts to association communities, citizens and authorities. When supporting the local community, you should carefully select activities that agree with your core business and values. This approach will ensure the most efficient use of your resources, so that both the local community and your business will benefit most from the work.

Use the form to get started. It encompasses the key aspects you would benefit from considering. Of course, your business may face other challenges which you also need to consider.

	Comments
1. Consider the aim of supporting the community: a) Improve the business' reputation in the community b) Remedy specific problems in the community c) Improve awareness of you business in the community d) Influence the community e) Network in the community f) Other	
2. Find out if you already support the community and how	
3. Determine who should initiate the support of the community – e.g.: g) Manager h) Specific employee i) Others	
4. Identify your options for supporting the community, e.g.: j) Specific problems in the community which your business is in a position to remedy k) Cooperate with cultural associations, such as theatrical or art associations l) Work experience places for local schools m) Cooperation with local authority on, e.g. taking in and helping young people with problems n) Support local sports clubs o) Cooperation with local schools by giving, e.g., presentations at schools p) Other	
5. Assess and prioritise in which areas your business would best be able to support the community in the light of the goal you wish to reach	
6. Set up concrete goals for the support your business will give	
7. Evaluate whether, by supporting the community, the business achieved the selected goals	

Source of inspiration: Community Mark

The following section could help you determine which activities are relevant for you to work with.

6.7. Working on your own 2: Which community activities can you work on?

To launch the optimum strategic initiative, you have to identify the community activities that are the most valuable to your business. As community activities cover many activity types, some areas will probably be more relevant for your business than others. Consider which CSR subjects are most relevant in relation to your core business.

For this purpose, you can use the form below.

Community support and investments – e.g.:		
Do today	Relevant in future	
<input type="checkbox"/>	<input type="checkbox"/>	Partnership with charitable organisations
<input type="checkbox"/>	<input type="checkbox"/>	Participate in professional networks for companies in the community
<input type="checkbox"/>	<input type="checkbox"/>	Make premises available – e.g. allow a charitable organisation to hold meetings in your premises
<input type="checkbox"/>	<input type="checkbox"/>	Lend equipment – e.g. allow a local association to use your equipment to produce marketing material or use company cars
<input type="checkbox"/>	<input type="checkbox"/>	Donate used equipment, etc. to associations or others—e.g. obsolete IT equipment or furniture
<input type="checkbox"/>	<input type="checkbox"/>	Other _____
Contribution and sponsorships – e.g.:		
<input type="checkbox"/>	<input type="checkbox"/>	Donate/give funds to charitable purposes
<input type="checkbox"/>	<input type="checkbox"/>	Monetary gifts and other types of assistance in response to requests from charitable associations
<input type="checkbox"/>	<input type="checkbox"/>	Sponsor events in the community
<input type="checkbox"/>	<input type="checkbox"/>	Support local sports clubs
<input type="checkbox"/>	<input type="checkbox"/>	Cooperate with cultural associations, such as theatrical or art associations
<input type="checkbox"/>	<input type="checkbox"/>	Other _____
Free employee time for involvement in charitable work – e.g.:		
<input type="checkbox"/>	<input type="checkbox"/>	Enable voluntary work and allow employees to spend time working for charitable purposes – e.g. as board member at schools, in sports clubs or foundations
<input type="checkbox"/>	<input type="checkbox"/>	Encourage part-time project tasks - e.g. by freeing employees during their paid working hours to allow them to work on a specific charitable project. Examples could be guidance of school children
<input type="checkbox"/>	<input type="checkbox"/>	Other _____
Cooperation with educational institutions - e.g.:		
<input type="checkbox"/>	<input type="checkbox"/>	Work experience places for local schools
<input type="checkbox"/>	<input type="checkbox"/>	Offer apprenticeships, traineeships and practical traineeships
<input type="checkbox"/>	<input type="checkbox"/>	Project partnerships with students from universities and business schools.
<input type="checkbox"/>	<input type="checkbox"/>	School visits to your business
<input type="checkbox"/>	<input type="checkbox"/>	Cooperation with local schools by giving, e.g., presentations at schools
<input type="checkbox"/>	<input type="checkbox"/>	Other _____

6.8. Working on your own 3: Assessment model for community activities

To work strategically with community activities, you should evaluate the pay-off of the activities. You can use the model below to evaluate your community activities. Use the model to show your stakeholders the outcome of your community activities and to evaluate the effectiveness of your community activities internally in your business.

Note in the *input* column how many resources you have used on a specific activity and in the *output* column which results you achieved through the activity. Include a specification of the resources supplied to the activity from other sources than your own business.

Of course, it may be difficult to determine precise figures for such activities, but the model provides you with an overview suited to give an indication of the outcome.

The website, www.lbg-online.net, explains the model in more details and gives examples of how other businesses have used the model.

	Input	Output		
	Resources (services, time or money)	Resources from other sources than your business	Benefit for community (e.g. number of people benefiting from the programme)	Benefit for your business
Charity				
Investments in the community				
Initiatives in community which directly support your business				

6.9. Working on your own 4: Cooperation with educational institutions

You have innumerable options if you want to cooperate with various educational institutions such as primary and lower secondary schools, upper secondary schools, business colleges, technical colleges, universities and many others. This section focuses on selected methods, in which you can cooperate with students from higher educational institutions, but many businesses have benefited greatly from working with local primary and lower secondary schools and business colleges.

TRAINEES FROM BUSINESS AND TECHNICAL COLLEGES

If your company wants to take in a trainee from a business or technical college, you can offer a traineeship if they offer training periods in the study programme.

All types of businesses have wide ranges of options available for finding trainees. Business and technical colleges often face a severe lack of companies that offer traineeships for their students. Almost all study programmes at such colleges have mandatory trainee schemes for their students. If you are looking to work with local schools, the traineeship option will help you become visible.

Traineeships or apprenticeships may also be a way to facilitate recruitment of new employees. Often, the traineeship will allow the trainee and the company to test each other. If both parties have had a good experience, the company may offer the trainee employment.

Focus on cooperation with universities, technical universities and business schools

You can work with higher educational institutions in several ways – we have chosen to focus on:

- **Traineeships** for students at universities, technical universities and business schools
- **Project partnerships** for students at universities, technical universities and business schools

As mentioned before, you should consider what you want to achieve through any activity you select to launch. By cooperating with universities and business schools, your business can achieve a number of advantages, including contacts to students even before they graduate, which will help ensure stable recruitment of employees to your business. In addition, a new set of eyes will look at your business. This may cause you to question old habits and routines, so that you will be able to organise your business in a new and better way. In time, educational activities represent a good investment in society, as they increase the general competence level.

Trainees

There are numerous ways of having a student from a higher educational institute take a traineeship in your business. Many students at higher educational institutions would like a traineeship in a business as an aspect of their studies. The reason is that a traineeship will enable them to use some of the competences they have achieved through their studies. By offering traineeships, you can both help increase the students' competences and have extra labour at your disposal for a period of time. Trainees constitute an extra resource that can apply a new approach and support the daily work tasks. Trainees may, for instance, help planning and implementing projects.

As a place of practical training, your business must give the trainee tasks that correspond to the tasks a new graduate must be expected to solve, with the difference, however, that you must be prepared to give the necessary advice and guidance in the process.

Via trainees, your business obtains access to qualified labour and cutting-edge knowledge in your business area. Additionally, you can profile your business as an attractive workplace vis-à-vis soon-to-graduate candidates.

The form describes the steps you can take to find a suitable trainee.

Form 4: Hire a trainee

Activity	Comments
1. Identify the goal of hiring a trainee – e.g.:	
<ul style="list-style-type: none"> a) Make new graduates aware of your business b) Create a wider network among certain professional groups c) Test employees with different profiles or competences than you normally employ d) Use as a tool to recruit employees e) Other 	
2. Determine what tasks you want the trainee to help solve - e.g.:	
<ul style="list-style-type: none"> a) Specific tasks that need solving b) Be part of a department on equal footing with other staff c) Be employed for a specific project d) Other 	
3. Determine who should be responsible for recruiting a trainee for your business – e.g.:	
<ul style="list-style-type: none"> a) HR manager b) Immediate superior c) Project manager d) Others 	
4. Determine where you can find a trainee with the profile you want – e.g.:	
<ul style="list-style-type: none"> a) Identify relevant universities in your geographical area. 	
<p>5. Consider who should be the trainee’s contact during the scheme – e.g.:</p> <p>You should make sure that the trainee has a fixed contact throughout the entire scheme. The contact should introduce the trainee to your business, advise and help during the traineeship and ensure that the traineeship is evaluated jointly with the trainee</p>	

Activity	Comments
a) Department manager b) HR manager c) Employee d) Project manager e) Others	
6. Consider in which framework the traineeship should be realised – e.g.:	
a) The trainee place is not obliged to pay trainees salary during the traineeship. But a small salary may indicate to the trainee that you appreciate his/her work. b) Which physical framework will you make available? Desk, office, pc, etc.? c) Other?	
7. Prepare a traineeship advertisement based on your considerations. See the inspiration list below when you prepare the advertisement	
8. Consider how the traineeship should be evaluated It is a good idea to evaluate the scheme regularly with the trainee. It may help your business and the trainee to achieve more from the scheme.	

Project partnerships

Many businesses have placed projects on the backburner because nobody has time to perform them. Many companies would, for instance, benefit from examining whether their products match target group expectations, whether communication in the company can be improved or other aspects.

If you have such projects, you could contact a group of students from one of the universities and offer them the possibility of running a project together with your company. This way, you can solve a task you could not find time for yourself, while the students gain valuable experience for their education. You could either define the project you want the students to realise or you can allow the students to inspire you to reach a research question.

Projects involving students could focus on:

- Communication and PR activities
- Financial problems
- Organisational analysis
- Product development
- Logistics and optimisation
- Technological and environmental studies
- Segment analysis and market strategy

You can use the form below as a work plan aimed at launching a project partnership.

Form 5: Project partnership with students

	Comments
1. Identify the aim of establishing a project partnership – e.g.: <ul style="list-style-type: none"> a) Realise a project none of your employees have time for b) Make your business visible in relation to universities c) Try a fresh approach to the company d) Other 	
2. Determine what type of tasks you want the partnership to help solve - e.g.: <ul style="list-style-type: none"> a) Specific tasks that need solving b) Prepare a new project, in which you want to influence the project subject c) Other 	
3. Determine who should be responsible for the partnership in your business – e.g.: <ul style="list-style-type: none"> a) HR manager b) Immediate superior c) Project manager d) Others 	
4. Consider which profile the students should have – e.g.: <ul style="list-style-type: none"> a) Natural science profile b) Humanities profile c) Social science profile d) Business school profile e) Technical science profile f) Mixed profile g) Other 	
5. Find out where you can find the project group profile you want – e.g.: Obtain additional contact information from regional educational institutions	
6. Consider who is to be the contact to the group during the project - e.g.: <ul style="list-style-type: none"> a) Department manager b) HR manager c) Employee d) Project manager e) Others 	
7. Consider in which framework the partnership should be realised – e.g.: <ul style="list-style-type: none"> a) Time schedule b) What material will you make available? c) Will you have to take confidentiality into consideration? d) Budget e) Other 	
8. Set up a range of goals for your partnership	
9. Consider evaluating the project jointly with the students	

Environmental activities



7. Environmental activities

This chapter deals with CSR activities aimed at your business' environmental activities. Environmental activities imply that you consider how your production, products and services impact on the environment.

The chapter is organised as an environmental management toolkit, showing how management and staff together can set the level of ambition for their environmental management activities. On the basis of your choice, you can prioritise where to target your efforts for the benefit of your business and the environment in terms of time and costs⁸.

The toolkit is available to businesses with no previous experience in environmental management as a strategic tool. For further inspiration, we recommend EMAS toolkit for small organisations: <http://ec.europa.eu/environment/emas/toolkit/>. **[Can be replaced by a national tool]**

Finally, the chapter presents a world map of environmental initiatives, allowing you to see the connection between this handbook and the initiatives and discussions you can follow daily in the press and from the authorities. The world map does not answer everything but provides an overview of important initiatives in strategic environment globally, in the EU and in Denmark. All the initiatives impact on businesses today and will continue to impact them for many years to come. The world map contains a number of links, which you can check out if you want to learn more about this topic.

7.1. What are strategic environmental activities?

Strategic environmental activities in the CSR area involve regular changes in your business' work processes and composition of products and services that lead to reduced resource consumption and/or reduced discharges to the environment and increased competitiveness.

Strategic environmental activities aimed at your business' resource consumption are particularly effective in reducing costs.

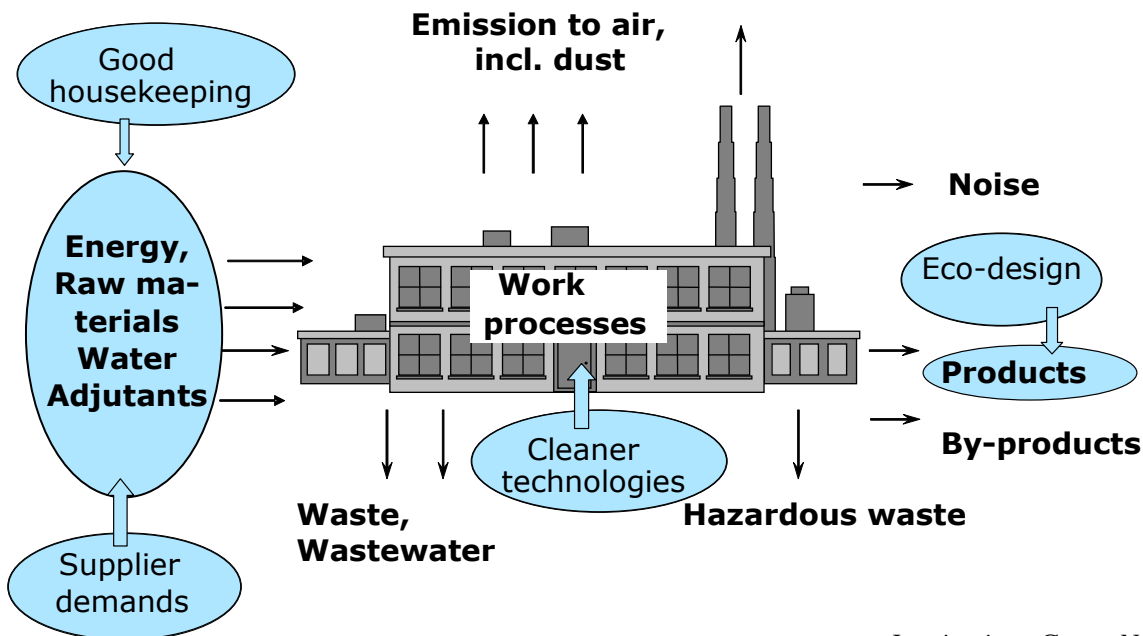
Strategic environmental activities may include:

- Introducing **good housekeeping** (e.g. pollution prevention, reducing energy and water consumption)
- Making demands of the **supply chain** (e.g. environmental requirements of raw materials and adjuvants)
- Introducing **cleaner technologies** (least polluting technologies)
- Making product design changes (**Eco-design** and minimising packaging).

The figure below shows the strategic environmental activities related to resource consumption, discharge and those of your own business' products you can impact.

⁸ The toolkit is primarily built on the free interactive environmental management website, Environmental management in practice (<http://www.miljostyring.dk> – in Danish) of the Danish Federation of Small and Medium-Sized Enterprises.

Figure 7.1: A business' resource consumption, discharges and products



Inspiration: Green Network

Environmental management is *the* tool

Environmental management is a management tool you can use when working with strategic environmental activities. Environmental management implies a systematic and organised effort involving management as well as staff. All experience shows that such changes can only be implemented successfully if they are made in cooperation between management and staff.

It is therefore a question of jointly prioritising the environmental effort that exceeds observance of statutory environmental requirements. This handbook assumes that your company comply with current environmental legislation and therefore focuses on the areas where you can introduce continuous improvements of bottom-line, environmental performance and competitive advantage.

Choice of level of ambition

Environmental management can be introduced at myriad levels of ambition. It is a question of choosing the level of ambition you want to pursue or may be forced to pursue. The choice must be considered in relation to your suppliers, customers, bank or insurance company.

However, it is always a good idea to introduce **good housekeeping** of resource consumption and regularly visualise and realise savings possibilities that also benefit the environment. Good housekeeping may include electricity, water, reduction of waste and increased reuse.

The next step is to start a more systematic yet **simple form of environmental management**, which, besides ensuring good housekeeping, also considers how you can prevent and reduce discharges to e.g. air and water and reduce the amount of hazardous waste. This often requires more comprehensive mapping where focus will be on use of chemicals in the business since environment and health are often linked to the effect of using either solid or liquid chemical substances or products.

It is our experience that if businesses introduce good housekeeping, you can “save up” for more resource-intensive environmental improvements like replacing one technology with a less polluting technology.

The next step up the ladder is to introduce an **ISO 14 001 environmental management system**. Today, simple software tools are available to make it easier to get through all the requirements of the standard. If you want your system to be **certified**, or if certification is a customer requirement, it will imply an initial expense for the certification process and annual expenses for maintaining the certificate.

ISO 14 001 does not include requirements for an external environmental statement, but EMAS (EU Eco-Management and Audit Scheme) does, which also include other requirements in addition to the ISO 14 001 requirements. You can be registered under the scheme if you make an environmental statement and have it verified. EMAS is widely used in the German market and in the graphics industry in Denmark. However, EMAS registration is also quite costly.

The figure below shows three different levels of ambition where your business can start its environmental efforts.

Figure 7.2: Level of ambition



Good housekeeping

Saving resources is a matter of good housekeeping. Good housekeeping involves initiatives that can be implemented immediately without major financial or organisational costs or changes in your business. Good housekeeping may involve:

- reducing waste of raw materials
- changing work procedures
- increasing reuse of packaging and other materials
- substituting hazardous substances with less hazardous alternatives. You can do this when less hazardous substances are immediately applicable without affecting your production processes negatively.

It is often also a matter of changing bad habits into good ones, e.g. by turning off the light and PC when you leave the workplace. Good housekeeping may also involve extensive measures requiring more comprehensive and investment-intensive changes, typically in the form of new processes, raw materials or products (new design).

Supplier demands

You can also choose to make demands of your suppliers. Supplier demands will be described in detail under “Supplier activities”, but an important part of making demands of your suppliers is to set up requirements in the environmental area.

Your suppliers are the key to knowledge about and reduction of all the environmental impacts that exist prior to your own production. Furthermore, your knowledge about substances in e.g. chemicals and semi-manufactures, which may have a massive effect on the overall environmental impact of your products, should come from the suppliers.

It may seem to require a great effort for your business to demand environmental documentation or environmental improvements in addition to requirements for price, quality, reliability of supply, etc. However, experience shows that as long as the requirements are well-reasoned and you are open to dialogue, cooperation with suppliers will often evolve positively.

For more information see the chapter on Supplier activities or use the Danish CSR compass http://www.csrkompas.dk/DI/media/supplier_code_of_conduct.pdf (in English) if it is relevant for your business to make demands of your suppliers – either in the environmental area or in other areas. [Can be replaced by a national tool]

EXAMPLES OF GOOD HOUSEKEEPING, CLEANER TECHNOLOGY AND PRODUCTS

Energy & water

- Turn off electricity/PC - standby switches
- Tighten taps and install water-saving toilets

Raw materials/adjuvants

- Minimise waste – increased reuse
- Replace hazardous substances with less hazardous alternatives
- Purchase eco-labelled products e.g. the European Flower
- Supplier requirements and codes of conduct

Cleaner technology

- New technology which is energy-efficient and uses less water

Products

- Minimise use of packaging
- Eco-design – more environment-friendly and reusable products
- Life-cycle assessment

7.2. Effects of environmental activities

- Energy and water consumption savings engender cash benefits. Indeed, much money can be gained on energy savings and energy rationalisations since oil prices are expected to remain high.
- Increased reuse and less hazardous waste also saves many green taxes.
- Besides being the least polluting, cleaner technologies are often also energy efficient.
- In specific cases, environmental management may result in lower insurance premiums.
- Environmental management will make it easier to document your environmental performance in connection with tendering and thus increase your chances of winning.
- As sub-contractor of large groups, you will often need to have an environmental management system.

7.3. What do the others do?

[The case is Danish and can be replaced by a national example on environmental activities]

Copenhagen Zoo is one of the oldest zoological gardens in Europe. Copenhagen Zoo has approx. 130 employees.

The zoo has installed electricity meters in all buildings and energy-saving lamps in all administrative buildings. Furthermore, the garden reuses animal droppings to cultivate the ground. The garden is currently considering whether it is possible to use biogases for energy production.

The environmental efforts have resulted in financial gains:

- Water consumption has been reduced by up to 23%
- Electricity consumption has been reduced by 3%
- Heat consumption has been reduced by 12 %

Copenhagen Zoo has gone all the way and has become EMAS certificated. Copenhagen Zoo is the first EMAS registered zoo.

7.4. Good advice

- Spend time assessing the areas that are candidates for environmental activities in your business
- Choose an area where you can make a difference
- Include all in the business – both managers and staff

7.5. Working on your own

The following section primarily allows you to determine how far your business has come in its environmental work. Furthermore, you can read more about environmental management according to ISO 14 001 and EMAS and environmental statements.

Working on you own with environmental activities comprises the following sections:

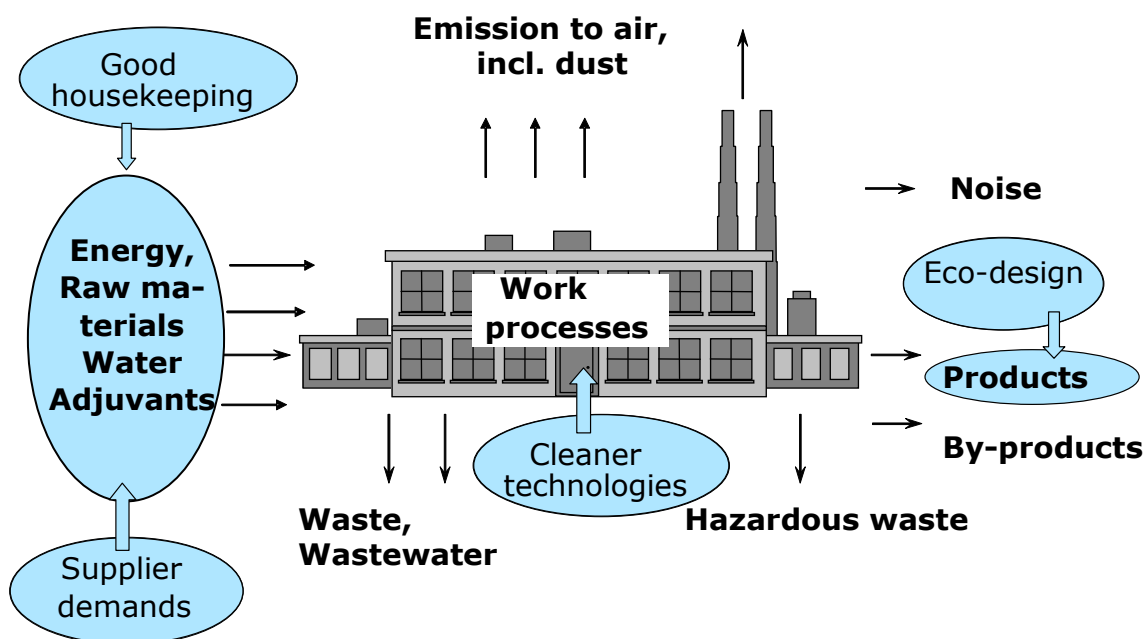
1. Questionnaire
2. Environmental management
3. Environmental management under ISO 14001:2005 and EMAS
4. Environmental economy in small and medium-sized enterprises

7.6. Working on your own 1: Questionnaire

Use the questionnaire below to determine how far you have come with your environmental activities.

If you can answer yes to all the questions, it is probably because you have a formal ISO 14 001 environmental management system. In the areas where you answer no, you should think about whether there are any strategic gains by doing something about it.

Use the figure below as inspiration when you complete the form on the next page.



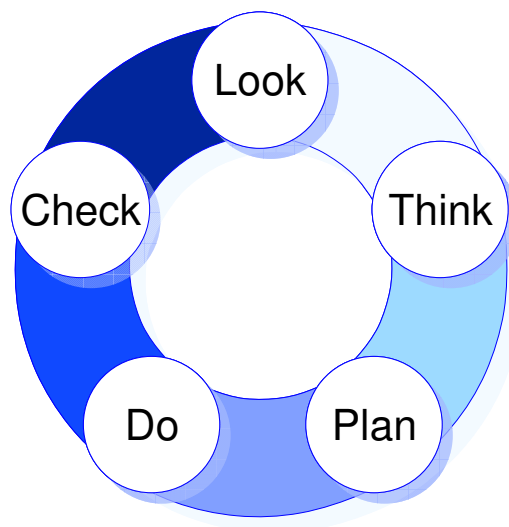
	Yes	No	Not relevant
Management commitment			
Do you have an environmental policy?			
Do all employees know about the environmental policy?			
Communication			
Do you communicate your environmental policy? E.g. on your website, to your customers.			
Do you communicate your environmental activities? E.g. on your website, to your customers.			
Environmental targets			
Do you have any environmental targets for resource consumption?			
What are your targets for recycling?			
Do you have any environmental targets for discharges?			
Do you check your customers' needs?			
Internal environmental activities			
Do you make life-cycle assessments of your products?			
Do you make annual action plans?			
Have you appointed an environmental manager?			
Have you taken the initiative to embed the environment among your employees?			
Have you made any environmental projects during the past year?			
Is the environment a permanent item at management meetings or in the joint consultative committee?			
Production and products			
<i>Raw materials and adjuvants</i>			
Do you register your resource consumption?			
Do you try to reduce waste of raw materials systematically?			
Do you make demands of the supplier's use of hazardous chemical substances?			
Do you substitute hazardous chemical substances with less hazardous alternatives where possible?			
Do you make environmental requirements of your (key) suppliers? - e.g. of environmental certification.			
Do you purchase environment-friendly or eco-labelled products when possible?			
<i>Energy and water</i>			
Do you promote energy-saving?			
Do you promote water-saving?			
<i>Discharges</i>			
Do you register discharges to the environment?			
<i>Processes and equipment</i>			
Do you purchase the least polluting technology and/or equipment (Best Available Techniques)?			
<i>Products</i>			
Do you sell waste products for recycling?			
<i>Reporting</i>			
Do you prepare an annual environmental statement?			
Other, please specify			

7.7. Working on your own 2: Environmental management

The environmental management process

This section will focus on the strategic environmental work by showing how to apply the circle illustrated systematically. You will see how you can apply the individual steps of the environmental management circle. If you choose to introduce environmental management, it would be best to go through the steps of the circle once a year.

You can also learn more about the environmental statement if you want to tell your surroundings, customers, bank, insurance companies, neighbours, etc. about your environmental activities.



Danish Federation of Small and Medium-Sized Enterprises, www.miljostyring.dk

Introduction to the environmental management circle

Environmental management engenders the best result if it takes place in cooperation between managers and staff. One of management's first tasks is therefore to consider how to include the staff in the assignments. Staff members are both a good source where you for instance can improve housekeeping and the ones who in practice ensure that you reap the benefits.

1. Look: Mapping

Once you have decided to introduce environmental management, the first thing you can do is to map out your business' environment. The mapping provides an overview and forms the entire basis of the further environmental activities. The mapping includes:

- a. Registration of work processes – the necessary basis for introducing environmental management
- b. Mapping of environmental issues – creates an overview of your environmental issues
- c. Mapping of resource consumption - creates an overview of the consumption of raw materials and adjuvants
- d. Mapping of waste – enables organisation of the entire waste handling
- e. Mapping of machinery and equipment - gives an overview of the need for maintenance and replacement
- f. Overview of statutory requirements - ensures knowledge of relevant environmental legislation

2. Think: Assessment and prioritisation of problems and solutions

After the mapping, you can assess and prioritise any environmental problems found so that you can start with the most important matters. Make sure to set realistic goals and not to approach all problems at once. At this stage, you can also prepare targets for the environmental activities. As a business, you can:

- **prioritise your environmental problems** - elaborates on the prioritisation of problems found during the mapping process

- **formulate an environmental policy - objectives and targets** - sets the course for and the contents of the environmental management activities
- **include staff** – provides several crucial inputs – and embeds the environmental activities throughout the business
- **ensure internal communication** - ensures ongoing exchange of information about the environmental management activities

3. Plan: Who solves which problems, how and when?

Once you have decided where to target your efforts, you can prepare action plans for the coming activities – this involves sub-objectives, time schedules, distribution of responsibilities and allocation of resources to the individual activities. Action plans can be both short-term and long-term. You can continuously check that the objectives are met and that your business complies with your environmental policy. The planning stage involves the following activities:

- **Preparation of action plans** - to ensure reasonable planning of the specific environmental activities
- **Preparation of an overview of action plans** – to ensure overview of the pending environmental tasks

4. Do: The action plan is implemented – problems are solved

During this stage, the specific assignments stated in the action plans are launched and completed. This is therefore also the stage where most will start determining their external communication about their business' environmental efforts. You can explain your environmental efforts to your stakeholders.

You can do so on your website, via newsletters, in offers, through external communication with neighbours or in connection with the dialogue with staff about the environmental management activities or other activities.

You can also prepare a voluntary environmental statement or green accounts presenting your environmental impacts and your efforts.

5. Check – evaluation – did we reach our goal?

It is a good idea to follow up regularly whether the action plan goes according to plan or whether it needs to be adjusted. You should make an overall assessment of whether the action plan has had the intended effect at least once a year.

It is also necessary to check the environmental management system at intervals to ensure that the environmental policy, the environmental objectives, the environmental targets correspond with the work performed. Are the targets reached? Do parts of the system need to be changed because they do not work? Or because authorities, customers or others change their requirements?

Look: Environmental mapping⁹

1. What to map?

Examples of areas you can map in your business:

Resources (input)

- Energy
- Water
- Raw materials
- Adjuvants

Discharges (output)

- Waste
- Hazardous waste
- Wastewater
- Emissions to the air

Noise

- Product content (output)
- Focus on specific content, e.g. chemical substances
- Supplier demands
- Product life cycle – from cradle to grave

Others

- Recycling and disposal possibilities
- Eco-labelling: The Flower

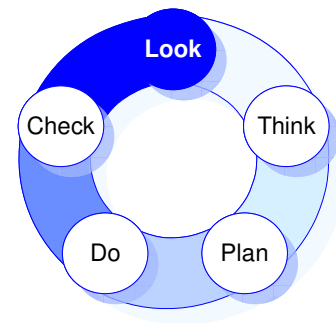
Mapping is the cornerstone of environmental management. Without mapping, you will have no basis for reducing resource consumption and the environmental load from discharges or making an environment-friendly product. It is therefore a good idea to spend time on this activity. Mapping can be more or less detailed.

Do not map everything. You do not have to map the number of paper clips in the office or mail delivery in your business. Use mapping to realise resource savings and environmental improvements.

Consider whether customer requirements may impact your environmental management system. You can also achieve environmental improvements by making demands of your suppliers.

Mapping comprises:

Registration of work processes	Mapping of resource consumption	Mapping of environmental aspects	Mapping of waste	Mapping of machinery and equipment	Product composition
--------------------------------	---------------------------------	----------------------------------	------------------	------------------------------------	---------------------



⁹ Inspired by the Danish Federation of Small and Medium-sized Enterprises: www.miljostyring.dk

Registration of production processes

For production companies, it may be useful to prepare a diagram of the production flow – from receipt of raw materials through processing to the finished product. To be able to target the problems, it may be a good idea to identify the individual source of discharge or waste. The related work processes are registered for the flow. This registration ensures that you get into all corners of your business.

For a landscape gardener, a work process may be “*stone facing*”, for an iron and metal business, it may be “*metal plate cutting*” and for a butcher, it may be “*cleaning of machines*”.

Appoint a person to make the list of work processes. This may be a staff member who sits on your business’ environmental (and safety) committee. Otherwise, make a draft list. Discuss it at staff meetings so that you catch any omissions.

Mapping of resource consumption

It is useful to gain an overview of the resources most used. For some small service companies, the consumption of raw materials and adjuvants can be so limited that they can dispense with the mapping of resource consumption entirely. You should not map just for the sake of mapping but to achieve resource savings and environmental improvements. You should therefore get an overview of the important resources (i.e. raw materials and adjuvants) that are involved in the production.

Tips

- Assess whether the consumption of water and energy must be mapped
- You can find information about many of the materials and substances, etc. you use on a regular basis from your financial system.

Mapping of environmental aspects

Tips

- Make a list describing the situation. Describe the details later.
- Include staff and establish a work group for the mapping. From this group, appoint a person to be in charge of the work.
- The mapping should be repeated regularly, e.g. every three years. Use previous mapping as basis for the next mapping
- The mapping should obviously be updated in case of new or significantly changed work processes and environmental impacts.

At the back of the handbook, you can find examples of forms for registering work processes.

Mapping of waste

By far the most work processes in a business generate waste. You can often save money by sorting waste properly. Indeed, it makes sense from an environmental standpoint to use the waste to the extent that it can be reused or recycled.

Tips

- Waste volumes are often stated on the receipts for disposal.

Mapping of machinery and equipment

Machinery and equipment must be inspected regularly. By registering when the last inspection was made and fix dates for maintenance, you create a basis for an ongoing effort. This may help prolong the life of equipment – and that any replacement is systematised.

- Ordinary tools could be checked every two months.
- State the energy consumption of the individual machines based on these data sheets.

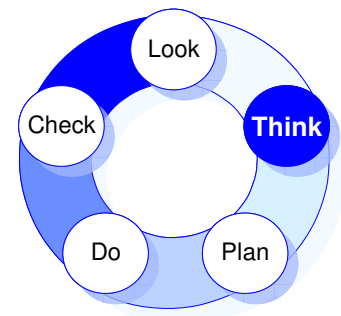
Product composition

Here, you can assess the product life cycle from cradle to grave. The product you sell should be composed so that the sum of environmental impacts is as low as possible. This applies to both the choice of raw materials and adjuvants, the work processes you apply, the use of the product during its life time and the environmental impact of the product when it ends its life in a waste treatment facility. You should mainly be aware of the contents of chemical substances. You can consider on an ongoing basis whether you can replace the chemical substances or products you use today with products that are less adverse to the environment.

Tips

- Buy eco-labelled products when possible - they should preferably be labelled with the EU Flower.
- Make sure that your suppliers document the chemicals in their products.
- Always consider whether you can minimise packaging consumption for the products you make.
- Stop using many different chemical products for the same purpose.

2. Think - prioritisation



Identify the environmental issues your business will work with on the basis of the mapping. You have already made an assessment of the importance of the environmental problems in the mapping forms. However, if you need an overall overview - and a more detailed prioritisation – of the environmental problems found in the mapping, you can use the table below.

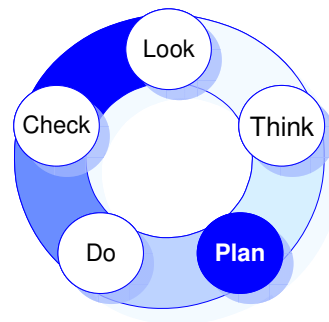
Example of a simplified prioritisation form:

- Environment
 - 3 points: Constitutes a major problem in terms of health and environment
 - 2 points: Constitutes a health and environmental problem
 - 1 point: Constitutes no problem in terms of health and environment at present
- Finance
 - 3 points: No or few expenses
 - 2 points: Acceptable expenses, minor liquidity impact
 - 1 point: Major expense, significant liquidity impact
- Technological/organisational
 - 3 points: Easy to approach
 - 2 points: Some technical/organisational changes
 - 1 point: Major technical/organisational changes

Tips

- Collect the most important environmental issues from the mapping
- Include scope, danger and duration of the environmental problem
- If your business wants to become certified in the long run, you must – e.g. by means of a prioritisation form – be able to account for why you have chosen to work with the specific areas.

3. Plan



Action plans are made to ensure that tasks are actually performed and that you do not embark on more tasks than you can handle.

The action plans are made to achieve the environmental targets. The environmental policy, environmental objectives, environmental targets and action plans must cohere.

You may already have reviewed the mapping forms and made an assessment of the importance of the environmental problems. You will have marked the key important environmental problems with NOW and the second most important with 1. You may also have prioritised the environmental problems further by means of the form for prioritising environmental problems.

Now, you need to prepare an action plan for each focus area, i.e. for each environmental problem with the priority NOW or 1 (the problems you have given the priority 2 are saved for a later system update).

For some businesses, mapping, environmental policy and action plans constitute an initial environmental management system.

Tips

- Action plans may be short or long term with horizons from a few months or several years.
- Prepare the action plans so that the activities are spread appropriately over the year – and considering e.g. seasonal variations in order influx or manpower.
- Some of the action plans will involve ongoing control, e.g. registration of energy or water consumption or the consumption of chemical substances.

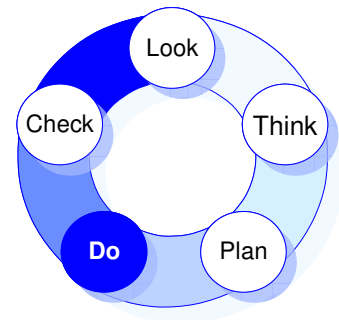
Establish work groups to work on the most important issues. Output:

- More detailed mapping
- Proposals for reducing the environmental impact
- Specific and measurable targets for the environmental impact
- Motivated staff

Also consider:

- How are results achieved?
- Who is responsible?
- Who should be included?
- When should it be done?
- What does it cost?
 - Time (man-hours)
 - Costs/earnings

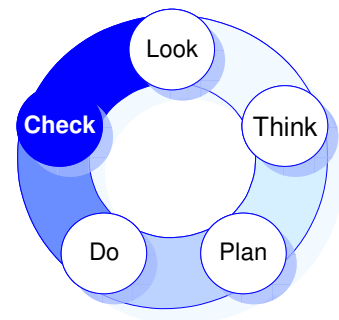
4. Do



Realise the action plans. In this connection, you must describe:

- Sub-assignments
- Responsibilities
- Deadlines
- Control methods
- Embedment

5. Check



Once the activity has been performed for a while, it is a good idea to evaluate whether you have achieved the targets you set and whether you need to change the activity. The processes of this activity involve:

- Evaluation
- Regularly follow up the action plan made during the planning stage
 - Have you reached your target?
 - Should attention be directed to any of the other prioritised areas?

When you have worked with the first five steps of the process, you can choose to prepare an environmental statement.

7.8. Working on your own 3: Environmental management under ISO 14001:2005 and EMAS

Environmental management is a systematic effort to ensure continuous environmental improvements in your business.

Environmental management provides the organisational framework for the environmental work in your business – e.g. structure, planning activities, allocation of responsibilities, customs, procedures, methods and resources for developing the environmental policy in your business.

There are several ways of introducing environmental management in your business. You can choose to develop your own environmental management system. This allows you to determine the system requirements yourself. If you want to be able to document your environmental activities, you can become registered under the European Union Eco-Management and Audit Scheme EMAS or certified according to the international ISO 14 001 standard. You should note that EMAS requires that your business prepares an environmental statement.

What do you gain from introducing environmental management?

Most businesses benefit from environmental management¹⁰:

- Three out of four businesses engaged in environmental management experience a handsome profit over a four-year period.
- The direct financial gain over a four-year period is on average 2% of the past years' revenue.
- Most businesses experience financial savings by minimising energy and water consumption and waste disposal.
- Both Danish and international studies show that the repayment period of the overall investment in environmental management is typically 2-3 years and often less.

Possibility of increased earnings since environmental management has a positive effect on your business' reputation.

Environmental statements

The environmental statement describes your most important environmental aspects and your efforts to reduce the environmental impacts. The environmental statement is voluntary.

¹⁰ Danish Environmental Protection Agency, www.mst.dk

TABLE: CONTENTS OF THE ENVIRONMENTAL STATEMENT

Examples of what an environmental statement can include:	Comments
Master data about your business	
Key figures from the mapping consisting of data about prioritised, important environmental issues stated as absolute or relative numbers. The key figures and their trends must be assessed and commented.	
Any changes in the scope of key figures in relation to previous environmental statements and the reason.	
Observance of targets and action plan from the last statement.	
Environmental policy, environmental targets and action plans, including a description of the prioritisation method chosen.	
Description of the environmental requirements you place on your sub-contractors.	
Description of how staff is generally included in the environmental activities.	

Source: Inspiration from Green Network

Tips

Even though it is a staff activity and not an environmental activity, you could choose to include health and safety in the environmental statement.

Form for mapping environmental aspects

MAPPING OF ENVIRONMENTAL ASPECTS FOR THE PROCESS: _____

	Environmental aspects	Problem	Cause	Idea for solution	Assessment/prioritisation
External environment	Emissions to air				
	Wastewater				
	Waste				
	Hazardous waste				
	Noise				
	Energy				

Help to complete the table:

Use one mapping table for each process

The process includes the materials e.g. water, raw materials, machinery or tools. Focus on the essentials. Any further mapping of resource consumption can be made under “Mapping of resource consumption”.

The five columns

Environmental aspects: External environmental problems have been broken down according to five types of discharge and energy consumption.

Problem: Describe the problem by stating its impact (e.g. headache).

Cause: Describe the cause of the problem (e.g. can inhalation of exhaust gasses cause headache).

Idea for solution: Specify ideas for solving the problem (start using “environment-friendly” petrol).

Assessment and prioritisation: Only fill in this column once the environmental problems in all production processes have been mapped. Prioritise each environmental problem into the categories: **NOW** – in case of aspects that need immediate attention, e.g. because they are easy and inexpensive to solve. The solution and time schedule are included in “Preparation of overview of action plans”.

1 – in case of aspects that need to be dealt with but where the solution may be more difficult or time consuming. Make an actual action plan as illustrated in “Preparation of action plans” and include the solution and time schedule in “Preparation of overview of action plans”.

2 – in case of aspects that need no attention, e.g. because the aspect is assessed as insignificant.

However, the environmental problem should still appear from the mapping and thus form part of the next system review (1-3 years after start up). You can choose to assess the problems in more detail under "Prioritisation of environmental problems".

External environment – six rows

Emissions to the air: Specify the type of substances discharged to the air.

Wastewater: Specify the type of substances discharged to the air.

Waste: Specify the types of waste the work process generates.

Hazardous waste: Specify the types of hazardous waste the work process generates.

Noise: Specify any significant noise nuisances in relation to the business surroundings.

Energy: Specify the types of energy used in the work process.

Environmental aspects prior to the internal production processes: Describe the environmental aspects prior to the specific production processes – typically in relation to raw materials, adjuvants, etc. included in the production.

Environmental aspects related to the use and disposal of the product or service: Describe the environmental issues after the internal production process – typically at the customer/purchaser use, maintenance or disposal of the product.

Registration of resource consumption

RESOURCE CONSUMPTION

Resource:							
Date	App. no.	Quantity	Total quantity	Amount	Total amount	DKK/unit	Supplier

Resource: The resource stated is transferred automatically from the overview of resource types.

Date: Specify date for the mapping.

App. no.: Specify appendix number or other source of the mapping.

Quantity: Specify quantity consumed.

Total quantity: The quantity stated is added to the previous balance.

Amount: Transfer amount from the appendix.

Total amount: Update the balance with the amount.

DKK/unit: Specify the price per unit, kg, litre or other unit of quantity.

Supplier: Specify the name of the supplier/subcontractor.

Table for prioritisation

Project name – CSR

PRIORITISATION OF ENVIRONMENTAL ASPECTS

Environmental aspect	Assessment				Priority
	Environment	Finance	Technology	Other	
Air					

Prepared by: _____

Approved by: _____

Date: _____

Environmental aspect: Include all the environmental aspects found during the mapping.

Environment: Describe the environmental gains of dealing with the problem.

Finance: Describe the financial aspects of dealing with the problem – or not dealing with it.

Technology: Describe the technical possibilities of dealing with the problem.

Other: Write any other criteria affecting the assessment.

Priority: Summarise your assessment and identify the tasks that should be dealt with this year.

PREPARATION OF ACTION PLAN

Action plan for: Waste			
Cause of problem			
Description of task			
Objective			
Achievement of objective			
Task solution	Pers. responsible	Start	End
Overall time schedule			
Main responsibility for the activity			
Expected time consumption			
Task-related costs			
Price			
Any savings, e.g. compliance with future requirements			
Calculated repayment time			
Inclusion of other parties			
Information on task solution			

Prepared by: _____

Approved by: _____

Date: _____

Help to complete the table:

Action plan for: The focus area stated is transferred automatically from the overview of focus areas.

Cause of problem: Describe the cause of the problem or the reason why the focus area should be strengthened.

Description of task: Describe how this particular environmental load is reduced.

Objective: Describe how the situation should be when the task is solved (e.g. “20% reduction in the consumption of a given raw material” or “that all staff should know how to solve a certain task”).

Achievement of objective: Describe how to register that the objective has been achieved – e.g. by means of measurements or interviews.

Expected time consumption: Specify estimated time consumption for all staff involved.

Task-related costs: Specify the estimated costs of solving the task.

Task solution: Describe how to solve the task. The task can be broken down into several components. Delegate responsibilities and set a deadline for each of the sub-tasks.

Transfer the overall time schedule to “Overview of action plans”.

Main responsibility for the task: Specify the person in charge of solving the task.

Inclusion of other parties: Specify any other parties (staff or partners such as sub-contractors) who could be part of the task.

Information about task solution: Specify the persons who should be informed about the task – by whom and how.

7.9. Working on your own 5: Environmental economy in small and medium-sized enterprises

[This tool is in Danish and can be replaced by a similar national tool]

The Danish e-learning module of People & Profit comprises the “Environmental economy in small and medium-sized enterprises” tool. This tool has been developed specifically for Danish small and medium-sized enterprises. This environmental economy tool enables your business to quantify costs and savings related to the general environmental activities and the three environmental areas: resource consumption, waste and discharges.

The environmental economy tool breaks down into the modules: Production, Stock and Retail as well as Administration and Office. You can choose to apply the module that best describes your business, e.g. production, if your business is a production company, alternatively, you can apply the relevant modules that correspond to the various departments/activities of your business.

Each module offers further opportunities for using the tool. In the production module, you can choose to find out what the environmental activities cost; you can add costs to the environmental accounts or follow the waste to see what it costs.

The stock and retail module and the administration module allow you to either discover what the environmental activities cost or to add costs to the environmental accounts.

These different opportunities centre on three different methods. The following describes the different methods.

Follow the waste

This method helps you discover the price of waste and the savings potential in the production process. The method is based on the principle that waste from production is becoming more expensive for businesses the closer the product is to being completed. The method helps you calculate the direct and indirect costs of waste during the production process and gives you knowledge about where you would benefit from introducing waste minimisation.

The direct costs for waste throughout the production process comprise:

- Disposal costs
- Earnings from sale of waste
- Penalties for wrong sorting
- Material costs

The indirect costs for production of waste comprise:

- Energy
- Water
- Salary
- Machine time
- Costs of related emissions (e.g. flue gas cleaning, wastewater treatment/discharge tax).

Add costs to the environmental accounts

This function enables you to map the environmental costs related to business activities or products. Subsequently, you can assess the savings potential, e.g. in relation to bottom line. It may also be a good idea to divide the mapping into departments to find the most resource-intensive departments.

Environmental costs may comprise:

- Materials
- Energy
- Water
- Waste
- Emissions (cleaning, taxes).

Savings can be achieved through investments in cleaner technology, behavioural change, substitution or design changes. This tool can be used to assess the savings potential, as the possible change can be compared with the business' bottom line and the product cost.

What does the environmental activity cost

The statutory environmental activities may include environmental authorisation, own control, green accounts and possible preparation of energy plans. The voluntary environmental activities may encompass areas such as environmental management, energy management and environmental marketing. Application of this method enables you to map your costs of both voluntary and statutory environmental activities. Most businesses will find it difficult to achieve savings on these costs, especially the costs of the statutory environmental activities. However, it is still a good idea to know the costs, e.g. in relation to the dialogue with the environmental authorities. If you already know the costs related to the voluntary environmental activities, you can assess whether the efforts in the area are commensurate with earnings potential.

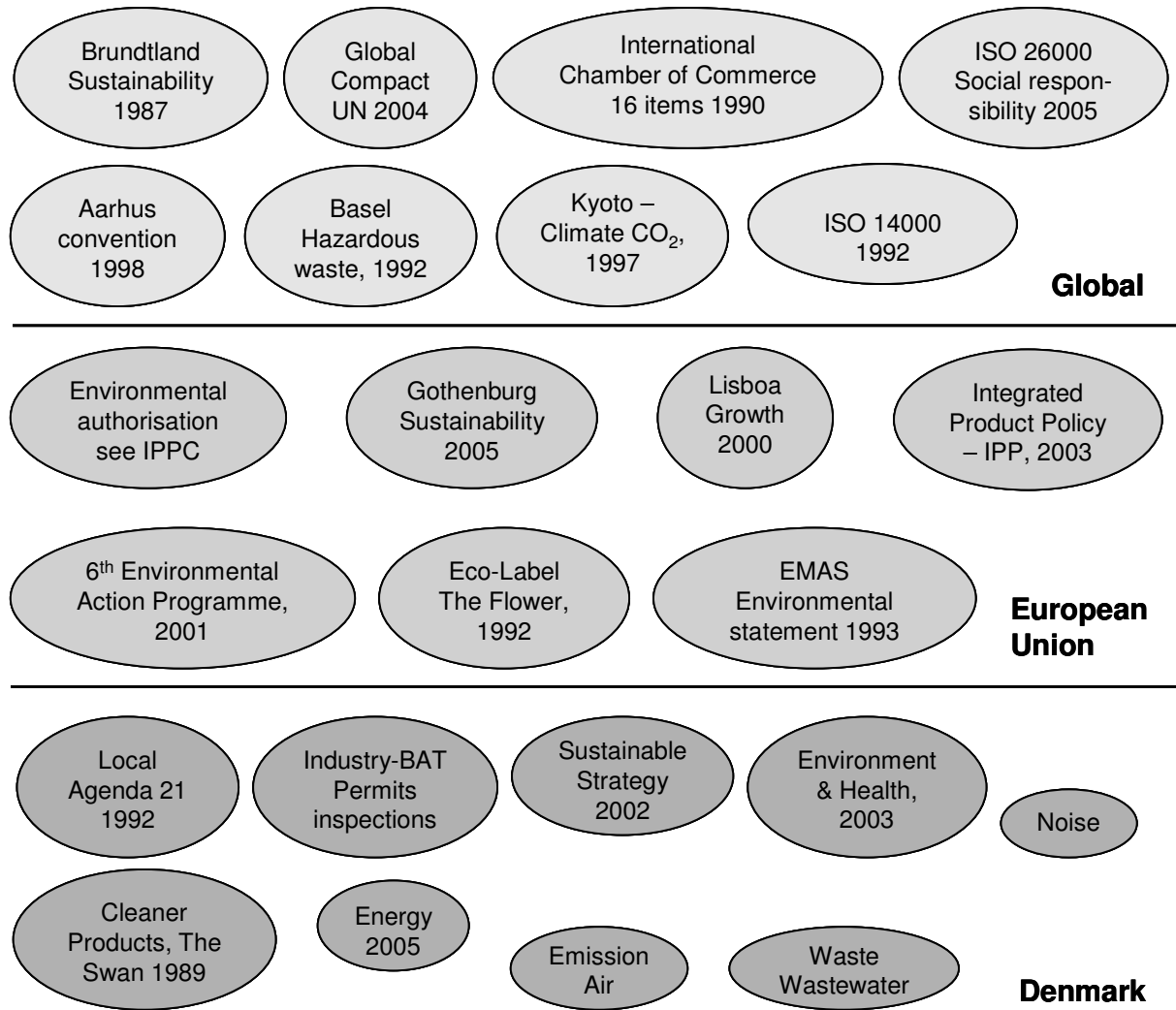
In an addendum to this handbook, you can find a guide with a brief description of environmental economy, the most important environmental economy costs and how to use the tool. The addendum also briefly describes the topics "Why engage in environmental economy" and "Organisation of work".

The tool was prepared by PricewaterhouseCoopers in 2006.

7.10. World map of environmental initiatives

The figure below shows a world map of environmental initiatives. The initiatives are divided into global, EU and national initiatives.

Figure 7.3: World map of environmental initiatives



Global

The Brundtland Report and the Rio Declaration

Sustainable development was put on the international agenda when the Brundtland Commission in 1987 published the report “Our Common Future” – also called the Brundtland Report.

The Brundtland Report defines sustainable development as follows:

“Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs”

Sustainability means that the environmental, economic and social elements should be balanced in relation to each decision made at all levels of society. Denmark has prepared a number of key indicators which are to show whether Denmark is heading in the right direction.

The Brundtland Report was followed up by the Rio Declaration adopted at the UN Conference on Environment and Development in Rio de Janeiro in June 1992. The report presents 27 principles which on the one hand define human’s right of development and on the other hand define the common responsibility for protecting the environment, and it became the backdrop of the environmental rights in the UN’s 2004 Global Compact.

The International Chamber of Commerce (ICC)

ICC’s environmental charter is the corporate sector’s first declaration on sustainable development. Though drafted in 1990, the declaration remains applicable. The declaration contains 16 principles which can form the framework of a business’ environmental policy.

ISO 14 000 standards (International Standardisation Organisation)

ISO followed ICC in the early 1990s and started working on developing the environmental management standard ISO 14 001, last revised in 2004.

The ISO 14 000 series comprises a number of standards in addition to the environmental management system: ISO 14 001. The latest publication is about how you can implement environmental communication both internally and externally – ISO 14 063.

There is a standard for how you can evaluate and follow-up your environmental performance – ISO 14 031.

The ISO 14 040 series comprise standards for how you include environmental considerations when you design a product and how you can make a life-cycle assessment for your product, i.e. the environmental impact of the product from cradle to grave.

ISO 14 001 applies the same structure as the quality management standard ISO 9001. The two standards have been implemented in more than 760,000 organisations in 154 countries and are the most widespread standards worldwide.

The Basel Convention

The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal was adopted in 1989 and entered into force on 5 May 1992. The convention aims at making rules for disposing and handling more than 400 million tonnes of hazardous waste annually.

For example, since 1 January 1998, exporting hazardous waste from OECD member states to non-OECD member states has been banned. The export ban is the consequence of the ban adopted under the Basel Convention. Dumping of chemicals in the North Sea and scrapping of old ships on Indian beaches are examples of this problem.

The Kyoto Protocol and the Climate Convention

These agreements are probably those that will impact our future energy consumption most. Climate conventions aim at stabilising the amount of greenhouse gasses in the atmosphere, and the Kyoto Protocol sets targets for CO₂ discharges. A substantial part of EU development funds are earmarked for developing technologies that can help meet the EU's targets.

In 1992, 155 countries signed a framework agreement aimed at stabilising the content of greenhouse gasses in the atmosphere. The agreement served as take-off point for the Kyoto Protocol drafted in 1997 at a UN conference in Kyoto, Japan. Denmark acceded to the protocol, which entered into force on 16 February 2005, together with the other EU member states. 144 countries have acceded to the protocol. The industrialised countries must reduce their emissions by an average of 5.2 per cent between 2008 and 2012 compared to 1990 emissions. The EU countries have agreed an internal distribution scale called "burden sharing".

The Climate Convention was signed during the UN Conference on Environment and Development in Rio de Janeiro in 1992 and entered into force in 1994. 189 countries have acceded to the convention, which in reality means all countries of the world.

The Aarhus Convention

In June 1998, 34 countries signed a convention on citizens' environmental rights, generally called the Aarhus Convention. The convention entered into force in October 2001. The basis of the convention is that the authorities must disclose all environmental information. The convention has three focus areas: Access to information, to participate in decision making and to complain. The individual countries are currently translating the convention into national statutes.

UN Global Compact

UN has listed ten principles on the basis of universally recognised values and objectives. The objective is that businesses must implement the principles in their policy and practice. The principles comprise:

- Human rights
- Employee rights
- Environment
- Anti-corruption

The three Global Compact principles in environment comprise:

1. Businesses should support a precautionary approach to environmental challenges;
2. Businesses should undertake initiatives to promote greater environmental responsibility;

3. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Read more about Global Compact in the chapter on supplier activities.

ISO 26 000

A new guidance standard to help organisations and businesses behave socially responsibly is taking form following intensive international cooperation. The ISO 26 000 standard on social responsibility (SR) is expected to be ready in 2008.

Following a sceptical beginning, the standard now enjoys massive support as reflected in the international cooperation, which includes more than 400 stakeholders representing various interest groups such as industry, authorities, NGOs, etc.

EU

The Lisbon Strategy and the Gothenburg Declaration

On 2 February 2005, the European Commission presented a strategy to create new dynamics in the EU 2000 economic reform programme. The intention is for instance to be able to match the development in e.g. China and India through increased research and innovation and thus being able to create and retain jobs in the EU.

The Gothenburg Declaration must ensure that the measures adopted are sustainable, i.e. take on the challenge and separate economic growth from the environment so that we create growth without increasing the environmental load.

The first national reform programmes were prepared in autumn 2005. On 25 January 2005, the Commission published its first “Progress report” promising action proposals in four policy areas before the end of 2007. The four policy areas include:

- Research, development and universities
- Productive environment – especially for small and medium-sized enterprises
- Globalisation and demographic aging
- Energy

6th Environmental Action Programme

The EU’s environmental efforts are generally controlled by the 6th Environmental Action Programme, which runs until 2010. The 6th Environmental Action Programme was launched in 2001 under the title: “Environment 2010: Our future, our choice” and describes the EU’s environmental policy. The programme focuses on four areas: Climate changes; health and environment; nature and biodiversity and natural resource management. Each of the four topics has been described and goals have been set for them and the measures needed to meet the objectives. You can follow the progress on EU’s website (English) <http://europa.eu.int/comm/environment/newprg/index.htm>.

EU and industry

EU initiatives in relation to the industry's discharges to the environment have been implemented via directives, which have been translated into national European legislation. The EU environmental authorisation system, **IPPC** (Integrated Pollution Prevention and Control), is based on an important principle, viz. BAT (Best Available Techniques) – the principle of applying the best available technique in order to minimise the environmental impact of the production.

The EU has established an agency where you can find a BREF (BAT reference document) for practically all production processes stating the emissions and discharges to air, water, etc. of the various technologies. European industries regulated by the IPPC directive must document that they apply BAT technologies.

Integrated Product Policy (IPP)

On 18 June 2003, the European Commission published a strategy for the EU Integrated product Policy for the coming years headlined *Building on Environmental Life-Cycle Thinking*. The policy comprises a number of market-oriented measures such as **EMAS** (eco-labelling of businesses) and eco-labelling of products (**the EU Flower**) and involves a number of initiatives concerning environmental product declarations. For instance, the Commission has started making standards so that environmental declarations can be made for building products from 2009. The IPP is scheduled for revision in 2007.

EMAS

EMAS stands for “Eco-Management and Audit Scheme” and is the EU's environmental management scheme, which is voluntary and targets all types of business. Industrial, service and public businesses can be EMAS registered.

National environmental initiatives

[Examples on environmental initiatives]

7.11. Links

[National links regarding environmental initiatives can be added to the list of links.]

Talk to your **trade organisation** and **National Environmental Protection Agency** to learn more about environmental management in your industry.

Green Network is a regional network in Denmark between the local authorities of Fredericia, Horsens, Kolding, Middelfart and Vejle and the county of Vejle. Read more about environmental statements on www.greennetwork.dk.

Key2Green is a network for regional Danish environmental networks. See more about environmental statements on Key2Green's website www.key2green.dk.

Links from the world map of environmental initiatives

Global:

The International Chamber of Commerce (ICC)

<http://www.iccwbo.org/policy/environment/id1309/index.html>

ISO 14 000 standards (International Standardisation Organisation)

http://www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000/iso_14000_essentials.htm

The Basel Convention

<http://www.basel.int/>

The Kyoto Protocol and the Climate Convention

<http://unfccc.int/2860.php>

The Aarhus Convention

<http://www.unece.org/env/pp/>

UN Global Compact

<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> (English)

ISO 26 000

<http://isotc.iso.org/livelink/livelink/fetch/2000/2122/830949/3934883/3935096/home.html?nodeid=4451259&vernum=0>

EU:

The Lisbon Strategy and the Gothenburg Declaration

http://ec.europa.eu/growthandjobs/index_en.htm

<http://ec.europa.eu/environment/eussd/>

The 6th Environmental action programme

<http://europa.eu.int/comm/environment/newprg/index.htm>

EU and industrial businesses

<http://eippcb.jrc.es/>

Integrated Product Policy (IPP)

<http://ec.europa.eu/environment/ipp/>

EMAS

http://ec.europa.eu/environment/emas/index_en.htm

Eco-labelling

<http://www.eco-label.com/>

http://ec.europa.eu/environment/ecolabel/index_en.htm

National Environmental Initiatives:

[National links regarding environmental initiatives can be added to the list of links.]

CSR innovation



8. CSR innovation

[National links regarding community activities can be added to the list of links.]

The world needs innovative solutions to problems such as hunger, disease, social exclusion, poverty and pollution. As a business you can contribute solutions and at the same time expand your business by linking CSR and innovation. This chapter starts with a definition of *innovation*, and goes on to elaborate further on the concept of strategic CSR innovation.

What is innovation?

There are many ways to define *innovation*. Some wide definitions include all types of changes in a business and increasingly narrow definitions focus on product development.

In this chapter, innovation is defined as **a managed development process**. I.e. it is not a question of incidental events and changes in the business but of a conscious process of change.

Innovation may be defined as:

Innovation = Invention (something new) + commercialisation (utilisation)

Innovation is not only to create new products, but also new business concepts and new organisational and management styles. Innovation is not for large businesses only. According to a survey conducted by Rambøll Management in 2006, 75% of all Danish small and medium-sized enterprises employing a staff of up to 250 developed new products, services and processes in the period from 2002 to 2004¹¹.

8.1. What is strategic CSR innovation?

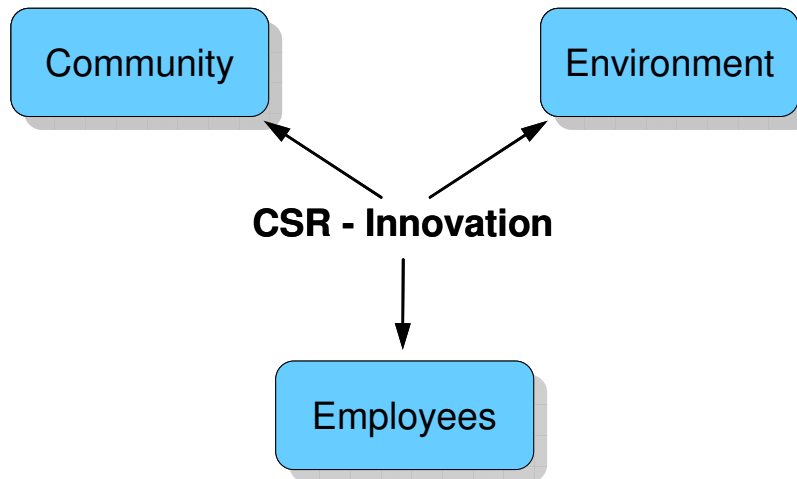
CSR innovation is an innovation process which focuses on social and environmental considerations by including relevant stakeholders in the process; the end-product is a financially profitable business concept to the benefit of employees, the environment or society.

Overall, CSR innovation is a new concept, whereas environmental and healthcare innovations are not new (see the figures in: What do the others do?). Within the field of environmental innovation, the Danish wind industry has for years been a leader in the development of renewable energy technology. Another example is B&O, which incorporates several environmental parameters and the knowledge of certain of its stakeholders into its innovation process. In the development of new products, B&O applies the knowledge of environment-friendly recycling of electronics waste from companies handling electronics waste. In the healthcare sector, user groups are involved to improve products even further.

¹¹ Survey conducted by Rambøll Management in 2005 for the Danish Confederation of Professional Associations, Danish Centre for Leadership and the Danish daily newspaper Dagbladet Børsen on innovation in small and medium-sized enterprises with staffs f up to 250. [The survey is Danish and deals with results from Danish companies only, and can be replaced with national results.]

By way of example Coloplast invites ostomy patients to partake in the product development process, and Novo Nordisk invites diabetes patients to contribute to its development process.

The CSR innovation objective field may be illustrated as follows:



In a strategic CSR innovation process, businesses use their core competences to develop new concepts, products, etc. meeting social requirements. Furthermore, CSR innovation implies that stakeholders – external as well as internal – are invited to join the innovation process as they possess knowledge which is considered unique in terms of enhancing and renewing business activities.

The driving force behind a managed innovation process falls into three categories¹²:

Price-driven innovation implies the renewal of products and processes designed to make your products cheaper or perceived as cheaper than those of your competitors when customers compare price and quality. Thus, the source of price-driven innovation is the constant search for lower costs. Price-driven innovation means that you compete primarily on processes, logistics, “sound business acumen”, sales and marketing.

Research-driven innovation implies innovation based on research or new technology. I.e. you try to get a technological head start on the competition; by reducing the cost of production or developing products which differ from those of your competitors in form or function. Research-driven innovation is based on research, but focuses in particular on turning research into technology which will produce new commercial products.

User-driven innovation implies innovation based on insight into the needs and requirements of customers and end-users. It focuses on entering into a dialogue with your customers/end-users to appreciate their requirements (through e.g. customer analyses). This will afford you the opportunity to develop new products, services or business concepts which match the requirements of your customers/end-users better than those of your competitors. In the course of the development process you may also look into users’ non-recognised needs by observing the day-to-day activities of your (potential) customers. User-driven innovation is about gaining a competitive edge by being the best at satisfying customer and end-user needs and requirements.

¹² J. Rosted: ”Brugerdriven innovation – resultater og anbefalinger”, FORA, no. 13, 2005.

Stakeholder-driven innovation

Stakeholder-driven innovation is a process in which you cooperate with key stakeholders on the innovation process. To find out more about stakeholder identification and cooperation, see the Introduction.

Once you have an idea of which types of innovation, you want, ask yourself: Who among our stakeholders can offer us the inspiration or knowledge required to create the desired business idea. You may also start by asking your stakeholders in which areas they think you should develop your products and services. Another advantage of working with stakeholders is that you will gain access to the expert knowledge of customers, end-users or other stakeholders – knowledge which is otherwise difficult or expensive to obtain. That way, stakeholders may help you identify needs and innovation potential and assist in the actual innovation.

Different stakeholder groups may contribute different competences, such as:

- Your employees and their knowledge and ideas may be a valuable source of information, as they have unique insight into your products and services. The insight of sales staff into customer requirements may be used in an innovation-driven development process. Thanks to their knowledge of suppliers and products, purchasers and production staff may contribute to innovation in the product range. Finally, you may choose to strengthen your overall competences by hiring staff with other qualifications, such as different educational backgrounds, business experience or cultural backgrounds than your current staff. New knowledge and new ways of thinking may serve as an inspiration and motive force in the innovation process.
- You may choose to enter into partnerships with user groups, environmental organisations or other interest groups to benefit from their competences in a given area. Your stakeholders are given the opportunity to apply their knowledge in practice and thus obtain increasingly tailored products. You will be able to develop the best possible products or services from the point of view of your stakeholders – and this may result in boosted turnover in the form of customer loyalty, an increase in the number of potential customers or potentially higher prices.

As an example of stakeholder-driven CSR innovation, the following may serve as a source of inspiration for developing financially profitable CSR-oriented ideas, products, processes and services in cooperation with your stakeholders:

- The development of tomorrow's products for the physically disabled in cooperation with the disabled, healthcare professionals, manufacturers, etc.
- The development of tomorrow's sustainable energy in cooperation with scientists, neighbours of wind farms, etc.
- Development of third-world countries and development aid in cooperation with players from the third world, the UN and donor organisations such as the International Development Agencies, etc.
- The development of tomorrow's health promotion in cooperation with patients, nursing staff, doctors and manufacturers of healthcare products/medicine
- The development of tomorrow's waste management in cooperation with the authorities, waste handlers, product developers and environmental and energy NGOs/interest groups.

Certain types of stakeholder-driven CSR innovation will result in highly specialised products and services for a very limited market. If a given niche product/service may not be of interest to a large company, the opposite may well be the case for a small business.

The social problems which small and medium-sized enterprises try to solve through their CSR oriented products and services differ to a considerable extent. The Gallup survey of 1,000 Danish companies with staffs of 10-250 showed that companies with staffs of 50-250 are more inclined to develop products and services designed to solve environmental problems, whereas small companies with staffs of 10-19 prefer to develop products designed to solve social problems.

[The survey is Danish and deals with results from Danish companies only, and can be replaced with national results.]

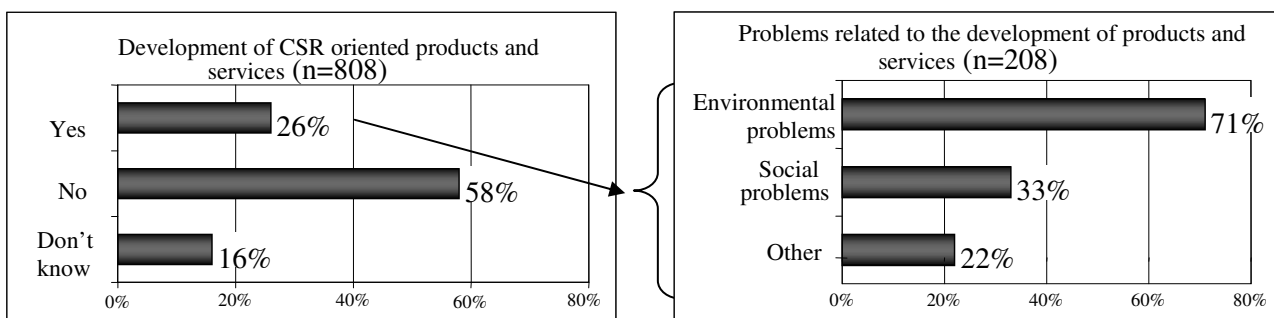
Many small and medium-sized enterprises are already involved in CSR innovation. In other words, this is not uncharted territory to the corporate sector or something in which only large companies engage.

8.2. The effect of CSR innovation

You may decide to get involved with CSR innovation for a number of reasons. You may wish to make a difference in society, to build a business designed to solve social challenges or to meet the demands of your customers, employees or other stakeholders for new solutions. CSR oriented product development or CSR innovation in general may also offer you the opportunity to get into contact with different types of customers and new markets, or you may get the chance to be a pioneer in your field. Finally, CSR oriented product development may offer your business a competitive edge and thus the opportunity to differentiate yourself from your competitors.

According to the Gallup survey, 26% of the small and medium-sized enterprises interviewed had developed products and services which contribute to alleviating or improving one or more social problems. Of the 26%, 71% had developed new products or services aimed at solving environmental problems while 33% had developed products or services designed to solve social problems, as illustrated below¹³.

[The survey is Danish and deals with results from Danish companies only, and can be replaced with national results.]



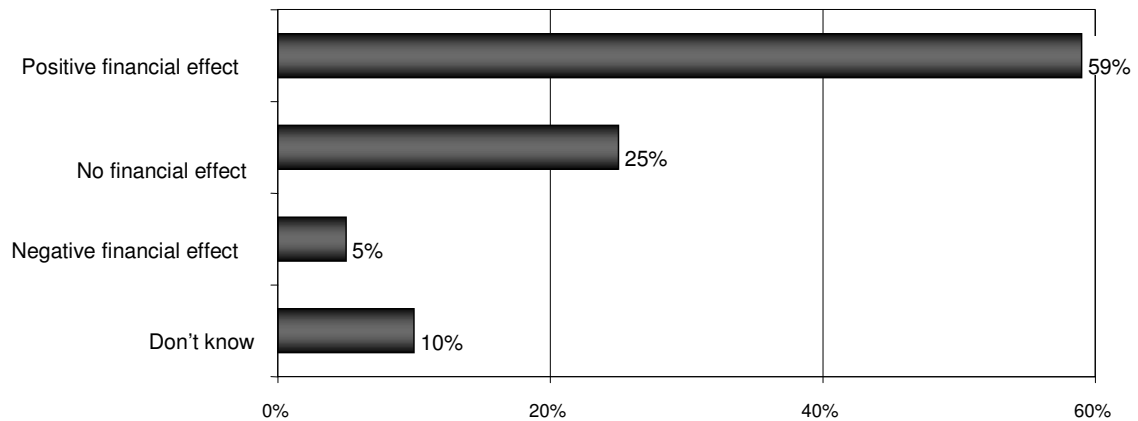
The question was: Which social problems did the products/services solve? The numbers add up to more than 100%, as more than one answer was possible.

¹³ Survey conducted by TNS Gallup for People and Profit Phase 2: Mapping of CSR activities among small and medium-sized enterprises.

From the survey it appears that the majority of the businesses believe that CSR oriented products and services have positive financial effects and that only few of them find that it actually costs money to be involved with CSR product development.

FINANCIAL EFFECT OF DEVELOPING PRODUCTS / SERVICES (N=208)

[The survey is Danish and deals with results from Danish companies only, and can be replaced with national results.]




The question was: If you compare the proceeds from the development of the products/services with the cost, do you think that the products/services have overall positive or negative effects on the total financial result (your bottom line)?

In addition, the survey showed that businesses developing products and services designed to solve *environmental problems* are more inclined to believe that the products have positive effects on the bottom line.

8.3. What do the others do?

[The case is Danish and can be replaced by a national example on CSR-innovation]

CASE: DCR MILJØ A/S



The increasingly popularity of TV sets, computers, mobile phones and other types of electronic equipment is a threat to the environment when consumers throw the appliances away. It is, however, also an opportunity to start a new business. That was the business concept behind DCR Miljø a/s, a leader in electrical and electronic device recycling. Thus, the company is an example of CSR innovation focusing on the innovation of business models.

Environmental concerns may be the start of a new business concept – if you take an innovative approach. Like the three friends did when they visited an ironworks. They noted that the increasing use of electronics created a huge amount of hazardous waste, which the Danish refuse collection services did not at the time handle satisfactorily from an environmental point of view. In other words, the three friends identified a new market with a considerable growth potential, and against this background they established DCR Miljø a/s. Today, the company employs a staff of 24 and operates recycling sites in Roskilde and Stubbekøbing and is 14001 certified.

The problem with electronic devices discarded by private individuals as well as corporations is that they contain hazardous substances such as lead, mercury and PCB, which are hazardous to the environment and our health if not handled correctly. In DCR Miljø they collect this type of refuse, dismantle it and sort it into 50 different fractions ensuring the highest possible degree of reprocessing and waste. According to the company's 2003 environmental accounts, the recycling percentage for all waste from electrical and electronic equipment was no less than 88.

The advice given by Mr Brian Clemmensen to anyone who wants to develop business ideas in the field of waste is to collect as much information as possible before they get started. Furthermore, it is important to establish good rapport with the authorities and scientist in the field. This is a precondition for thinking innovatively, he believes.

8.4. Some good advice

Basically, it is a question of asking yourself: What can we do differently, and how can we optimise our business concept to the mutual advantage of our staff, the environment and society in general?

Strategic innovation can be described by using the terms “how much”, “what” and “how”:

How much: Innovation may be more or less ambitious in relation to your current approach. Strategic innovation is the way you decide on the scope and speed of the process, on how to make the innovation process match your business, taking into consideration financial aspects, the market and your organisation.

What: Innovation may take place in all areas and in relation to all tasks – from the overall business idea over processes and products to customer contact. It is a question of identifying the areas where you will benefit from innovation the most. You can find further inspiration for this process under “Working on your own”.

How: The sources of inspiration are plentiful: Research, customers, users or other stakeholders and employees. Therefore, strategic innovation includes your decision on where and how to look for new ideas. For further inspiration, see “Working on your own” and the section on stakeholder dialogue.

Before you get started, you should consider how ambitious you want to be. Traditionally, there is a distinction between radical and incremental innovation.

8.5. Working on your own

In this chapter you are introduced to some of the methods used to identify the type of innovation suitable for your business. It also includes a few ideas on how to get the process started.

Working on you own with CSR innovation comprises the following sections:

1. Clarification: 12 types of innovation
2. Innovation process methods

8.6. Working on your own 1: Clarification through 12 types of innovation

If you want to get involved with CSR innovation, you may consider small as well as big changes. A model comprising 12 types of innovation¹⁴ may be used as starting point for the CSR innovation process. The model tries to incorporate all types of innovation and to group them into four main categories (first column from the left). All four categories are then subdivided into three innovation types (second column from the left), which are then further explained in column three and exemplified in the fourth column as illustrated below:

Area of Innovation	Type of Innovation	Explanation	CSR - example
Business	Business model	Basis of Income – profit generating activities	Identify new businesses based on CSR
	Alliances	Partners, suppliers, networks etc.	Red Cross commercial partners, Danida a.o.
	Organisation	Structure and incitements – who does what and is rewarded	Responsible outsourcing – rewarding employees
Process	Core processes	Central value-generating processes	Business ethics, facilities for vulnerable employees etc.
	Supportive process	Administration etc. required to operate the business	Accounting, HR, Procurement etc.
	Technology	Applied technologies – IT, production systems, logistics etc.	IT or technology to benefit employees or environment.
Product	Product features	Functionality and Quality – what makes your product stand out?	New responsible product features etc.
	Product system	How are your products used? Do they interact with other products?	Responsibility for use and interaction with other prod.
	Service	Support and additions to your core products/services	Responsibility as added service
Customer Contact	Sales channels	Where and how is your products delivered	Reduce pollution through delivery and packaging.
	Marketing/branding	Communication of products and services	Offensive marketing on CSR
	Customer experience	Experience of your products and services	Offer the customers an exp. of responsiveness

The model may be used as a tool to consider CSR innovation – or innovation in general. The areas and innovation types are described in detail below.

Business

In the area of *business*, you can engage in CSR innovation in relation to your business model, alliances and organisation:

- **The business model** represents the overall idea of how and on what you earn a profit. In this case, innovation may imply the development of solutions to social challenges – large or small. DCR Miljø, for instance, has an innovative business model based on CSR. DCR Miljø dismantles elec-

¹⁴ The breakdown is in part inspired by the Doblin Group's 10 types of innovation

tronics waste in an environmentally responsible manner and earns a profit on solving Denmark's hazardous waste problem.

- **Alliances** are special partnerships with your key partners, suppliers and networks. You may choose to enter into CSR alliances to realise new CSR-based business ideas. Your partners may be other companies or interest groups; the first type of alliance may be of a purely commercial nature, whereas the other may also involve some kind of sponsorship. Examples of alliances are partnerships with organisations directly involved in CSR activities, such as the International Development Agencies or the Red Cross which – like other relief organisations – offers businesses to become commercial partners. For an alliance to be described as innovative it must offer access to a number of benefits, such as customer groups, technology or knowledge. You may also pick your partners on the basis of CSR considerations, i.e. by making demands of the supply chain (see the relevant chapter).
- **Organisation** implies the structure and management of your business, i.e. the internal structure and external supply chain structure as well as the management of the supplier chain. CSR innovation at the organisational level may involve the development of new work procedures to address ethical, environmental or social problems within your business or in the production chain. You may also choose to look at your management style.

Process

In the area of *process*, innovation may involve core processes, supportive processes and technology:

- **Core processes** are the principle productive processes allowing you to generate value to your customers. CSR innovation in terms of core processes implies that the processes pay increasing attention to stakeholders, including employees, or social challenges, such as environmental protection. CSR innovation may also imply efforts supporting compliance with your business ethics in terms of your core and supportive processes.
- **Supportive processes** involve whatever you do to ensure the smooth operation of your business, such as administration, management, purchase, etc. In this connection CSR innovation implies the incorporation of your social commitment into your supportive processes in the same way as in your core processes. Your purchase department may make CSR consideration when choosing suppliers, or your choice of transportation may be based on environmental impact.
- **Technology** may enhance or increase the quality of your processes. Thus, CSR innovation implies introducing technology into core or supportive processes which minimise staff attrition or stress or reduce the environmental impact of products or processes.

Product

In the area of *product*, innovation may involve product properties, the product system or service:

- **Product features** include the functionality and quality, including price, of the product or service. In this connection CSR innovation implies adding new features to the product, such as developing products with due regard to your social responsibility, by for instance adding features which increase product versatility to one or more stakeholders. CSR considerations may be included in the entire life cycle of a given product: Can you improve your product by rethinking the development process, transportation, distribution, application or the disposal/recycling of the product?

- **The product system** is the context in which the product exists in relation to your other products, the products of other companies, including those of distributors and suppliers, in relation to the use by end-users. In this connection CSR innovation implies making better products for employees, customers and stakeholders. A business in the market for professional cleaning agents must offer its customers/users instruction in the use of its products. This may prevent the overdosing of chemicals, which is hazardous to the environment, and prevent work-related injuries to the benefit of your customers' employees. You may also consider how your products and services are used by customers, end-users or other companies in other ways – by for instance defining goals for reducing errors or misuse. Or by instructing users in the energy-saving use of our products.
- **Service** implies adding something extra to the core product, such as knowledge or support. In this connection, CSR innovation implies developing new types of service. Such as charging your customers for showing responsibility – knowledge of how to put your product to the best use within the product system (as described above). CSR service-innovation may also imply customised service.

Customer contact

In the area of *customer contact*, CSR innovation may involve sales channels, marketing/branding and customer experience:

- Sales channels are the channels through which you offer your products or services. In this connection CSR innovation may involve offering products to new customer segments on different terms – such as selling your products in third-world countries at reduced prices. Or introducing packaging or transportation with a reduced environmental impact.
- Marketing is how you communicate your business, products, service or offers to customers and stakeholders. In this connection CSR innovation primarily implies incorporating social commitment and responsibility into the promotion of your product. Secondly how to promote your business using your social commitment and CSR activities. See also the chapter on CSR communication.
- Customer experience is how the customer, the end-user or other stakeholders experience your products, services or business – the story associated with your product. In this connection CSR innovation may involve associating new or different experiences to the customers' or stakeholders' current experience of your product – before, during and after its use. Like marketing, CSR innovation in terms of customer experiences is two-sided. Innovation may imply making your experience increasingly responsible. But you may also invite your stakeholders to experience your responsibility and CSR activities.

Not all 12 types of CSR innovation will be equally relevant to your business. Therefore, the strategic task is to identify the areas and types of innovation which will generate the highest value compared with the effort.

An example

One way of getting started is to brainstorm on which of the 12 types of CSR innovation are relevant. This example illustrates how a travel agency can apply all 12 types of CSR innovation. The example is purely illustrative – but some of the initiatives have already been implemented by certain travel agencies.

Example about how a responsible travel agent could work with CSR Innovation

Business	Business model	Travel to help the third-world countries. Build a school, a hospital, etc.
	Alliances	Demands of hotels – working conditions, environmental policy, local community activities.
	Organisation	Job rotation and the hiring of local staff provide insight and development at home and at destination
Process	Core processes	Responsible interaction with people and the environment. Honest about contents and quality
	Supportive process	Only procurement from responsible suppliers
	Technology	Website to assist customers in choosing responsible destinations and activities
Product	Product features	Green and sustainable hotels in the rain forest. Low-energy travel or charge for CO ₂ emission
	Product system	Responsible travelling – destination, transportation, board, activities, food
	Service	Information on how to support and contribute to the development of the travel destination
Customer Contact	Sales channels	Cooperating with relief organisations when selling trips
	Marketing/branding	Actively promoted as a responsible travel agency
	Customer experience	Customers meet relief organisations and their local staff or experience challenges up front

The above model itself may be a source of inspiration on how to develop your business through CSR.

Inspiration for clarification

You may start by using the below form to identify the CSR innovation in which you will get involved. Brainstorm and take notes! You can enter your notes in the empty column. Your notes may be on environmental, staff and social conditions. Of course, you need only fill in the fields relevant to you. Consider which activities match your corporate strategy, and then pick three.

How can our company work with CSR Innovation

Business	Business model	
	Alliances	
	Organisation	
Process	Core processes	
	Supportive process	
	Technology	
Product	Product features	
	Product system	
	Service	
Customer Contact	Sales channels	
	Marketing/branding	
	Customer experience	

8.7. Working on your own 2: Innovation process methods

Are there any areas in which your business may contribute to meeting tomorrow's social challenges and requirements?
Can you identify any new ways of including your stakeholders in the development of new businesses or products in the context of CSR?

There is no specific recipe for CSR innovation as the subject is still fairly new. This may not be to your disadvantage, if you want to get involved with CSR innovation. You may get a head start on your competitors and develop new business ideas – and become a role model to other companies. This chapter, however, introduces certain perspectives on the concept of innovation vis-à-vis CSR. If you want to get involved in CSR innovation, this chapter may serve as a source of inspiration and guide. One way of getting started with CSR innovation is to complete the below six steps:

1. Identify your social vision (such as tomorrow's healthcare system), i.e. your idea of where, how and in relation to whom your business will make a difference on the basis of your particular competences. Use the vision as a source of inspiration for thinking new thoughts – as a framework or theme for innovation.
2. Form an innovation group and include a wide a spectre of relevant stakeholders and interdisciplinary competences. The interaction between many different competences may promote the development of new ground-breaking ideas, as the various groups and professional skills each represent a different approach to the subject.
3. Innovation is about inspiration and ideas. Approach the process with an open mind, brainstorm and do not criticise the ideas of others. You may use one of the two methods illustrated in the boxes below. It may be a good idea to brainstorm in a place other than your office. This may inspire new ideas. You may also engage in creative exercises such as drawing or moving around to encourage the free flow of thoughts. Later, you can fine tune your ideas, analyse them and pick the best.
4. Develop your social vision in detail using the suggestions in the chapter as a source of inspiration and guide. Use the 12 types of innovation. Decide the scope of the innovation – incremental or radical - and decide on a budget.
5. Pick the best ideas, and describe them as projects or action plans. Compare the projects to your business strategy: Does the CSR innovation generate value to your business? Does CSR innovation make sense in the context of our business strategy and core processes? Consider the effect and cost in relation to your social vision and business strategy. Must the CSR innovation process pay off? Will it pay off?
6. Implement projects and action plans.
7. Evaluate and discuss whether your CSR innovation initiatives had the desired social effect.

INITIAL PHASE/BRAINSTORM

What is the purpose of the initial phase:

- The initial phase may be used to brainstorm on CSR innovation. All ideas are welcome. Later, you can analyse them, and subsequently pick the ideas which seem the most realistic.

The form:

- You may conduct the initial phase as a session where everyone is allowed to contribute one after the other. If you have nothing to contribute, that is OK. You may also adopt a more informal/unstructured approach where everyone who wants to contribute can do so. All ideas and suggestions are written on large sheets of paper.

Rules:

The anchorman must inform the participants that they are not allowed to:

- Comment on, ridicule or in any other way criticise the input of others
- Voice problems, frustrations, criticism, complaints – only ideas and suggestions are welcome
- Make long speeches – only short statements

Nevertheless.....

- No idea or suggestion is too wild.
- No idea is too insignificant to be relevant

THE TREE ROOMS

“The three rooms” is a method for considering which of the ideas conceived during the brainstorm you want to pursue. The purpose of the method is to qualify discussions and decisions. The method leaves enough room for a given idea to be thoroughly discussed before you decide to pursue it further.

What can you use “the three rooms” for:

The exercise may be used to vary a discussion which may otherwise be won by the party offering the best and fastest arguments. The exercise allows you to view a given idea from different perspectives making it easier for the participants to reach a decision on an informed basis. The method allows for the use of all available resources. Some people are good at accentuating the positive, others are better at criticising and focusing on possible obstacles. Others again are good at finding solutions.

How does it work?

Imagine three rooms on the basis of which you have to consider and discuss an idea. The positive room, the negative room and the realistic room.

The positive room

In this room, all ideas are good ideas, and therefore it is just a question of finding out why. Consider the advantages and the disadvantages of the advantage, such as: The car has a big engine (=quality). Therefore, it goes faster (=advantage). Therefore, you will be able to spend more time with your family in the morning (=advantage of advantage).

The negative room

In this room, all ideas are bad ideas. “This will never work, and I am going to tell you why...”. Be negative, but not unrealistically negative. Be sure to mention all obstacles.

The realistic room

Time for a reality check:

- How will you be able to make money on the idea?
- What will it take to put the idea into practice? (Resources, time, etc.)
- Will you be able to “sell” the idea? How?
- Will any of your stakeholders be able to assist in putting the idea into practice?

You may rate the idea on a scale from 1 – 13 (6 and any grade above that means that the idea should be implemented).

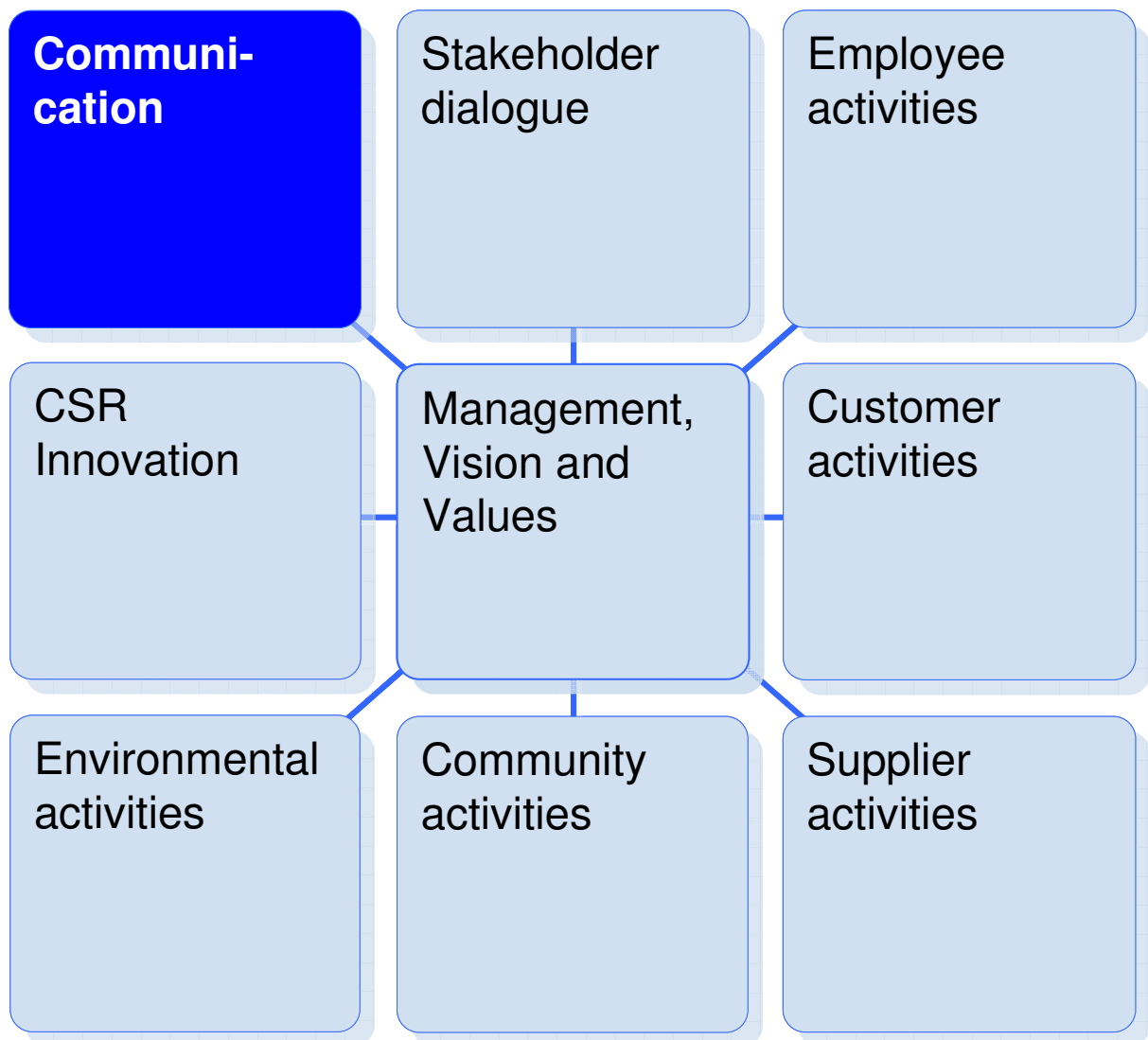
The form

To perform this exercise correctly, you need two anchormen. The anchormen place three newsheets on different walls and write headlines next to each of the three rooms. Subsequently, one of the anchormen questions the participants, and the other anchorman writes down their statements on the newsheet.

The anchormen will stay approx. 5-10 minutes in each room.

It is a good idea to start in the positive room, then proceed to the negative room and then to the realistic room.

CSR Communication



9. CSR Communication

9.1. What are strategic CSR communication activities?

When you want to communicate your CSR activities, it is not necessarily a question of preparing an elaborate communications plan including advertisements and press releases. It is rather a question of incorporating the CSR profile into your existing communication activities, such as job advertisements, your website, product catalogues, etc. Or taking the opportunity to mention it in a more informal context: At customer meetings, exhibitions, meetings with business partners and in other situations where you are given the opportunity to talk about your business. Your communication may vary from half a page on your website to a more detailed report of your CSR activities in “non-financial accounts”. It is a question of setting the right level of ambition.

EXAMPLES OF POSSIBLE COMMUNICATIONS CHANNELS

Written	Personal and informal
Website	Customer meetings
Product catalogue	Exhibitions
Job advertisements	Sales meetings
Advertisements	Speeches
Business cards	Seminars
Signs	Associations
Annual reports	Corporate networks
Accounts	School visits
Letterhead stationary	Job interviews
Invoices	
Media coverage/articles	

Rings in the water

When you communicate your CSR activities, the most efficient way of doing it is to get others to talk about what you are doing. It heightens credibility. That is not to say that *you* should not mention it on your website, in advertisements or elsewhere. It is just that the effect seems to be better if you consider this a long-term approach where the message spreads like rings in the water, from one person to the next. The process may be initiated by making sure that all members of staff know about the CSR activities and talk about them with their friends and families. Moreover, you should take every opportunity to talk about your CSR activities.

Why communication?

There is a huge potential in communicating your CSR activities to your customers, business partners, potential employees and the world in general. There are several reasons for communicating about CSR:

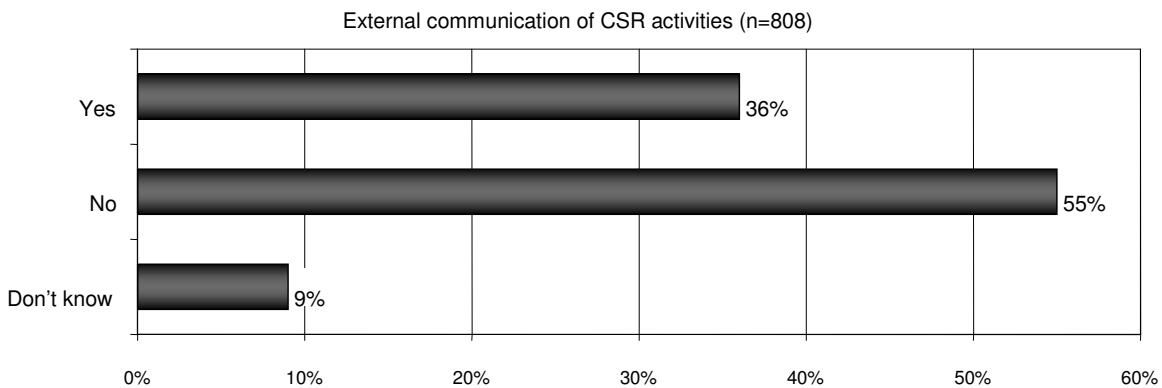
1. It may improve your corporate image and increase awareness of your business. It may increase your opportunities to attract the right employees and to market yourself towards customers, business partners, investors and other stakeholders.
2. It offers you the opportunity to attach certain values to your products, i.e. creating additional value for your customers and differentiating your products from those of your competitors.

3. It may meet actual customer demands. Many large-scale companies have their own social profile and therefore make demands of their sub-suppliers. Many private consumers attach considerable importance to products being produced in environmentally responsible conditions.
4. This may promote long-term legitimacy. If you operate in a sector subject to considerable criticism as regards environmental and working conditions, it may be a good idea to “deposit some goodwill in the bank”.
5. Your employees will be proud to work for a business subject to positive comments by the media, the sector and perhaps by their own friends, family and relatives.

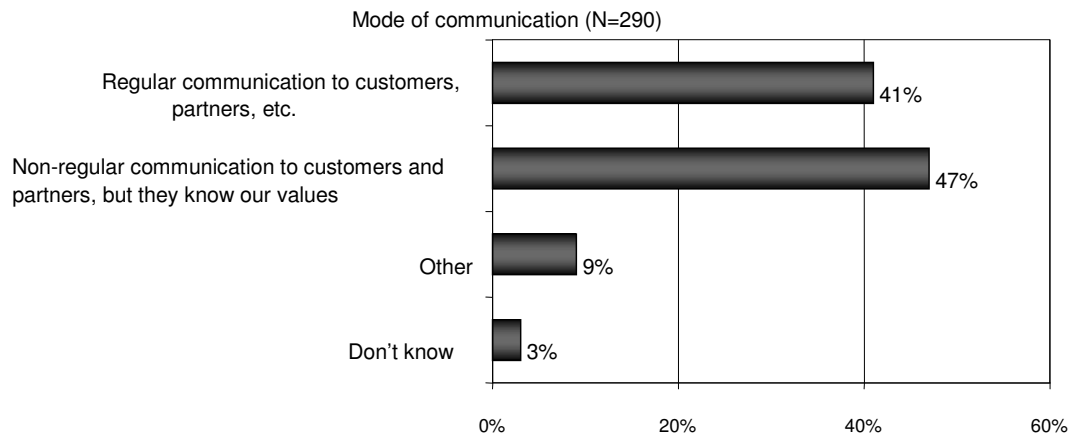
9.2. The effect of communication

[The survey is based on answers from Danish small and medium sized companies. It can be replaced or supplemented with other surveys.]

A Gallup survey of 1,000 small and medium-sized Danish enterprises shows that only one third of the companies involved with CSR activities in fact communicate this.



Of this one third, only 41% communicate on a regular basis. The rest is convinced that their customers and business partners know what their values are.



Thus, only a minority of the companies communicate on a regular basis about their CSR activities. Therefore, there is a huge potential in using CSR as a lever to raise one's profile and differentiate oneself positively from the competition.

9.3. What do the others do?

[The case is Danish and can be replaced by a national example on CSR communication]

Case

Middelfart Sparekasse has 10 branches in the Vejle-Fredericia-Kolding region in south-eastern Jutland and wants to signal that it has resources to invest in customers as well as the local community. Sparekassen goes about this by getting involved as sponsors, investors and partners in local projects. Investments in a kindergarten, in after-school care services, student dormitories in Copenhagen and Aarhus and a new commercial centre located in Middelfart's old psychiatric hospital are only a few of the initiatives which result in positive media coverage.

The bank has become so good at communicating its commitment that the service is now offered to Sparekassen's corporate customers. It has established a communications and event agency, The Show, headed by the former marketing director. And the fact that the workplace takes pride in commitment has even been communicated to stakeholders outside the local community. In 2005, it was named the best workplace in Denmark – with a considerable positive effect on Sparekassen's corporate image and market position.

9.4. Some good advice

Strategic communication

Your communication must “match” your product

You need not communicate all the CSR activities you are involved in. Consider what matches your product the best and the values for which you would like to be known.

An example: For a company manufacturing office equipment it makes a lot of sense to get involved with the physical working conditions of its employees and to communicate this to its customers, etc. The customers will experience a strong link between the product and the CSR activity, and the company will be an example of the values it wants its products to represent: Providing good health and safety conditions.

The company may well be involved in other CSR activities. There is no need to communicate this to its customers, as these activities not reflect directly on the product.

Consider different target groups

Different aspects are relevant to different target groups. To customers it may be relevant that the company makes an environmental effort, whereas potential employees may find it more relevant that focus is on health and safety and working conditions. Consider in which context you communicate – and to whom. The message in the product catalogue need not be the same as in the job advertisement.

What do your competitors do?

CSR activities may be excellent for differentiating yourself from your competitors. It is important, therefore, to keep track of how your competitors communicate their CSR activities. If the majority of

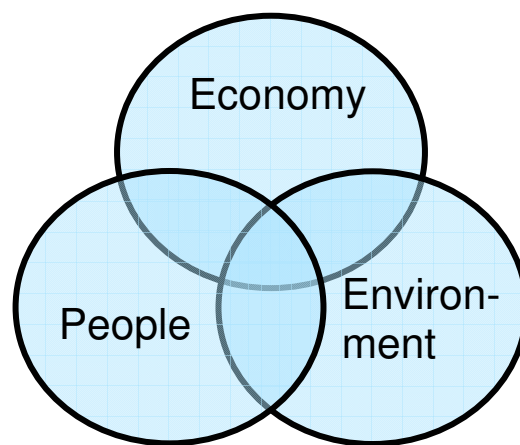
the businesses in your sector make a point of communicating that they make an environmental effort, you may choose another profile.

What do your customers expect?

It is of course important what your customers expect. Try discussing with your customers what they expect of your social responsibility – and what it means to them. If your customers count large businesses and public institutions, it may be worth your while to include them actively in a dialogue on which CSR activities to focus.

Use non-financial accounts where relevant

Non-financial accounts offer you an opportunity to report on your triple bottom line – people, environment and economy:



Non-financial accounts need not focus on economy, people and environment, but on the areas of particular importance to your business. There are different types of non-financial accounts covering areas such as:

- Social and ethical accounts
- Knowledge accounts
- Holistic accounts
- Green accounts
- Others.

Non-financial accounts are a tool to raise the awareness of and systematise your CSR activities within a given area. The actual accounts or report are only part of the process of working with non-financial accounts. Therefore, you should consider whether you want to get involved with the entire process and publish an actual report, or whether you will make do with only part of the process.

Non-financial accounts can:

- Document how you work with CSR
- Create a dialogue between you and your stakeholders
- Focus on the demands made by stakeholders of your business
- Systematise your CSR activities within an environmental and working environment management system.

Getting started

Good communication starts from within

Your employees must be included from the start, and the CSR activities must form an integral part of your activities before you communicate anything. If our employees do not appreciate the message, it may backfire. Besides, employees constitute one of the most important channels for communicating your CSR activities to your business partners, customers, etc.

Remember that communication is more than just mass communication

The most reliable and efficient type of communication is the direct communication between people. CSR activities should not be communicated as narrative descriptions only; you have to tell the good story whenever you get the chance. Incorporate CSR into the story of your business which you already tell at customer meetings, exhibitions, job interviews, tours of your premises or in a sector-related context.

Use examples and stories

It is much easier to get the message across if you refer to examples and stories rather than policies, principles and strategies. Whenever you talk about your CSR activities, illustrate it with a “real-life story”. If you are involved with integration, you may talk about the one person who gave you a positive experience. Use the details and the actual situation to make your overall policies, principle and strategies more specific.

Talk about results rather than projects

Actual results are always easier to remember, and they add credibility. Emphasise the effect of the CSR activities (reduced absence due to sickness, fewer complaints from your neighbours, improved corporate image, etc.).

Be (absolutely) sure that you speak the truth

It may seem a commonplace remark, but when communicating CSR activities in particular you should make sure that what you say is also what you do. If you promise to make a social commitment, you have to honour that promise.

Comply with the Marketing Practices Act

[Replace this paragraph with references to national law on marketing]

Whenever you communicate your CSR efforts, make sure to comply with the provisions of the Marketing Practices Act.

The Danish law on marketing states that:

- Statements must not be incorrect, misleading or unreasonably perfunctory
- You must be able to substantiate any statements
- Do not use own eco-labels
- Do not refer specifically to conditions or requirements which are already provided by law. It is considered misleading to state that at deodorant spray is "CFC free", as this applies to all similar products
- Communication on activities must include clear and precise information.

9.5. Working on your own

Use the following pages to define why, what, to whom and how you want to communicate your CSR activities. Also consider how to make your message both credible and interesting – by for instance

- Being honest about your CSR efforts
- Being open about bad news as well. It adds credibility.
- Singling out certain individuals, initiatives, awards or events
- Showing your enthusiasm
- Making your message simple and to the point.

Place your CSR activities in a wide social context emphasising their relevance – such as pointing to the social challenge of an increasing number of older employees retiring from the labour market before the official retirement age. The result is a loss of knowledge, a shortage of labour in the future and an increase in the total financial burden on the social welfare system. By making an active effort to prevent these older employees from retiring, you will keep valuable knowledge and competences in your business while at the same time contribute to the alleviation of a number of social problems.

Make sure to involve different parts of the organisation. This will ensure the highest possible coherence between individual CSR activities and your communication. It is often a good idea to involve individuals throughout the company. If everybody takes part, the process becomes increasingly smooth, and management will be able to show the way. Management should support the communications strategy and be able to communicate the message to the employees. All members of staff should know about the CSR activities and support them.

Working on you own with CSR communication comprises the following sections:

1. Clarification of CSR communication
2. Non-financial accounts

9.6. Working on your own 1: Clarification of CSR communication

Use the below form as a source of inspiration for your communications activities.

COMMUNICATE YOUR CSR ACTIVITIES
<p>You can communicate your CSR activities to your stakeholders in many ways – and thus promote your business.</p> <p>How do we get started?</p> <p>A CSR communications plan must provide the answer to five principal questions:</p> <ol style="list-style-type: none">1. Why – is it relevant, what do we hope to achieve, are there any pitfalls?2. What – which CSR activities do we want to communicate?3. Who – to which stakeholders do we want to communicate?4. When – in which connection?5. How – style and tone of voice?6. Where – in which media? <p>Why:</p> <p>Is it relevant?</p> <p>Communicating about CSR is relevant, if you want to:</p> <ul style="list-style-type: none"><input type="checkbox"/> Enter into a dialogue with your stakeholders to avoid problems or meet challenges in relation to stakeholders<input type="checkbox"/> Use CSR to establish a dialogue on other issues, such as cooperation or sale<input type="checkbox"/> Use CSR in the marketing of your products vis-à-vis customers or potential employees <p>It is particularly relevant if you engage in activities which customers or potential employees like.</p> <p>What do you hope to achieve?</p> <ul style="list-style-type: none"><input type="checkbox"/> Provide information and knowledge – avoid misunderstandings<input type="checkbox"/> Inspire overall interest, appreciation and a mutual feeling of understanding<input type="checkbox"/> Document or communicate compliance with requirements<input type="checkbox"/> Inspire action, such as purchase, cooperation, job advertisements, financing<input type="checkbox"/> Other <p>Pitfalls – potential problems?:</p> <p>Before communicating, consider any potential undesirable side effects:</p> <ul style="list-style-type: none"><input type="checkbox"/> Are we creating expectations, which we are not able to meet?<input type="checkbox"/> Are we disclosing sensitive information to our competitors?<input type="checkbox"/> Are we hurting the feelings of other stakeholders by announcing our position?<input type="checkbox"/> Are we receiving more inquiries than we can handle?<input type="checkbox"/> Other

What and whom: Which CSR activities do we want to communicate – and to whom?

You may communicate directly to a particular stakeholder or to other stakeholders. Some companies choose to inform their customers and job applicants about what they do for the environment, their employees and the local community.

	Have we done something for this stakeholder in particular which we want to communicate to others?	Should we communicate our CSR activities to/involving this stakeholder?
Customers		
Customers' customers/end-users		
Suppliers		
Suppliers' suppliers		
Business partners (training, advisers, etc.)		
Employees		
Employee families		
Job applicants		
Owners		
Financial stakeholders (bank, mortgage credit, insurance, etc.)		
Local community		
Trade associations (employers, sector, trade union)		
Interest groups, culture, charity		
Media		
Authorities		
Environment		
Other		

When – in which connection:

- When we communicate in another context
- Invitation to dialogue with stakeholders: meetings, telephone conversations, questionnaires
- When we take the initiative – decide something or do something
- When we take stock and evaluate our stakeholder activities
- When we have achieved a result
- When we stop doing something or change our mind

Choose an angle to the story – consider the recipient:

- What will your stakeholder get out of it?
- How will your actions affect your stakeholder?
- What will you get out of it?
- What will other stakeholders get out of it? How will your actions affect other stakeholders?

Choose a style – What is characteristic of your CSR stories:

- Funny, entertaining
- Humane, touching, value-based
- Business-oriented, serious
- Informative, short, simple
- Technical, precise, elaborate.

Which communications channels should we choose?

You can use your existing communications channels free of charge or at a limited cost. They may be:

- The actual product – packaging in the case of physical products or the description of services
- Website
- Offers, brochures or other promotional material
- Meeting with customers and other stakeholders
- Annual accounts
- Newsletters
- Emails
- Invoices
- Greetings cards
- Display certificates, statements, etc. on the wall for everyone to see
- Job advertisements
- Staff journals or other in-house media
- Other

You may also choose to communicate individual CSR activities. In that case, you may find various media to be relevant, such as:

- Trade journals, sector media
- News media: local newspapers, newspapers, radio, television
- Advertisements
- Speeches or meetings
- Word of mouth
- Other

The budget?

You should discuss what you are willing to spend on a communications strategy. Price is a key factor as well, when you have to decide which communications activities to pursue.

9.7. Working on your own 2: Non-financial accounts

The step-by-step guide serves as a source of inspiration on how to work with non-financial accounts and what the process implies. In the right column you can enter your comments on the relevance of preparing non-financial accounts in your business.

Activities	Comments
1. Identify the purpose of preparing non-financial accounts, such as:	
Internally: a) As a supplement to a management system, e.g. environmental management to systematise your CSR activities b) Create awareness of your CSR activities among employees and managers c) Improve the dialogue between management and the employees d) Other?	
Externally: a) Document your CSR activities to stakeholders demanding that you get involved with CSR activities b) Improve your corporate image vis-à-vis potential employees, customers, suppliers, the local community, etc. c) Increase awareness of stakeholders and their requirements d) Communicate your CSR activities to other external stakeholders e) Other?	
2. Appoint someone to be responsible for taking the initiative to prepare the non-financial accounts:	
3. Define how you work with CSR today, such as: a) Activities targeted at your employees beyond what is required by law, agreements and collective agreements b) Activities vis-à-vis your customers c) Supply chain activities d) Activities targeted at different stakeholders e) Local community activities f) Environmental activities g) CSR as an integrated part of your values, strategy and mission h) Other?	
4. Define goals for your CSR activities: a) Define overall goals for what you want to achieve by your CSR activities, such as “we want to improve employee welfare”. b) Identify actual activities required to achieve your overall goals, such as: <ul style="list-style-type: none"> • Reduce sickness absence • Reduce stress • Serve healthy food Etc.	

Activities	Comments
<p>5. Prepare a strategy for achieving your goals: Consider the resources available</p>	
<p>6. Prepare an action plan:</p> <ol style="list-style-type: none"> a) Consider which initiatives to pursue b) Appoint someone to be responsible for implementing the activity and for reaching your goals c) Prepare a time schedule d) Identify people to be involved with the process – internally as well as externally. 	
<p>7. Identify the indicators required to demonstrate that you achieve your goals, such as:</p> <ul style="list-style-type: none"> • Number of employees with reduced capacity for work • Number of sickness days • Number of work-related injuries/accidents • Etc. <p>Make sure to identify indicators which are relevant to your goals. They must be concrete and sufficiently measurable. The trend in the number of hours your employees spend on courses may be a relevant indicator, if your objective is to enhance staff qualifications.</p>	
<p>8. Report on your CSR activities:</p> <ol style="list-style-type: none"> a) Identify what is required for you to report on your CSR activities b) Identify the purpose of reporting on your CSR activities c) Identify which stakeholders you want to target, such as employees, customers the local community, your local authority, business partners, others d) Consider what to include in the non-financial accounts e) Consider whether to prepare an internal or external report f) Consider the form, scope and structure of the report g) Consider whether your non-financial accounts are to be incorporated into your financial accounts. 	
<p>9. Evaluate the process of preparing non-financial accounts:</p> <ol style="list-style-type: none"> a) Did you achieve your goals? b) Was the process satisfactory? c) How can the process be improved? d) Other? 	

9.8. Links

[National links regarding CSR communication can be added to the list of links.]

[This link is for a Danish tool]

- Statement which may be enclosed with any material to customers can be printed from:
www.csrkompasset.dk

10

Summary and conclusion



10. Summary and conclusion

This book presents a number of CSR activities in nine areas, offers inspiration to practical use of each area and helps you get started. The activities described in this book are summarised in the figure below:



10.1. Strategic CSR

It is now up to you to decide which CSR activities you want to initiate or continue working with. As mentioned earlier, CSR will probably add the greatest value to your business when social accountability enhances your core business and forms an integral part of your central business processes instead of being an appendix incoherent with your organisation or business model.

When deciding which CSR activities you want to initiate or continue working with, you should select the CSR activities best suited to your business and matching your values and challenges. It is essential to consider how the activities may help reduce your costs, increase your turnover or develop new business areas – and at the same time contribute to society.

To derive the full benefit of your CSR efforts you should not work with different activities separately. Take a more systematic approach and think about which activities are relevant to your business and how CSR can contribute to improving your opportunities.

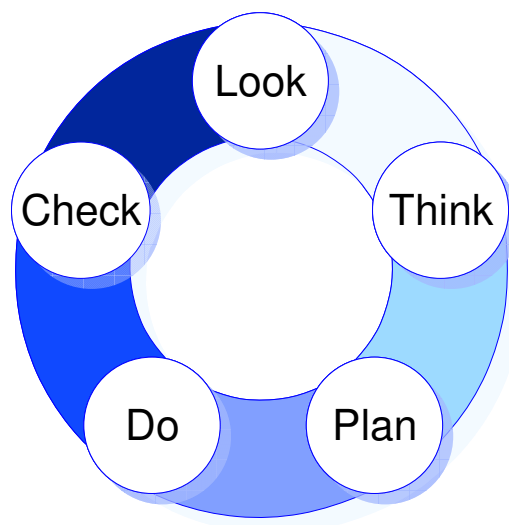
You can do that by joining CSR with the values characterising your business. That is also known as strategic CSR.

Each chapter of this book offers inspiration to getting started with the separate CSR areas described in the individual chapters. Thus, you can explore each CSR area by reading the relevant chapter of this book. If you want to take a more strategic approach, you can follow a strategic CSR process as described in this chapter.

10.2. Example of a strategic CSR process

You can use the CSR circle as a model when working strategically with CSR. The circle helps both management and employees keep control of the process even if various employees and managers work with different parts of the process.

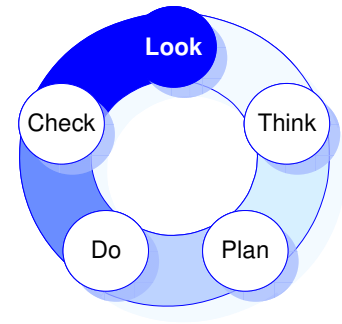
Of course, you can tailor and develop the circle to your business and CSR involvement, but we suggest that you use this model as your starting point¹⁵.



¹⁵ The circle forms part of the Danish Federation of Small and Medium-Sized Enterprises' suggested process for environmental management – see more at www.miljostyring.dk

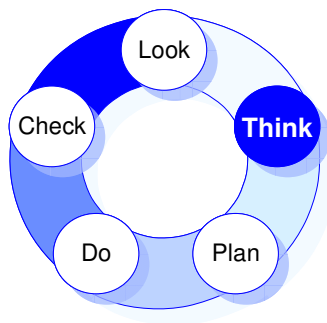
Look ... a mapping process:

Start by looking at what you can do by mapping the opportunities. The mapping process is the first step of the strategic CSR process. The idea of the mapping process is that you discuss which CSR activities will be instrumental in handling the problems or challenges your business is facing. Use the multiple examples in the sections “Working on your own ...” in each chapter of this book. You may also include the stakeholders when mapping your CSR opportunities – and draw inspiration from the chapter on stakeholder dialogues.



You can control the process by adhering to the following questions:

- Which overall challenges does your business face – and which CSR activities can contribute positively to this development?
- Which CSR activities match your values, mission and strategy?
- Which managers and employees – and stakeholders – should be involved in the process?



Think ... an evaluation and prioritisation process:

The second step is the assessment and prioritisation process. In this step you assess and prioritise the challenges you identified in the first step as well as the CSR activities you believe will be instrumental in handling the challenges.

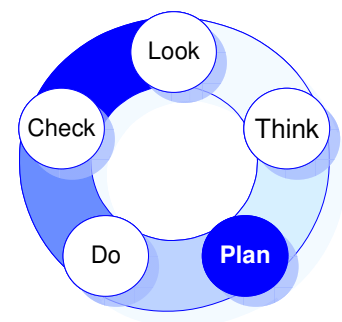
You will benefit from starting with the most important matters. Make sure, at the same time, to set realistic goals right from the start. You can always increase your level of ambition later on. Another good idea would be to set success criteria for the project so that you can monitor the progress made and assess whether you have reached your goals.

Relevant issues to clarify in the process:

- How many resources is management prepared to allocate to the process/project?
- Which activities will contribute most to reducing costs, increasing turnover or meeting the challenges you are facing?

Plan ... an action plan:

The third step is about who carries out what tasks, how, and when. When you have decided which areas of CSR you want to work with, you can make an action plan for the coming activities. The action plan may be more or less detailed, depending on the project scope. The action plan can be both short-term and/or long-term.



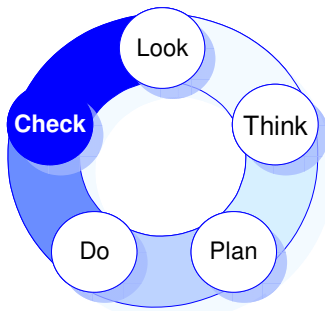
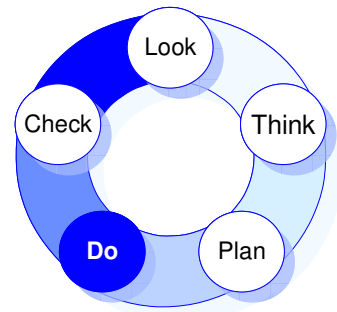
During the planning phase, your primary activity is to make an action plan: Good advice for this phase:

- Set realistic goals

- Prepare an action plan and appoint individuals responsible for specific areas
- Use the existing organisation – but set up a project group consisting of the managers and employees who are most relevant in relation to the tasks. Select the employees on the basis of the knowledge or competencies that are important to the work – but also on the basis of those who are enthusiastic about the matter.

Do ... an implementation process:

In this phase, you carry out the work. This may involve the project group, but also others in the business or stakeholders outside the business. Make sure that you stick to your action plan – and make adjustments, if any, along the way.



Check ... an evaluation process:

The final phase is the evaluation process where you evaluate whether you reached your goals or whether adjustments or additional projects are required. As mentioned, you should check on an ongoing basis if you need to adjust the action plan.

Once you have completed your CSR project, you may benefit from communicating your efforts to the rest of the world. In the chapter on CSR communication, you can find inspiration to communicating your results or the CSR process in the best possible way.

10.3. How to get on?

As mentioned earlier, this handbook forms part of the People & Profit project. The project has a website where this book is available for downloading and you can also find interactive tools and links to other interesting websites and tools about CSR, but most of the material on the website is in Danish.

You can see other contributions from the people and Profit project on this website: <http://www.eogs.dk/sw28291.asp>

11. About the People & Profit project

With the support of the European Social Fund and the National Labour Market Authority, the Danish Commerce and Companies Agency has launched the People & Profit project.

The official project name, People & Profit, indicates that the Danish Commerce and Companies Agency wants to bring focus on people and profit by way of this project. Thus, the goal is that the courses can be of benefit to both your managers, employees and other stakeholders and your financial results.

People & Profit targets small and medium-sized enterprises in Denmark.

The purpose of the project is to offer a large number of small and medium-sized enterprises unique and specific competence enhancement in CSR to improve Danish enterprises' competitiveness and optimise their CSR efforts.

CSR is a concept in which companies voluntarily consider integrating social and environmental issues into their business activities in interaction with their stakeholders.

Project content

The project consists of five phases:

1. Preliminary study
2. Mapping
3. Development of training module
4. Pilot test
5. Implementation and embedment

Phases 1 and 2 comprised preliminary project research leading to the following results:

- A catalogue of CSR activities prepared by Ashridge Centre for Business and Society
- A report on the coherence between CSR and companies' financial results prepared by Foundation Strategy Group and Centre for Business and Government, John F. Kennedy School of Government, Harvard University
- A catalogue of existing specific and relevant CSR tools prepared by Anne Roepstorff and Lene Bjoern Serpa
- A survey questionnaire prepared by TNS Gallup mapped out the CSR activities of just over 1,000 Danish small and medium-sized enterprises with 10-250 employees and the CSR activities which have the most positive impact on the bottom line.

The reports are available on the DCCA (Danish Commerce and Companies Agency) website at <http://www.eogs.dk/sw28291.asp> which also describes other CSR activities of the agency.

In phases 3, 4 and 5 the Danish Commerce and Companies Agency and Rambøll Management have:

- developed training material for a CSR course, including this book
- developed e-learning material for use in connection with the course – see www.overskudmedomtanke.dk
- completed a pilot project with 50 enterprises
- trained teachers from a number of adult vocational training centres in Denmark.

The Danish Commerce and Companies Agency and Rambøll Management have since offered a CSR course to 12,000 managers and employees of Danish small and medium-sized enterprises in cooperation with a number of network partners.

Background to the project

To maintain the same level of prosperity and welfare in future, the corporate sector in Denmark must be well positioned to cope with international competition and lead the way in the global markets. It is also a condition that the potential workforce is applied to its full extent and becomes more efficient. Therefore, management must focus on the socially inclusive labour market, good and attractive working conditions, efficient environmental and energy initiatives, etc.

The Danish efforts to meet the Lisbon objective (as appears from e.g. the Danish Government's strategy Growth, Welfare - Renewal II) provide the platform for this project.

The purpose of the project

The general purpose of the project is to contribute to maintaining and improving the competitive conditions of Danish small and medium-sized enterprises for instance through a socially inclusive labour market providing a good basis for using CSR activities as a real competitive parameter.

The training must fulfil two primary purposes:

- managers and employees of small and medium-sized enterprises accumulate more knowledge of how to use CSR activities as an overall activity with common goals and strategies and according to the other goals and strategies of the business
- managers and employees of small and medium-sized enterprises accumulate more knowledge of how CSR activities can contribute to improving the financial result of the business.

The purpose of the project is fulfilled through the following products:

- create new documentation for CSR as a tool to financial growth in small and medium-sized enterprises in relation to a global competitive situation
- offer a large number of Danish enterprises unique and specific competence enhancement in CSR and thus help them getting started with developing a more strategic approach to the use of CSR activities
- make a visible and efficient contribution to enhancing the Danish and European CSR agenda: The project aims to support the Lisbon objectives and the Danish Government's 2010 employment goals through retention and integration of vulnerable groups in the labour market.

The project concluded in December 2007.

It pays off for small and medium sized companies to invest a little concern in employee welfare, environment and community.

It gives job satisfaction, competitiveness and a good reputation

This handbook contains information, guidance and specific tools to help you in your company work with strategic CSR



Project People & Profit
is accomplished by



- in cooperation with



and supported by the European Social Fund and the Danish Government



THE EUROPEAN UNION

The European Social Fund



Small Suppliers in Global Supply Chains

How multinational buyers can target small and medium-sized suppliers
in their sustainable supply chain management

A report by

**Danish Commerce and
Companies Agency**

in cooperation with

**Hewlett-Packard and suppliers
in Central and Eastern Europe**

Co-financed by the European Commission
under the program
“Mainstreaming CSR Among SMEs”



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Small Suppliers in Global Supply Chains

**How multinational buyers can target small and medium-sized suppliers in
their sustainable supply chain management**

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Executive summary

This report presents findings from a project carried out by the Danish Commerce and Companies Agency during the period June 2006 to January 2008. The objective of the project has been to develop guidelines on *how multinational companies (MNCs) can target small and medium-sized (SME) suppliers in their sustainable supply chain management.*

The guidelines have been developed on the basis of findings from 1) a study of the sustainable supply chain management practices of the multinational information technology corporation Hewlett-Packard (HP), 2) on-site assessments of the social and environmental practices of SME suppliers in HP's supply chain in the Czech Republic, Hungary and Poland, and 3) capability-building activities aimed at the SME suppliers.

Main findings from HP's sustainable supply chain management practices

- HP's approach to sustainable supply chain management can be characterised as stakeholder-oriented, pro-active and collaborative.
- In a widely outsourced manufacturing environment, HP has a high focus on ensuring that their suppliers are meeting certain social and environmental requirements.
- HP has co-developed a supplier code of conduct, the Electronic Industry Code of Conduct (EICC), launched in 2004, based on the assumption that social and environmental concerns of suppliers are addressed most effectively on an industry-wide basis.
- With the overall aim of cascading requirements down the supply chain, HP launched its Supply Chain Social and Environmental Responsibility (SER) program in 2003. The program includes preliminary risk assessments, supplier self-assessment, on-site audits and capability-building activities.
- Internally, HP's supplier relationship managers (SRMs) are in charge of managing suppliers – a responsibility that includes evaluation of social and environmental performance. HP acknowledges that stronger involvement and commitment of SRMs is important for passing on requirements to suppliers.
- HP's experience from suppliers in Central and Eastern Europe is that most suppliers comply with legal requirements. HP experiences that management systems are often lacking or inadequate, and emphasises that 'living' a management system is more important than having a certified management system.

Main findings from the SME suppliers' social and environmental practices

- In general, the SMEs have acceptable social and environmental standards. The main problems encountered primarily relate to inadequate management system processes and inadequate health & safety standards, particularly in terms of occupational safety, emergency preparedness and response, and ergonomics.

- The majority of the companies demonstrate a reactive approach to social and environmental responsibility. Legal requirements are the primary driver for engaging in social and environmental initiatives. Management systems within the areas of environment and health & safety are the most predominant examples of social and environmental initiatives that go beyond legal requirements. Management systems are typically implemented upon request from customers.
- There is no clear evidence that the companies with certified management systems consistently have more adequate processes for identifying and mitigating risks and ensuring continual improvement than those companies, whose management systems are not certified.
- All companies are confronted with social and environmental codes of conduct from customers. The companies generally feel that they are capable of complying with the code of conduct requirements, since the vast majority of requirements relate to local legislation.
- The companies' management teams often fail to communicate the requirements to the workforce and suppliers.
- The companies' customers typically do not carry out social and environmental audits.
- The companies are of the opinion that the most useful assistance from large customers is input to the correction of inadequate processes and explanations of the business benefits of improving the processes.
- The main challenges related to working with social and environmental issues are allocation of sufficient financial and human resources as well as time.
- Awareness and experience is generally quite low regarding potential links between social and environmental improvements and improved business indicators (the business case).

Main findings from the capability-building activities

- Capability-building activities included in the project have taken the form of training workshops and exchange-of-experience workshops. The workshops have been successful in raising awareness among the participating SMEs.
- The workshops have revealed that the outcome of capability-building activities largely depends on the organisers' ability to achieve full commitment of the SMEs towards the capability-building activities; to organise practical training and workshops targeting the needs of the individual participants; to ensure participation of relevant SME personnel; and to engage participants in active dialogue.
- Some of the most proactive SMEs, who have integrated social and environmental concerns into strategy and business operations, have acted as role models during the workshops by inspiring the other SMEs as well as their own customers.

Guidelines for multinational companies

Based on the findings from the study of HP, on-site assessments of SME suppliers, and organisation of capability-building activities, the following guidelines are proposed:

MNCs can encourage SME suppliers to implement more adequate management systems by emphasising that:

- it is important to integrate the management systems into existing operations
- if integrated into business operations and strategy, social and environmental management systems may yield a sound business case
- a management system certificate in itself does not guarantee that a management system is adequately integrated into the organisation
- it is often easier to implement social and environmental management systems in advance rather than after external stakeholders require it

MNCs can emphasise their high priority to social and environmental responsibility by:

- following up their written requirements with social and environmental audits
- following up on the SMEs' correction of non-conformance issues identified during audits

MNCs can maintain momentum towards social and environmental responsibility at SME suppliers by:

- engaging in continuous dialogue – e.g. using audits as a platform – and providing guidance on how to correct deficiencies
- ensuring that their own personnel in charge of supplier relations are sufficiently aware of and committed to the SMEs' social and environmental performance
- ensuring that the SMEs' direct customers (in case SMEs are placed beyond 1st tier of the supply chain) are committed and equipped with relevant knowledge
- encouraging internal dialogue between management and workers within the SMEs, based on the assumption that workers are typically more receptive towards new routines and tasks if they have been involved in the implementation of new initiatives

MNCs can reduce the amount of codes of conduct passed onto the SME suppliers and increase their overall leverage vis-à-vis SME suppliers by:

- engaging in industry-wide initiatives with joint codes of conduct – and possibly joint audits as well – thereby presenting their common suppliers with only one set of requirements to prioritise

MNCs can increase SME suppliers' benefits of capability-building activities by:

- setting up the activities in collaboration with external organisations with expertise within social and environmental issues, how these issues inter-

sect with business, and relevant legal and cultural aspects, which the MNCs themselves usually do not have in-house

- organising the activities in a form and around topics which are highly relevant to SMEs, thereby ensuring the SMEs' commitment and active participation
- ensuring that the SMEs are represented by participants who have a certain leverage within their own organisation, are knowledgeable about their organisation's social and environmental activities and priorities, and are able and willing to share their own experiences

Preface

In 2005, the European Commission called for project proposals under the program “Mainstreaming Corporate Social Responsibility among SMEs”. The Danish Commerce and Companies Agency received a grant for a project entitled “*Small Suppliers in Global Supply Chains*”. This report is the result of the project.

The Danish Commerce and Companies Agency would like to thank the companies who have participated in the project. First of all, special thanks go to Hewlett-Packard – especially Karl Daumüller, Program Manager, Global Procurement Services, and Bonnie Nixon Gardiner, Global Program Manager, Supply Chain Social and Environmental Responsibility – with whom we have worked in close cooperation throughout the project. Hewlett-Packard has provided us with access to their supply-chain network, put their own human resources at our disposal, and continuously supported the Danish Commerce and Companies Agency in our efforts to make the project a success. In return, the project has provided Hewlett-Packard with a unique opportunity to better understand how social and environmental concerns are managed at smaller suppliers, which the company until now has not targeted in their sustainable supply chain management program.

Secondly, warm thanks go to Hewlett-Packard’s 2nd tier suppliers in the Czech Republic, Hungary and Poland, whom the project activities have centred around. These suppliers have opened up their companies to The Danish Commerce and Companies Agency during on-site assessments, and have been very receptive to new ideas and knowledge provided during the workshops.

Finally, we would like to express our thanks to Hewlett-Packard’s 1st tier suppliers in the Czech Republic, Hungary and Poland, who have supported the project by selecting the target companies and taking part in the assessments and workshops.

Danish Commerce and Companies Agency
Copenhagen, January 2008

Chapter 1: Introduction

This report presents the findings from the project “*Small Suppliers in Global Supply Chains*”. The project has been carried out by the Danish Commerce and Companies Agency (DCCA)¹ during the period June 2006 to January 2008.

The project centres on sustainable supply chain management, and more specifically on how multinational companies (MNCs) can work with small and medium-sized (SME) suppliers in their sustainable supply chain management programs. This topic is relevant to investigate because MNCs – particularly those with well-known brands – are increasingly introducing programs to ensure that their suppliers uphold certain social and environmental standards. Many suppliers who deliver components or finished products – either directly or indirectly – to the MNCs are SMEs, and social and environmental requirements often put additional strains on the limited financial and human resources of such companies. This is particularly the case for SMEs from regions that do not have a long tradition of working with social and environmental issues. One example is the former communist countries in Central and Eastern Europe. It is therefore interesting to look into how SMEs in this particular region deal with social and environmental issues, and how MNCs can work with these SMEs in their sustainable supply chain management programs.

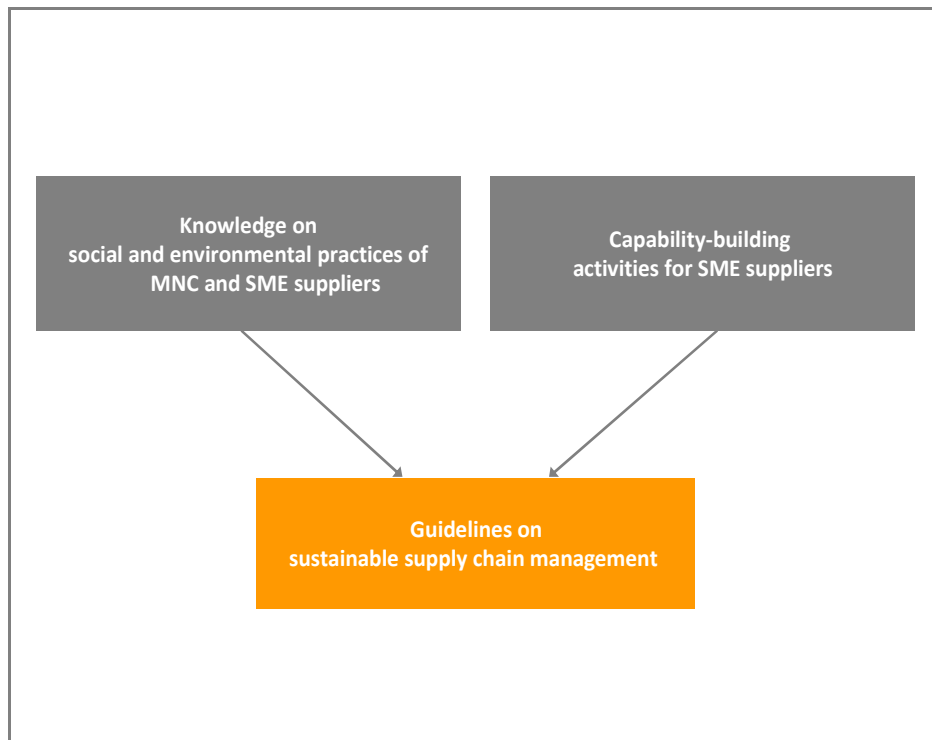
In order to gain insight into this topic, the project has had four overall objectives:

- Generation of knowledge on sustainable supply chain management practices of a selected MNC
- Generation of knowledge on social and environmental practices of SME suppliers in the MNC’s supply chain. The SME suppliers are all located in the Czech Republic, Hungary and Poland
- Creation of social and environmental capability-building opportunities for the participating SME suppliers
- Development of generic guidelines for MNCs on sustainable supply chain management, particularly targeting SME suppliers

Findings from the three first objectives are documented in this report and provide input to the guidelines, which conclude the report. Even though the guidelines are developed on the basis of findings from SMEs in Central and Eastern Europe, they can also be applied to larger suppliers as well as suppliers in other regions.

¹ Originally, the project was initiated by the Danish think tank *The Copenhagen Centre for Corporate Responsibility*. However, on June 1, 2007 The Copenhagen Centre for Corporate Responsibility was integrated into the Danish Centre for CSR in the Danish Commerce and Companies Agency (DCCA). DCCA is part of the Danish Ministry of Economic and Business Affairs.

The objectives of the project are illustrated in the figure below.



The empirical data, on which the project is based, stems from Hewlett-Packard (HP) and a number of their SME suppliers in the Czech Republic, Hungary and Poland. HP was chosen for the project because they represent a front-runner MNC within the field of sustainable supply chain management and hence may set a good example for other MNCs.

Structure of the report

The report is divided into three parts.

The first part sets the scene for the remaining part of the report: Chapter 2 gives an introduction to the participating companies and project activities. In Chapter 3, the overall economic development and corporate approach to social and environmental issues in Central and Eastern Europe are outlined.

The second part of the report presents the learnings from the various project activities: Chapter 4 presents Hewlett-Packard's approach to sustainable supply chain management, Chapter 5 describes the social and environmental practices of the participating SME suppliers, and Chapter 6 presents the learnings from capability-building activities.

The third part of the report brings together the learnings from Chapters 4, 5 and 6: Based on these learnings, Chapter 7 suggests how MNCs can work with SMEs in their sustainable supply chain management programs. The main conclusions from this chapter are compiled into a set of generic guidelines on sustainable supply chain management, presented in Chapter 8.

Chapter 2: Project participants and activities

This chapter presents the participating companies and project activities.

Project participants

The project has involved HP and a number of SME suppliers² in HP's supply chain, and all findings and observations presented in this report are based on data from these companies. The SME suppliers are all 2nd tier suppliers to HP³, which means that they supply to HP's 1st tier suppliers. The 1st tier suppliers are typically large contract manufacturers⁴. The SMEs are located in the Czech Republic, Hungary and Poland. While the SME suppliers have been the main focus of this project, the 1st tier suppliers have been important to involve in the various project activities because they manage HP's 2nd tier suppliers directly. However, this involvement has also created an excellent opportunity for HP to pass knowledge onto their 1st tier suppliers on how to manage social and environmental issues in their own supply chain. The table below provides an overview of the participating companies.

1st tier suppliers to HP	2nd tier suppliers to HP		
	Czech Republic	Hungary	Poland
Asustek	JM Partners Tart		
Flextronics		Worldmark	
Foxconn^a	Duropack EPE Iretex JM Partners Tart Unipap Vyva Plast		
Sanmina-SCI^b		Dunapack ModusLink Wolters Worldmark	
Teleplan			Polpak Thornmann

^a One supplier to Foxconn has wished to remain anonymous.

^b One supplier to Sanmina-SCI has wished to remain anonymous.

² Some of the SME suppliers are subsidiaries of large multinational companies, but the subsidiaries themselves are all small and/or medium-sized, i.e. employ less than 250 employees. However, one company has approx. 600 employees in total at the site visited, but only 185 in the corrugated carton production area, which has been at focus in this project.

³ SMEs are typically not found among HP's 1st tier suppliers.

⁴ HP has selected the contract manufacturers, who in turn have selected the 2nd tier suppliers. Not all 2nd tier suppliers selected by the contract manufacturers decided to participate in the project. Therefore, the distribution of participating SMEs across countries is uneven.

Small Suppliers in Global Supply Chains

A brief overview of the participating SME suppliers in each country is provided below.

Participants in the Czech Republic

Supplier name	Duropack	EPE	Iretex	JM Partners	Tart	Unipap	Vyva Plast	Anonymous supplier
Products	Corrugated carton boxes	Moulded and fabricated cushions	Fabricated foam cushions	Labels	Bubble films and foam cushions	Corrugated carton and boards	Vacuum formed parts	Moulded polypropylene and polyethylene foam
Approx. number of employees	245	45	100	100	110	100	70	85

Participants in Hungary

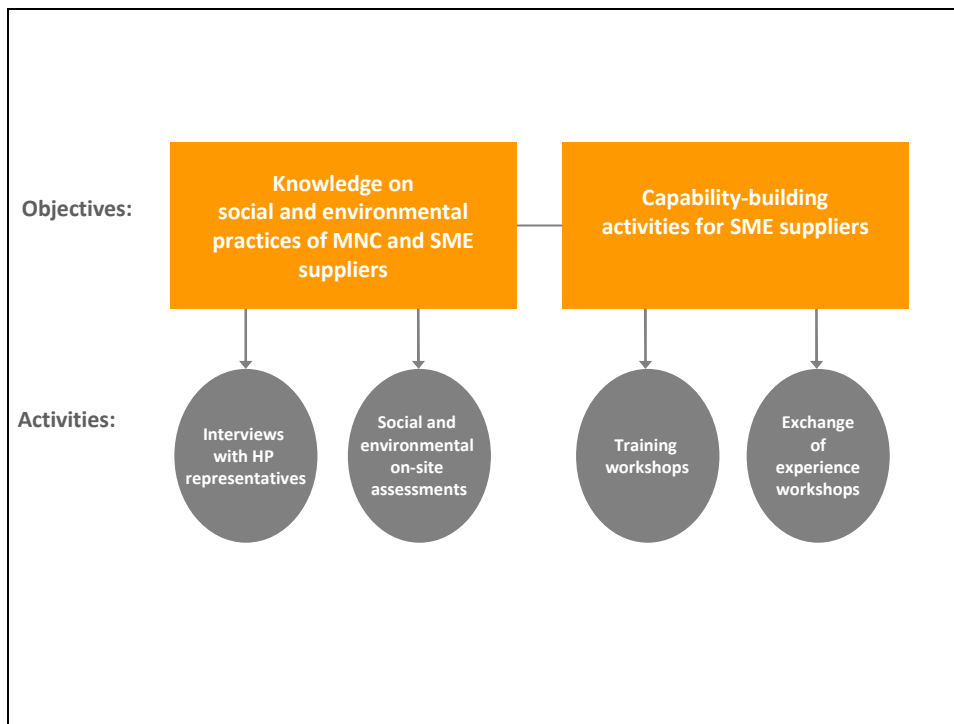
Supplier name	Dunapack	ModusLink	Wolters	Worldmark	Anonymous supplier
Products	Corrugated carton boxes	Accessory kits and printed materials kits	Moulded cushions	Labels	Pallets
Approx. number of employees	185	95	33	54	19

Participants in Poland

Supplier name	Polpak	Thornmann
Products	Corrugated carton	Recycling services
Approx. number of employees	250	60

Project activities

The objective of the project has been to generate knowledge on the sustainable supply chain management practices of HP and the social and environmental practices of SME suppliers in HP's supply chain, as well as to set up capability-building opportunities for the SME suppliers. Each objective has involved two separate activities (see figure below). These activities have provided input to the generic guidelines presented in the last chapter of this report. A brief description of the activities follows in the sections below, while specific findings from the activities will be dealt with in greater detail in subsequent chapters.



Interviews with HP representatives

DCCA interviewed various HP representatives with the aim of learning about the company's sustainable supply chain management practices. Among the interviewees were a lead auditor, a representative from corporate affairs communications, a procurement manager, and a program lead from the global packaging team. The interviews were conducted at Hewlett-Packard GmbH in Böblingen, Germany.

Findings from the interviews are presented in Chapter 4.

Social and environmental on-site assessments

The first activity involving the 2nd tier SME suppliers was an on-site assessment of each company with the objective of reviewing their social and environmental performance and standards. The assessments included a factory tour, interviews with

managers and workers⁵, and document reviews. They were conducted by 1-2 HP representatives, one representative from DCCA, and – when possible – a representative from the companies' direct customer (i.e. HP's 1st tier supplier). The assessments were conducted with a starting point in the Electronic Industry Code of Conduct (EICC), which is the standard used by HP in its sustainable supply chain management program. EICC covers five areas; labour, ethics, health & safety, environment, and management systems. Following the assessments, all SME suppliers received a report indicating HP's assessment of their performance on the various provisions in the EICC.⁶

The assessments were carried out between October 2006 and January 2007. It has not been possible within the scope of this project to carry out a follow-up visit to review any corrections or improvements undertaken by the companies after the assessment.⁷

Findings from the assessments are presented in Chapter 5.

Training workshops

The assessments threw light on the SMEs' social and environmental performance, including the areas in which the standards could be improved. Based on the overall findings in each of the three countries, DCCA organised a training workshop in each country aimed at addressing these findings. The overall findings were very similar in all countries, and the three training workshops all focused on management systems. The specific contents of the workshops were:

- Introduction to the Electronic Industry Code of Conduct (EICC)
- Introduction to management system standards
- The planning section of the management system standards
- Workshop 1 on environmental aspects
- Implementation and operation
- Workshop 2 on hazard identification
- Checking
- Management review

The workshops were conducted in April 2007 by a global service provider, SGS⁸. They were conducted in local language and were a mixture of lectures and participant involvement. The workshops were attended by 1-2 representatives from the SME suppliers, 1-2 representatives from HP's 1st tier suppliers, a HP representative, and DCCA.

Following the training workshops, all participating SMEs were asked to fill in a questionnaire relating to the applicability of the workshop as well as to some more general considerations on social and environmental aspects.

⁵ Workers were interviewed during the factory tour when possible.

⁶ HP's 1st tier suppliers received a copy intended for their follow-up actions on suppliers.

⁷ However, it is HP's expectation that the 1st tier suppliers do this, and optimally report back to HP.

⁸ Together with Enacon in the Czech Republic.

Experiences from the training workshops are presented in Chapter 6.

Exchange-of-experience workshops

To follow up on the training workshop, the companies were invited to an exchange-of-experience workshop. The objective of this second workshop was to set up a dialogue between the SME suppliers, their direct customers and HP on how to diffuse social and environmental requirements throughout the supply chain. In addition, the SMEs had the opportunity to raise any issues relating to social and environmental responsibility, which they found relevant. The specific contents of the workshops were:

- The project organisers' reflections on assessment findings and comparison with trends from other studies
- Feedback and observations from suppliers
- Best-practice examples from HP
- Factory tour of hosting company, including presentation of this company's implementation of social and environmental requirements
- Interactive session: what assistance do the SMEs need in order to comply with social and environmental requirements, and how can these needs be met?

The workshops were conducted in October 2007. They were held in the Czech Republic⁹ and Hungary, and hosted by one of HP's 1st tier suppliers in each country. They were attended by 1-2 representatives from the SME suppliers, representatives from HP's 1st tier suppliers, a HP representative, and DCCA. In both countries, the workshops were conducted in English in order for HP and DCCA to take part in the dialogue.

Experiences from the exchange-of-experience workshops are presented in Chapter 6.

⁹ Due to the low number of participants in Poland, it was decided not to organise an exchange-of-experience workshop in Poland. Instead, the Polish SMEs were invited to the workshop in the Czech Republic.

Chapter 3: Economic, social and environmental performance in Central and Eastern Europe

The objective of this chapter is to outline the overall economic development as well as corporate approach to social and environmental issues in Central and Eastern Europe¹⁰, and in particular the Czech Republic, Hungary and Poland.

A successful transition story – opportunities and challenges

The accession of the Czech Republic, Hungary and Poland into the European Union on May 1 2004 marked a turning point in their economic and political history. It followed more than 15 years of political and economic change, and today all three countries stand out as success stories among transition economies.

While the collapse of communism made the whole Central and Eastern European region more prone to a ‘wild’ type of capitalism with short term profit serving as the exclusively most important objective, EU integration has ‘pressed’ new member states like the Czech Republic, Hungary and Poland to manage political and economical transition in line with EU accession criteria, thereby bringing these countries more in line with Western European standards.

Still some catching up

Similar to other countries in Central and Eastern Europe, the business community as well as society at large in the Czech Republic, Hungary and Poland are still struggling with the effects of transition, i.e. high unemployment rates, low salaries and income, a high proportion of grey/black economy, migration of young and skilled workers, and a remaining underdeveloped regulatory framework.¹¹ However, the three countries in question are overall characterised by dynamic growth and improved labour market conditions. They account for more than 60% of the 12 new EU member states’ overall GDP.¹²

Poland stands out as facing the greatest challenges.¹³ The country suffers from the highest unemployment rates in the EU, and is characterised by high regulatory and administrative barriers to entrepreneurship. Moreover, Poland has the worst reputation for corruption among OECD countries based on the 2007 Transparency International Corruption Perception Index¹⁴ (2006 ranking in brackets), which ranks Poland as no. 61 (61), while the Czech Republic and Hungary come in as no. 41 (46) and 39 (41) respectively.

¹⁰ Central and Eastern Europe is in the project defined as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Slovakia, Slovenia, Serbia and Turkey (www.rec.org).

¹¹ UNDP (2007).

¹² OENB (2007).

¹³ GDP per head in Poland is currently under 45% of the EU average.

¹⁴ Transparency International (2007).

Attractiveness to foreign direct Investment

Strong inflows of foreign direct investment (FDI) are an important contributor to growth in Central and Eastern Europe. The region benefits from its relative proximity to the Western European market, sufficient infrastructure and low-cost labour. Investment projects in the region are often labour intensive. While Central and Eastern Europe attracted only approx. 25% of investment projects, they benefited from approx. 50% of the new jobs created by foreign investors in 2006 in Europe. Poland is the number one destination for employment flows via FDI in Europe and is at the moment the largest job creator in Europe followed by the Czech Republic in fourth place and Hungary in seventh place.¹⁵ According to a survey by Ernst & Young, international business leaders expect Central and Eastern Europe to increase its attractiveness in the coming three years. However, the perception is that the attractiveness largely depends on the flexibility of the region's labour market and simplified regulation. Another factor which is also perceived as influencing the region's attractiveness is the stimulation of practices of sustainable development.¹⁶

Corporate practices and attitudes towards social and environmental issues

Due to their EU membership, the Czech Republic, Hungary and Poland have faced increasing pressure to comply with an array of environmental and social standards that are much stricter than those they have typically faced.¹⁷ However, as pointed out in a UNIDO study, the introduction of new legislation has been slow in Central and Eastern Europe, and there is still generally a wide discrepancy with respect to EU standards.¹⁸

Studies in general point to a rather low level of social and environmental awareness among companies as well as stakeholders in the three countries.¹⁹ For instance, a study on corporate social responsibility and good corporate governance argues that: *"Despite the growing knowledge and practices of CSR in Western Europe, there is still a high degree of unawareness of, and disinterest in, CSR in new member states in Central and Eastern Europe. Unlike their Western counterparts, many civic organizations and labour unions in the CEE do not have even a general knowledge of what CSR is, and thus have not been active stakeholders in debates concerning it."*²⁰

Social and environmental responsibility in companies is typically fragmented and disconnected from business and strategy, and companies thereby often fail to

¹⁵ Ernst & Young (2007).

¹⁶ Ernst & Young (2007).

¹⁷ Enabling a better environment for CSR in CEE Countries Project (2005).

¹⁸ UNIDO (2006). It is important to note that the study is primarily focused on Bosnia and Herzegovina, Bulgaria, Romania and Serbia. According to a report by Ernst & Young (2008), the greatest strategic challenge facing leading global businesses in 2008 will continue to be regulatory and compliance risks.

¹⁹ See for instance FIDH (2006), Serenyi (2007), Business Leaders Forum (2004).

²⁰ GARDE (2006).

establish a sound business case. Moreover, companies typically understand corporate social responsibility as “compliance with existing regulations, behaving ethically, and ensuring environmental protection.”²¹ This is particularly evident in SMEs, whose social and environmental engagement can be characterised in the following way:

“Most small- and medium-sized enterprises in the region have not yet introduced a corporate social responsibility concept. Their involvement with the community and environment is mostly local in scope, of sporadic nature, and entirely unrelated to their business strategies or operations. The main driver for responsible business practices in these firms is still the ethical perspective of the owner and legal requirements. Lack of awareness seems to be the most significant obstacle to stronger social and environmental engagement of SMEs in Central and Eastern Europe, followed by resource constraints impeding new investments and the introduction of environmentally friendlier technologies.”²²

The corporate social and environmental profile differs somewhat between the three countries. On the Responsible Competitiveness Index (RCI)²³ from 2007, which measures the relationship between corporate social responsibility and competitiveness, the Czech Republic is placed highest as no. 39. Hungary and Poland are ranked 44 and 54 respectively. The RCI 2007 suggests that all three countries suffer from a ‘responsible deficit’ that negatively affects their businesses. Based on the rankings, the RCI 2007 categorises countries as starters, compliers, asserters or innovators. Poland is categorised as a complier country. A complier country demonstrates progress on meeting international quality, labour and environmental standards, and on building capacity to capture market shares in the global supply chains of more quality-conscious brands and consumers. The Czech Republic and Hungary are categorised as asserters, who – compared to compliers – are more actively and co-operatively seizing opportunities in responsible competitiveness.

Summarising

The overall economic development and corporate approach to social and environmental issues in the Czech Republic, Hungary and Poland can be summarised as follows:

- The three countries represent successful transition economies – accounting for more than 60% of the 12 new EU member states’ overall GDP.
- The countries have been able to attract foreign direct investment, which has been and still is an important contributor to growth. They benefit from their relative proximity to the Western European market, sufficient infrastructure, and low-cost labour.

²¹ Enabling a better environment for CSR in CEE Countries Project (2005), p. 11.

²² UNIDO (2006), p. 13.

²³ AccountAbility (2007).

- Despite the overall successful transition to democracy and market economy, all three countries struggle with the effects of the transition, i.e. high unemployment rates, low salaries and income, a high proportion of grey/black economy, corruption, migration of young and skilled workers and a remaining underdeveloped regulatory framework.
- While a more flexible labour market and simplified regulation are perceived as the most important factors for improving the region's attractiveness, stimulation of sustainable development practices is also seen as an influential factor.
- The push for social and environmental development in the three countries seems to come mainly from foreign companies and the EU. In particular, EU membership has put pressure on the countries to comply with an array of environmental and social standards that are much stricter than those they have typically faced.
- Companies in the three countries are generally characterised by low awareness of social and environmental responsibility. The low level of awareness is reflected in their behaviour. In general, companies – and particularly SMEs – do not engage proactively in social and environmental initiatives, do not go beyond legal compliance, and do not integrate social and environmental concerns into strategy and business operations and hence fail to establish a sound business case. Comparing the three countries in terms of social and environmental performance and awareness, the Czech Republic is in the lead closely followed by Hungary.

Chapter 4: Sustainable supply chain management at Hewlett-Packard²⁴

This chapter presents Hewlett-Packard's (HP) approach to sustainable supply chain management. The chapter focuses on the company's external activities aimed at suppliers as well as the internal organisation of sustainable supply chain management.

HP's approach to social and environmental responsibility

HP is among the world's largest IT companies with approx. 156,000 employees worldwide and a revenue totalling \$104.3 billion.²⁵ The product portfolio spans across printing, personal computing, software, services and IT infrastructure.

HP has a long history of recognising that the company – being a good global citizen – has a responsibility beyond making a profit for its investors, including a commitment to enrich the businesses, lives and communities of its customers, partners and employees. For nearly 70 years, HP has strived to honour that responsibility, and today 'Global Citizenship' is at the core of HP's strategy and one of its seven corporate objectives.

HP's approach to social and environmental responsibility has changed in recent years in the sense that the company is increasingly seeking to integrate social and environmental responsibility into its strategy and business operations. In relation to sustainable supply chain management, there is now a high focus to ensure that the suppliers working for HP are meeting HP's requirements.

In terms of ratings, HP is:

- Rated no. 22 in the Accountability Rating, which is the first global index that evaluates how well the world's 100 largest companies account for their impact on society and the environment
- Rated no. 10 globally and no. 1 in the U.S. in Environment, Social Impact Ratings by The Economist
- Present on the 2007 Global 100 Most Sustainable Corporations in the World list
- Listed on the Dow Jones Sustainability Index and FTSE 4 Good Index



²⁴ This chapter is based on information from www.hp.com and interviews with HP representatives.

²⁵ As of October 31, 2007.

HP's sustainable supply chain management program

HP purchases materials, components, manufacturing and services for its products from suppliers located worldwide. With over 400 direct material suppliers operating from more than 1,000 manufacturing locations around the world, HP operates one of the IT industry's largest and most complex supply chains.

The largest supplier base in terms of expenditure is located in the 'Asia Pacific and Japan' region, accounting for 75% of total expenditure. The Czech Republic, Hungary and Poland belong to the smallest regional supplier base; the 'Europe, Middle East and Africa' region, accounting for 5% of total expenditure.²⁶



HP has experienced that awareness of social and environmental issues in the electronics industry supply chain has increased among the public, customers, NGOs, investors and the media. The company responded to this development by releasing its first supply chain code of conduct in 2002. Since 2002, HP has launched a Social and Environmental Responsibility (SER) program in 2003, and was one of the original founders of the Electronic Industry Code of Conduct (EICC), which was launched in 2004.

The EICC

The EICC is the supplier code of conduct that HP now applies, and which suppliers must adhere to. The EICC outlines standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally respon-

²⁶ Other countries belonging to this region are France Germany, Ireland, Israel, Italy, Netherlands, and the UK. Countries belonging to the 'Asia Pacific and Japan' region are China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand. The third region, the 'Americas', accounts for 20% of total expenditure and includes Brazil, Canada, Costa Rica, Mexico, and United States (www.hp.com).

sible. The code is adopted and implemented by some of the world’s major electronics brands and their suppliers.

As an industry-wide code, the EICC is open to voluntary adoption by any business in the electronics sector. Participants of the EICC are required to operate in full compliance with the laws, rules and regulations of the countries in which they operate. However, the EICC encourages participants to go beyond legal compliance. As a minimum, participants shall require their next tier suppliers to acknowledge and implement the EICC. HP proactively supports the EICC, believing that suppliers’ social and environmental concerns are addressed most effectively on an industry-wide basis.

The SER program and requirements

Suppliers are assessed and audited against HP’s Supply Chain SER conformance requirements. This in particular includes ensuring conformance to the EICC, an additional Freedom of Association provision and the General Specification for the Environment (GSE). The SER program is based on involvement with key risk suppliers to develop a partnership for improvement and capability building. This collaborative approach and the high complexity of the supply chain reflect the fact that it is difficult to switch from one supplier to another in the electronics industry. But it also reflects a way of thinking that emphasises the need to engage with suppliers and to provide support and tools to raise suppliers’ capabilities. In this sense, HP uses both its leverage as a large customer and collaborator to raise standards in the supply chain. As shown in the table below, the SER program is divided into four phases, which will each be described in turn.

The four phases of the SER program			
Phase 1: Introduction	Phase 2: Assessment	Phase 3: Validation	Phase 4: Continual improvement
1. Preliminary risk assessment	1. Suppliers complete SER agreement and self-assessment	1. HP conducts on-site audits	1. HP involves suppliers in capability-building projects – often in partnerships with other organisations
2. ‘High-risk’ suppliers introduced to HP’s SER requirements	2. HP provides feedback that often leads to dialogue	2. In case of non-conformances, HP works with suppliers to establish a corrective action plan	
	3. HP determines if on-site audit is necessary	3. After implementation of corrective action plan, HP re-audits to verify that non-conformances and their causes have been addressed	

Phase 1: Introduction

HP conducts a preliminary risk assessment of suppliers based on the following risk factors:

- Location – risk is higher in some locations than others
- Process – risk is higher in manufacturing, chemical-intensive manufacturing and labour-intensive assembly than in services
- Relationships – risk is higher for some types of contracts (such as large contracts for branded products, or new suppliers)
- Company information – information from previous audits, press articles, incidents and/or accidents may impact the assessment of supplier risk

Suppliers identified as potentially risky are prioritised for introduction to the SER requirements.

Phase 2: Assessment

The group of suppliers prioritised for introduction to the SER requirements completes an SER agreement and a self-assessment for each factory manufacturing for HP. HP decides if it is necessary to engage suppliers in further dialogue and follow up with on-site audits. Only high-risk suppliers are targeted for on-site audits.

Phase 3: Validation

HP targets the group of high risk suppliers for on-site audits. These suppliers are the focus of the SER program. The audits are typically carried out by HP's own audit teams. Every non-conformance identified during the audits is taken seriously, and suppliers are subsequently required to implement a corrective action plan. In case of serious or repeated violations – and if the collaborative approach is rejected by the supplier – HP will respond and ultimately terminate relations. HP has in some cases terminated supplier relationships due to non-conformance issues, but suppliers are always given a second or third chance.

The company believes that a direct relationship with suppliers, obtained from using their own auditors, is very important. Thus, the audits provide a good opportunity for the auditors to establish a close dialogue with suppliers about possible solutions to inadequate processes. Moreover, the use of internal auditors provides HP with first-hand information from suppliers. A risk of using third-party auditors is that information may be filtered before it reaches the company. However, HP also believes that it is important that the electronics industry joins forces to get leverage, which includes joint audits conducted by third-party auditors. HP also uses third-party auditors for independent verification of their program as well as to objectively investigate NGO, media or customer allegations.

Phase 4: Continual improvement

HP puts a strong emphasis on continual improvement and hence encourages suppliers to integrate social and environmental concerns in their business and decision-making processes. This is typically done through dialogue with the suppliers. HP uses dialogue to explain to the suppliers what the company expects from them

and to provide hints and ideas on how to solve non-conformance issues. The company stresses that as a large MNC with a strong brand it should always strive to be a role model for its suppliers, which includes being fair and honest, providing support, and recognising own opportunities for improvement.



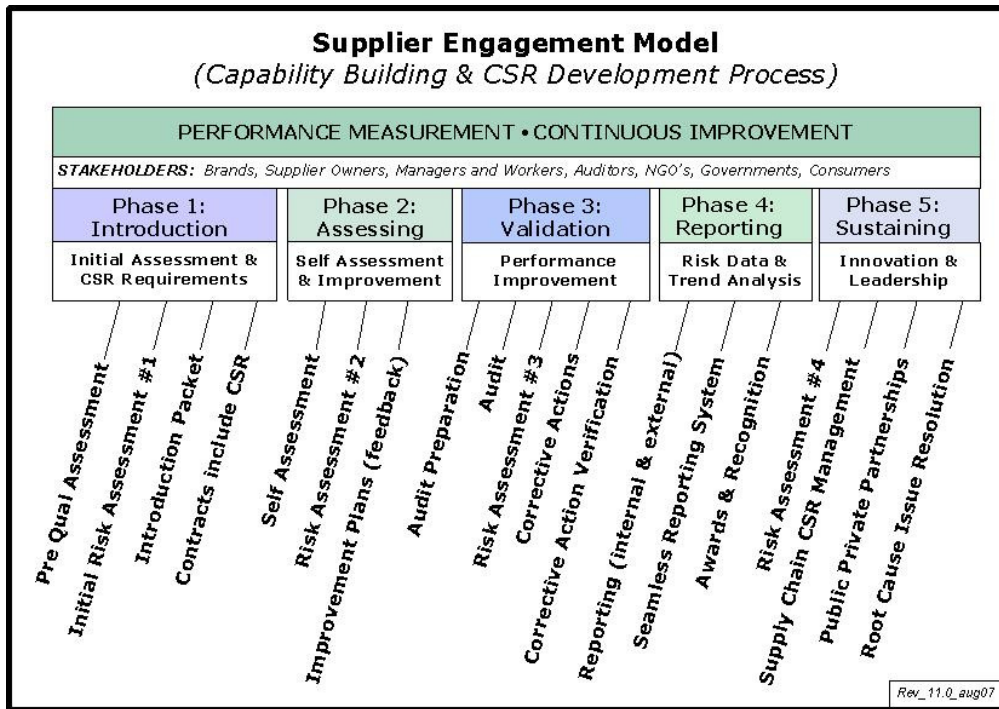
“When I look at what we have achieved, I think it is great! When you do a follow-up audit and you see the change, you say “wow – it’s a great program that really works”. We are heading in the right direction”

(Environmental, Health & Safety Auditor, HP)

HP also engages in capability-building projects aimed at increasing the suppliers’ awareness about how to improve their social and environmental standards. The projects typically focus on management systems (i.e. ‘living’ the management system), how to identify root causes (i.e. why is there a non-conformance?), and how to establish a sound business case for social and environmental responsibility. HP typically organises the capability-building projects in partnerships with external organisations. Examples of such projects are *“The Focused Improvement Supplier Initiative”* (FISI) in China in cooperation with Business for Social Responsibility, and *“Small Suppliers in Global Supply Chains”*, on which this report is based²⁷.

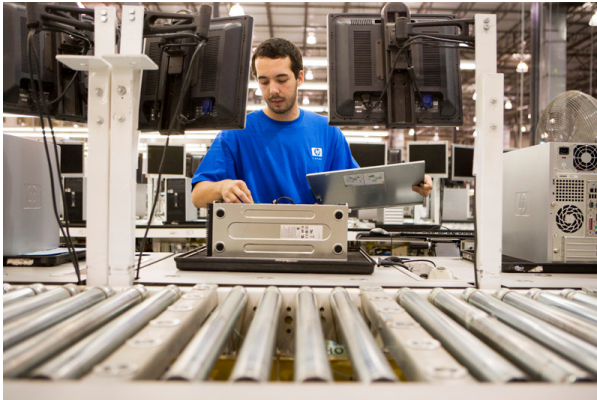
The figure below gives a more detailed overview of HP’s approach to supplier engagement.

²⁷ Within HP, the project has the title *“Central European Supplier Responsibility”* (CESR).



Cascading requirements down the supply chain

Until now, HP's SER program has mainly focused on 1st tier suppliers (direct suppliers), with whom HP has signed contracts and therefore has the maximum leverage. However, HP acknowledges its broader responsibility and requires 1st tier suppliers to pass on the EICC requirements to their own suppliers. HP experiences differences in the extent to which the 1st tier suppliers pass on the EICC requirements to their own suppliers. Whereas some 1st tier suppliers have a well-functioning system in place for setting up requirements to their suppliers and following up on the suppliers' compliance, other 1st tier suppliers have not yet established adequate procedures. HP explains that to a certain extent the commitment of the 1st tier suppliers depends on the maturity of their supplier management processes and systems. HP realises that the commitment of their 1st tier suppliers is crucial for the cascading of the EICC requirements down the supply chain, and is therefore continuously working on how to improve the commitment of the 1st tier suppliers.



“HP has a responsibility to look beyond the 1st tier supplier, that’s why the supplier management of our 1st tiers is so important and a relevant part of the audits”

(Lead Auditor, HP)

One way of stimulating 1st tier suppliers to increase their commitment to social and environmental issues is through capability-building projects as mentioned above. Thus, some projects aim at training 1st tier suppliers to audit 2nd tier suppliers as well as training 2nd tier suppliers (in cooperation with the 1st tier suppliers) to manage their own suppliers. In addition, the particular project, on which this report is based, has provided HP with the opportunity to audit and build up capability with 2nd tier suppliers, whom they are usually not in direct contact with. At present time, HP is also working with 2nd and 3rd tier suppliers in Mexico, China and Thailand.

Experiences from Central and Eastern Europe

HP has approx. 15 suppliers in Central and Eastern Europe (i.e. the Czech Republic, Hungary and Poland). They are predominantly large contract manufacturers. The most common non-conformances identified during the audits of the suppliers in this region relate to product contents, risk assessment and management, working hours, incorrect overtime payment, emergency preparedness, as well as lack of supplier management programs.

However, the predominant problem encountered with the suppliers is lack of implementation of management systems, i.e. a clear statement/policy, a management representative, a risk assessment, etc. When a supplier does have a management system, it is typically related to quality and/or the environment, and is only rarely applied to labour & ethics and health & safety. The main reason for this trend is that ISO 9001²⁸ and ISO 14001²⁹ are more well-established certifications than e.g. OHSAS 18001³⁰, and that customers mainly require quality or environmental management systems. However, HP also points out that merely having a certification of a management system does not mean that a company ‘lives’ the system. Therefore, HP does not require that suppliers have a certified management system in place. Moreover, the company is of the opinion that SMEs need to have a different approach to management systems than the larger companies. It

²⁸ ISO 9001 is an international standard for quality management systems.

²⁹ ISO 14001 is an international standard for environmental management systems.

³⁰ OHSAS 18001 is an international standard for occupational health and safety management systems.

will typically not be necessary for SMEs to have all the procedures of a regular management system in place. However, it is emphasised that whether or not a company 'lives' a management system has more to do with the commitment and attitude of management than its size.

“Merely having a certification of a management system does not mean that the company ‘lives’ it”

(Lead Auditor, HP)



The internal organisation of sustainable supply chain management

To ensure that HP lives up to its commitments, the Standards of Business Conduct (SBC) sets out an internal ethical framework that guides actions and decisions of everyone at HP. The SBC covers relationships with partners, customers and competitors as well as the selection and management of suppliers. As part of the ethical framework, HP employees are provided with SBC and ethics training every year.

With regard to supplier management in particular, the Supplier Relationship Managers (SRM) are responsible for evaluating the performance of suppliers. This is done in accordance with the High Performance Supplier Scorecard, which also includes SER performance. Suppliers are at a minimum once a year assessed on:

- Technology (20%)
- Quality (20%)
- Delivery (20%)
- Cost (20%)
- Business fundamentals, including SER (20%)



Since the SRMs are responsible for suppliers and have direct contact with them, the suppliers are influenced by these managers' attitudes and actions. Being responsible for all aspects of supplier performance, the SRMs are involved in the planning of on-site social and environmental audits, and they also read the audit reports, forward them to the suppliers and request response with corrective actions. The SRMs may also join the audits if they wish to. The present level of responsiveness by suppliers to the SER program is partially predicated on the level of awareness and interest of SRMs. SRMs may not always pay a high level of attention to social and environmental aspects when they evaluate the suppliers' overall performance. Being the suppliers' key contact within HP, high attention paid to social and environmental supplier performance on the part of the SRMs is key to ensuring that suppliers pay more attention to these issues as well. One way to increase the SRMs' awareness of social and environmental issues is – according to HP itself – to make it common practice for them to participate in the social and environmental audits. Another way would be to include the SER program as part of the criteria on which the SRMs are evaluated.

Summarising

HP's approach to sustainable supply chain management can be summarised as follows:

- HP's approach to sustainable supply chain management can be characterised as stakeholder-oriented, pro-active and collaborative.
- HP believes that social and environmental concerns of suppliers are addressed most effectively on an industry-wide basis. In cooperation with other companies from the electronics industry, HP has co-developed a supplier code of conduct, the Electronic Industry Code of Conduct (EICC), launched in 2004.
- In a widely outsourced manufacturing environment, there is now a high focus to ensure that the suppliers working for HP are meeting certain requirements. HP launched its Supply Chain Social and Environmental Responsibility (SER) program in 2003. Until now, the SER program has focused on 1st tier suppliers with whom HP has signed contracts. By taking a risk-based approach to suppliers, the program prioritises suppliers for further review and self-assessment, on-site audits against the EICC and GSE (General Specification for the Environment) requirements, and capability-building programs. On-site audits are typically conducted by HP's own auditors with the aim of maintaining a close and direct relationship with the suppliers. The capability-building activities are aimed at improving the suppliers' awareness and behaviour.
- HP's objective is to stimulate the cascading of EICC requirements throughout the supply chain. The company thus requires the 1st tier suppliers to pass on the EICC requirements to their own suppliers and to

monitor their level of compliance. However, HP still has work to do in order to increase the commitment of the 1st tier suppliers to cascade social and environmental requirements down the supply chain.

- HP's experience from suppliers in Central and Eastern Europe is that most suppliers comply with legal requirements, but that management systems are often lacking or inadequate. HP emphasises that 'living' a management system is much more important than having a certified management system. This applies both to large and SME suppliers. It is moreover the company's impression that the commitment and attitude of top management is important for the extent to which a company 'lives' its management system.
- Internally, HP's Supplier Relationship Managers (SRMs) are in charge of managing suppliers – a responsibility that includes evaluation of social and environmental performance. The SRMs take part in the coordination of social and environmental supplier audits, read the audit reports, request response with corrective actions, and occasionally they also participate in audits. However, these managers may not always pay high attention to the suppliers' social and environmental performance. HP acknowledges that stronger involvement and commitment of SRMs could be achieved through increasing their participation in supplier audits and incorporating the SER program into their performance evaluations.

Chapter 5: Social and environmental engagement of SME suppliers

This chapter describes how the participating SME suppliers in the Czech Republic, Hungary and Poland deal with social and environmental issues. The chapter throws light on their social and environmental performance, the experienced drivers and challenges for working with these issues, customer requirements, and the companies' ability to link social and environmental initiatives with business development. The chapter is primarily based on findings from on-site assessments of the individual SME suppliers, interviews with management representatives conducted during the assessments³¹, questionnaires, and capability-building workshops. The on-site assessments have been formed using HP's code of conduct, the Electronic Industry Code of Conduct (EICC), and the performance level of the suppliers are therefore largely 'measured' against the standards within this code.

Some overall observations regarding differences among the three countries will be presented. However, no attempts are made to make overall generalisations based on the observed differences. The few numbers of SMEs participating in the project as well as the different number of participants in each country do not allow for such generalisations.

Social and environmental performance

This section deals with the performance of the SME suppliers in the areas of labour issues, ethics, health & safety, environment, and management systems. Appendices A, B and C provide a more detailed overview of the social and environmental performance of the Czech, Hungarian and Polish SME suppliers respectively.

Labour

All companies comply with the legal requirements pertaining to freely chosen employment, child labour avoidance, working hours, non-discrimination, wages and benefits, humane treatment, and freedom of association. The only issue of concern identified is using wage deduction as a disciplinary measure, which occurs in a couple of Czech companies.

Employees are typically made aware of their labour rights when they are employed, and during their employment they have the possibility to discuss any concerns or problems related to their working conditions with their managers.

Several of the companies are aware that offering labour benefits, which go beyond legal requirements, is an important contributor to job satisfaction among

³¹ Some of the interviews in Hungary have been conducted by Copenhagen Business School.

employees and hence to a lowering of personnel turnover. This is highly relevant for many of the companies who often find it difficult to find employees with appropriate qualifications. Examples of benefits offered are lunch, medical examination and treatment, English courses, free usage of mobile phone, financial contribution to summer and winter vacation, and higher-than average earnings.

Ethics

None of the companies seem to violate legal standards for business integrity, improper advantage, disclosure of information, intellectual property, fair business, advertising and competition, and protection of identity.

However, several of the companies in all three countries are characterised as not having formalised their procedures within the area of ethics. For example, many of the companies do not have written regulations or processes in place that define expectations on business ethics to ensure that no one acting on the company's behalf uses corrupt practices to conduct business. Likewise, several companies do not have a written policy in place defining expectations on giving and receiving gifts or bribes to or from suppliers and customers. Finally, several companies do not have procedures in place that ensure anonymous reporting of ethical or legal concerns by workers and/or external stakeholders. It should be mentioned, though, that lacking formalisation does not necessarily mean that the companies behave unethically. The lack of formalised procedures could very well be a reflection of the fact that many ethics-related issues may not be relevant to the companies considering their size and field of business.

With regard to community engagement, the vast majority of companies in all three countries have a charitable giving program and thus provide donations and support local and/or regional charities.

Health & safety

Many of the companies make use of external consultants to ensure that their health & safety standards comply with legal requirements. External consultants are sometimes also used for conducting on-site health & safety training.

However, in all three countries, the companies have inadequate procedures relating to occupational safety, emergency preparedness and response, and ergonomics. The issues of concern seem to be the same across the three countries, but relatively speaking the issues are most common among the Hungarian companies.

Regarding occupational safety, the main problem identified relates to a lack of consistent use of personal protective equipment. As such, the workers are often not adequately protected from noise, cuts, flying particles, etc. The majority of companies do provide personal protective equipment for the workers. However, several of the managers explain that even though they encourage the workers to use the equipment, the workers are often reluctant to do so. The workers often claim that such equipment prevents them from carrying out their job effectively. However, some managers also explain that once the workers realise that using

the equipment does in fact improve their health and safety, they are more inclined to do so.

With regard to emergency preparedness and response, the most common inadequacies are poorly marked emergency exits, blocked fire extinguishers and hydrants, blocked emergency exits, insufficient amounts of emergency evacuation drills, and overdue scheduled inspection of fire extinguishers.

Awareness of physically demanding work could also be improved in several of the companies. The main issues of concern are a lack of mechanical lifting aids (to reduce worker exposure to manual handling hazards), hard floors, and a lack of chairs for short rests for workers who work in standing positions. Whereas most companies claim that only few workers complain about physical discomfort as a consequence of physically demanding work, some companies do in fact experience that health-related problems are among the main reasons for leaving the company.

In the period following the on-site assessments, several of the companies have taken health and safety-enhancing initiatives. Examples of such initiatives include training in safety instructions, provision of more safe tools, provision of safety equipment for machine operators, introduction of workstation audits, and noise reduction measures.

“Health & safety makes people’s lives easier. You need to push it, but people are glad that we take care of them so injuries don’t happen”

(Managing Director of Czech SME)



Environment

The production processes of the companies have limited adverse impacts on the external environment. The majority of companies have the required environmental permits and registrations as well as adequate procedures for eliminating, reducing, treating and monitoring waste. Only few issues of concern regarding the companies’ environmental behaviour have been identified. Relatively speaking, the Hungarian companies are characterised as having the most issues of concern. The predominant problem in all three countries relates to product content restrictions. Many of the companies are not aware of HP’s “General Specification for the Environment”, which are requirements for restricted and prohibited materials.

This constitutes a problem since the companies' components typically end up carrying HP's label. However, the unawareness is likely to be a result of lacking information from the companies' customers (i.e. HP's 1st tier suppliers). Another common issue of concern relates to inadequate storage of hazardous substances, which may result in leaks and spills.

Several of the companies reveal that environmental improvements are planned for the near future. Examples of planned improvements include implementation of a solution for cleaner wastewater and further reductions in energy consumption and waste.

Management systems

The most evident example of social and environmental initiatives, which go beyond legal requirements, is implementation of certified management systems. Many companies have received external assistance to implement management systems, and some companies make use of the external consultants on a regular basis after the implementation as well. The sections below describe the features of the companies' management systems relating to environment and health & safety and labour & ethics respectively.

Environmental and health & safety management systems

Many of the companies already have or plan to implement certified environmental and health & safety management systems. In the Czech Republic, all eight companies are ISO 9001 certified. Three are already ISO 14001 certified, and four plan to apply for this certification in the near future. Moreover, two companies are OHSAS 18001 certified and one is preparing for this certification. In Hungary, four of the five companies have an ISO 9001 certification. Two companies are ISO 14001 certified, and one plans to apply for this certification in the foreseeable future. In addition, one of the companies with an ISO 14001 certification is also certified according to OHSAS 18001. In Poland, the two participating companies are both ISO 9001 and ISO 14001 certified. One of the companies also has an OHSAS 18001 certification³², whereas the other company plans to apply for this certification in the future. The majority of companies explain that the process of implementing ISO 14001 and/or OHSAS 18001 has benefited greatly from the experiences of implementing ISO 9001. Moreover, several companies have found it advantageous to combine the elements of the various management systems.

The relatively high number of companies certified or planning to become certified within the area of environment and – to a lesser extent – health & safety means that many of the companies already have the various elements of a management system in place to identify and mitigate risks and ensure continual improvement of standards. However, inadequate management system processes are still found in several companies in all three countries. In the Czech Republic, inadequate processes are mostly found in relation to formulating a policy or commitment statement, setting up performance objectives and implementation plans, and

³² In Poland, the standard is called PN-N 18001, but is very similar to OHSAS 18001.

communicating to own employees and supply-chain partners. In Poland, inadequacies primarily relate to setting up performance objectives and implementation plans, carrying out self-evaluations, and setting up plans for timely correction of deficiencies. Finally, in Hungary inadequate processes mostly appear in relation to formulating a policy or commitment statement, appointing a responsible manager, identifying and monitoring applicable laws and customer requirements, carrying out risk assessment and management, setting up performance objectives and implementation plans, communicating to own employees and supply-chain partners, carrying out self-evaluations, and setting up plans for timely correction of deficiencies. As is apparent, the highest occurrence of inadequate processes is found in Hungary. This country also has the lowest relative number of companies, who already have certifications or plan to become certified.

The fact that Hungary is the country with most inadequate management system processes and at the same time is characterised as having the highest occurrence of problematic issues within health & safety and environment (see previous sections), may point to the importance of having a well-functioning management system in place. It could thus be argued that in order for a company to identify and mitigate risks and continuously make improvements within the areas of health & safety and environment, a more or less formalised management system should be in place.

Whereas the presence of a management system has proven important for ensuring good health & safety and environmental standards, it is worth noting that a certified management system in itself is not a guarantee for better standards. As such, there is no clear evidence that the companies with ISO 14001 and OHSAS 18001 consistently have better processes for identifying and mitigating risks and facilitating continual improvements than those companies, whose management systems are not yet certified. To be more specific, findings from the companies in all three countries indicate that for several health & safety issues such as occupational safety, emergency preparedness, industrial hygiene, physically demanding work, and machine guards, the companies with OHSAS 18001 certification are not doing better than those without a certified health & safety management system.

Many companies believe that in a few years from now they will have to require that their own suppliers obtain an ISO 14001 certification in order for them to supply products to their own customers. Already today, several companies experience that their customers expect them to push their suppliers to apply for ISO 9001 certification, and the same tendency is likely to appear with regard to ISO 14001.

Labour and ethics management systems

None of the companies have a certified labour & ethics management system. However, the majority have many of the major elements of a management system in place. Thus, the vast majority of companies have a policy/statement committing the organisation to regulatory compliance and continual improvement. Moreover, most companies have assigned a manager with defined and communi-

cated responsibility. A process to identify and monitor applicable laws, regulations and customer requirements is also in place in most companies. However, in each country – and mostly evident in the Czech Republic and Hungary – some of the companies have inadequate processes for setting up performance objectives and implementation plans, training, communication, worker feedback and participation, self-evaluations, and corrective action plans. The single biggest issue of concern across countries relates to inadequate processes for identifying and controlling the labour practice risks, which are associated with the individual company's operations.

The fact that the major elements of a labour and ethics management system are in place – although not all elements are formalised and working optimally – could be seen as contributing to the relatively few problems related to labour and ethics in the three countries (see previous sections). However, the actual implementation of a management system should not be emphasised too much in the three countries in question. As such, a main reason for the few issues of concern regarding labour and ethics could very well be that companies in the countries traditionally comply with local labour regulations, and that not all ethics-related issues may be relevant for the companies due to their size and field of business.

The tendency observed is that the more formalised a company's environmental and health & safety management system is, the more formalised is its labour and ethics management system.

Main drivers for working with social and environmental issues

Pressure from legal regulations is by many companies mentioned as a very important driver for their engagement in areas such as health & safety and the external environment. This finding is in accordance with the studies referred to in Chapter 3. All companies have knowledge of and comply with local laws and regulations within the areas of labour rights, human rights, health & safety, and the environment. Their knowledge typically stems from various sources such as subscriptions, public media, special trainings and government portals. Several companies have moreover employed a lawyer to ensure compliance with the latest laws and regulations.

“Keeping the rules and laws is a minimum requirement for worker satisfaction and retention”

(Managing Director of Czech SME)



The notion that legal regulations play an essential role for the companies' engagement in social and environmental activities is further strengthened by the fact that the companies rarely engage in social and environmental activities, which go beyond legal requirements. As already mentioned, one of the few examples of activities not included in legislation is implementation of management systems. However, it is evident that outside pressure is also the main driver for such implementation. Thus, many companies explain that their biggest customers require that they implement a quality and environmental management system, and preferably a certified management system. While requirements regarding quality management systems have been around for several years, requirements regarding environmental management systems are of more recent date. Those companies that have not yet been met with requirements for ISO 14001 believe that they will be faced with such requirements in the near future. Several of the companies admit that they were not likely to implement certified management systems had they not been faced with customer requirements.

The few companies that have taken initiative to implement ISO 14001 on their own have done so with the anticipation of future customer requirements and because they see it as a way of improving their image vis-à-vis competitors. Some of the companies explain that it is easier to implement a management system in advance of a requirement rather than after.

Even though customer requirements are typically the main reason for implementing a certified management system, several companies claim that an additional benefit from management systems is that they help to improve and clarify their internal processes. Examples of processes that have been improved include minimisation of waste and more frequent use of personal protective equipment.

***“Reason for ISO certifications?
Our customers, and secondly
the company. It helps to check
that everything is okay”***

(Environmental Manager of Polish SME)



***“It’s easier to do it [ISO 9001
and 14001 implementation] in
advance than after somebody
requires it”***

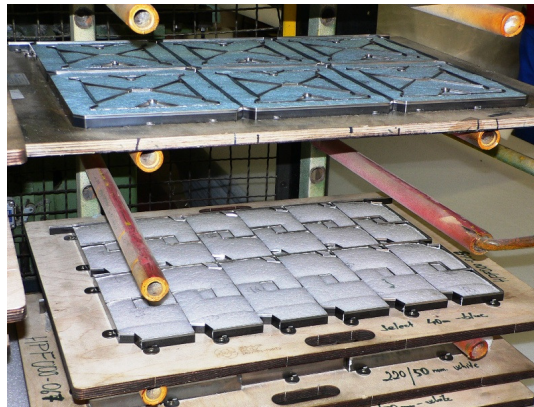
(Managing Director of Czech SME)



Main challenges related to working with social and environmental issues

The companies explain that the greatest barriers for working with social and environmental initiatives, in particular implementation of management systems, are lack of financial and human resources as well as lack of time. In addition to this, many companies feel that other business aspects have higher priority than social and environmental issues.

“There are negative sides if you are looking for the financial good of the company. To make an improvement probably needs some investments in the beginning – and you know, in some cases smaller companies have less financial possibilities to support these investments”



(Production Manager of Hungarian SME)

Besides requiring human and financial resources, implementation of management systems often requires changes in organisational routines, which in turn requires that the workforce is able and willing to change their way of doing things. Several companies find it challenging to change the values and attitudes of the employees, who may not be so prepared to adapt to new situations and new routines. According to management, this is especially the case for employees who have limited education, because they are typically less flexible with their skills and therefore more afraid of change. However, some companies try to minimise potential resistance among the workforce toward the new routines, which can arise during the implementation of management systems. For instance, some companies put great efforts into explaining to their workforce that an ISO certification is important for their company to maintain business relationships with the biggest and most important customers, as well as for the ability to attract new customers in the future. With this information, the workers are more inclined to realise that their own position and salary is dependent upon the implementation of new routines, and this in turn gives them courage to face their new tasks with a more positive attitude. Some companies have also experienced that especially new health & safety routines receive a more positive response by the workforce if management emphasises that these new routines are not only implemented in order to satisfy the customers but also to improve the workers' own health and safety. In general, companies find it easier to communicate health & safety issues

to the workforce than environmental issues because the former relate directly to the workers themselves.

“The main challenge is to train our people. It is not a problem in my social circles, but for less educated people. Due to their background, they do not have it at heart”

(International Key Account Manager of Hungarian SME)



“It doesn't help to tell them [the workers] that Foxconn has requirements. I try to explain that it is for their safety and for the benefit of the environment. It is easier to communicate about health and safety because it relates to the workers themselves”

(Managing Director of Czech SME)



However, findings also reveal that the attitude of management, particularly in terms of dialogue and communication, makes a difference. In a few companies, change of management representatives and/or management style has led to more motivated employees who have become more susceptible to change, even sometimes suggesting relevant changes themselves. In other words, the attitude among management affects the behaviour of the employees and hence the social and environmental performance of the company.

Social and environmental requirements from customers

All companies receive codes of conduct from their biggest customers containing a number of social and environmental requirements which they are expected to fulfil. The customers belonging to the electronics industry typically apply the industry-wide code of conduct, the EICC, to their suppliers. The EICC sets up requirements in the areas of labour, ethics, health & safety, environment, and man-

agement systems. However, while many of the influential customers ask their suppliers to fulfil the requirements in their codes of conduct, only few customers have so far carried out social and environmental audits of the companies. When customers do carry out audits, these are typically related to issues like quality and production planning and only include social and environmental issues to a limited extent – if at all.

“Normally an audit will focus on delivery time, accuracy in delivering and quality. 90% of the audit is on quality. No one is interested in the environment”

(Plant Manager of Hungarian SME)



The majority of companies have very few concerns regarding their ability to fulfil the customer requirements. This is mainly due to the fact that the vast majority of the requirements refer to local legislation, and most companies already engage with external consultants to ensure legal compliance. Requirements which go beyond local legislation mainly relate to implementation of management systems.

“We have not had any incidence where we could not live up to the customer requirements”

(International Key Account Manager of Hungarian SME)



Even though compliance with requirements typically does not constitute a problem for the companies, some companies express a sense of confusion stemming from different requirements and expectations from different customers. While the majority of requirements included in the various codes of conduct are more or less identical, certain requirements may differ between codes. This may leave the

suppliers confused about which requirements – and hence customers – to prioritise.

The companies generally do not need direct assistance from their customers in complying with requirements. However, based on their experiences from quality audits, some of the companies explain that customers could potentially provide useful assistance by carrying out social and environmental audits. By carrying out audits, customers can point to areas of improvements and provide input on how to correct deficiencies. Findings confirm that the few companies whose customers have in place comprehensive social and environmental audit programs are also characterised as having in place more adequate processes than the average SME participant.

In addition, some companies believe that customers can be of great help if they are able to motivate and encourage their suppliers to increase their focus on social and environmental issues. Such motivation can be in the form of explaining the business benefits of fulfilling the requirements, e.g. in terms of improved quality, efficiency and profit, or rewarding the suppliers which do a good job.

“The biggest help for me is having someone look at our factory from the outside. I have learned a lot from the audits”

(Managing Director of Czech SME)

“We have made a big step since we started working with IKEA”

(Environmental Manager of Polish SME)



In general, most companies do not put much effort into communicating the contents of the codes of conduct to their workforce. Thus, whereas the management representatives are typically all aware of the existence of these codes and their main contents, this information is often not communicated further down the organisational hierarchy to the workers.

Moreover, the majority of the companies do not ensure that their own suppliers are aware of and conform to the requirements of the codes they themselves receive from their customers. Several companies explain that their suppliers are often much bigger than themselves, and they therefore expect these suppliers to already work with many of the social and environmental issues mentioned in the codes. In case their suppliers do not work much with such issues, the companies

explain that it will be difficult for them to change the mindset and behaviour of the suppliers because they are smaller in size than the suppliers and hence likely to have little bargaining power. While this seems to be the general attitude, at least one company has revealed a more proactive attitude. Partly as an outcome of participation in the workshops described in Chapter 6, this company has started to pass on requirements to large suppliers.

Linking social and environmental initiatives with business development

The majority of companies do not put much emphasis on the link between social and environmental initiatives and improvement of business indicators such as productivity, turnover rates, rejection rates, etc. This finding is in accordance with the observations made in Chapter 3, where it was mentioned that social and environmental responsibility in the Czech Republic, Hungary and Poland is typically unrelated to their business strategies and operations.

However, it is worth mentioning that when directly asked about potential links to other aspects of business development, the majority of companies do explain that they have already experienced – or anticipate – improved business results as an outcome of their increased focus on social and environmental aspects of the production. In particular, the companies realise the link to competitiveness in the sense that social and environmental initiatives, which are not covered by legal regulations, are typically implemented because they – as indicated previously – are a precondition for keeping business with customers in the long run as well as attracting new customers. Other common improvements are reduced risks of accidents and less energy consumption. Finally, the companies which find it difficult to keep and attract qualified employees, experience that the provision of various social benefits as well as improved ergonomic conditions contribute to keeping these employees in the company for a longer time. However, it should also be pointed out that some companies stress that the various initiatives aimed at improving the safety and security of workers do not lead to increased productivity.

Summarising

The social and environmental engagement of the SME suppliers in the Czech Republic, Hungary and Poland can be summarised as follows:

- The majority of companies demonstrate a reactive approach to social and environmental responsibility by integrating such concerns into their strategy and business operations to a limited extent. Legal requirements are the primary driver for the vast majority of social and environmental initiatives taken by the companies, and they put great efforts into complying with the legislation. The majority of companies only exceed legal requirements when they are pressured to do this by their large customers.

- The few companies demonstrating a more proactive approach by integrating social and environmental responsibility into strategy and business operations are generally better prepared to meet unexpected requirements, and generally anticipate that such initiatives contribute to improving business.
- Despite generally employing acceptable social and environmental standards, inadequate standards are identified in several of the companies, primarily in relation to health & safety issues such as occupational safety, emergency preparedness and response, and ergonomics.
- Management systems within the areas of environment, health & safety and labour & ethics are the predominant examples of social and environmental initiatives going beyond legal requirements. Customer requirements – existing or expected – are the main drivers for implementing management systems.
- Experience from the companies shows that implementation of a management system contributes to more adequate standards, particularly within the area of health & safety and – to a lesser extent – environment.
- Management systems are typically implemented with assistance from external consultants. Some companies have certified management systems, whereas others only have the major elements of a management system in place. However, there is no clear evidence that the companies with certified management systems consistently have more adequate processes for identifying and mitigating risks and ensuring continual improvement than those companies, whose management systems are not certified. As such, the important thing is to have a well-functioning management system, and whether or not it is certified does not necessarily influence the companies' processes.
- The tendency is that companies with the most well-functioning management systems within environment and health & safety typically also have more well-functioning labour & ethics management systems.
- All companies are confronted with social and environmental codes of conduct from customers. The companies generally feel that they are capable of complying with the code of conduct requirements, since the vast majority of requirements relate to local legislation.
- The companies' management teams often fail to communicate the requirements to the workforce and suppliers.
- The customers typically do not carry out social and environmental audits. When customers do carry out audits, these are typically centred on quality and production planning issues. By not carrying out social and envi-

ronmental audits, the customers may give the SME suppliers the impression that social and environmental issues are less important parameters for the business relationship than quality, delivery times and price.

- The companies are of the opinion that the most useful assistance from large customers is input to the correction of inadequate processes and explanations of the business benefits of improving the processes.
- The main challenges regarding social and environmental issues, and in particular implementation of management systems, relate to allocating sufficient financial and human resources as well as time. It is particularly difficult to allocate sufficient resources and time, since the companies typically prioritise other aspects of business higher than social and environmental issues. Changing the values and attitudes of employees and management also constitutes a challenge for several companies.
- Awareness and experience is quite low regarding potential links between social and environmental improvements and improved business indicators. The most obvious link according to the companies is that improved attention to social and environmental issues is increasingly a precondition for doing business with large customers.

Chapter 6: Capability-building activities

As part of the project, DCCA with the assistance of HP organised two capability-building workshops for the participating SME suppliers; a training workshop and an exchange-of-experience workshop.³³ The objective of this chapter is to present the main learnings from the two workshops.

Training workshop

The overall objective of the training workshop was to raise awareness of the importance of social and environmental initiatives, including customer requirements, and to provide the SME suppliers with relevant tools to improve their social and environmental performance. Based on the findings from the assessments in each of the three countries, it was decided to focus the training on environmental and health & safety management systems. While several companies are either already ISO 14001 and/or OHSAS 18001 certified or planning to become certified, the assessments revealed that management system practices could be improved in many companies. Therefore, all companies appeared to benefit from training in implementation and internalisation of management systems. For those companies planning to obtain certification, the training would provide useful preparatory input.



³³ Please see Chapter 2 for further details.

“We can check accuracy of preparing activities to get ISO 14001 and to fulfil requirements of OHSAS 18001”

(Quality Supervisor of Czech SME)



The training workshop was held in local language in each of the three countries and conducted by local tutors. The reason for conducting the workshop in local language was to ensure that all participants would be able to gain the full benefit from the workshop (not all participants mastered the English language). Moreover, the hope was that a workshop conducted in local language would allow for a more open and interactive discussion among participants. However, a clear disadvantage of this set-up was that HP and DCCA missed the opportunity to follow the workshop more closely and participate in active dialogue. The pros and cons were discussed beforehand, but due to the language barriers among the participants, it was decided to opt for local language.

Evaluation

Giving the workshop proper relevance to all was challenged by the diverse group of participants and the short duration of the training. After the workshop, all participating SMEs and tutors were asked to fill in a questionnaire regarding the applicability of the workshop as well as some more overall considerations on social and environmental issues. The primary objective was to assess to what extent the training workshop had made an impact on participants' awareness and attitudes. Even though participants were very diverse in terms of position, attitude, awareness and engagement, the vast majority expressed that they had benefited from the workshop. This especially seems to be the case in terms of raising awareness. However, only a few companies seem to have implemented new initiatives directly based on the workshop. These companies are typically more proactive than the average SME participant.

In terms of relevance, some participants argued that they would have liked more practical examples, especially in relation to implementation of management systems. This input was taken into consideration for the second workshop.

“For me the training was good. I got a lot of new information”

(Representative from Commercial Department of Czech SME)



“The training was theoretical, more practice would be needed”

(Engineering & Quality Manager of Hungarian SME)



Exchange-of-experience workshop

While the first workshop was based on training by external tutors, the objective of the second workshop was to set up an interactive dialogue among the SME suppliers, their direct customers and HP on how to diffuse social and environmental requirements throughout the supply chain. Emphasis was put on the needs and experiences of the SMEs. Even though the main focus was on social and environmental concerns, the link to the business case – and especially how to integrate social and environmental concerns into strategy and business operations – was drawn into the dialogue whenever possible.

The role of DCCA was to facilitate the workshop, but the intention was to give the SMEs a leading role. Since neither HP nor DCCA were able to speak the local language, it was decided to conduct the workshop in English. All companies were specifically asked to send relevant and English-speaking representatives.

It was decided to organise the workshop at the site of the SMEs' direct customers, with the intention of motivating the SMEs to engage more actively in front of their customers, and allowing for a more visible and active role of the customers.

Evaluation

The organisation of an interactive dialogue across the supply chain seemed unique and relevant. However, the main challenge for DCCA was to make the workshop more practical than theoretical, tailor the workshop to the needs of participants, ensure that the participants held relevant (management) positions,

and ensure that all participants – particularly those representing the SMEs – would engage in interactive dialogue.

In order to make the workshop more practical, HP was invited to share their experiences on best practice, and the participants were taken on a guided factory tour of the hosting company. The factory tour was a good opportunity for the SMEs to see how a customer implements social and environmental initiatives in their production facilities. However, due to differences in size and type of production, some of the customer's initiatives and practices may not be transferable to the SMEs' context.

As in the first workshop, the participants were diverse in terms of position, awareness, attitude, and engagement. It was therefore challenging to tailor the workshop to individual needs. Moreover, engaging participants in interactive dialogue proved a rather difficult task. Most participants were very passive. The diverse group of participants, language barriers, cultural barriers, lack of awareness and knowledge, and lack of interest may have contributed to this situation. However, several participants expressed that the primary reason for not engaging in an open discussion was fear of disclosing information to competitors present at the workshop. However, since the issues discussed are typically not considered business confidential, DCCA got the impression that the participants were unable to distinguish between issues that potentially were a confidentiality issue and those that were not. This in turn may have been due to the fact that several participants had not been employed in their companies for a long period of time and/or were not in a relevant management position, which prevented them from speaking on behalf of their organisation.

The most active participants were those in a position to communicate freely and those representing companies with 'best-practice' examples in terms of being proactive and integrating social and environmental concerns into strategy and business operations. These participants were able to inspire other participants, including their own customers. They put emphasis on the importance of applying a proactive approach, which increases the ability to meet unexpected challenges such as requirements from customers and local authorities. They also suggested that it is important to integrate social and environmental practices into strategy and existing business operations. Another recommendation was to involve the expertise of employees and delegate responsibility in order to motivate employees. Finally, they explained that their social and environmental initiatives have yielded visible benefits both in the short and long term.

Summarising

The learnings from the capability-building activities can be summarised as follows:

- Tailoring workshops is very important, and this goal was partly achieved since all participants indicated that the workshops had been beneficial. In particular, the workshops have been successful in raising awareness

among participants. However, some participants would have preferred that the training workshops had been more practical.

- Tailoring workshops was challenged by the short duration of the workshops and the diverse group of participants.
- Another challenge was to ensure that companies were represented by relevant persons, i.e. persons in management positions or with management support.
- The vast majority of participants were hesitant to engage in active dialogue, primarily due to their inability to speak on behalf of their company. The more active participants were those representing companies with the most proactive approach to integrating social and environmental responsibility into strategy and business operations. Their best practice examples served as inspiration to other participants.
- Experience shows that commitment from participating companies as well as their customers is crucial for the success of capability-building activities.

Chapter 7: Analysing learnings from project activities

The previous chapters have presented findings from HP's sustainable supply chain management practices, Central and Eastern European SME suppliers' social and environmental engagement, and capability-building activities targeting SME suppliers. This chapter brings together the learnings from the previous chapters and suggests how MNCs can target SMEs in their sustainable supply chain management programs, both in relation to day-to-day interaction and capability-building activities.

Targeting SME suppliers through day-to-day interaction

This section describes the state of social and environmental engagement within the investigated SMEs, and explains how MNCs can contribute to continuous awareness raising and improvements at the SMEs through day-to-day interaction.

Integration into business operations and links to the business case

The main problem encountered with the SMEs relates to lacking or inadequate management systems. While the companies put great efforts into complying with legal requirements, several of them do not have all processes in place to ensure conformance with applicable laws and regulations, identification and mitigation of risks, and continual improvement. Moreover, the management system processes are not always integrated into business operations, i.e. the existing procedures and routines, of the individual companies. In several companies, the systems tend to be treated as 'appendices' to the existing processes and are hence not 'internalised' within the companies. Inadequate management system processes are often reflected in deficiencies within occupational safety, emergency preparedness and response, ergonomics and – to a lesser extent – handling of hazardous substances.

One possible reason for lack of internalisation is that the management systems have typically been implemented by external consultants who may not have practical knowledge of the day-to-day operations of the companies. Another possible reason is that the SMEs typically implement management systems upon request from customers. Hence, the companies perceive implementation of management systems more as a 'must' and less as an initiative which they themselves believe is important for improving their processes and products. Findings from this report reveal that customers may be able to increase the SMEs' focus on management systems by emphasising that such systems help to improve and clarify their internal processes, and that the full potential of management systems is only reached if the systems are integrated into and adapted to existing business operations. Moreover, customers could emphasise that it is easier to implement a management system in advance rather than after somebody requires it.

An interesting observation is that the SMEs with certified management systems do not consistently have more adequate processes than those SMEs whose man-

agement systems are not certified. This finding fits well with HP's approach to management systems. HP puts more focus on the underlying processes of suppliers' management systems when auditing their suppliers, and emphasises to their suppliers that having a well-functioning management system in place is much more important than having a certification. Moreover, it is important that the management system is adjusted to the size of the organisation, meaning that the processes in SMEs do not necessarily need to be as comprehensive as those in larger companies.

Another common finding from the SMEs is that they generally apply a reactive approach to social and environmental responsibility. They usually associate social and environmental responsibility with legal compliance, and legal requirements are thus the primary driver for the majority of social and environmental initiatives taken by the companies. Many of the companies make use of external consultants to ensure that their standards comply with legal requirements.³⁴ The most evident example of social and environmental initiatives, which go beyond legal requirements, is implementation of certified management systems, and here the primary driver is pressure from customers.

MNC customers may be able to encourage SMEs to apply a more proactive approach by suggesting how social and environmental initiatives can potentially benefit business. Whereas the SMEs are indeed aware that compliance with customer requirements is a precondition for doing business with the customers in the long run, they have less awareness of how social and environmental issues can intersect with broader aspects of their business. Thus, customers may put greater efforts into explaining how social and environmental initiatives can increase performance through e.g. managing risks, reducing costs (increased energy efficiency, reduced employee turnover, reduced cases of accidents and illnesses, etc.), improving productivity and quality, attracting talent and increasing employee satisfaction, making innovative products and services, improving brand value and reputation and stakeholder satisfaction, and maintaining a 'licence to operate'. In other words, SMEs need to understand that social and environmental responsibility should not only be seen as an 'appendix' to other business activities, but as a field which may yield a sound business case if integrated into strategy and business operations.

A better understanding of potential business benefits may also increase the propensity of SMEs to devote more human and financial resources to the social and environmental agenda. Many SMEs find that they do not have the necessary human and financial resources to upgrade their social and environmental engagement. But once convinced of the positive – either direct or indirect – effects of such initiatives on their bottom line, they may perceive the human and financial resources more as an investment than as a barrier.

³⁴ It is difficult to say whether the SMEs dealt with in this report represent average SMEs in the Czech Republic, Hungary and Poland, or whether they – due to the nature of their industry (mainly packaging industry) – do not face many social and environmental problems and hence find it relatively unproblematic to comply with legal requirements.

The importance of validation

This report indicates that SMEs typically apply for certifications of management systems because some of their large customers require such certifications. However, since the majority of customers never audit the social and environmental aspects of the SMEs' production facilities, one could argue that the customers tend to rely more on certificates than on the processes underlying the management systems. Since a certification is no guarantee of a well-functioning management system, customer requirements should be followed up by some kind of validation with the aim of assessing the underlying processes and identifying deficiencies. If requirements are not followed up by validation – typically in the form of audits – customers may risk sending mixed signals to their suppliers, who in turn may be confused about the customers' priorities. Thus, if a customer only follows up on its requirements by reviewing a management system certificate and neglects to review and discuss the underlying processes through audits and on-going dialogue, suppliers may be inclined to believe that social and environmental issues are not highly prioritised by the customer after all.

In fact, the findings in this report indicate that most SMEs welcome audits by their customers, because they find it beneficial when outsiders look at their facilities and provide relevant input. In connection with this, it is worth noting that the few SMEs, who supply to customers with comprehensive social and environmental audit programs, have more adequate processes in place than the average SME participant.

Experiences from HP indicate that audits provide a good opportunity for a close dialogue with suppliers about what HP expects from them and how inadequate processes can possibly be solved. Such dialogue may provide valuable input to the suppliers' subsequent corrective actions. However, a precondition for direct dialogue between customer and supplier during audits is that the customer uses internal – as opposed to third-party – auditors.

Industry-wide initiatives

Some SMEs find it confusing and time-consuming that their customers apply individual codes of conduct which may put emphasis on different issues. It would therefore be beneficial if customers belonging to the same industry increasingly join forces and develop joint codes of conduct. It makes a difference if suppliers find that customers joining the same code of conduct take the code equally seriously.

Some of the existing industry-wide initiatives supplement their joint codes of conduct with joint audits, typically conducted by third-party auditors, with the aim of reducing the amount of audits conducted at each supplier. The customers themselves will also benefit from joint approaches to both codes of conduct and audits, since joint activities are typically less time and resource consuming and provide the customers with more leverage vis-à-vis suppliers. However, a potential disadvantage of joint code of conduct and audit approaches is that they may not reflect

the individual company's priorities. Therefore, some companies choose to engage in both individual and joint efforts.

The Electronic Industry Code of Conduct (EICC), which is applied by many companies within the electronics industry, including HP, is one example of an industry-wide code of conduct.

Continuous dialogue

Audits are an important means for customers to validate the performance of suppliers. However, to keep momentum among SMEs to correct non-conformance issues identified during audits, continuous dialogue between customer and supplier is of great importance. Thus, the findings in this report indicate that SMEs appreciate if customers take the time to explain the rationale behind their requirements as well as provide the SMEs with input to correction of non-conformances.

While dialogue with customers may contribute positively to the SMEs' efforts, internal dialogue within the SMEs' own organisations is equally important. A challenge experienced by several SMEs is to encourage the workforce to change their routines as a consequence of implementation of new procedures, which e.g. management systems give rise to. One possible reason for low receptiveness to new procedures is lack of efforts on the part of management to involve the workforce in the reasoning behind implementation of new procedures and to provide a conducive environment for worker feedback. For instance, findings from this report suggest that management of SMEs often neglect to communicate customer requirements to the workers. The SMEs who have in fact put an effort into improving dialogue and communication like e.g. explaining that implementation of management systems, and hence new routines, is a precondition for keeping the important customers, typically experience a more positive and receptive workforce. Based on the assumption that more positive and receptive workers usually perform better, it would be in the interest of the SMEs' customers to encourage their suppliers to intensify internal dialogue about customer requirements.

Role of customers' personnel in charge of supplier relations

If SME suppliers are to continuously improve their social and environmental performance, they need to be convinced that the customers do in fact take these aspects of business seriously. The auditors conducting the on-site audits are likely to be very committed to and knowledgeable about social and environmental issues. However, if the SMEs are to prioritise social and environmental initiatives in the long run, the dialogue about these issues has to continue after the audits, as indicated above. This means that the personnel in charge of supplier relations within the customer's organisation need to give priority to social and environmental aspects of business and not treat these aspects as less important than other business aspects such as quality, price and delivery times.

However, as the case of HP shows, the personnel in charge of supplier relations may not pay high attention to social and environmental aspects when they inter-

act with suppliers, which is an unfortunate signal to send. Awareness and commitment of personnel in charge of supplier relations may be increased through their active participation in supplier audits and incorporation of social and environmental aspects into their performance evaluations.

The role of personnel in charge of supplier relations is important regardless of the size of suppliers. However, since SMEs may tend to look at large customers as role models for their own business, the role of these personnel becomes particularly important when dealing with SME suppliers.

Role of 1st tier suppliers – the direct customers

Due to their size and lack of financial and human resources, SMEs are likely to introduce social and environmental initiatives that go beyond legal requirements only when they are pressured by their customers. However, not all MNCs have SMEs as direct suppliers. If SME suppliers are placed further down the supply chain, the role of their direct customers (e.g. 1st tier suppliers to HP) becomes very important. While MNCs like HP typically require their 1st tier suppliers to pass on social and environmental requirements to their own suppliers, they may experience that not all 1st tier suppliers are committed or prepared to pass on the requirements – especially if they do not give high priority to social and environmental responsibility within their own organisation. Thus, if a company does not pay much attention to a certain issue inside its own organisation, it is not very likely to encourage its suppliers to pay much attention either. From this it follows that MNCs wishing to have supply chains which are sustainable beyond the 1st tier need to put great efforts into ensuring that their direct suppliers give high priority to social and environmental issues and hence set a good example for their own smaller suppliers.

Once again, the importance of personnel in charge of supplier relations in the MNCs needs to be stressed. If these personnel are not committed to the social and environmental performance of the 1st tier suppliers, the key account managers of the 1st tier suppliers may not attach much importance to this performance either. He or she will in turn not encourage the supplier responsible managers in his/her own organisation to put much emphasis on social and environmental issues in the dialogue with their SME suppliers, who will not learn the importance of these issues either. In other words, in order for sustainability to be disseminated beyond the 1st tier in the supply chain, it is crucial that the 'first' company in the supply chain sends the right signals to its direct suppliers.

Targeting SME suppliers through capability-building activities

Day-to-day sustainable supply chain management, which typically involves codes of conduct, audits and continuous dialogue, serves to increase the awareness of suppliers and improve their ability to comply with social and environmental requirements and expectations. However, these day-to-day activities may not provide suppliers with in-depth knowledge and practical tools on social and environmental issues, which may often be a precondition for a more focused and strate-

gic approach to social and environmental responsibility. This section describes how MNCs can set up capability-building activities which can provide SMEs with more in-depth knowledge and tools.

Collaboration with external partners

To increase suppliers' capabilities, MNCs can choose to set up capability-building activities aimed at a targeted group of suppliers and focusing on one or a few key issues. The activities may take the form of training sessions and/or interactive workshops based on dialogue among participants. While MNCs may have in-house competences to carry out the day-to-day sustainable supply chain management practices, capability-building activities usually require more expertise regarding social and environmental issues, how these issues intersect with business, and specific regulative and cultural aspects. Therefore, companies may choose to organise their capability-building activities in collaboration with external organisations which possess this expertise.

Commitment of SMEs is crucial

Due to their limited human and financial resources as well as their mainly reactive approach to social and environmental responsibility, SMEs may often find it too time-consuming and too little rewarding to participate in training sessions or workshops on social and environmental issues. Therefore, the capability-building activities need to be carefully designed to fit the needs of the target groups in order for the participants to transfer the learnings to their own day-to-day practices. From this it follows that the success of capability-building activities largely depends on whether or not the organisers are able to choose highly relevant topics, which attract the attention of the SMEs and make them committed to the activity. Engaging suppliers in capability-building activities is only realistic up to the point where they are committed. Moreover, it is important for the outcome of the activities that the suppliers get the impression that their customers are equally committed.

Targeted training workshops

The importance and challenge of tailoring training should not be underestimated. Both content and process is highly important. In terms of content, learnings from this project suggest that providing relevant and practical examples which can be directly linked to the participants' business operations is crucial. In this context, a one-day workshop can be seen as a very important awareness-raising first step towards behavioural change, but may be too short to satisfy individual company needs. In terms of process, it should be carefully considered how – and to what extent – participants can be involved in interactive dialogue.

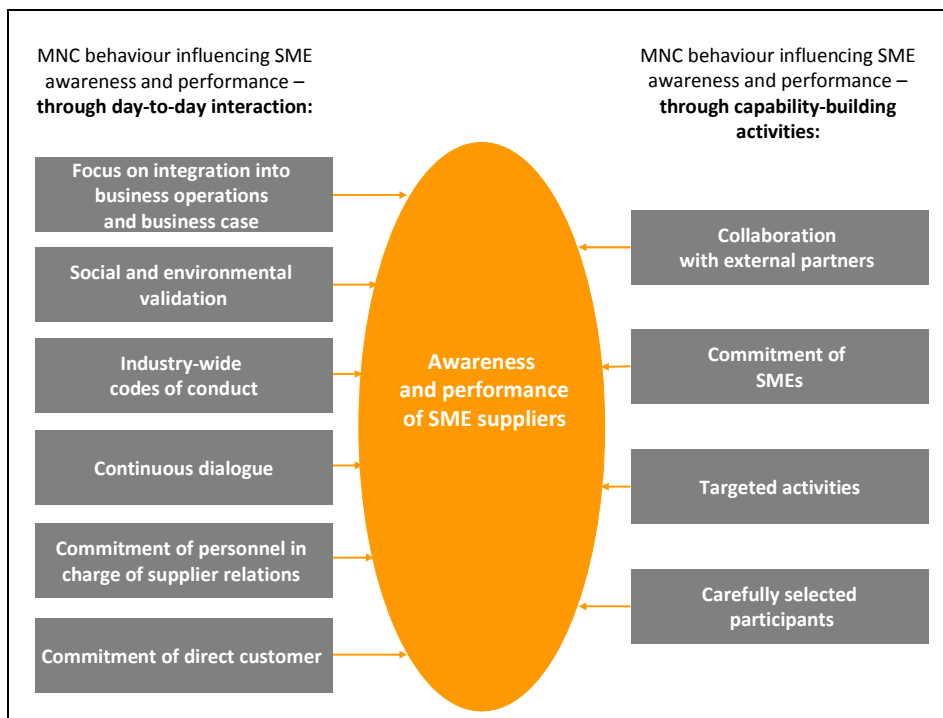
Selection of participants

A main observation touched upon earlier in this report is that participants need to be selected carefully. Thus, it is important that the participants are either in a management position or have management's full support. If this is not the case, it may be difficult for the participants to make the rest of their organisation listen to the learnings and to receive organisational support for implementation of new

initiatives. However, it is also crucial that the participants have sufficient insight into the social and environmental activities and priorities of their organisation. Without such insight, it may be difficult for them to express their organisation’s needs as well as to participate in and contribute to a dialogue with workshop tutors and other participants.

Moreover, if a capability-building activity is largely based on dialogue among participants, it is crucial that the participants have an open mind and are willing to share experiences. However, openness may sometimes be hampered by language barriers (if the workshops are held in English), insecurity about how much corporate information to disclose (this is particularly the case if most participants belong to the same industry and hence may be competitors), or discomfort from speaking in front of a large group of people. The capability-building workshops described earlier in this report reveal that the most active participants are those who occupy relatively high positions enabling them to communicate freely, and those who represent companies which apply a proactive and strategic approach to social and environmental responsibility.

The figure below summarises the mechanisms, which MNCs can employ in order to increase social and environmental awareness and performance of SME suppliers.



The main conclusions from this chapter are compiled into a set of generic guidelines on sustainable supply chain management, which are presented in the next chapter.

Chapter 8: Guidelines on sustainable supply chain management

This chapter presents a list of guidelines for MNCs on sustainable supply chain management, particularly targeting SME suppliers. The guidelines are developed on the basis of findings from SMEs in Central and Eastern Europe, but due to their generic nature, they may also be applied to larger supplier as well as suppliers in other regions.

Focusing on management systems as an integrated part of business operations

SMEs may not always have adequate management system processes in place to ensure conformance with applicable laws and regulations, identification and mitigation of risks, and continual improvement. Lack of adequate management system processes may lead to deficiencies within the areas of health & safety, environment, labour and ethics.

MNCs can encourage SME suppliers to implement more adequate management systems by emphasising that:

- it is important to integrate the management systems into existing processes and procedures and not treat them as an 'appendix' to existing organisational processes
- if integrated into business operations and strategy, social and environmental management systems may yield a sound business case, e.g. through improved productivity and quality, lower personnel turnover, etc.
- a management system certificate in itself does not guarantee that a management system is adequately integrated into the organisation
- it is often easier to implement social and environmental management systems in advance rather than after external stakeholders require it, because it allows the individual company to carry out the implementation at a suitable pace

Following up on written requirements

SMEs often experience that customers neglect to validate their compliance with social and environmental requirements. Customers thereby risk sending mixed signals regarding their priorities and may spur SMEs to think that social and environmental responsibility is not that important after all.

MNCs can emphasise their high priority to social and environmental responsibility by:

- carrying out social and environmental audits to convince the SMEs that their social and environmental performance is indeed of importance for continuation of the business relationship
- following up on the SMEs' correction of non-conformance issues identified during the audits

Continuing the dialogue

Since SMEs often apply a reactive approach to social and environmental responsibility, they have to be continuously reminded of the importance of this responsibility and supported in their efforts.

MNCs can maintain momentum at SME suppliers by:

- engaging in continuous dialogue – e.g. using audits as a platform – whereby the SMEs can be constantly reminded of the customers' expectations and receive guidance on how to correct deficiencies
- ensuring that their own personnel in charge of supplier relations are sufficiently aware of and committed to SMEs' social and environmental performance, enabling them to support and exert pressure on the SMEs
- ensuring that the SMEs' direct customers (in case SMEs are placed beyond 1st tier of the supply chain) are committed and equipped with relevant knowledge
- encouraging internal dialogue between management and workers within the SMEs, based on the assumption that workers are typically more receptive towards new routines and tasks if they have been involved in the implementation of new initiatives

Engaging in industry-wide initiatives

SMEs may experience that customers apply individual codes of conduct, which increases their workload and leaves them confused about which requirements to prioritise.

MNCs can reduce the workload and confusion among SME suppliers and increase their overall leverage vis-à-vis the suppliers by:

- engaging in industry-wide initiatives with joint codes of conduct – and possibly joint audits as well – thereby presenting their common suppliers with only one set of requirements to prioritise

Engaging SMEs in capability-building activities

While day-to-day sustainable supply chain activities serve to improve SME suppliers' awareness and ability to comply with social and environmental requirements, capability-building activities may serve to give them further in-depth knowledge

and practical tools, hence enabling them to apply a more focused and strategic approach to social and environmental responsibility.

MNCs can increase SME suppliers' benefits of capability-building activities by:

- setting up the activities in collaboration with external organisations with expertise within social and environmental issues, how these issues intersect with business, and relevant legal and cultural aspects, which the MNCs themselves usually do not have in-house
- organising the activities in a form and around topics which are highly relevant to SMEs, thereby ensuring the SMEs' commitment and active participation
- ensuring that the SMEs are represented by participants who have a certain leverage within their own organisation, are knowledgeable about their organisation's social and environmental activities and priorities, and are able and willing to share own experiences

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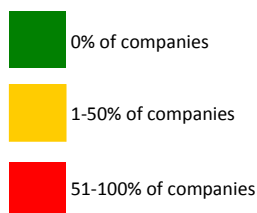
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Appendix A: Social and environmental performance at Czech SMEs

The two tables below give an overview of the overall social and environmental performance of the eight SME suppliers in the Czech Republic. The information was collected during the assessments in October and November 2006. The companies have been assessed against the Electronic Industry Code of Conduct (EICC), which is used by several of the companies' customers from the electronics industry.

The first table includes a general description of how each provision in the EICC is dealt with across companies. Since this description is intended to give an overall picture of the performance in all participating companies in the Czech Republic, nuances as well as differences in the individual companies' approaches are not covered. It should also be mentioned that some provisions could not be reviewed in all companies, primarily due to absence of relevant personnel.

The second table indicates how many companies are in non-conformance with the EICC provisions. The colours indicate the percentage of companies, in which a major non-conformance, minor non-conformance and/or observation have been identified:



Major and minor non-conformances and observations are defined as follows¹:

A major non-conformance is:

- An issue which is in non-conformance with a fundamental requirement of the EICC
- A significant failure in the management system, one that affects the ability of the system to produce the desired results
- An issue with potential significant consequences (injury, inhumane treatment, spill, business disruption, etc.)
- An issue which could be difficult or expensive to correct

A minor non-conformance is:

- An issue which is not significant
- An isolated instance where a requirement has not been fulfilled

¹ These definitions are developed by HP.

An observation is:

- Identification of a situation that could develop into a non-conformance in the future
- An issue that is not a regulatory non-compliance or EICC non-conformance, but may present a risk if left unaddressed

Cross-company performance at Czech SMEs on provisions included in the EICC

Provision	Cross-company performance
Code of conduct	
Electronic Industry Code of Conduct (EICC)	Management in the companies is generally familiar with the expectations and requirements included in the EICC. However the workers as well as payroll service providers (in the cases where such providers are used) are often not aware of the EICC.
Supplier management <i>"HP's Supplier Code of Conduct states that the code may be "...subsequently applied by that business to its supply chain and subcontractors."</i>	The companies do not have a program for ensuring that their own suppliers conform to the Code and to labour, ethics, health and safety, and environmental laws.
Compliance with laws <i>"Fundamental to adopting the Code is the understanding that a business, in all of its activities, must operate in full compliance with the laws, rules and regulations of the countries in which it operates."</i>	All companies have demonstrated in-depth knowledge of local laws and regulations pertaining to labour and human rights, occupational health and safety, and the environment. They have procedures in place that keep them informed about regular updates to the local laws and regulations.
Management system applicability and third party certification <i>"Participants shall adopt or establish a management system whose scope is related to the content of this Code. The management system shall be designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the Participant's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement."</i>	The majority of the companies have many of the elements of a labour and an environmental and health & safety management system in place. However, some elements need to be formalised and strengthened. Three companies are ISO 14001 certified, and four plan to apply for this certification in the near future. Two companies are OHSAS 18001 certified and one is preparing for this certification.
Labour	
Freely chosen employment <i>"Forced, bonded or indentured labour or involuntary prison labour is not to be used. All work will be voluntary, and workers should be free to leave upon reasonable notice. Workers shall not be required to hand over government-issued identification, passports or work permits as a condition of employment."</i>	All companies assure that their workers are free to enter and exit the facilities. Moreover, the companies do not withhold personal or government-issued IDs or require workers to pay a deposit upon being hired. Employees have freely chosen to work for the companies, and there is no forced, prison, indentured or bonded labour being used.
Child labour avoidance <i>"Child labour is not to be used in any stage of manufacturing. The term "child" refers to any person employed under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 should not perform hazardous work and may be restricted from night work with consideration given to educational needs."</i>	All companies review and keep on file copies of proof of age documentation (birth certificates, local records, passports, etc.) at the time workers are hired. The companies only hire workers above 18 years old. Exceptions are summer students, who are allowed to be between the age of 16 and 18.
Working hours <i>"Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week."</i>	Overtime is offered to employees on a voluntary basis in all companies. The employees' overtime hours do not exceed the maximum set by local law. However, a couple of workers in one company have exceeded the legal limit of overtime hours.
Non-discrimination <i>"Participants should be committed to a workforce free of</i>	All companies ensure that employees are not hired on the basis of race, colour, age, gender, sexual orientation, ethnicity, disability,

Provision	Cross-company performance
<p><i>harassment and unlawful discrimination. Companies shall not engage in discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way."</i></p>	<p>religion, political affiliation, union membership or marital status.</p>
<p>Wages and benefits <i>"Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation."</i></p>	<p>All companies provide workers with written employment conditions, including terms of their payments and any deductions for tax, social- and health insurance, etc. A few companies apply a wage deduction as a disciplinary measure. The minimum wage is offered in all companies, and some companies even pay above the minimum wage.</p>
<p>Humane treatment <i>"There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment."</i></p>	<p>All companies provide employees with written rules and regulations that describe acceptable practices and associated disciplinary measures if acceptable practices are not followed. There are no signs of harsh or inhumane treatment in the companies.</p>
<p>Freedom of association <i>"Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Participants are to respect the rights of workers as established by local law to associate freely on a voluntary basis, seek representation, join or be represented by Works Councils, and join or not join labour unions and bargain collectively as they choose. As provided by law, employees who become worker representatives shall not be the subject of discrimination and shall have access to management and co-workers in order to carry out their representative functions. Workers shall be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. In saying that worker rights are to be respected as established or provided by local law, what HP means is that in countries that have legal systems that support those rights, they are to be understood in the context of the definitions, conditions and procedures that local law provides. However, basic worker rights to open communication, direct engagement and humane and equitable treatment must be respected even in countries where they are not given meaningful legal protection. Where worker representation and collective bargaining are restricted by law, participants are to facilitate open communication and direct engagement between workers and management as alternative ways of ensuring that workers' rights, needs and view are considered and acted upon appropriately and in good faith."</i></p>	<p>All companies have an open communication climate. In some companies, management holds regular communication sessions with workers to discuss their issues or disputes, and some have suggestion boxes available in the public areas. However, there is typically no union or workers council in place.</p>
<p>Ethics</p>	
<p>Business integrity <i>"The highest standards of integrity are to be expected in all business interactions. Any and all forms of corruption, extortion and embezzlement are strictly prohibited resulting in immediate termination and legal actions."</i></p>	<p>The majority of the companies provide management and workers with written rules and regulations prohibiting workers from engaging in bribery, corruption or embezzlement. A few companies have no written regulations or processes that define expectations on business ethics to ensure that no one acting on the facility's behalf</p>

Provision	Cross-company performance
	uses corrupt practices to conduct business.
No improper advantage <i>"Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted."</i>	The majority of the companies have written regulations prohibiting all levels of workers from soliciting or accepting kickbacks, bribes, commissions or other unlawful payments for the purpose of receiving favourable treatment contracts or sales from others. A few companies have no written policy that defines expectations for management and workers on giving and receiving of gifts or bribes to or from suppliers and customers.
Disclosure of information <i>"Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices."</i>	The companies have written procedures to ensure non-disclosure and protection of information about its customers, channel partners, suppliers, employees, and other business partners in accordance with applicable laws and regulations.
Intellectual property <i>"Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights."</i>	All but one of the companies reviewed have a policy and procedures in place to review intellectual property ownership and ensure intellectual property rights are upheld and respected. (This provision was not reviewed in all companies).
Fair business, advertising and competition <i>"Standards of fair business, advertising and competition are to be upheld. Means to safeguard customer information should be available."</i>	Approx. half of the companies reviewed have a policy or process for review of advertising statements to ensure they are not false or misleading and they meet fair business and advertising legal requirements. (This provision was not reviewed in all companies).
Protection of identity <i>"Programs that ensure the protection of supplier and employee whistleblower confidentiality are to be maintained."</i>	Except for one company, the companies do not have an anonymous way in which workers and/or external stakeholders can confidentially report ethical or legal concerns.
Community engagement <i>"Community engagement is encouraged to help foster social and economic development."</i>	The majority of the companies reviewed have a charitable giving program and provide donations and/or provide workers with the opportunity to volunteer and support local or regional charities. (This provision was not reviewed in all companies).
Health & safety	
Occupational safety <i>"Worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicle, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventive maintenance and safe work procedures (including lock-out/tagout). Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate personal protective equipment. Workers shall not be disciplined for raising safety concerns."</i>	Worker exposure to safety hazards is adequately identified, evaluated and controlled in the majority of companies. However, workers do not consistently use the personal protective equipment provided to them to protect them from exposure to noise, flying particles, etc.
Emergency preparedness and response <i>"Emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures, including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans."</i>	The companies reviewed assess potential emergency situations and have implemented emergency plans and procedures to protect the safety of workers. However, various minor non-conformances have been detected in the individual companies such as poorly marked emergency exits, blocked fire extinguishers and hydrants, and overdue scheduled inspection of fire extinguishers. (This provision was not reviewed in all companies).
Occupational injury and illness <i>"Procedures and systems are to be in place to manage, track and report occupational injury and illness, including provisions to: a) encourage worker reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate their causes; and d) facilitate return of workers to work."</i>	The vast majority of companies reviewed have implemented appropriate procedures to report, record, classify, treat and investigate work-related injuries and illnesses. In a few cases, the available first-aid material was insufficient. (This provision was not reviewed in all companies).
Industrial hygiene <i>"Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled."</i>	In most companies reviewed, all potential workplace health hazards have been properly identified, evaluated and controlled. However, workers generally do not consistently use the personal

Provision	Cross-company performance
<i>When hazards cannot be adequately controlled by engineering and administrative means, workers are to be provided with appropriate protective equipment."</i>	protective equipment provided to them to protect them from exposure to particularly noise. Moreover, eyewash equipment in the battery charging area is insufficient in several companies. (This provision was not reviewed in all companies).
Physically demanding work <i>"Worker exposure to physically demanding tasks, including manual material handling and heavy lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled."</i>	Most companies have implemented an adequate program to identify and control the hazards of physically demanding work. However, in several companies, the provision of simple fixtures/tools, floor mats, stools and lifting equipment is lacking.
Machine safeguarding <i>"Physical guards, interlocks and barriers are to be provided and properly maintained for machinery used by workers."</i>	In the majority of companies, machine safeguards are provided where required and are properly maintained. In a few cases, where machine safeguarding has been inadequate, it has been related to insufficient safeguarding of spinning machine parts and gluing machines. Also, preventive maintenance and records have been insufficient in a few companies.
Dormitory and canteen <i>"Workers are to be provided with clean toilet facilities, access to potable water and sanitary food preparation and storage facilities. Worker dormitories provided by the Participant or a labour agent are to be clean, safe, and provide emergency egress, adequate heat and ventilation and reasonable personal space."</i>	With the exception of one company, all companies reviewed provide employees with clean toilet facilities and potable water. There are no dormitories. (This provision was not reviewed in all companies).
Environment	
Environmental permits and reporting <i>"All required environmental permits (e.g., discharge monitoring) and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed."</i>	The companies have all required environmental permits and registrations. The permits are current and their operational and reporting requirements are followed.
Pollution prevention and resource reduction <i>"Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials."</i>	The majority of companies reviewed maintain programs, including improvement objectives, to eliminate and reduce waste, including water and energy. (This provision was not reviewed in all companies).
Hazardous substances <i>"Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal."</i>	Approx. half of the companies reviewed have implemented programs and processes to ensure the safe handling, movement, storage, recycling or reuse and disposal of chemicals and hazardous materials. The main problems encountered relate to polystyrene waste stored outside in the open area that could potentially contaminate neighbouring property, and inadequate segregation of hazardous materials. (This provision was not reviewed in all companies).
Wastewater and solid waste <i>"Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal."</i>	Most of the companies do not generate wastewater that is required to be monitored and treated by local environmental regulations. Wastewater and solid waste from the operations are monitored, controlled and treated as required prior to discharge or disposal.
Air emissions <i>"Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge."</i>	The companies reviewed have no air emissions that require treatment or control by local regulations. (This provision was not reviewed in all companies).
Product content restrictions <i>"Product Content Restrictions and HP's General Specification for the Environment (GSE). Participants are to adhere to all applicable laws and regulations regarding prohibition or restriction of specific substances including labelling laws and regulations for recycling and disposal. Partici-</i>	The companies reviewed adhere to both legal and customer requirements regarding prohibited and restricted material, including labelling laws and regulations for recycling and disposal. Only one company reviewed is not aware of HP's requirements for restricted and prohibited materials. (This provision was not reviewed in all companies).

Provision	Cross-company performance
<i>pants are also to adhere to processes to comply with each agreed-upon customer-specific restricted and hazardous materials list."</i>	
Labour management system	
Company commitment <i>"Corporate social and environmental responsibility statements affirming Participant's commitment to compliance and continual improvement."</i>	All but two companies have a labour policy/commitment statement that is signed by executive management and contains commitments to regulatory compliance and continual improvement.
Management accountability and responsibility <i>"Clearly identified company representative[s] responsible for ensuring implementation and periodic review of the status of the management systems."</i>	The companies have assigned a manager with defined and communicated responsibility, and the vast majority have also assigned a manager with authority for implementing and periodically reviewing the labour management system. Management system reviews are performed on a regular basis.
Legal and customer requirements <i>"Identification, monitoring and understanding of applicable laws, regulations and customer requirements."</i>	All companies have implemented a process to identify and regularly monitor applicable laws, regulation and customer requirements, and the labour management representatives have in-depth understanding of all applicable requirements. Legal information is received through multiple channels such as subscription, public media, special trainings and government portals. Several companies have employed a law firm/lawyer to ensure that the latest labour laws and regulations are implemented and followed.
Risk assessment and risk management <i>"Process to identify the labour practice risks associated with Participant's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks."</i>	The majority of companies have not implemented a process to formally identify and evaluate all labour risks, including a determination of relative significance for each risk. However, in most companies controls have been fully or partly implemented to ensure regulatory compliance.
Performance objectives with implementation plan and measures <i>"Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant's performance against those objectives."</i>	Slightly more than half of the companies have established written labour and ethics performance objectives, targets and implementation plans and regularly review their progress toward achieving the objectives. Examples of labour objectives are sickness and fluctuation rates, overtime, productivity, training costs, etc. Two companies have no labour and ethics improvement objectives and targets at all.
Training <i>"Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives."</i>	The vast majority of companies have implemented programs to train managers and workers on labour and ethics policies, procedures and improvement objectives. In one company, training is so far only provided for managers and supervisors.
Communication <i>"Process for communicating clear and accurate information about Participant's performance, practices and expectations to workers, suppliers and customers."</i>	All companies have implemented adequate processes to provide clear and accurate information about the company's labour and ethics performance, practices and expectations to workers, and sometimes to customers as well. The most common communication means are meetings, emails, and notice boards. Most companies do not have an adequate process to communicate labour and ethics performance and expectations to their suppliers.
Worker feedback and participation <i>"Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement."</i>	Slightly less than half of the companies have adequate processes to assess worker understanding of and obtain feedback on labour and ethics practices and conditions and to foster continuous improvement. However, in most companies, the workers can provide feedback directly to their supervisors or the managing director. Some companies also provide suggestion boxes, and a few also employee surveys.
Audits and assessments <i>"Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility."</i>	The majority of companies perform regular internal audits to evaluate compliance with applicable laws and regulations, and some also include conformance with customer requirements. However, the focus of the audits seems to be more on quality issues than on labour and ethics issues.
Corrective action process <i>"Process for timely correction of deficiencies identified by</i>	All but one company have implemented a process to ensure timely correction of deficiencies identified by labour and ethics audits,

Provision	Cross-company performance
<i>internal or external assessments, inspections, investigations and reviews.</i>	assessments, worker complaints, investigations and reviews.
Documentation and records <i>“Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.”</i>	All companies maintain the labour and ethics documents and records necessary to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.
Environmental and health & safety management system	
Company commitment <i>“Corporate social and environmental responsibility statements affirming Participant’s commitment to compliance and continual improvement.”</i>	Approx. half of the companies reviewed have an environmental, health and safety policy/commitment statement that is signed by executive management and includes commitments to compliance and continual improvement. (This provision was not reviewed in all companies).
Management accountability and responsibility <i>“Clearly identified company representative[s] responsible for ensuring implementation and periodic review of the status of the management systems.”</i>	Almost all companies reviewed have assigned a manager with defined and communicated responsibility and authority for implementing and periodically reviewing the management system. Management system reviews are performed on a regular basis. (This provision was not reviewed in all companies).
Legal and customer requirements <i>“Identification, monitoring and understanding of applicable laws, regulations and customer requirements.”</i>	The vast majority of companies reviewed have implemented a process to identify and regularly monitor applicable laws, regulation and customer requirements and the management representatives have in-depth understanding of all applicable requirements. (This provision was not reviewed in all companies).
Risk assessment and risk management <i>“Process to identify the environmental, health and safety practice risks associated with Participant’s operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks.”</i>	The companies reviewed have implemented a process to identify and evaluate risks, including a determination of relative significance for each risk. Physical and procedural controls have been implemented to ensure regulatory compliance. However, the risk assessment procedure typically does not consider customer requirements. (This provision was not reviewed in all companies).
Performance objectives with implementation plan and measures <i>“Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant’s performance against those objectives.”</i>	Management in the companies reviewed does not periodically review its progress in meeting environmental and health & safety improvement objectives. (This provision was not reviewed in all companies).
Training <i>“Programs for training managers and workers to implement Participant’s policies, procedures and improvement objectives.”</i>	The companies reviewed have implemented programs to train managers and workers on health & safety policies and procedures. However, in some of the companies the training does not focus on improvement objectives. (This provision was not reviewed in all companies).
Communication <i>“Process for communicating clear and accurate information about Participant’s performance, practices and expectations to workers, suppliers and customers.”</i>	In the companies reviewed, the process to provide workers and supply-chain partners with information about the company’s performance, practices and expectations is either non-existent or inadequate. (This provision was not reviewed in all companies).
Worker feedback and participation <i>“Ongoing processes to assess employees’ understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement.”</i>	The few companies reviewed approached this issue very differently. Some companies have very adequate processes to assess worker understanding of and obtain feedback on practices and to foster continuous improvement. Other companies have no formal processes in place to obtain worker feedback. (This provision was not reviewed in all companies).
Audits and assessments <i>“Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility.”</i>	Of the companies reviewed, only two perform regular self-audits to evaluate compliance with applicable laws and regulations and conformance with customer requirements. (This provision was not reviewed in all companies).
Corrective action process <i>“Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.”</i>	The few companies reviewed have implemented a process to ensure timely correction of deficiencies identified by audits, assessments, inspections, worker complaints, investigations and reviews. (This provision was not reviewed in all companies).
Documentation and records	The few companies reviewed maintain the documents and records

Provision	Cross-company performance
<i>“Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.”</i>	necessary to ensure regulatory compliance and conformity to company requirements. (This provision was not reviewed in all companies).

Overview of non-conformances at Czech SMEs

Provision	Major	Minor	Observation
Code of conduct			
EICC			
Supplier management			
Compliance with laws			
Management system applicability and third party certification			
Labour			
Freely chosen employment			
Child labour avoidance			
Working hours			
Non-discrimination			
Wages and benefits			
Humane treatment			
Freedom of association			
Ethics			
Business integrity			
No improper advantage			
Disclosure of information			
Intellectual property			
Fair business, advertising and competition			
Protection of identity			
Community engagement			
Health & safety			
Occupational safety			
Emergency preparedness and response			
Occupational injury and illness			
Industrial hygiene			
Physically demanding work			
Machine safeguarding			
Dormitory and canteen			
Environment			
Environmental permits and reporting			
Pollution prevention and resource reduction			
Hazardous substances			
Wastewater and solid waste			
Air emissions			
Product content restrictions			
Labour management system			
Company commitment			
Management accountability and responsibility			
Legal and customer requirements			
Risk assessment and risk management			
Performance objectives with implementation plan and			

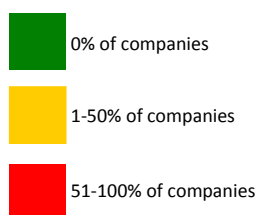
Provision	Major	Minor	Observation
measures			
Training			
Communication			
Worker feedback and participation			
Audits and assessments			
Corrective action process			
Documentation and records			
Environmental and health & safety management system			
Company commitment			
Management accountability and responsibility			
Legal and customer requirements			
Risk assessment and risk management			
Performance objectives with implementation plan and measures			
Training			
Communication			
Worker feedback and participation			
Audits and assessments			
Corrective action process			
Documentation and records			

Appendix B: Social and environmental performance at Hungarian SMEs

The two tables below give an overview of the overall social and environmental performance of the five SME suppliers in Hungary. The information was collected during the assessments in November and December 2006. The companies have been assessed against the Electronic Industry Code of Conduct (EICC), which is used by several of the companies' customers from the electronics industry.

The first table includes a general description of how each provision in the EICC is dealt with across companies. Since this description is intended to give an overall picture of the performance in all participating companies in Hungary, nuances as well as differences in the individual companies' approaches are not covered. It should also be mentioned that some provisions could not be reviewed in all companies, primarily due to absence of relevant personnel.

The second table indicates how many companies are in non-conformance with the EICC provisions. The colours indicate the percentage of companies, in which a major non-conformance, minor non-conformance and/or observation have been identified:



Major and minor non-conformances and observations are defined as follows²:

A major non-conformance is:

- An issue which is in non-conformance with a fundamental requirement of the EICC
- A significant failure in the management system, one that affects the ability of the system to produce the desired results
- An issue with potential significant consequences (injury, inhumane treatment, spill, business disruption, etc.)
- An issue which could be difficult or expensive to correct

A minor non-conformance is:

- An issue which is not significant
- An isolated instance where a requirement has not been fulfilled

² These definitions are developed by HP.

An observation is:

- Identification of a situation that could develop into a non-conformance in the future
- An issue that is not a regulatory non-compliance or EICC non-conformance, but may present a risk if left unaddressed

Cross-company performance at Hungarian SMEs on provisions included in the EICC

Provision	Cross-company performance
Code of conduct	
Electronic Industry Code of Conduct (EICC)	Management representatives of the companies are not familiar with the EICC requirements. Most companies do not have a copy of the EICC, since their customers have not provided a copy. Only one company had recently received a copy of the code and thus had some knowledge of it.
Supplier management <i>"HP's Supplier Code of Conduct states that the code may be "...subsequently applied by that business to its supply chain and subcontractors."</i>	None of the companies have communicated the EICC requirements to their own suppliers and have no process to monitor their conformance to the requirements. In the cases where suppliers are met with requirements, these only pertain to legal requirements.
Compliance with laws <i>"Fundamental to adopting the Code is the understanding that a business, in all of its activities, must operate in full compliance with the laws, rules and regulations of the countries in which it operates."</i>	In all companies, the responsible managers are regularly updated about local laws and regulations pertaining to labour rights, human rights, health & safety, and the environment.
Management system applicability and third party certification <i>"Participants shall adopt or establish a management system whose scope is related to the content of this Code. The management system shall be designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the Participant's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement."</i>	Two companies have ISO 14001 and one has OHSAS 18001. The rest have not yet established an environmental, health & safety management system to implement the policies or to ensure conformance with the provisions of the EICC and applicable laws and regulations. Regarding labour, the majority of the companies have in place many of the elements of a management system.
Labour	
Freely chosen employment <i>"Forced, bonded or indentured labour or involuntary prison labour is not to be used. All work will be voluntary, and workers should be free to leave upon reasonable notice. Workers shall not be required to hand over government-issued identification, passports or work permits as a condition of employment."</i>	All companies' employees have freely chosen to work for the company, and there is no forced, prison, indentured or bonded labour being used in the companies.
Child labour avoidance <i>"Child labour is not to be used in any stage of manufacturing. The term "child" refers to any person employed under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 should not perform hazardous work and may be restricted from night work with consideration given to educational needs."</i>	All companies review documentation with age proof of their employees (birth certificates, local records, passports, etc.) at the time they are hired. They all follow the legal requirements which means that they hire only workers above 18 years, with few exceptions for temporary workers and student workers.
Working hours <i>"Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week."</i>	Workers' overtime hours seem not to exceed the maximum set by local law in any of the companies, and overtime is only taking place on a voluntary basis.

Provision	Cross-company performance
<p>Non-discrimination <i>“Participants should be committed to a workforce free of harassment and unlawful discrimination. Companies shall not engage in discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way.”</i></p>	<p>All companies have procedures to ensure that employees are not hired on the basis of race, colour, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership and marital status.</p>
<p>Wages and benefits <i>“Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation.”</i></p>	<p>All companies provide the employees with written employment conditions, including terms of their payments and any deductions such as social and health insurance or tax. All companies pay at least the minimum wage, and a couple of them pay above.</p>
<p>Humane treatment <i>“There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment.”</i></p>	<p>All companies reviewed provide employees with written rules and regulations that describe acceptable practices and associated disciplinary measures if acceptable practices are not followed. (This provision was not reviewed in all companies).</p>
<p>Freedom of association <i>“Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Participants are to respect the rights of workers as established by local law to associate freely on a voluntary basis, seek representation, join or be represented by Works Councils, and join or not join labour unions and bargain collectively as they choose. As provided by law, employees who become worker representatives shall not be the subject of discrimination and shall have access to management and co-workers in order to carry out their representative functions. Workers shall be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. In saying that worker rights are to be respected as established or provided by local law, what HP means is that in countries that have legal systems that support those rights, they are to be understood in the context of the definitions, conditions and procedures that local law provides. However, basic worker rights to open communication, direct engagement and humane and equitable treatment must be respected even in countries where they are not given meaningful legal protection. Where worker representation and collective bargaining are restricted by law, participants are to facilitate open communication and direct engagement between workers and management as alternative ways of ensuring that workers’ rights, needs and view are considered and acted upon appropriately and in good faith.”</i></p>	<p>In all companies reviewed, employees feel comfortable to voice their opinions about working conditions to management and supervisors. The employees are generally encouraged to speak openly in case they have any issues they want to raise. One company has a labour union in place. (This provision was not reviewed in all companies).</p>
<p>Ethics</p>	
<p>Business integrity <i>“The highest standards of integrity are to be expected in all business interactions. Any and all forms of corruption,</i></p>	<p>Three of the five companies provide management and employees with written rules and regulations prohibiting workers from engaging in bribery, corruption or embezzlement.</p>

Provision	Cross-company performance
<i>extortion and embezzlement are strictly prohibited resulting in immediate termination and legal actions."</i>	
No improper advantage <i>"Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted."</i>	<p>The companies, which have written rules for business integrity, also have written rules for improper advantage, i.e. regulations prohibiting all levels of workers from soliciting or accepting kick-backs, bribes, commissions or other unlawful payments. The companies, which do not have written rules for business integrity, do not have written rules for improper advantage either.</p>
Disclosure of information <i>"Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices."</i>	<p>All companies have written procedures to ensure non-disclosure and protection of information about their customers, channel partners, suppliers, employees, and other business partners in accordance with applicable laws and regulations.</p>
Intellectual property <i>"Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights."</i>	<p>All companies reviewed have a policy and procedures in place to review intellectual property ownership and ensure intellectual property rights are upheld and respected. (This provision was not reviewed in all companies).</p>
Fair business, advertising and competition <i>"Standards of fair business, advertising and competition are to be upheld. Means to safeguard customer information should be available."</i>	<p>Half of the companies have a policy or process for reviewing advertising statements to ensure they are not false or misleading and they meet fair business and advertising legal requirements. Such policy and processes are available in the companies which also have policies for business integrity and improper advantage. (This provision was not reviewed in all companies).</p>
Protection of identity <i>"Programs that ensure the protection of supplier and employee whistleblower confidentiality are to be maintained."</i>	<p>Several companies provide management and employees with written information on how to confidentially report ethical or legal concerns. However, they do not always have a procedure to follow-up and investigate reports of ethical or legal misconduct. (This provision was not reviewed in all companies).</p>
Community engagement <i>"Community engagement is encouraged to help foster social and economic development."</i>	<p>The majority of companies have a charitable giving program and provide donations and/or provide workers with the opportunity to volunteer and support local or regional charities. (This provision was not reviewed in all companies).</p>
Health & safety	
Occupational safety <i>"Worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicle, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventive maintenance and safe work procedures (including lock-out/tagout). Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate personal protective equipment. Workers shall not be disciplined for raising safety concerns."</i>	<p>In several companies, workers are not provided with the appropriate personal protective equipment to control exposure to chemical and mechanical hazards. In the companies, which do provide the personal protective equipment, it is often not properly maintained or used. Moreover, safety awareness is generally poor, particularly in terms of machine safeguarding.</p>
Emergency preparedness and response <i>"Emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures, including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans."</i>	<p>The companies' emergency preparedness is generally lacking. The most common examples of inadequacies are lacking emergency exit facilities, lacking fire fighting equipment signage, and lacking fire detection and suppression equipment.</p>
Occupational injury and illness <i>"Procedures and systems are to be in place to manage, track and report occupational injury and illness, including provisions to: a) encourage worker reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate their causes; and d) facilitate return of workers to work."</i>	<p>The majority of companies have implemented appropriate procedures to report, record, classify, treat and investigate work related injuries and illnesses. However, in at least one company, accidents are not formally investigated.</p>

Provision	Cross-company performance
Industrial hygiene <i>“Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled. When hazards cannot be adequately controlled by engineering and administrative means, workers are to be provided with appropriate protective equipment.”</i>	In the companies reviewed, the noise level is typically quite high, and personal protective equipment is either missing or not consistently enforced. (This provision was not reviewed in all companies).
Physically demanding work <i>“Worker exposure to physically demanding tasks, including manual material handling and heavy lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled.”</i>	A couple of companies have implemented an adequate program to identify and control the hazards of physically demanding work. In the companies, where such a program is absent, it is noticed that mechanical lifting aids are not used to reduce worker exposure to manual handling hazards. (This provision was not reviewed in all companies).
Machine safeguarding <i>“Physical guards, interlocks and barriers are to be provided and properly maintained for machinery used by workers.”</i>	Machine safeguards are provided and properly maintained in slightly more than half of the companies. However, in some companies there is easy access to cutting parts in particular.
Dormitory and canteen <i>“Workers are to be provided with clean toilet facilities, access to potable water and sanitary food preparation and storage facilities. Worker dormitories provided by the Participant or a labour agent are to be clean, safe, and provide emergency egress, adequate heat and ventilation and reasonable personal space.”</i>	All companies provide their workers with clean toilet facilities and potable water. In the companies, which have a canteen, food storage and preparation areas are clean and sanitary.
Environment	
Environmental permits and reporting <i>“All required environmental permits (e.g., discharge monitoring) and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.”</i>	The companies reviewed have the required environmental permits and registrations. However, in one company the wastewater treatment plant does not comply with demands for oxygen content. (This provision was not reviewed in all companies).
Pollution prevention and resource reduction <i>“Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.”</i>	Half of the companies reviewed maintain programs to eliminate and reduce waste, including improvement objectives. (This provision was not reviewed in all companies).
Hazardous substances <i>“Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.”</i>	The majority of companies do not utilise chemicals and hazardous materials in their operations. Those who do utilise such materials do not provide adequate storage facilities to prevent leaks and spills.
Wastewater and solid waste <i>“Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal.”</i>	The majority of companies do not generate wastewater that is required to be monitored and treated by local environmental regulations. Solid waste is typically recycled by a licensed service provider. In one company, an underground tank for liquid hazardous waste is not protected.
Air emissions <i>“Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.”</i>	All companies but one does not have air emissions that require treatment or control by local regulations. The only company with air emissions has never measured the emissions.
Product content restrictions <i>“Product Content Restrictions and HP’s General Specification for the Environment (GSE). Participants are to adhere to all applicable laws and regulations regarding prohibition or restriction of specific substances including labelling laws and regulations for recycling and disposal. Participants are also to adhere to processes to comply with each agreed-upon customer-specific restricted and hazardous</i>	Except for one company, none of the companies are aware of HP’s requirements for restricted and prohibited materials. The company which is aware has not included the requirements in its procurement and manufacturing processes.

Provision	Cross-company performance
<i>materials list.</i> "	
Labour management system	
Company commitment <i>"Corporate social and environmental responsibility statements affirming Participant's commitment to compliance and continual improvement."</i>	Three of five companies have a labour policy/commitment statement containing commitments to regulatory compliance and continual improvement.
Management accountability and responsibility <i>"Clearly identified company representative[s] responsible for ensuring implementation and periodic review of the status of the management systems."</i>	All companies but one have assigned a manager with defined and communicated responsibility and authority for implementing and periodically reviewing the labour management system.
Legal and customer requirements <i>"Identification, monitoring and understanding of applicable laws, regulations and customer requirements."</i>	All companies have a process to identify and regularly monitor applicable laws and regulations. Customer requirements are not always covered by this process.
Risk assessment and risk management <i>"Process to identify the labour practice risks associated with Participant's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks."</i>	The two companies without a labour policy/commitment do not evaluate and rank labour and ethics risks. The remaining three have implemented a process to identify and evaluate labour risks and regulatory compliance, including a determination of relative significance for each risk. However, not all labour and ethics provisions are covered in the risk assessment.
Performance objectives with implementation plan and measures <i>"Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant's performance against those objectives."</i>	Except for one, all companies have established written labour and ethics performance objectives, targets and implementation plans. They regularly review their progress toward achieving the objectives.
Training <i>"Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives."</i>	The three companies with a labour policy/commitment have implemented programs to train managers and workers on labour and ethics policies, procedures and improvement objectives. The workers typically receive induction training, whereas management representatives often receive special training from external service providers or law firms. (This provision was not reviewed in all companies).
Communication <i>"Process for communicating clear and accurate information about Participant's performance, practices and expectations to workers, suppliers and customers."</i>	The three companies with a labour policy/commitment have implemented adequate processes to provide clear and accurate information about their labour and ethics performance, practices and expectations to workers. Typical communication channels are management and department meetings, intranet, notice board and emails. However, suppliers and customers are often not provided with the information.
Worker feedback and participation <i>"Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement."</i>	Only the three companies with a labour policy/commitment have formal processes to assess worker understanding of and obtain feedback on labour and ethics practices and conditions and to foster continuous improvement.
Audits and assessments <i>"Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility."</i>	Only two companies perform regular audits to evaluate compliance with applicable laws and regulations. However, social and environmental customer requirements are not covered in the audits.
Corrective action process <i>"Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews."</i>	Four of the companies have implemented a process to ensure timely correction of deficiencies identified by labour and ethics audits, assessments, worker complaints, investigations and/or reviews.
Documentation and records <i>"Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy."</i>	All companies maintain the labour and ethics documents and records necessary to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.
Environmental and health & safety management system	
Company commitment	Only one company has an environmental, health and safety pol-

Provision	Cross-company performance
<p><i>“Corporate social and environmental responsibility statements affirming Participant’s commitment to compliance and continual improvement.”</i></p>	<p>icy/commitment statement covering commitments to compliance and continual improvement. Two additional companies have a policy/commitment statement; however, in one company it does not include health & safety, and in the other company it is not made available to workers.</p>
<p>Management accountability and responsibility <i>“Clearly identified company representative[s] responsible for ensuring implementation and periodic review of the status of the management systems.”</i></p>	<p>Three companies have assigned a manager with defined and communicated responsibility and authority for the environmental, health & safety management system. However, in two of the three companies, the responsible manager does not periodically review the status of the management system.</p>
<p>Legal and customer requirements <i>“Identification, monitoring and understanding of applicable laws, regulations and customer requirements.”</i></p>	<p>The majority of companies have implemented a process to identify and regularly monitor applicable laws, regulation and customer requirements. At least a couple of companies have contracted a health & safety consultant to ensure compliance with legal requirements.</p>
<p>Risk assessment and risk management <i>“Process to identify the environmental, health and safety practice risks associated with Participant’s operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks.”</i></p>	<p>Even though all companies have conducted a risk assessment, they typically do not use the findings to establish physical and procedural controls.</p>
<p>Performance objectives with implementation plan and measures <i>“Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant’s performance against those objectives.”</i></p>	<p>Only one company has established written performance objectives, targets and implementation plans and regularly reviews the progress toward achieving the objectives. Another company only has performance objectives for the environmental area, whereas the remaining three companies do not have any procedures at all for setting up performance objectives.</p>
<p>Training <i>“Programs for training managers and workers to implement Participant’s policies, procedures and improvement objectives.”</i></p>	<p>All companies have in place training courses for the workforce. The training primarily focuses on health & safety issues. However, one company does not provide training for managers, and another does not provide training for workers before they start working.</p>
<p>Communication <i>“Process for communicating clear and accurate information about Participant’s performance, practices and expectations to workers, suppliers and customers.”</i></p>	<p>The process to provide workers, customers and suppliers with information about the company’s performance, practices and expectations seems inadequate in the majority of companies reviewed. (This provision was not reviewed in all companies).</p>
<p>Worker feedback and participation <i>“Ongoing processes to assess employees’ understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement.”</i></p>	<p>The majority of companies have processes to assess worker understanding and obtain feedback on the various practices. However, this input is not always used to foster continuous improvement.</p>
<p>Audits and assessments <i>“Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility.”</i></p>	<p>The majority of companies perform regular self-audits to evaluate compliance with applicable laws and regulations. However, customer requirements are not covered during the audits.</p>
<p>Corrective action process <i>“Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.”</i></p>	<p>Only one company has implemented a formal process to ensure timely correction of deficiencies identified by the audits, assessments, inspections, worker complaints, investigations and reviews. One company has a process, which only covers environmental aspects, and another company has a process that only tracks findings of internal audits but not authority inspections. (This provision was not reviewed in all companies).</p>
<p>Documentation and records <i>“Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.”</i></p>	<p>Two of the companies reviewed maintain the documents and records necessary to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy. (This provision was not reviewed in all companies).</p>

Overview of non-conformances at Hungarian SMEs

Provision	Major	Minor	Observation
Code of conduct			
EICC			
Supplier management			
Compliance with laws			
Management system applicability and third party certification			
Labour			
Freely chosen employment			
Child labour avoidance			
Working hours			
Non-discrimination			
Wages and benefits			
Humane treatment			
Freedom of association			
Ethics			
Business integrity			
No improper advantage			
Disclosure of information			
Intellectual property			
Fair business, advertising and competition			
Protection of identity			
Community engagement			
Health & safety			
Occupational safety			
Emergency preparedness and response			
Occupational injury and illness			
Industrial hygiene			
Physically demanding work			
Machine safeguarding			
Dormitory and canteen			
Environment			
Environmental permits and reporting			
Pollution prevention and resource reduction			
Hazardous substances			
Wastewater and solid waste			
Air emissions			
Product content restrictions			
Labour management system			
Company commitment			
Management accountability and responsibility			
Legal and customer requirements			
Risk assessment and risk management			
Performance objectives with implementation plan and measures			
Training			
Communication			
Worker feedback and participation			
Audits and assessments			
Corrective action process			
Documentation and records			

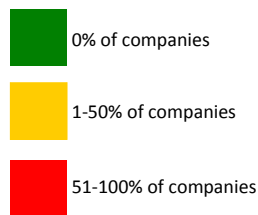
Provision	Major	Minor	Observation
Environmental and health & safety management system			
Company commitment	Yellow	Red	Green
Management accountability and responsibility	Green	Red	Green
Legal and customer requirements	Green	Yellow	Yellow
Risk assessment and risk management	Green	Red	Yellow
Performance objectives with implementation plan and measures	Yellow	Red	Green
Training	Green	Yellow	Yellow
Communication	Green	Yellow	Yellow
Worker feedback and participation	Green	Yellow	Red
Audits and assessments	Green	Red	Yellow
Corrective action process	Green	Yellow	Yellow
Documentation and records	Green	Yellow	Yellow

Appendix C: Social and environmental performance at Polish SMEs

The two tables below give an overview of the overall social and environmental performance of the two SME suppliers in Poland. The information was collected during the assessments in January 2007. The companies have been assessed against the Electronic Industry Code of Conduct (EICC), which is used by several of the companies' customers from the electronics industry.

The first table includes a general description of how each provision in the EICC is dealt with across companies. Since this description is intended to give an overall picture of the performance in both participating companies in Poland, nuances as well as differences in the individual companies' approaches are not covered. It should also be mentioned that some provisions could not be reviewed in both companies, primarily due to absence of relevant personnel.

The second table indicates how many companies are in non-conformance with the EICC provisions. The colours indicate the percentage of companies, in which a major non-conformance, minor non-conformance and/or observation have been identified:



Major and minor non-conformances and observations are defined as follows³:

A major non-conformance is:

- An issue which is in non-conformance with a fundamental requirement of the EICC
- A significant failure in the management system, one that affects the ability of the system to produce the desired results
- An issue with potential significant consequences (injury, inhumane treatment, spill, business disruption, etc.)
- An issue which could be difficult or expensive to correct

A minor non-conformance is:

- An issue which is not significant
- An isolated instance where a requirement has not been fulfilled

³ These definitions are developed by HP.

An observation is:

- Identification of a situation that could develop into a non-conformance in the future
- An issue that is not a regulatory non-compliance or EICC non-conformance, but may present a risk if left unaddressed

Cross-company performance at Polish SMEs on provisions included in the EICC

Provision	Cross-company performance
Code of conduct	
Electronic Industry Code of Conduct (EICC)	The management representatives in the two companies are not familiar with the EICC, since the code has not been provided to them.
Supplier management <i>"HP's Supplier Code of Conduct states that the code may be "...subsequently applied by that business to its supply chain and subcontractors."</i>	None of the companies have a program for ensuring that their own suppliers conform to the EICC. Only one of the companies ensures that all suppliers follow local legislation regarding labour, ethics, health & safety, and environmental laws.
Compliance with laws <i>"Fundamental to adopting the Code is the understanding that a business, in all of its activities, must operate in full compliance with the laws, rules and regulations of the countries in which it operates."</i>	The responsible managers in the two companies have knowledge of local laws and regulations pertaining to labour and human rights, health & safety, and the environment.
Management system applicability and third party certification <i>"Participants shall adopt or establish a management system whose scope is related to the content of this Code. The management system shall be designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the Participant's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement."</i>	Both companies have the major elements of an environmental and health & safety management system in place to implement the policies and to ensure conformance with the provisions of the EICC and applicable laws and regulations. They are both certified according to ISO 14001. One has in addition a PN-N 18001 certification, and one plans to apply for this certification in the future. Regarding labour, one company has many and one has some elements of a management system in place.
Labour	
Freely chosen employment <i>"Forced, bonded or indentured labour or involuntary prison labour is not to be used. All work will be voluntary, and workers should be free to leave upon reasonable notice. Workers shall not be required to hand over government-issued identification, passports or work permits as a condition of employment."</i>	Employees in both companies have freely chosen to work for them, and there is no forced, prison, indentured or bonded labour. Moreover, the companies do not withhold personal or government-issued IDs or require employees to pay a deposit upon being hired.
Child labour avoidance <i>"Child labour is not to be used in any stage of manufacturing. The term "child" refers to any person employed under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 should not perform hazardous work and may be restricted from night work with consideration given to educational needs."</i>	Management in the companies reviews and keeps on file copies of proof of age documentation (birth certificates, local records, passports, etc.) at the time employees are hired. The companies only hire employees above 18 years of age, the only exception being summer students who may be 17 years old.
Working hours <i>"Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week."</i>	Overtime is offered to workers on a voluntary basis only.
Non-discrimination <i>"Participants should be committed to a workforce free of harassment and unlawful discrimination. Companies shall</i>	The companies ensure that employees are not hired on the basis of race, colour, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership or marital

Provision	Cross-company performance
<p><i>not engage in discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way."</i></p>	<p>status.</p>
<p>Wages and benefits <i>"Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation."</i></p>	<p>The companies provide employees with written employment conditions, including terms of their payments and any deductions for local taxes, insurances, etc. They are in conformance with local laws for minimum wages and benefits.</p>
<p>Humane treatment <i>"There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment."</i></p>	<p>The companies provide their employees with written rules and regulations that describe acceptable practices and associated disciplinary measures if acceptable practices are not followed.</p>
<p>Freedom of association <i>"Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Participants are to respect the rights of workers as established by local law to associate freely on a voluntary basis, seek representation, join or be represented by Works Councils, and join or not join labour unions and bargain collectively as they choose. As provided by law, employees who become worker representatives shall not be the subject of discrimination and shall have access to management and co-workers in order to carry out their representative functions. Workers shall be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. In saying that worker rights are to be respected as established or provided by local law, what HP means is that in countries that have legal systems that support those rights, they are to be understood in the context of the definitions, conditions and procedures that local law provides. However, basic worker rights to open communication, direct engagement and humane and equitable treatment must be respected even in countries where they are not given meaningful legal protection. Where worker representation and collective bargaining are restricted by law, participants are to facilitate open communication and direct engagement between workers and management as alternative ways of ensuring that workers' rights, needs and view are considered and acted upon appropriately and in good faith."</i></p>	<p>In both companies, management holds regular communication sessions with the employees to discuss current issues or disputes. The communication in the companies is very open and direct. One of the companies has suggestion boxes available. However, there is no worker representation or trade union in the companies.</p>
<p>Ethics</p>	
<p>Business integrity <i>"The highest standards of integrity are to be expected in all business interactions. Any and all forms of corruption, extortion and embezzlement are strictly prohibited resulting in immediate termination and legal actions."</i></p>	<p>None of the companies have written regulations or processes that define expectations on business ethics to ensure that no one acting on their behalf uses corrupt practices to conduct business. However, both companies are working according to the Polish laws and regulations.</p>
<p>No improper advantage</p>	<p>None of the companies have a written policy that defines expecta-</p>

Provision	Cross-company performance
<p><i>"Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted."</i></p>	<p>tions for management and employees on giving and receiving of gifts or bribes to or from suppliers and customers. However, both companies are working according to the Polish laws and regulations.</p>
<p>Disclosure of information <i>"Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices."</i></p>	<p>Both companies have written procedures to ensure non-disclosure and protection of information about their customers, channel partners, suppliers, employees, and other business partners in accordance with applicable laws and regulations.</p>
<p>Intellectual property <i>"Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights."</i></p>	<p>This provision is only applicable to one company, which does have a policy and procedures in place to review intellectual property ownership and ensure intellectual property rights are upheld and respected.</p>
<p>Fair business, advertising and competition <i>"Standards of fair business, advertising and competition are to be upheld. Means to safeguard customer information should be available."</i></p>	<p>None of the companies have a policy or process for reviewing advertising statements to ensure they are not false or misleading and they meet fair business and advertising legal requirements.</p>
<p>Protection of identity <i>"Programs that ensure the protection of supplier and employee whistleblower confidentiality are to be maintained."</i></p>	<p>Only one company provides management, employees (via suggestion boxes) and external stakeholders with means to confidentially report ethical or legal concerns.</p>
<p>Community engagement <i>"Community engagement is encouraged to help foster social and economic development."</i></p>	<p>Both companies provide donations and support to local or regional charities.</p>
<p>Health & safety</p>	
<p>Occupational safety <i>"Worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicle, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventive maintenance and safe work procedures (including lock-out/tagout). Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate personal protective equipment. Workers shall not be disciplined for raising safety concerns."</i></p>	<p>Personal protective equipment is available in both companies. However, the equipment is not consistently used in one of the companies. In the other company, marked pass ways are ignored and used as storage areas, and pallets are stacked too high.</p>
<p>Emergency preparedness and response <i>"Emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures, including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans."</i></p>	<p>The company reviewed has assessed potential emergency situations and implemented emergency plans and procedures to protect the safety of workers. (This provision was not reviewed in one of the companies).</p>
<p>Occupational injury and illness <i>"Procedures and systems are to be in place to manage, track and report occupational injury and illness, including provisions to: a) encourage worker reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate their causes; and d) facilitate return of workers to work."</i></p>	<p>In the company reviewed, a sufficient amount of employees have received first-aid training. A nurse is available during daytime, and a company doctor is available once a week and additionally on demand. Accidents are reported, tracked and analysed. (This provision was not reviewed in one of the companies).</p>
<p>Industrial hygiene <i>"Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled. When hazards cannot be adequately controlled by engineering and administrative means, workers are to be provided with appropriate protective equipment."</i></p>	<p>In the company reviewed, workplace hazards are identified and personal protective equipment provided. The company performs regular measurement of noise, air quality, etc. (This provision was not reviewed in one of the companies).</p>
<p>Physically demanding work <i>"Worker exposure to physically demanding tasks, includ-</i></p>	<p>In the company reviewed, ergonomics training is available. However, office ergonomics is not covered by the training. (This provi-</p>

Provision	Cross-company performance
<i>ing manual material handling and heavy lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled."</i>	sion was not reviewed in one of the companies).
Machine safeguarding <i>"Physical guards, interlocks and barriers are to be provided and properly maintained for machinery used by workers."</i>	In the company reviewed, machine safeguarding is a part of the health & safety inspection. (This provision was not reviewed in one of the companies).
Dormitory and canteen <i>"Workers are to be provided with clean toilet facilities, access to potable water and sanitary food preparation and storage facilities. Worker dormitories provided by the Participant or a labour agent are to be clean, safe, and provide emergency egress, adequate heat and ventilation and reasonable personal space."</i>	In the company reviewed, the cafeteria seems clean and well organised. (This provision was not reviewed in one of the companies).
Environment	
Environmental permits and reporting <i>"All required environmental permits (e.g., discharge monitoring) and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed."</i>	Both companies have the required environmental permits and registrations.
Pollution prevention and resource reduction <i>"Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials."</i>	The company reviewed has an annual environmental plan with goals for industrial waste reduction. Waste is separated for recycling and shipped to licensed recycling companies. (This provision was not reviewed in one of the companies).
Hazardous substances <i>"Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal."</i>	The company reviewed has implemented programs and processes to ensure safe handling, movement, storage, and disposal of chemicals and hazardous materials. (This provision was not reviewed in one of the companies).
Wastewater and solid waste <i>"Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal."</i>	The company reviewed separates and recycles waste, and sends solid waste to a licensed company. The company does not produce waste water. (This provision was not reviewed in one of the companies).
Air emissions <i>"Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge."</i>	The company reviewed has no air emissions that require treatment or control by local regulations. (This provision was not reviewed in one of the companies).
Product content restrictions <i>"Product Content Restrictions and HP's General Specification for the Environment (GSE). Participants are to adhere to all applicable laws and regulations regarding prohibition or restriction of specific substances including labelling laws and regulations for recycling and disposal. Participants are also to adhere to processes to comply with each agreed-upon customer-specific restricted and hazardous materials list."</i>	None of the companies are aware of HP's requirements for restricted and prohibited materials. Since one of the companies does not produce any products, the requirements are not applicable here.
Labour management system	
Company commitment <i>"Corporate social and environmental responsibility statements affirming Participant's commitment to compliance and continual improvement."</i>	Both companies have a company policy/commitment statement that is signed by executive management and contains commitments to regulatory compliance and continual improvement.
Management accountability and responsibility <i>"Clearly identified company representative[s] responsible</i>	The companies have responsible persons with defined and communicated responsibility and authority for implementing and

Provision	Cross-company performance
<i>for ensuring implementation and periodic review of the status of the management systems."</i>	periodically reviewing the labour management system. Management system reviews are performed on a regular basis.
Legal and customer requirements <i>"Identification, monitoring and understanding of applicable laws, regulations and customer requirements."</i>	The companies have a process to identify and regularly monitor applicable laws, regulations and customer requirements, and the labour management representatives have in-depth understanding of all applicable requirements. However, customer requirements are not integrated into this process in any of the companies.
Risk assessment and risk management <i>"Process to identify the labour practice risks associated with Participant's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks."</i>	Only one company has partly implemented a process to identify and evaluate some labour risks, including a determination of relative significance for each risk. Procedural controls have been implemented to ensure regulatory compliance.
Performance objectives with implementation plan and measures <i>"Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant's performance against those objectives."</i>	Both companies have established improvement objectives and targets for some areas within labour and ethics. However, only one company has in place written implementation plans for achieving them.
Training <i>"Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives."</i>	Both companies have programs to train managers and employees on labour policies and procedures. Training for managers are typically provided by external service providers. Training for employees include labour laws, house rules, health & safety, etc.
Communication <i>"Process for communicating clear and accurate information about Participant's performance, practices and expectations to workers, suppliers and customers."</i>	The companies have implemented adequate processes to provide information about their labour and ethics performance, practices and expectations to employees. Typical communication means are emails, letters, and meetings. However, suppliers are not addressed in any of the companies.
Worker feedback and participation <i>"Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement."</i>	None of the companies have formal processes in place to obtain worker feedback on labour and ethics practices and conditions. However, employees can speak directly to the management or use suggestion boxes.
Audits and assessments <i>"Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility."</i>	The companies perform regular internal audits to evaluate compliance with applicable laws and regulations, although the last audit was more than one year ago in one company. However, the audits do not include conformance with customer requirements.
Corrective action process <i>"Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews."</i>	The companies have implemented a – more or less formal – process to ensure timely correction of deficiencies identified by labour and ethics audits, assessments, worker complaints, investigations and reviews.
Documentation and records <i>"Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy."</i>	Both companies maintain the labour and ethics documents and records necessary to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.
Environmental and health & safety management system	
Company commitment <i>"Corporate social and environmental responsibility statements affirming Participant's commitment to compliance and continual improvement."</i>	The companies have an environmental, health and safety policy/commitment statement signed by executive management, which includes commitments to compliance and continual improvement.
Management accountability and responsibility <i>"Clearly identified company representative[s] responsible for ensuring implementation and periodic review of the status of the management systems."</i>	The companies have assigned managers with defined and communicated responsibility and authority for implementing and periodically reviewing the management systems. However, one of the companies only has a responsible manager for the environmental management system.
Legal and customer requirements <i>"Identification, monitoring and understanding of applicable laws, regulations and customer requirements."</i>	The companies have a process to identify and regularly monitor applicable laws, regulation and customer requirements. The information is provided through the internet, external lawyers, etc.
Risk assessment and risk management	The companies have a process to identify and evaluate risks, in-

Provision	Cross-company performance
<i>"Process to identify the environmental, health and safety practice risks associated with Participant's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks."</i>	cluding a determination of relative significance for each risk. In at least one of the companies, physical and procedural controls have been implemented to ensure regulatory compliance.
Performance objectives with implementation plan and measures <i>"Written standards, performance objectives, targets and implementation plans including a periodic assessment of Participant's performance against those objectives."</i>	Performance objectives are set and monitored regularly, and implementation plans are in place. However, objectives are not defined for many areas.
Training <i>"Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives."</i>	A general training is provided to all employees before the first work day. This training has to be repeated after a certain period according to local legislation. The training relates to ergonomics, chemical handling, etc.
Communication <i>"Process for communicating clear and accurate information about Participant's performance, practices and expectations to workers, suppliers and customers."</i>	This provision was not reviewed in any of the companies.
Worker feedback and participation <i>"Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement."</i>	Feedback can be given directly by employees to the management. In one of the companies, the suggestion boxes can also be used for giving feedback.
Audits and assessments <i>"Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility."</i>	Internal audits are carried out in both companies. One of the companies has several trained management system auditors, who do inspections on a monthly basis. Non-conformances are documented, and implementation of corrective actions gets reviewed. In the other company, however, the process is less formal, and the last internal audit was carried out more than one year ago.
Corrective action process <i>"Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews."</i>	A formal corrective action process is only in place in one company.
Documentation and records <i>"Creation of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy."</i>	One company maintains the documents and records necessary to ensure regulatory compliance and conformity to company requirements. The other company has not yet completed the documentation of its health & safety programs and procedures.

Overview of non-conformances at Polish SMEs

Provision	Major	Minor	Observation
Code of conduct			
EICC			
Supplier management			
Compliance with laws			
Management system applicability and third party certification			
Labour			
Freely chosen employment			
Child labour avoidance			
Working hours			
Non-discrimination			
Wages and benefits			
Humane treatment			

Provision	Major	Minor	Observation
Freedom of association			
Ethics			
Business integrity			
No improper advantage			
Disclosure of information			
Intellectual property			
Fair business, advertising and competition			
Protection of identity			
Community engagement			
Health & safety			
Occupational safety			
Emergency preparedness and response			
Occupational injury and illness			
Industrial hygiene			
Physically demanding work			
Machine safeguarding			
Dormitory and canteen			
Environment			
Environmental permits and reporting			
Pollution prevention and resource reduction			
Hazardous substances			
Wastewater and solid waste			
Air emissions			
Product content restrictions			
Labour management system			
Company commitment			
Management accountability and responsibility			
Legal and customer requirements			
Risk assessment and risk management			
Performance objectives with implementation plan and measures			
Training			
Communication			
Worker feedback and participation			
Audits and assessments			
Corrective action process			
Documentation and records			
Environmental and health & safety management system			
Company commitment			
Management accountability and responsibility			
Legal and customer requirements			
Risk assessment and risk management			
Performance objectives with implementation plan and measures			
Training			
Communication			
Worker feedback and participation			
Audits and assessments			
Corrective action process			
Documentation and records			



DANISH COMMERCE AND COMPANIES AGENCY

PEOPLE & PROFIT PHASE 2

Mapping of CSR activities among small and medium-sized enterprises

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1 Introduction

1.1 Background and purpose of the survey

The Danish Commerce and Companies Agency is currently conducting the People & Profit project, which is funded by the European Social Fund and the National Labour Market Authority's Social Inclusion Fund.

The purpose of People & Profit is to maintain and enhance the competitive conditions for Danish enterprises by enabling them to use corporate social responsibility (CSR) as a real competitive parameter.

Corporate social responsibility is defined in this context as the voluntary efforts of enterprises to integrate social and environmental considerations in their activities and their interaction with the surrounding world.

The project's reference group is made up of the Confederation of Danish Industries (DI), the Danish Construction Association, the Danish Employers' Confederation (DA), the United Federation of Danish Workers (3F), the National Labour Market Authority, the Danish Association of Managers and Executives, the Central Organisation of Industrial Employees in Denmark, Danish Commerce and Services, the Danish Chamber of Commerce (HTS), the Confederation of Danish Trades Unions (LO) and the Union of Commercial and Clerical Employees in Denmark (HK).

The project consists of five phases in total:

1. Preliminary study
2. Mapping
3. Development of tools
4. Development of SMEs' CSR initiatives
5. Implementation and embedding

This report sets out the results of phase 2 of the project, which consists of mapping with the focus on the following main questions:

- What CSR activities are Danish small and medium-sized enterprises using?
- What CSR activities have the greatest positive (or negative) impact on the financial results of the enterprises?

The mapping in phase 2 was carried out by TNS Gallup A/S using an Internet-based questionnaire survey of small and medium-sized enterprises in Denmark.

1.2 Summary of method

The survey took the form of an Internet-based questionnaire survey of a representative cross-section of small and medium-sized enterprises in Denmark. The enterprises were randomly selected from KOB, Købmandsstandens Oplysningsbureau (see section 11.2 for a detailed account of the random sampling).

The participants in the survey were then recruited over the telephone by TNS Gallup's interview department. The interviewers contacted 4,178 enterprises in the target group, 2,840 (68%) of which wanted to take part in the survey. These 2,840 enterprises were sent an email containing a link to the questionnaire, which could then be completed over the Internet. TNS Gallup received 1,071 valid replies, a response rate of 38%.

When the replies received were processed, Statistics Denmark enriched the results with financial information on the enterprises taken from its accounts statistics. As this information is confidential, this was done in completely anonymised form. This means that only Statistics Denmark can trace the financial information to the individual enterprise.

The detailed analysis of the results of the survey are described in the section on method (section 11).

1.3 Definitions

In phase 1 of People & Profit small and medium-sized enterprises were defined as enterprises with up to 250 employees and annual turnover not exceeding 50 million Euros or assets not exceeding 43 million Euros.¹

TNS Gallup did not have full access to information on turnover and assets when taking the random sample, as such information is only available for enterprises that have statutory duty to provide it and so is not available for a representative cross-section of all SMEs in Denmark. The financial part of the definition was therefore omitted, with SMEs being defined in this survey as *enterprises with between 10 and 250 employees*.

The categorisation of CSR activities used in the survey was inspired by Ashridge's catalogue², which contains seven categories, which are described in the table below.

Table 1.1 Categorisation of CSR activities

Category	Content
Leadership, vision and values	This is about setting a clear direction and leading by putting CSR at the centre of the enterprise. It is related to the other main groups of CSR activities.
Marketplace activities	This relates to issues of relevance to the markets in which the enterprise operates.
Workforce activities	This is about fair treatment of employees by the enterprise and is often related to attraction and retention of employees.
Supply chain activities	This relates to the enterprise's suppliers, whose social and environmental performance can be reflected in the enterprise's end products or services by virtue of the supply chain.
Stakeholder engagement	Stakeholders include people and organisations that can be affected by or can influence the activities of the enterprise. They are typically owners, employees, customers, suppliers, local communities, authorities, etc.
Community activities	This is about promoting social solidarity in the broadest sense in the local communities in which the enterprise operates.
Environmental activities	This is about policies, operational management and reporting in relation to environmental impacts from all the enterprise's activities.

1.4 Structure of the report

The *next section* summarises the main results of the survey. *Section 3* then contains a summary of the prevalence of CSR activities, including the reasons for enterprises implementing CSR activities and their assessment of financial impact. *Section 4* deals with CSR-oriented product development by small and medium-sized enterprises, while *section 5* looks at how they organise and communicate their CSR activities.

Subsequent sections go into CSR activities in five selected areas in depth. *Section 6* covers workforce-related CSR activities, for example, while *section 7* deals with the environment, *section 8* with stakeholder engagement, *section 9* with the marketplace and *section 10* with the supply chain. The report concludes with a detailed account of method in *section 11*.

¹ Source: "Summary report: People & Profit – Phase 1", Danish Commerce and Companies Agency, August 2005.

² Source: "Catalogue of CSR Activities: A Broad Overview", Ashridge, April 2005.

2 Summary of main results

The mapping of CSR activities in Danish small and medium-sized enterprises suggests the following overall conclusions:

- **Three quarters of Danish SMEs have implemented CSR activities.** CSR activities have mainly been implemented with regard to the workforce and the environment, but charitable voluntary and social activities are also widespread. SMEs with a large workforce in particular have implemented CSR activities, while enterprises in the transport sector and manufacturing are also more likely to have implemented CSR activities.
- **Thirty six per cent of enterprises believe that CSR activities in general have a positive financial impact**, while only 4% are of the opinion that CSR activities in general have a *negative* financial impact. The survey shows, however, that when enterprises that have implemented CSR activities in specific areas are asked about the financial impact of activities in a specific area, even more estimate that the CSR activities have a positive financial impact.
- **Workforce-related CSR activities in particular are estimated to have a positive financial impact**, with 61% of the enterprises that have implemented workforce-related CSR activities indicating that such activities have a positive financial impact, while only 4% indicate a negative financial impact. Apart from the direct financial impact, enterprises estimate that workforce-related CSR activities have a positive impact in relation to their general reputation and attracting/retaining qualified employees.
- **With regard to the marketplace, supply chain and environment too, enterprises that have implemented CSR activities in these particular areas estimate that the activities have a positive financial impact to a greater extent than if they are asked about the impact of CSR activities *in general*.** Fifty four per cent of the enterprises that have implemented CSR activities in relation to the marketplace, for example, estimate that such activities have a positive financial impact. As regards the supply chain, 46% estimate that activities have a positive financial impact, while the same applies to 40% of the enterprises with environmental CSR activities.
- **Enterprises should be motivated to implement CSR activities for financial, ethical and moral reasons.** Fifty six per cent of the enterprises that have implemented CSR activities cite a positive financial impact as the justification for such activities. Sixty nine per cent point to ethical and moral reasons.
- **More than a quarter of the enterprises (26%) have developed CSR-oriented products or services.** Most of these are to do with the environment. Three quarters of the enterprises that have developed CSR-oriented products believe that such products have a positive financial impact for the enterprise.
- **The survey indicates a need for further information on CSR among small and medium-sized enterprises.** In particular, the enterprises are asking for information on those areas where they have already implemented CSR activities, i.e. primarily with regard to the workforce and the environment.

Table 2.1 below provides a summary of which industries are most likely to have CSR activities in the various areas and how enterprises themselves assess the financial and other impacts of CSR activities in the various areas.

Table 2.1 Summary of the five CSR areas of activity

Area of activity	Industries where activities are particularly widespread	Assessment of financial impact	Positive impact primarily on...
Workforce	Hotels and catering Manufacturing Transport	Mainly positive (61%) Positive impact felt in both short and long term	Reputation Attracting/retaining qualified employees
Environment	Hotels and catering Manufacturing Trade and servicing	Mainly positive (40%) Positive impact felt in both short and long term	Reputation Reduction in resource consumption
Stakeholders	Hotels and catering Transport Manufacturing	Mainly no impact (43%) Positive impact felt in both short and long term	Reputation Attracting/retaining qualified employees
Marketplace	Hotels and catering Trade and servicing Transport	Mainly positive (54%) Positive impact felt in both short and long term	Reputation Attracting/retaining customers
Supply chain	Hotels and catering Trade and servicing	Mainly positive (46%) Positive impact felt in both short and long term	Reputation Attracting/retaining customers Cooperation
CSR-oriented product development	Trade and servicing	Mainly positive (59%)	Particularly products / services related to <i>environment problems</i> are estimated to have a positive financial impact

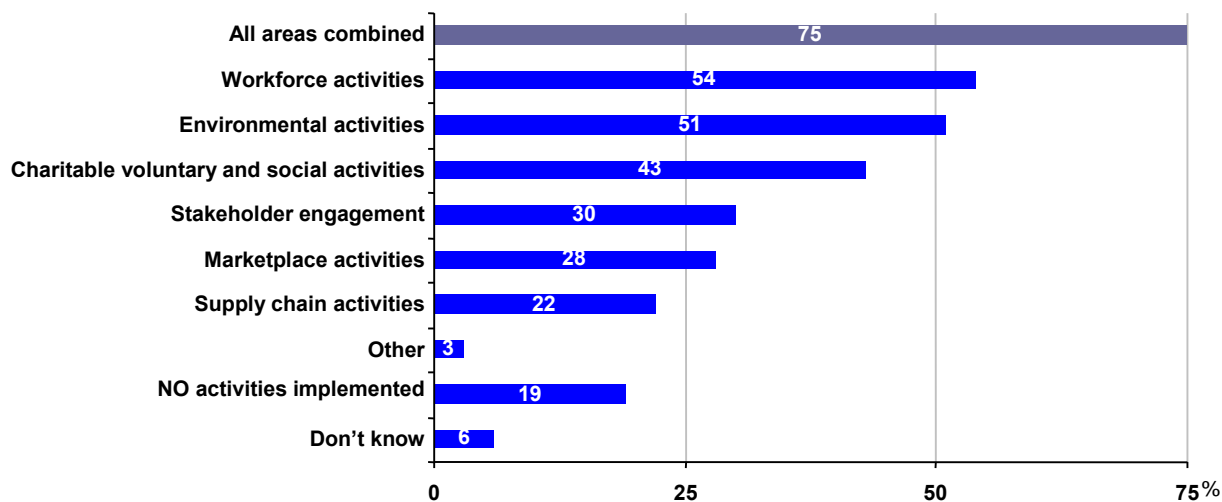
These conclusions are described in greater depth below.

2.1 Scope of CSR activities among Danish SMEs

Three out of four small and medium-sized enterprises in Denmark have implemented activities to do with corporate social responsibility, otherwise known as CSR. Nineteen per cent of enterprises say that they have not implemented CSR activities.

The figure below shows the prevalence of CSR activities according to area.

Figure 2.1 Prevalence of CSR activities in different areas (n=1071)



The question was: In which of the following areas has your enterprise implemented CSR activities? The figure shows the percentage of respondents who indicated the activity in question.

CSR activities to do with the workforce are the most widespread relatively speaking. More than half of enterprises (54%) have implemented CSR activities in this area. Environmental activities are also relatively widespread: 51% have implemented CSR activities to do with the environment. Conversely, supply chain activities are least widespread relatively speaking (22%).

In addition to the CSR activities implemented by enterprises in the above areas, a good quarter (26%) of enterprises have developed CSR-oriented products or services. Most of these are to do with the environment.

2.2 Financial impact of CSR activities

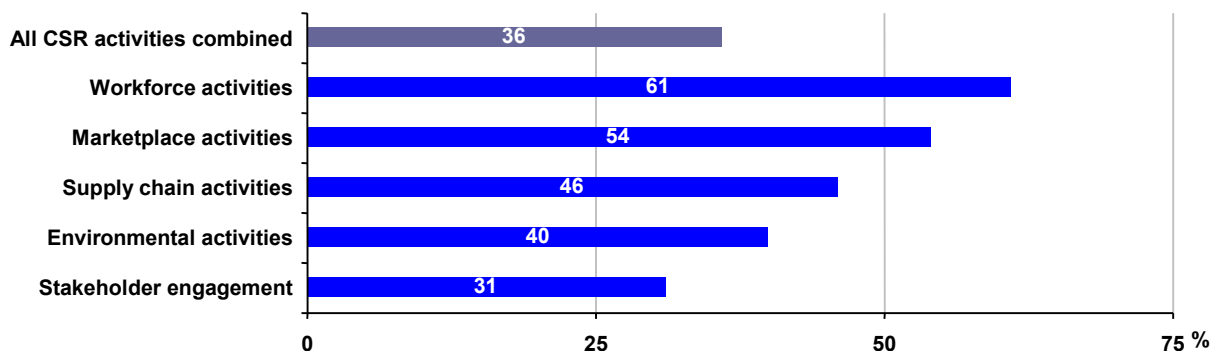
As part of the mapping process enterprises were asked whether they thought that their CSR activities in general had a positive or negative financial impact. They were also asked to assess whether CSR activities in specific areas had a positive or negative financial impact.

The results show that the largest number of enterprises believe that CSR activities *in general* do not have an unequivocally positive or negative impact. Forty per cent think that CSR activities in general have no financial impact.

A large proportion of enterprises (36%), however, believe that CSR activities have a *positive* financial impact, while only 4% are of the opinion that CSR activities have a *negative* financial impact.

The figure below shows the extent to which respondents believe that CSR activities in different areas have a positive financial impact. The largest number relatively speaking (61%) estimate that workforce activities have a positive financial impact. On the other hand, the smallest number relatively speaking (31%) believe that stakeholder engagement has a positive financial impact.

Figure 2.1 Positive financial impact, in general and according to area



The question was: *If the enterprise's profits from CSR in relation to (the area) are compared with costs, would you estimate that the activities in relation to (the area) in general have a positive or negative impact on the enterprise's overall result.* Note: The figure shows the proportion of respondents who replied "positive financial impact". As the figure summarises results from different questions, n varies from area to area.

The survey also shows that, when enterprises that have implemented CSR activities in specific areas are asked about the financial impact of the activities in a specific area, even more estimate that their CSR activities have a positive financial impact than if the enterprises are asked about the financial impact of their CSR activities *in general*. What the survey reveals, therefore, is that the more specific the CSR activities asked about, the greater the tendency to assess financial impact positively.

It should be mentioned in this context that the enterprises were asked about the specific size of the positive or negative financial impact of their CSR activities. Only very few enterprises are able to quantify the costs or profits involved in CSR, however.

2.3 Financial impact of CSR activities to do with the workforce and the environment

The survey also shows that how enterprises assess the impact of specific activities in the various areas is totally dependent on whether the enterprises have implemented those activities.

Specifically in relation to the workforce the survey shows that there are certain differences in the specific activities that enterprises estimate to have a positive financial impact.

Table 2.2 below shows how large a proportion believes that workforce activities in general have a positive financial impact for enterprises that have/have not implemented a given activity related to the workforce. With few exceptions, the enterprises that *have* implemented specific activities are more likely to believe that workforce activities in general have a positive financial impact. In other words, belief in a positive financial impact is greatest among those enterprises which have already implemented the activities. The greatest difference is seen for *social activities, further training and employee involvement*.

The opposite tendency applies to *integration of people with reduced working capacity and integration of refugees and immigrants*. In this case those enterprises that *have* implemented the activities are less likely to believe that the activities have a positive financial impact.

Table 2.2 Proportion who estimate that workforce-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Social activities for employees	74%	56%	+ 18%
Further training, competence development and/or retraining of the workforce	71%	54%	+ 17%
Dialogue with and involvement of the workforce in important decisions on the enterprise's work processes	71%	55%	+ 16%
Establishing a balance between work, family and leisure	74%	61%	+ 13%
Improving the emotional and physical working environment and promoting the well-being of the workforce, improving safety in the workplace	70%	58%	+ 12%
Retaining own employees	67%	66%	+ 1%
Integration of people with reduced working capacity	65%	68%	- 3%
Integration of refugees and immigrants	58%	71%	- 13%
Other	77%	66%	+ 11%

In the environmental area too there is a tendency for enterprises that *have* implemented a given specific activity to be more likely to believe that environmental activities in general have a positive financial impact. The greatest difference is seen for the *development of resource-saving procedures*. Table 2.3 below illustrates how those enterprises that have implemented specific environmental activities are also most likely relatively speaking to believe that their environmental efforts in general have a positive impact.

Table 2.3 Proportion who estimate that environmental CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Development of procedures and production processes with a view to saving resources and energy	52%	27%	+ 25%
Dialogue with and involvement of the enterprise's stakeholders in important decisions on the enterprise's environmental impact	59%	42%	+ 17%
Product lifecycle analyses	55%	42%	+ 13%
Other	50%	46%	+ 4%

2.4 Other impacts of CSR activities

As part of the mapping process for the financial impact of CSR activities enterprises were also asked to estimate the effect of the activities in relation to other impact parameters such as reputation, attracting employees, etc. That is to say, the effects of CSR activities that do not necessarily impact directly on the enterprises' financial bottom line, but which – in the slightly longer term at least – may be assumed to have a positive influence on the competitiveness and finances of enterprises.

The results show that workforce-related CSR activities in particular are estimated to have positive impacts in relation to the general reputation of enterprises and their ability to attract and retain qualified employees. The same applies to stakeholder-related CSR activities. Environmental CSR activities are also estimated to have the greatest possible impact in relation to the general reputation of enterprises, as well as with regard to reducing resource consumption.

2.5 Motivation for CSR activities

Part of the reason for enterprises not been able to determine the financial impact of CSR activities may lie in their motivation for implementing such activities.

It would appear that enterprises' motivation for implementing CSR activities does not at least primarily lie in the expectation that CSR activities will have a positive impact on the bottom line.

A positive influence on the enterprise's financial result may well be cited as the justification for CSR activities by 56% of enterprises, but even more (69%) give ethical and moral reasons, the reputation of the enterprise, and attracting and retaining employees as the primary motivating factors behind CSR.

2.6 Need for information on areas of greatest relevance to enterprises

In particular, enterprises express a need for information on those areas where they have already implemented CSR activities, i.e. primarily with regard to the workforce and the environment.

A more detailed analysis reveals, for example, that the need for more information is consistently much more pronounced for those respondents who *have* implemented CSR activities and enterprises are consistently most interested in information on area(s) where they have already implemented activities.

The following table provides a summary of which enterprises are most likely to ask for information about CSR activities according to area.

Table 2.4 Summary of need for information

Area of activity	More information wanted	Enterprises with a particular requirement for more information
Workforce	21% want more information	Enterprises with 50-99 employees
Environment	21% want more information	Manufacturing enterprises
Stakeholder engagement	15% want more information	-
Marketplace	9% want more information	Trade and servicing enterprises
Supply chain	10% want more information	Trade and servicing enterprises
Internal management activities	15% want more information	Enterprises with 50-99 employees
Charitable and voluntary activities	7% want more information	-

2.7 Organisation and communication of CSR activities

Enterprises have different ways of organising the assignment of responsibility for their CSR activities.

In half of the enterprises the responsibility for CSR activities is mainly assigned to senior management, while 11% have assigned responsibility to line management.

Twenty seven per cent of the enterprises have not formally assigned responsibility, but indicate that their CSR activities are an integral part of day-to-day manners and conduct in the enterprise.

Only very few enterprises have assigned responsibility to the works council or the like. This does not mean that the workforce is not involved, however. Half the enterprises say, for example, that CSR activities *are implemented* through workforce involvement.

A good third of the enterprises (36%) communicate their CSR activities externally. Of these, only 40% have systematic external communication, however. External communication is not systematic in slightly more enterprises (47%), but the enterprises reply that their customers and business associates know what the enterprise stands for.

Enterprises with 100-250 employees are significantly more likely to communicate their CSR activities externally, while enterprises with 20-49 employees are significantly less likely to do so.

Finally, enterprises that consider CSR activities to have a positive financial impact are significantly more likely to communicate their CSR activities externally, while those that consider CSR activities to have a negative financial impact are less likely to do so.

3 Summary of the prevalence of CSR activities

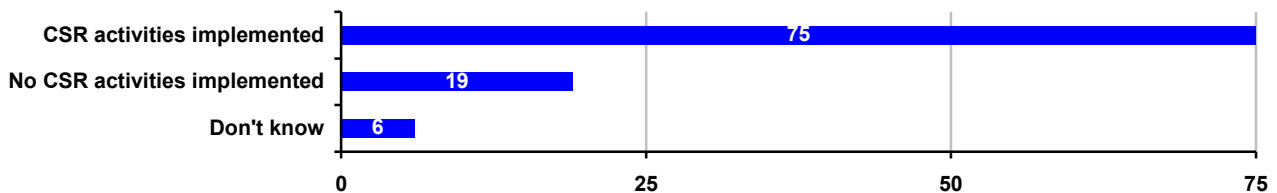
This section maps the prevalence of CSR activities among small and medium-sized enterprises in Denmark.

It is divided into five parts. The first part of the section contains a *characterisation* of the enterprises that have implemented CSR activities, while the second part looks at the *areas* in which the enterprises have implemented CSR activities. The third part goes behind the CSR activities and looks at the *reasons* for implementing them. The fourth part deals with the enterprises' own assessment of the *financial impact* of CSR activities. The fifth and final part of the section maps the enterprises' *need for more information* on CSR activities.

3.1 Characteristics of SMEs with CSR activities

As figure 3.1 below shows, three out of four enterprises indicate that they have implemented CSR activities of one sort or another.

Figure 3.1 Proportion of SMEs that have implemented CSR activities (n=1071)



The following takes a closer look at *which* enterprises have a particularly high level of activity. Gallup carried out a number of multivariate analyses in order to uncover this.

Purpose of multivariate analyses

Multivariate analyses are used throughout the report with a view to mapping the correlation between enterprises' CSR activities and different enterprise characteristics. In brief, the purpose of the multivariate analyses is to make it possible to isolate those factors which affect specific circumstances in the enterprises.

The purpose of the multivariate analyses with regard to workforce-related CSR activities, for example, is to reveal whether there is a correlation between which industry the enterprises come from and whether they have implemented workforce-related CSR activities. In other words, whether those enterprises that have workforce activities come from specific industries.

In order to do this, it is necessary to look at several enterprise characteristics simultaneously. A situation might, for example, be imagined in which simple cross tabulation shows that enterprises in Jutland are more likely to have CSR activities. This may not, however, be due to their geographical location, but be down to the fact that a large proportion of enterprises in Jutland belong to specific industries with a greater tendency to implement CSR activities. In such a situation carrying out a multivariate analysis would prevent it being concluded incorrectly that enterprises in Jutland are more likely to have implemented CSR activities, as the analysis can show precisely that belonging to a particular industry rather than geographical location is responsible. See also appendix 2 for a detailed description of the specific multivariate analyses used in the report.

The multivariate analyses show that the most important factors affecting whether an enterprise has implemented CSR activities are (a) industry, (b) number of employees and (c) type of business (e.g. public limited company, private limited company, etc.). Conversely, the analyses show that the age and geographical location of an enterprise do not play a major role. This is illustrated in table 3.1.

Table 3.1 Factors affecting whether SMEs have CSR activities

Industry

- Enterprises in transport and manufacturing are most likely to have implemented CSR activities.
- Enterprises in real property/business services are least likely to have implemented CSR activities.

Number of employees

- Enterprises with a large number of employees are more likely to have implemented CSR activities.
- The lowest tendency to implement CSR activities is found among enterprises with 20-29 employees.

Type of business

- Branch businesses are more likely than other types of business to have implemented CSR activities.
- Sole traders, on the other hand, are less likely to have implemented CSR activities.

Geography

- The survey CANNOT demonstrate an observable correlation between the geographical location of enterprises and whether they have implemented CSR activities.

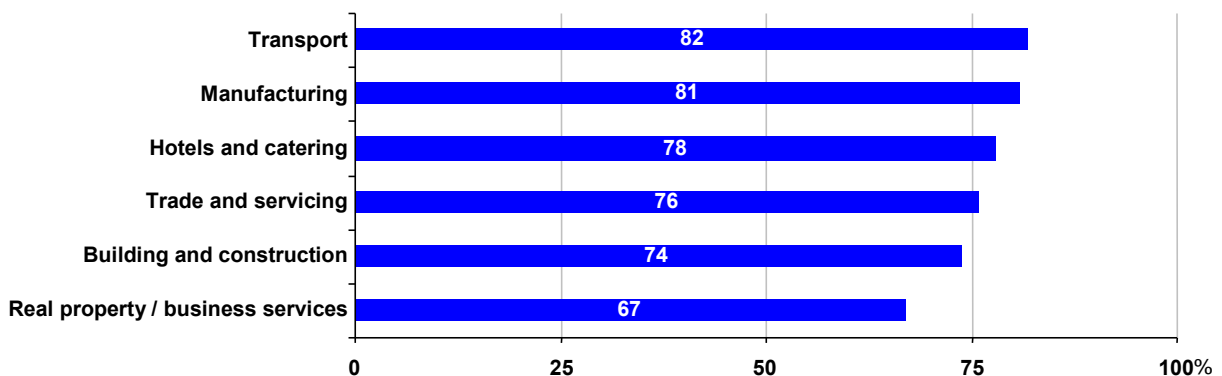
Age

- The survey CANNOT demonstrate an observable correlation between the age of enterprises and whether they have implemented CSR activities.

Note: The multivariate analyses were carried out using binary regression. The precise estimates have been put in appendix 2 for reasons of clarity.

The figure below shows the proportion of enterprises to have implemented CSR activities for different *industries* (see section 11.2 for a detailed explanation of what the industry categories cover and their NACE codes). The figure shows that enterprises in the real property/business services industry are least likely to have implemented CSR activities, while enterprises in transport and manufacturing are most likely to have done so.

Figure 3.2 Proportion of enterprises with CSR activities according to industry (n=1071)



The figure below shows the correlation between CSR activities and *number of employees*. The overall tendency is for enterprises with a large number of employees to be more likely to have implemented CSR activities. The smallest proportion of enterprises with CSR activities is found among enterprises with 20-29 employees.

Figure 3.3 CSR activities according to number of employees (n=1071)

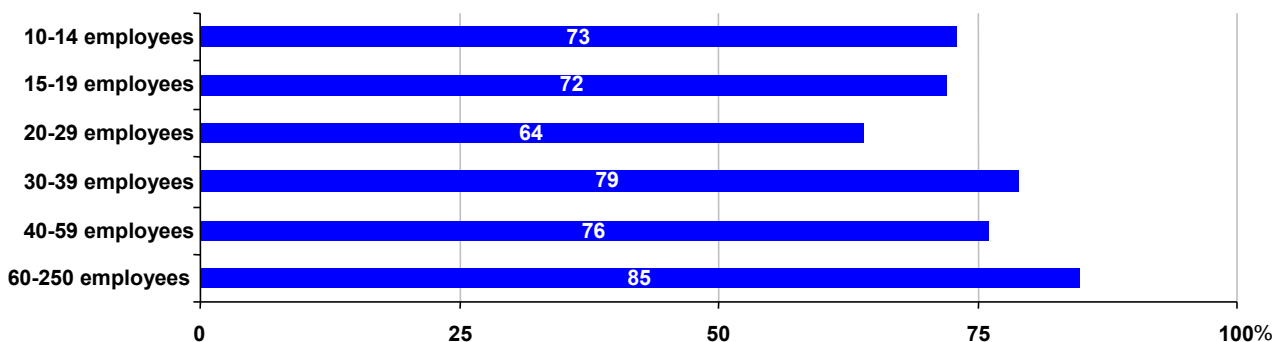
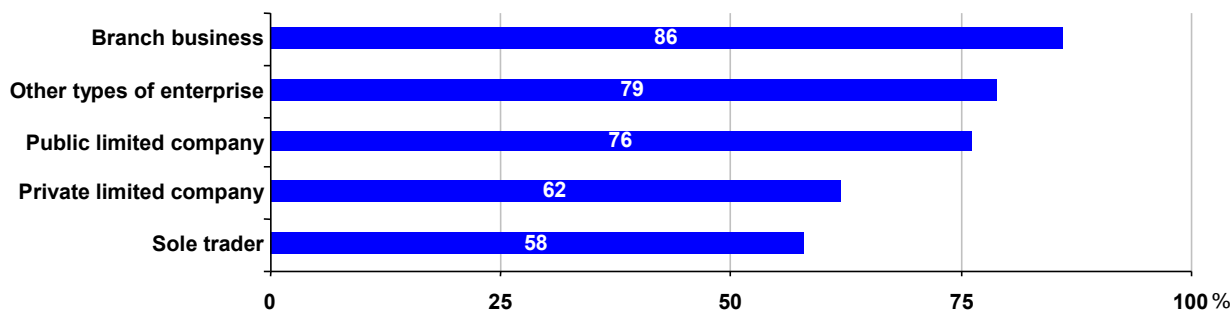


Figure 3.4 shows the differences for different *types of business*. Branch businesses in particular have implemented CSR activities, with all of 86% of branches indicating that they have CSR activities of one sort or another. The level of activity is lowest for sole traders, with 58% specifying CSR activities of one sort or another.

Figure 3.4 CSR activities according to type of business (n=1071)

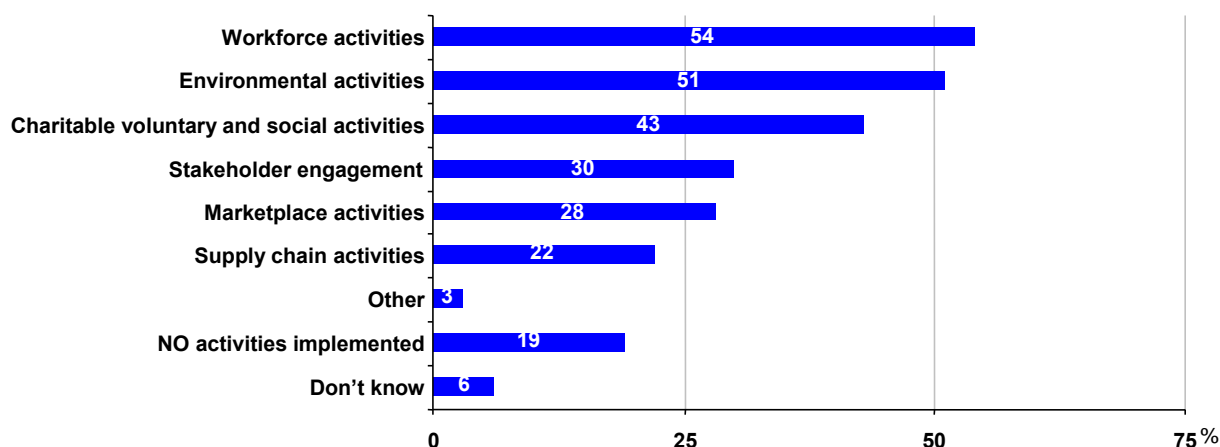


Note: The "other types of enterprise" category includes cooperative societies, limited partnerships, limited partnership companies, shipping partnerships, etc.

3.2 CSR activities in different areas

Following the analysis of what characterises the enterprises that have implemented CSR activities, this section looks at the different areas where the enterprises have implemented those activities. As the figure below shows, *workforce-related* CSR activities are the most widespread form of CSR activity. Fifty four per cent of enterprises have implemented workforce-related CSR activities. *Environmental* activities are also relatively widespread: 51% have implemented CSR activities to do with the environment. *Supply chain* activities, on the other hand, are least widespread relatively speaking (22%).

Figure 3.5 Prevalence of CSR activities in different areas (n=1071)



The question was: In which of the following areas has your enterprise implemented CSR activities? The figure shows the percentage of respondents who indicated the activity in question.

An overall analysis of the replies shows that *larger enterprises* are significantly more likely to have workforce, environmental and supply chain activities. There is also a tendency for *export enterprises* to have more environmental activities.

Later sections dealing with CSR activities in the individual areas contain a detailed analysis of the characteristics of the enterprises that conduct activities in the areas in question (see sections 6 to 10).

The table below shows how enterprises prioritise their CSR activities in different areas. Overall, the table shows the same patterns as in the figure above, with the activities that are most widespread also being those which enterprises give top priority).

Table 3.1 Prioritisation of implemented activities (n=1071)

In which of the following areas has your enterprise implemented CSR activities?								
	1 st priority	2 nd priority	3 rd priority	4 th priority	5 th priority	6 th priority	7 th priority	Total
Workforce activities	25%	16%	9%	3%	1%	1%	0%	54%
Environmental activities	22%	15%	8%	3%	2%	2%	0%	51%
Charitable voluntary and social activities	11%	12%	11%	4%	3%	2%	0%	43%
Stakeholder engagement	5%	9%	6%	5%	3%	2%	0%	30%
Marketplace activities	9%	8%	5%	3%	2%	1%	0%	28%
Supply chain activities	3%	5%	6%	4%	3%	2%	0%	22%
Other	0%	0%	0%	0%	0%	0%	1%	3%
No activities	-	-	-	-	-	-	-	19%

Note: Respondents were asked to prioritise the areas on the basis of where they have most activities. The table shows the percentage of respondents who awarded a given activity 1st, 2nd, 3rd, 4th, 5th, 6th or 7th priority.

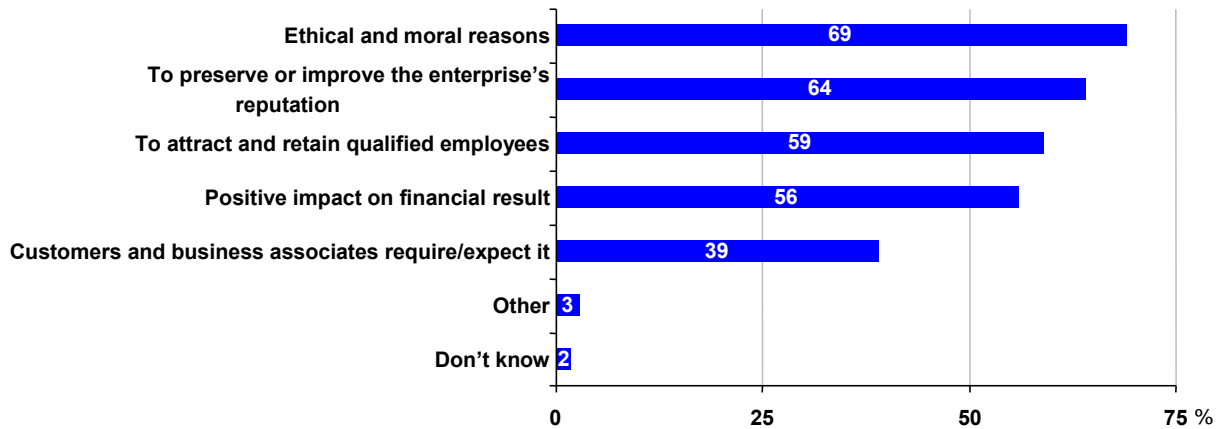
3.3 Reasons for implementing CSR activities

The following takes a closer look at the reasons for enterprises implementing CSR activities.

The figure below shows that the largest number of enterprises relatively speaking (69%) cite *ethical and moral reasons* for implementing CSR activities. Sixty four per cent have implemented CSR activities in order to preserve or improve *the enterprise's reputation*. The smallest number of enterprises relatively speaking (39%) have implemented activities because their *customers and/or business associates expect or require it*.

As regards the financial impact of CSR activities, 56% give the expectation of a *positive impact on the enterprise's financial result* as a reason for having implemented CSR activities.

Figure 3.6 Reasons for implementing activities (n=808)



The question was: *What are the reasons for your enterprise implementing activities with a view to demonstrating corporate social responsibility? The figure shows the percentage of respondents who indicated the reason in question.*

An analysis of the results in Figure 3.6 shows that *the largest enterprises* are significantly more likely to cite the positive impact on financial result and the fact that customers and business associates require/expect it as reasons for having CSR activities. This is illustrated in more detail by the table below, which shows that there is a positive correlation between the size of an enterprise and the likelihood of it citing a positive impact on finances and customer requirements as reasons for implementing CSR activities.

Table 3.2 Correlation between enterprise size and selected reasons for CSR activities

	10-19 employees	20-49 employees	50-99 employees	100-250 employees
Positive impact on finances	37%	56%	61%	67%
Customer requirements	37%	38%	40%	44%

The table below shows how respondents prioritise the different reasons.

It appears that *ethical and moral reasons*, which are the most widespread, are also given top priority by the largest number of respondents (35%). The table also shows that, although *the enterprise's reputation* is the second most widespread reason, it is not the second priority of respondents. In other words, the enterprise's reputation plays a widespread but secondary role when enterprises are implementing CSR activities.

Table 3.3 Prioritisation of reasons (n=808)

What are the reasons for your enterprise implementing activities with a view to demonstrating corporate social responsibility?	1 st priority	2 nd priority	3 rd priority	4 th priority	5 th priority	6 th priority	Total
Ethical and moral reasons	35%	15%	10%	6%	4%	0%	69%
To preserve and improve the enterprise's reputation	17%	23%	17%	5%	2%	0%	64%
To attract/retain qualified employees	21%	19%	10%	6%	2%	0%	59%
Positive impact on financial result	16%	17%	15%	5%	4%	0%	56%
Customers and business associates require/expect it	8%	10%	10%	5%	5%	0%	39%
Other	1%	1%	0%	0%	0%	1%	3%

Note: Respondents were asked to priorities their reasons for implementing activities. The table shows the percentage of respondents who awarded a given activity 1st, 2nd, 3rd, 4th, 5th or 6th priority.

The table below looks at the importance of customer requirements in more detail. The table shows how large a proportion of the respondents who give CRS activities in the different areas top priority did and did not cite *requirements/expectations from customers/business associations* as a reason for implementing CSR activities.

As the table shows, those respondents who implemented CSR activities owing to customer requirements are far more likely to give *workforce and marketplace activities* top priority.

The table therefore suggests that customer requirements most frequently relate to CSR activities to do with the workforce and marketplace.

Table 3.4 Correlation between CSR activities in different areas and customer requirements

CSR activities in this area given top priority	Customer requirements cited as a reason	Customer requirements NOT cited as a reason	Difference (percentage points)
Workforce	20%	8%	+ 12%
Marketplace	20%	8%	+ 12%
Environment	35%	27%	+ 8%
Charitable and voluntary activities	10%	17%	- 8%
Stakeholders	6%	6%	0%
Supply chain	6%	2%	+ 4%

3.4 Enterprises' own assessment of financial impact

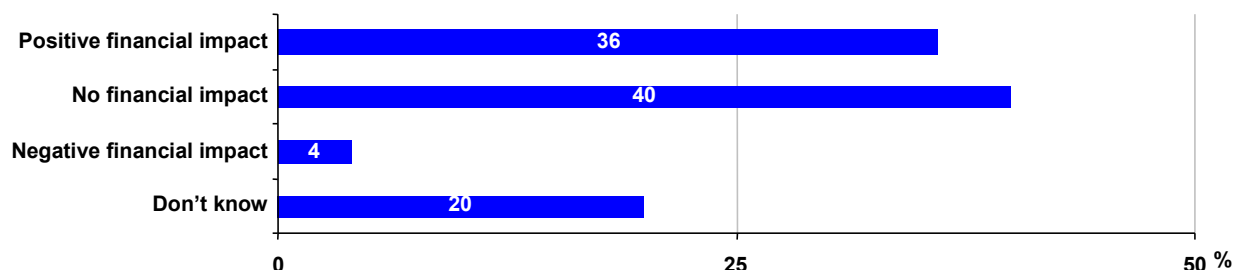
In continuation of the mapping of CSR activities and enterprises' motivation for implementing activities this section looks at how respondents assess the financial impact of CSR activities. It looks at the *overall* financial impact, while sections 6 to 10 contain a detailed analysis for the individual areas.

In addition to the mapping of enterprises' own assessment, an explorative study was carried out with the aim of evaluating whether the financial accounting figures from Statistics Denmark were suitable as an objective indicator for the financial impacts of enterprises' level of CSR activities. The study showed no significant correlations, either positive or negative. See appendix 3 for a detailed account of the study.

Figure 3.7 shows how respondents assess the financial impact of CSR activities in general. The figure shows that the largest number relatively speaking (40%) are of the opinion that CSR

activities in general have no financial impact. Thirty six per cent are of the opinion that CSR activities have a *positive* financial impact, while 4% believe that CSR activities have a *negative* financial impact. Enterprises are therefore mainly positive in their assessment of the financial impact of CSR activities.

Figure 3.7 Financial impact of CSR activities (n=1071)



The question was: Considering the enterprise's corporate social responsibility in general, are you of the opinion that it has a positive or negative impact on the enterprise's overall financial result (its financial bottom line)?

A detailed analysis of the replies shows that *enterprises with 50-250 employees* are significantly more likely to believe that CSR activities in general have a positive financial impact.

Enterprises that *communicate* their CSR activities are also significantly more likely to believe that CSR activities in general have a positive financial impact.

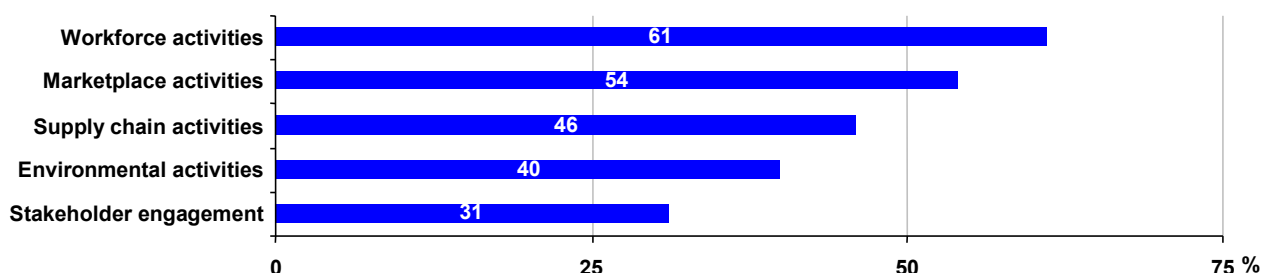
To put the results in **Figure 3.7** into perspective, it should be mentioned that those enterprises which believe that CSR activities in general have a positive financial impact are significantly more likely to believe that workforce, environmental, stakeholder, marketplace and supply chain activities alike have a positive financial impact.

The figure below shows the extent to which respondents believe that CSR activities in the different areas have a positive financial impact.

The figure shows that the largest number relatively speaking (61%) estimate that *workforce activities* have a positive financial impact. On the other hand, the smallest number relatively speaking (31%) believe that *stakeholder engagement* has a positive financial impact.

It should be mentioned that the enterprises were asked about the specific size of the positive/negative financial impact of their CSR activities. Only very few enterprises are able to quantify the costs or profits involved in CSR, however. There is consequently no basis for presenting these results graphically.

Figure 3.8 Positive financial impact, according to area



The question was: If the enterprise's profits from CSR in relation to (the area) are compared with costs, would you estimate that the activities in relation to (the area) in general have a positive or negative impact on the enterprise's overall result. Note: The figure shows the proportion of respondents who replied "positive financial impact". As the figure summarises results from different questions, n varies from area to area.

The sections on CSR activities in the different areas (sections 6 to 10) contain a detailed analysis of which enterprises are of the opinion that the activities in the various areas have a positive financial impact.

Only a few of the principal findings are listed here:

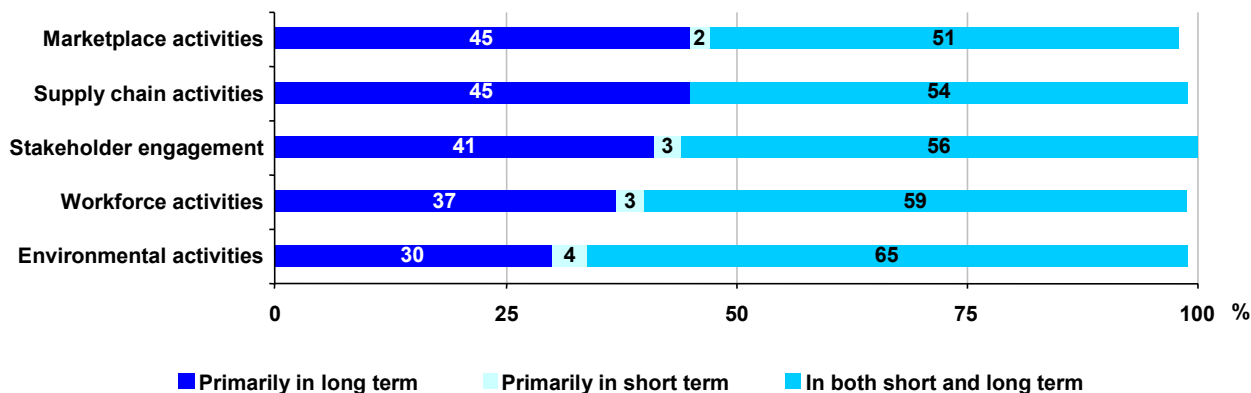
- When it comes to *workforce activities*, it is enterprises in real property/business services in particular, together with enterprises that communicate their CSR activities, that are of the opinion that the activities have a positive impact.
- When it comes to *environmental activities*, it is particularly enterprises with 50-250 employees and enterprises that communicate their CSR activities that hold this view.
- When it comes to *stakeholder engagement*, it is particularly the enterprises that communicate their CSR activities that hold this view.
- When it comes to *marketplace activities*, it is particularly enterprises with 50-99 employees and enterprises that communicate their CSR activities that hold this view.
- Finally, when it comes to *supply chain activities*, it is particularly trade and servicing enterprises and, as for the other areas, enterprises that communicate their CSR activities that hold this view.

The figure below shows whether respondents are of the opinion that the positive financial impact mainly makes itself felt in the short term, the long term or in both the short and long term.

It appears from the figure that in all five areas the largest number of enterprises relatively speaking believe that the positive financial impact makes itself felt in both the short and long term.

The impact of *marketplace* and *supply chain activities* is felt primarily in the long term to a slightly greater extent (45%). The impact of *environmental activities* is felt predominantly in both the short and long term (65%).

Figure 3.9 Positive financial impact, according to activity and timeframe



The question was: Does the enterprise feel the positive financial impact in the short or long term? Note: As the figure summarises results from different questions, n varies from area to area.

Sections 6 to 10 take a closer look at the size of the positive/negative financial impact of activities. Overall, only very few (up to 10) or no respondents in the individual area are able to quote a specific amount.

3.5 Enterprises' need for information on CSR activities

To round off the section on the prevalence of CSR activities among small and medium-sized enterprises, the table below summarises the areas where respondents express a need for more information on CSR activities.

The table shows that respondents want more information on workforce and environmental activities in particular. More than one in five respondents would like more information on these areas.

Table 3.5 Need for more information on CSR activities

In which areas do you feel that you need more information on how your enterprise can demonstrate corporate social responsibility?	
Workforce activities	21%
Environmental activities	21%
Internal management activities	15%
Stakeholder engagement	12%
Supply chain activities	10%
Marketplace activities	9%
Charitable and voluntary activities	7%
Other	2%
Enterprise does NOT need information on these areas	34%
Don't know	24%
Total	155%
N	1071

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

An analysis of the replies shows that *enterprises with 10-19 employees* express a significantly smaller need for information on internal management activities, while *enterprises with 50-99 employees* express a significantly larger need for information on internal management activities and workforce activities.

When it comes to industry, *trade and servicing enterprises* express a significantly larger need for more information on marketplace and supply chain activities, while *manufacturing enterprises* express a significantly larger need for more information on environmental activities.

Building and construction enterprises, on the other hand, are significantly less interested in information on internal management activities, while enterprises in *real property/business services* are significantly less interested in information on marketplace, supply chain and environmental activities.

The table below enlarges on the above. It shows how large a proportion of respondents who have/have not implemented activities in a given area expressed a wish for more information on activities in the area in question.

The figure shows that the need for more information is consistently greatest among enterprises that *have* implemented activities in the area. The greatest difference in the need for information is seen for the environment.

Table 3.6 Need for information for enterprises that have/have not implemented activities in the area

More information needed on...	CSR activities implemented in area	Activities NOT implemented in area	Difference (percentage points)
Workforce activities	26%	16%	+ 10%
Environmental activities	30%	11%	+ 19%
Internal management activities ³	-	-	-
Stakeholder engagement	20%	9%	+ 11%
Supply chain activities	19%	8%	+ 11%
Marketplace activities	16%	7%	+ 9%
Charitable and voluntary activities	11%	4%	+ 7%

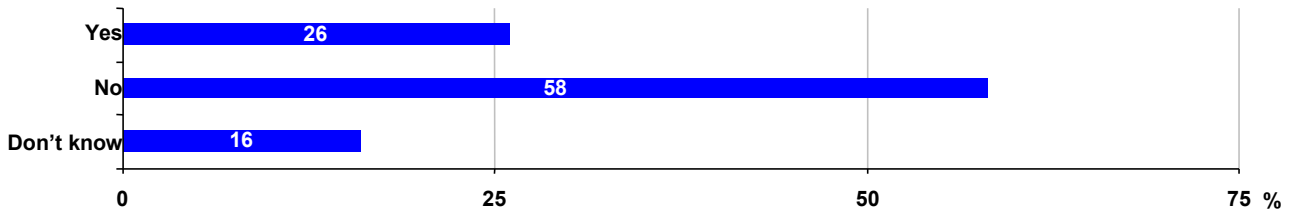
³ The "internal management activities" category was not included in the survey apart from this question, so it is not possible to calculate values for it.

4 CSR-oriented product development

This section looks at CSR-oriented product development by the enterprises.

The figure below maps the development of CSR-oriented products. It shows that about a quarter (26%) of respondents have developed CSR-oriented products or services.

Figure 4.1 Development of CSR-oriented products and services (n=808)



The question was: *Has your enterprise developed products or services that help to remedy or improve one or more public problems?*

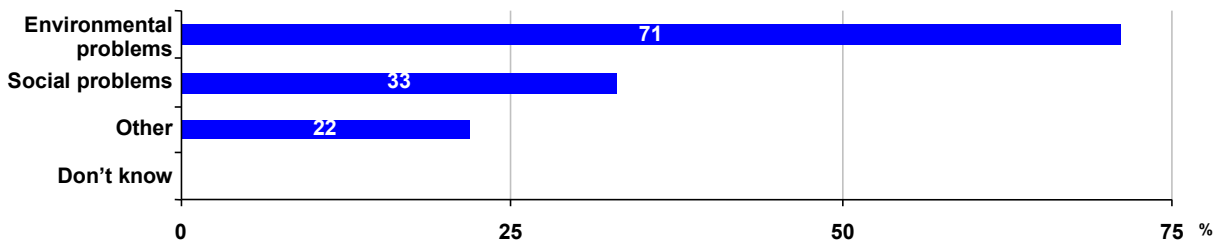
A detailed analysis of the replies shows that those enterprises which believe that CSR activities in general have a *positive financial impact* are significantly more likely to develop CSR-oriented products or services.

The following questions were answered exclusively by those respondents who have developed CSR-oriented products or services.

Figure 4.2 shows which problems the developed products/services help to solve.

The figure shows that 71% of enterprises indicate that their products/services are aimed at solving environmental problems, while 33% indicate social problems.

Figure 4.2 Problems behind the development of products and services (n=208)



The question was: *Which problems do the developed products/services help to solve?* Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

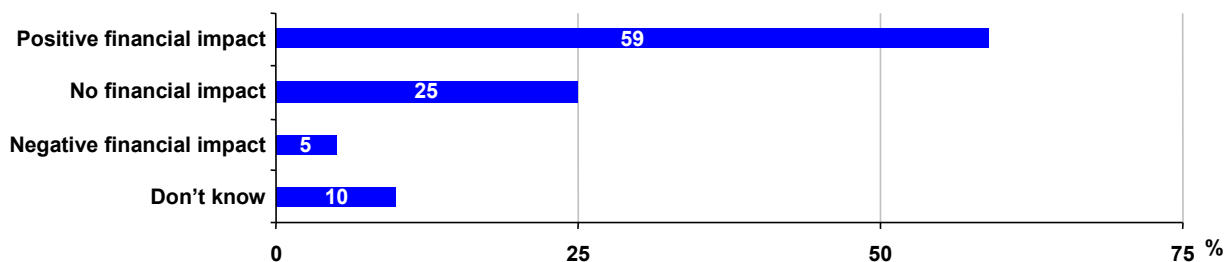
An analysis of the replies shows a tendency for *trade and servicing enterprises, larger enterprises* (50-250 employees) and enterprises in *Jutland* to develop products/services aimed at solving environmental problems to a greater extent.

At the same time, the *smallest enterprises* (10-19 employees) develop products/services for solving social problems to a greater extent.

The figure below shows how respondents assess the financial impact of developing CSR-oriented products/services.

It is apparent that the majority of respondents (59%) estimate that CSR-oriented products/services have a positive financial impact, while 5% believe that they have a negative financial impact. A quarter of respondents (25%) think that CSR-oriented products/services have no financial impact.

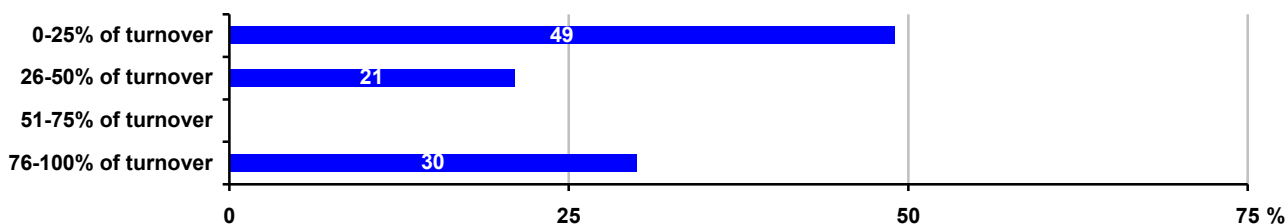
Figure 4.3 Financial impact of developing products/services (n=208)



The question was: If the enterprise's profits from developing these products/services are compared with the costs, would you estimate that the products/services in general have a positive or negative impact on the enterprise's overall financial result (its financial bottom line)?

There is a tendency for enterprises that develop products/services aimed at *environmental problems* to be more likely to believe that the products have a positive financial impact. A total of 43 of the respondents who have developed CSR-oriented products/services (i.e. 21%) stated how large a proportion of turnover such products/services (approximately) represent. Their replies are illustrated in the figure below. As the figure show, nearly half (49%) estimate that the development of CSR-oriented products/services represents 0-25% of turnover.

Figure 4.4 Product development's share of turnover (n=43)



The question was: How large a proportion of the enterprise's total turnover do such products/services represent?

5 Organisation and communication of CSR activities

This section deals with how enterprises organise and communicate their CSR activities. The questions were only answered by those respondents who had implemented CSR activities.

5.1 Organisation and implementation of CSR activities

The table below shows how responsibility for enterprises' CSR activities has been assigned. It indicates that responsibility has been assigned to senior management by half the respondents. In the case of a further 11% it has been integrated in line management. Twenty seven per cent of enterprises have not formally assigned responsibility.

Table 5.1 Organisation of CSR activities

How is responsibility for the enterprise's corporate social responsibility in general organised in the enterprise?	
Responsibility mainly rests with senior management	50%
Responsibility is integrated in line management	11%
Responsibility rests with a specific department	4%
Responsibility has been assigned to a specific department or working group that largely concerns itself with activities to do with corporate social responsibility	3%
Responsibility has been assigned to the works council	1%
Responsibility has NOT been formally assigned but is integrated in the day-to-day manners and conduct of all employees	27%
Other	1%
Don't know	3%
Total	100%
N	808

An analysis of the replies shows that *enterprises with 50-250 employees* are significantly more likely to assign responsibility to line management. *Enterprises with 20-49 employees* are significantly more likely to assign responsibility to a specific department.

Enterprises with 10-19 employees, on the other hand, are significantly more likely not to have assigned responsibility formally.

The table below shows how CSR activities are implemented. The table shows that CSR activities are primarily implemented through workforce involvement (50%) and through specific projects and action (48%). The smallest number of enterprises relatively speaking (6%) implement CSR activities through pay.

Table 5.2 Implementation of CSR activities

How is corporate social responsibility implemented in practice?	
Through workforce involvement	50%
Through specific action or projects	48%
Through documented values and policies	31%
Through specific workforce training and development	27%
Through pay	6%
Other	10%
Don't know	11%
Total	183%
N	808

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

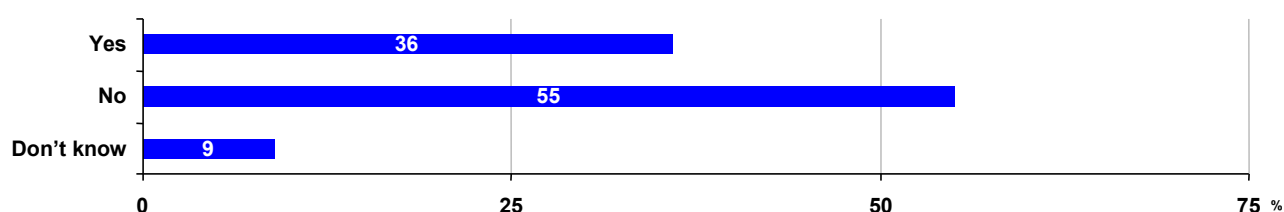
A detailed analysis shows that *enterprises with 100-250 employees* are significantly more likely to implement CSR activities through documented values and policies, while *enterprises with 50-99 employees* are significantly more likely to implement them through specific action or projects. *Enterprises with 10-19 employees* are significantly more likely to implement CSR activities through workforce involvement.

5.2 Communication of CSR activities

Figure 5.1 shows whether enterprises communicate their CSR activities externally. A good third of respondents (36%) communicate their CSR activities externally.

In this context external communication of CSR activities includes both systematic and unsystematic external communication of CSR activities.

Figure 5.1 External communication of CSR activities (n=808)



The question was: *Is the enterprise's corporate social responsibility communicated externally?*

An analysis of the replies shows that enterprises in the *hotel and catering industry* and enterprises based in *Copenhagen and Frederiksberg* are significantly more likely to communicate their CSR activities externally.

Enterprises with 100-250 employees are also significantly more likely to communicate their CSR activities externally, while enterprises with 20-49 employees are significantly less likely to do so.

Finally, enterprises that consider CSR activities in general to have a positive financial impact are significantly more likely to communicate their CSR activities externally, while those that consider CSR activities in general to have a negative financial impact are less likely to do so.

The table below enlarges on the communication of CSR activities by showing *how* CSR activities are communicated. It shows that 41% communicate their CSR activities systematically. In the case of 47% it is not done systematically, but customers and business associates know what the enterprise stands for.

Table 5.3 Form of communication

How is the enterprise's corporate social responsibility communicated externally?	
Communicated systematically to customers, business associates, etc.	41%
Not communicated systematically, but our customers and business associates know what we stand for	47%
Other	9%
Don't know	3%
Total	100%
N	290

A detailed analysis shows that *enterprises with 10-19 employees* are significantly less likely to communicate their CSR activities systematically.

6 Workforce-related CSR

This section examines workforce-related CSR activities. As mentioned in section 3, workforce activities are the most widespread form of CSR activity. Fifty four per cent of respondents have implemented workforce-related CSR activities.

Workforce-related CSR is targeted at the enterprise's present or future potential employees. Specific activities in this area are to do with, on the one hand, respecting Danish and international minimum standards for employee relations and, on the other hand, offering employees good working conditions in the form of flexible working hours, good training and development opportunities, a healthy and safe working environment, and health/well-being benefits. The activities are often linked to attracting and retaining employees.

The results reproduced in this section are based exclusively on the replies from those respondents who gave workforce activities either 1st, 2nd or 3rd priority out of the areas where they have implemented activities.

First of all the section describes what characterises the enterprises that have implemented workforce activities. It then takes a closer look at the prevalence of different types of workforce activity and the impact of workforce activities.

6.1 Characteristics of SMEs with workforce activities

The multivariate analysis in section 3 showed that most important factors affecting whether an enterprise has CSR activities at all are (a) which industry the enterprise belongs to, (b) how many employees the enterprise has, and (c) what type of business it is.

This section presents the results of a separate multivariate analysis carried out specifically with regard to workforce activities. This analysis qualifies the overall multivariate analysis by also looking at whether the enterprise communicates its activities to the surrounding world and how it has assigned organisational responsibility for its CSR activities.

The multivariate analysis of enterprises' workforce activities suggests the following overall conclusions:

- The most important factors affecting whether enterprises have workforce activities are (a) *industry*, (b), *number of employees*, and (c) whether the enterprise *communicates* its CSR activities externally.
- *Type of business* (public limited company, private limited company, sole trader, etc.) and *organisational assignment* of responsibility for CSR, on the other hand, are of no measurable importance with regard to whether enterprises have workforce activities.

The table below describes the results of the multivariate analysis of workforce activities in more detail.

Table 6.1 Characteristics of enterprises with workforce activities

Industry
<ul style="list-style-type: none"> The largest proportion of enterprises with workforce activities is found in the hotel and catering industry. The smallest proportion of enterprises with workforce activities is found in the building and construction industry.
Number of employees
<ul style="list-style-type: none"> The largest proportion of enterprises with workforce activities is found among enterprises with 76-250 employees. The smallest proportion of enterprises with workforce activities is found among enterprises with less than 36 employees.
Communication of workforce activities
<ul style="list-style-type: none"> There is a larger proportion of enterprises with workforce activities among enterprises that communicate their activities externally.

Note: The estimated parameters can be found in appendix 2.

6.2 Prevalence and impact of workforce activities

Following the analysis of what characterises enterprises with workforce activities, this section takes a closer look at the prevalence of different types of workforce activity and their impact.

The table below shows which activities respondents have implemented with regard to the workforce. It appears from the table that *further training/competence development* is the most widespread form of workforce-related CSR activity (75%). Involvement of the workforce in important decisions (71%) and improvement of the physical and emotional working environment (70%) are also common activities. Conversely, the smallest number of respondents relatively speaking have carried out *integration of refugees and immigrants* (33%).

Table 6.3 Specific workforce activities

Which specific activities has your enterprise implemented in order to demonstrate corporate social responsibility in relation to its WORKFORCE?	
Further training, competence development and/or retraining of the workforce	75%
Dialogue with and involvement of the workforce in important decisions on the enterprise's work processes	71%
Improving the emotional and physical working environment and promoting the well-being of the workforce, improving safety in the workplace	70%
Social activities for the workforce	61%
Retaining own employees	58%
Establishing a balance between work, family and leisure	46%
Integration of people with reduced working capacity	40%
Integration of refugees and immigrants	33%
Other	3%
Don't know	1%
Total	458%
N	538

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

The results in the above table are analysed in more detail in the following.

Industry-related correlations

Enterprises in *real property/business services* are significantly more likely to give employees further training, establish a balance between work, family and leisure, and start social activities for employees. At the same time they are significantly less likely to integrate refugees/immigrants and people with reduced working capacity, and to improve the physical and emotional working environment.

Manufacturing enterprises are significantly more likely to integrate refugees and immigrants, and to improve the physical and emotional working environment. They are at the same time significantly less likely to give employees further training, establish a balance between work, family and leisure, and start social activities for employees.

Enterprises in the *hotel and catering industry* are significantly more likely to integrate refugees and immigrants, while *transport enterprises* are significantly more likely to establish a balance between work, family and leisure.

Correlations with enterprise size (number of employees)

Seen in relation to enterprise size, *enterprises with 100-250 employees* are significantly more likely to give their employees further training. *Enterprises with 10-19 employees*, on the other hand, are significantly less likely to give their employees further training, integrate refugees and immigrants, and start social activities for their employees.

Enterprises with 50-99 employees are significantly more likely to involve the workforce in important decisions and improve the physical and emotional working environment, while *enterprises with 20-49 employees* are significantly more likely to have social activities for their employees.

Geographical correlations

From a geographical point of view, enterprises based in *Copenhagen and Frederiksberg* are significantly more likely to establish a balance between work, family and leisure.

Enterprises in the *area served by Greater Copenhagen Transport (HT)* (excluding Copenhagen and Frederiksberg) are significantly less likely to involve the workforce in important decisions, retain their own employees, and integrate people with reduced working capacity.

In *Jutland* enterprises are significantly more likely to establish a balance between work, family and leisure, retain their own employees, and integrate people with reduced working capacity.

Correlation with overall assessment of financial impact

Those enterprises which believe that CSR activities in general have a *positive financial impact* are significantly more likely to involve the workforce in important decisions, give their employees further training, improve the physical and emotional working environment, and start social activities for their employees.

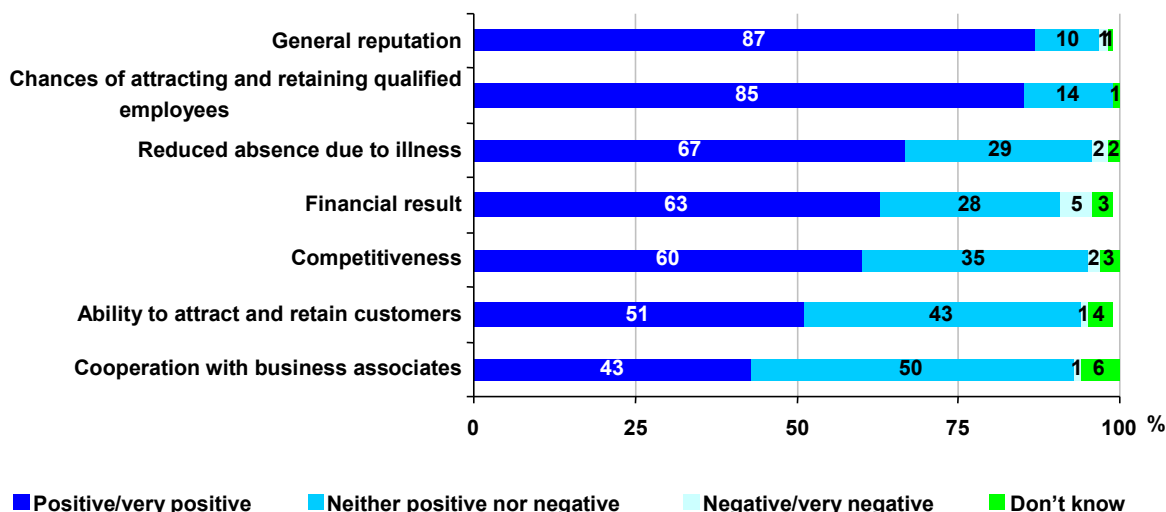
Conversely, those enterprises which believe that CSR activities in general have a *negative financial impact* are significantly less likely to establish a balance between work, family and leisure.

Figure 6.1 shows how respondents assess the impact of workforce-related CSR activities.

The figure shows that the largest number of respondents relatively speaking (87%) are of the opinion that workforce activities have a positive impact on *the enterprise's general reputation*. A relatively large number (85%) also estimate the such activities have a positive impact on the chances of *attracting and retaining qualified employees*. The smallest number (43%) estimate that such activities have a positive impact on *cooperation with business associates*.

Few respondents are of the opinion that CSR activities have a *negative* impact on the factors mentioned in the figure. It appears, however, that 5% estimate that workforce-related CSR activities have a negative impact on the enterprise's financial result.

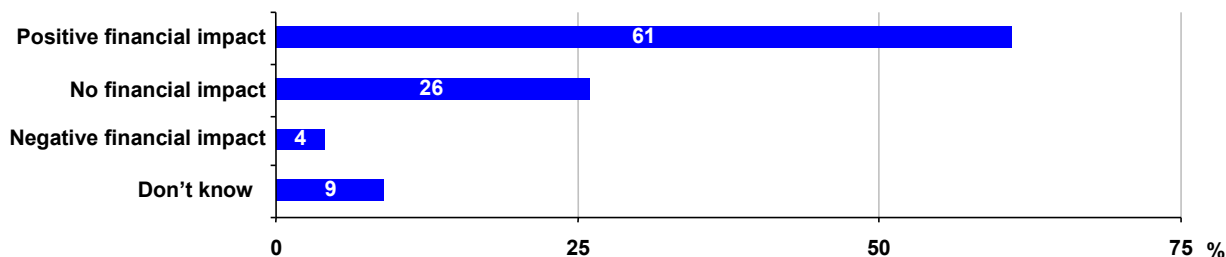
Figure 6.1 Impact of workforce activities (n=538)



The question was: How do you assess the impact of workforce activities in relation to the enterprise's...

Figure 6.2 enlarges on respondents' assessment of the financial impact of workforce activities. The figure shows that 61% are of the opinion that such activities have a positive financial impact, while 4% believe that they have a negative financial impact. A good quarter of respondents (26%) believe that the CSR activities have no impact.

Figure 6.2 Financial impact of workforce activities (n=538)



The question was: If the enterprise's profits from workforce-related corporate social responsibility are compared with costs, would you estimate that the workforce activities in general have a positive or negative impact on the enterprise's overall result (its bottom line).

From the point of view of industry, an analysis of the results in Figure 6.2 shows that enterprises in *real property/business services* have a significantly more positive attitude to the financial impact of workforce-related CSR activities, while *manufacturing enterprises* have a significantly less positive attitude.

Enterprises with 10-19 employees are significantly more likely to believe that workforce activities have no financial impact.

Finally, enterprises that *communicate* their CSR activities are significantly more positive in their assessment of the impact of workforce activities.

The table below shows how large a proportion believes that workforce activities in general have a positive financial impact for enterprises that have/have not implemented a given activity with regard to the workforce.

With few exceptions, the respondents who *have* implemented specific activities are more likely to believe that workforce activities in general have a positive financial impact. In other words, belief in a positive financial impact is greatest among those enterprises that have already implemented the activities. The greatest difference is seen for *social activities, further training and workforce involvement*.

The opposite tendency applies to *integration of people with reduced working capacity and integration of refugees and immigrants*. In this case those enterprises that *have* implemented the activities are less likely to believe that the activities have a positive financial impact.

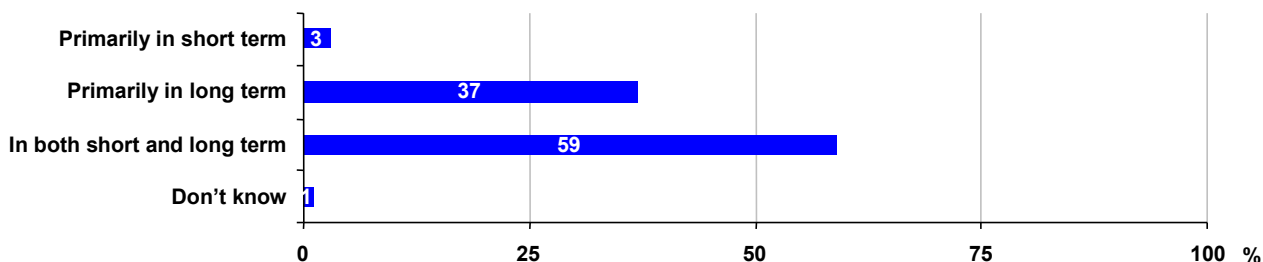
Table 6.2 Proportion who estimate that workforce-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Social activities for the workforce	74%	56%	+ 18%
Further training, competence development and/or retraining of the workforce	71%	54%	+ 17%
Dialogue with and involvement of the workforce in important decisions on the enterprise's work processes	71%	55%	+ 16%
Establishing a balance between work, family and leisure	74%	61%	+ 13%
Improving the emotional and physical working environment and promoting the well-being of the workforce, improving safety in the workplace	70%	58%	+ 12%
Retaining own employees	67%	66%	+ 1%
Integration of people with reduced working capacity	65%	68%	- 3%
Integration of refugees and immigrants	58%	71%	- 13%
Other	77%	66%	+ 11%

Those respondents who estimate that workforce-related CSR activities have a positive financial impact were asked whether they felt the positive impact in the short term, long term or both short and long term.

As the figure below shows, the majority (59%) feels the impact in both the short and long term. Thirty seven percent feel the impact primarily in the long term, while 3% feel it primarily in the short term.

Figure 6.3 Timeframe for positive financial impact of workforce activities (n=327)



The question was: Does the enterprise feel the positive financial impact in the short or long term?

Only 10 of the respondents who believe that workforce-related CSR activities have a positive financial impact were able/wanted to answer the question about how large the annual positive financial impact of such activities is. Their replies are distributed evenly between DKK 10,000 and 2,000,000. Since there were so few respondents, it is not possible to map the characteristics of those enterprises which are able to specify an amount.

Not many respondents (n=23) answered the question about the timeframe for the *negative* financial impact of workforce activities. Consequently there is great statistical uncertainty in respect of the results. Fourteen of the 23 respondents feel the negative financial impact primarily in the short term. Eight feel the impact in both the short and long term, while one enterprise feels it primarily in the long term. There is thus a slight tendency for negative financial impacts to be felt primarily in the short term, while positive financial impacts are felt in both the short and long term.

Eight of the respondents who believe that workforce-related CSR activities have a negative financial impact answered the question about how large the annual negative financial impact of such activities is. Their replies are distributed between DKK 50,000 and 200,000.

Because of the small number of replies, it was not possible to map the characteristics of those enterprises which are able to specify an amount in this case either. The same applies to the following sections, with only a small number of respondents specifying an amount in each case.

7 Environment-related CSR

Following the account of workforce-related CSR activities, this section looks at the area where the second largest number of enterprises have implemented CSR activities: the environment. As stated in section 3, 51% of respondents have implemented environment-related CSR activities.

Environment-related CSR differs from CSR in other areas in that it is regulated by international, national and local authorities in large parts of the world to a much greater degree. The most important environment-related CSR activities concern the consumption of materials and energy, handling pollution and waste in the most environmentally friendly way possible and environmental product responsibility.

The results reproduced in this section are based exclusively on the replies from those respondents who gave environmental activities either 1st, 2nd or 3rd priority out of the areas where they have implemented activities.

The section starts by examining what characterises enterprises environmental activities. It then takes a closer look at the prevalence of different environmental activities and their impact.

7.1 Characteristics of SMEs with environmental activities

The multivariate analysis of enterprises' environmental activities suggests the following overall conclusions:

- The most important factors affecting whether enterprises have environmental activities are (a) *industry*, (b), *number of employees*, and (c) the *organisational assignment* of responsibility for CSR.
- *Type of business* (public limited company, private limited company, sole trader, etc.) and whether the enterprise *communicates* its CSR externally, on the other hand, are of no measurable importance with regard to whether enterprises have environmental activities.

The table below describes the results of the multivariate analysis of environmental activities in more detail.

Table 7.1 Characteristics of enterprises with environmental activities

Industry

- The largest proportion of enterprises with environmental activities is found in the hotel and catering industry.
- The smallest proportion of enterprises with environmental activities is found in manufacturing.

Number of employees

- The largest proportion of enterprises with environmental activities is found among enterprises with 76-250 employees.
- The smallest proportion of enterprises with environmental activities is found among enterprises with 10-14 employees.

Responsibility for CSR

- The largest proportion of enterprises with environmental activities is found among enterprises where responsibility for CSR activities has not been formally assigned.
- The smallest proportion of enterprises with environmental activities is found among enterprises where responsibility for CSR activities has been assigned to senior management.

In continuation of the multivariate analysis with regard to the environment it should be mentioned that the analyses that include accounting information for the enterprises show a tendency for export enterprises to have more environment-related CSR activities. This is illustrated in the table below.

The table shows that enterprises with a high level of exports (third and fourth quartiles) are more likely to have implemented environment-related CSR activities.

Table 7.2 Correlation between level of exports and environment-related CSR activities

	1 st quartile	2 nd quartile	3 rd quartile	4 th quartile
Environment-related CSR activities	16%	15%	24%	28%

Note: The table shows the proportion of respondents who gave environment-related CSR activities top priority.

7.2 Prevalence and impact of environmental activities

Following the analysis of what characterises enterprises with environmental activities, this section takes a look at the different environmental activities and their impact.

The table below shows the prevalence of different environment-related CSR activities. The most widespread activity is the *development of procedures and production processes with a view to saving resources and energy*. Three quarters of enterprises (75%) with environment-related CSR activities have implemented such development. Thirty five per cent have implemented *product lifecycle analyses*, while 27% have *involved stakeholders in important decisions on environmental impact*.

Table 7.3 Specific environmental activities

Which specific activities has your enterprise implemented in order to demonstrate corporate social responsibility in relation to its ENVIRONMENTAL INITIATIVES?	
Development of procedures and production processes with a view to saving resources and energy	75%
Product lifecycle analyses	35%
Dialogue with and involvement of the enterprise's stakeholders in important decisions on the enterprise's environmental impact	27%
Other	12%
Don't know	13%
Total	162%
N	485

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

A more detailed analysis of the replies shows that *manufacturing enterprises* are significantly more likely to involve the enterprise's stakeholders in environmental decisions, and to develop resource- and energy-saving procedures and production processes.

At the same time, enterprises in *real property/businesses services* are significantly less likely to involve the enterprise's stakeholders in environmental decisions, develop resource- and energy-saving procedures and production processes, and carry out product lifecycle analyses.

Trade and servicing enterprises are significantly less likely to develop environmental procedures and production processes.

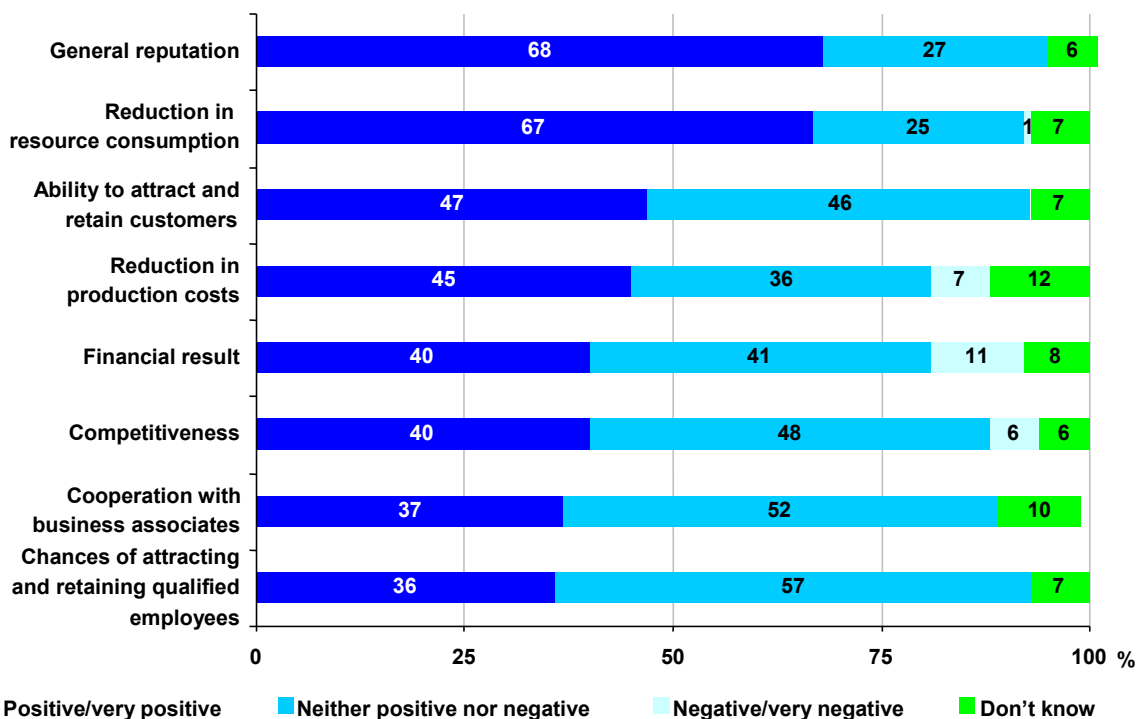
Finally, *hotel and catering enterprises* are significantly more likely to carry out product lifecycle analyses.

From the point of view of size, *enterprises with 100-250 employees* are significantly more likely to involve stakeholders in environmental decisions, while *enterprises with 10-19 employees* are significantly less likely to do so or develop environmental procedures and production processes.

From a geographical point of view, enterprises in *Jutland* are significantly more likely to develop environmental procedures and production processes, while enterprises in *Copenhagen and Frederiksberg* are significantly less likely to do so.

The figure below shows how respondents assess the impact of environmental activities. As with workforce activities, the largest number of respondents relatively speaking (68%) are of the opinion that environmental activities have a positive impact on the *enterprise's general reputation*. Similarly, a relatively large number of respondents (67%) are of the opinion that such activities have a positive impact on the *reduction in resource consumption*. The smallest number relatively speaking (36%) estimate that such activities have a positive impact on the *chances of attracting and retaining qualified employees*.

Figure 7.1 Impact of environmental activities (n=485)

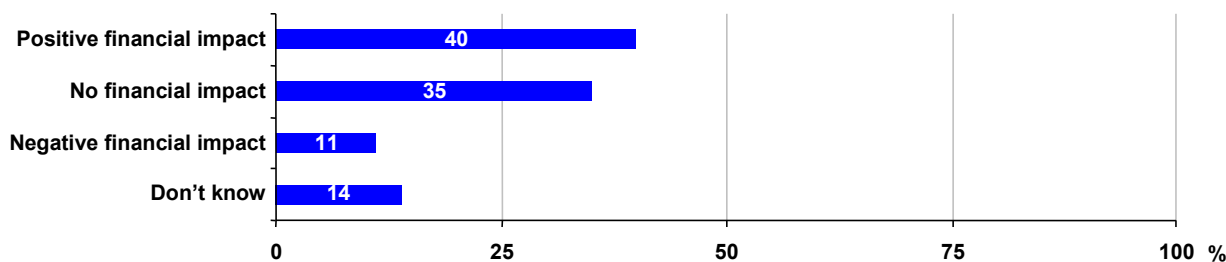


The question was: How do you assess the impact of environmental activities in relation to the enterprise's...

Figure 7.2 takes an in-depth look at how respondents assess the impact of environmental activities on their financial result.

As the figure shows, the largest number relatively speaking (40%) are of the opinion that environmental activities have a positive impact on financial result. Almost as many (35%) believe that environmental activities have no financial impact, while 11% estimate that they have a negative financial impact. The replies are distributed according to the same pattern as for workforce activities, but with a larger number of respondents relatively speaking believing that such CSR activities have no financial impact.

Figure 7.2 Financial impact of environmental activities (n=485)



The question was: *If the enterprise's profits from its environmental initiatives are compared with costs, would you estimate that the environmental initiatives in general have a positive or negative impact on the enterprise's overall result (its bottom line).*

The analysis shows that enterprises in *real property/business services* are significantly less likely to believe that environmental activities have a negative financial impact.

What is more, *enterprises with 50-250 employees* are significantly more likely to believe that CSR activities have positive financial consequences. *Enterprises with 20-49 employees*, on the other hand, have a significantly more negative attitude.

Enterprises that *communicate* their CSR activities have a significantly more positive attitude to the impact of environmental activities.

The table below shows how large a proportion believes that environmental activities in general have a positive financial impact for enterprises that have/have not implemented a given environmental activity.

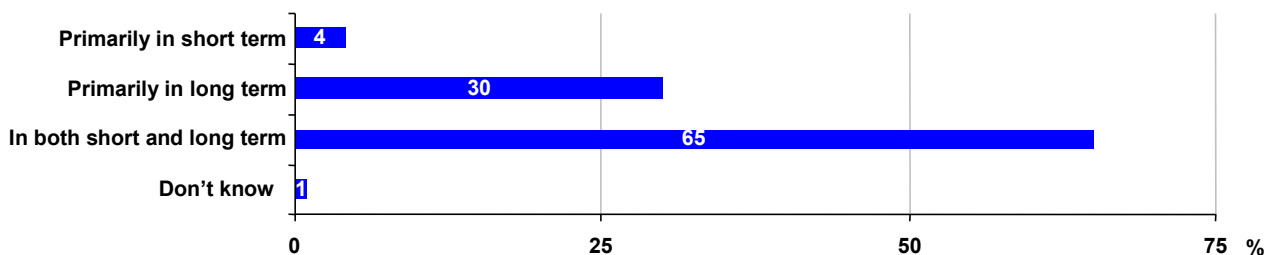
Respondents who *have* implemented a given specific activity are consistently more likely to believe that environmental activities in general have a positive financial impact. The greatest difference is seen in relation to the *development of resource-saving procedures*. The table illustrates that those enterprises which have implemented specific environmental activities are also most likely relatively speaking to believe in the overall positive impact of environmental initiatives.

Table 7.4 Proportion who estimate that environment-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Development of procedures and production processes with a view to saving resources and energy	52%	27%	+ 25%
Dialogue with and involvement of the enterprise's stakeholders in important decisions on the enterprise's environmental impact	59%	42%	+ 17%
Product lifecycle analyses	55%	42%	+ 13%
Other	50%	46%	+ 4%

Figure 7.3 shows whether respondents who believe that environmental activities have a positive financial impact feel that impact in the short term, long term or both short and long term. As the figure shows, the majority (65%) feels the impact in both the short and long term. Thirty percent feel the impact primarily in the long term, while 4% feel it primarily in the short term.

Figure 7.3 Timeframe for positive financial impact of environmental activities (n=195)

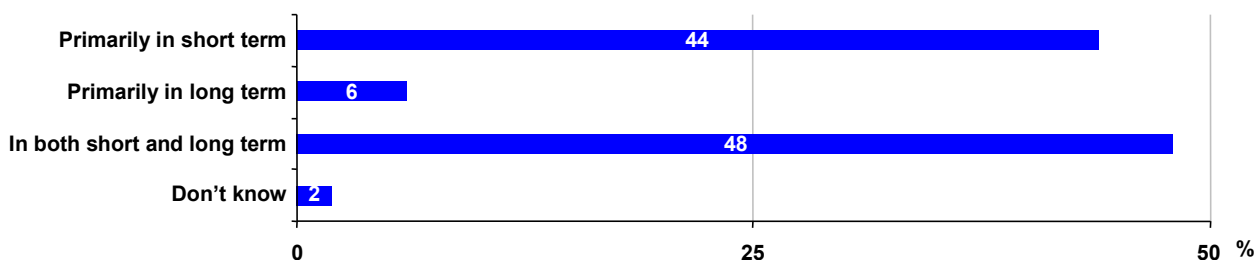


The question was: Does the enterprise feel the positive financial impact in the short or long term?

Only six of the respondents who believe that environment-related CSR activities have a positive financial impact were able/wanted to answer the question about how large the annual positive financial impact of such activities is. Their replies are distributed between DKK 200,000 and 2,000,000.

The figure below shows whether respondents who believe that environmental activities have a *negative* financial impact feel that impact in the short term, long term or both short and long term. Here too, the largest number relatively speaking (48%) feel the impact in both the short and long term. Nearly as many (44%) feel the impact primarily in the short term, while 6% feel it primarily in the long term. There is thus a tendency for negative impacts to be felt primarily in the short term to a greater extent than positive impacts. The results must be interpreted with caution in this instance too, however, as the figure below is based on a relatively small number of replies (n=52).

Figure 7.4 Timeframe for negative financial impact of environmental activities (n=52)



The question was: Does the enterprise feel the negative financial impact in the short or long term?

Five of the respondents who believe that environment-related CSR activities have a negative financial impact answered the question about how large the annual negative financial impact of such activities is. Their replies are distributed between DKK 15,000 and 450,000.

8 Stakeholder-related CSR

This section takes a closer look at stakeholder-related CSR activities. Thirty per cent of respondents have implemented stakeholder-related CSR activities (see section 3).

Stakeholder-related CSR is largely a process category that cuts across the other areas of activity by focusing on the relationship between the enterprise and all its key stakeholders – customers, employees, suppliers, the local community, authorities, shareholders, etc. Activities in this area are therefore defined to a large extent as communication with stakeholders and activities based on stakeholder dialogue.

The results reproduced in this section are based exclusively on the replies from those respondents who gave stakeholder activities either 1st, 2nd or 3rd priority out of the areas where they have implemented activities.

Like its predecessors, this section starts with an analysis of what characterises enterprises with stakeholder activities. It then takes a closer look at the prevalence of different stakeholder activities and their impact.

8.1 Characteristics of SMEs with stakeholder activities

The multivariate analysis of enterprises' stakeholder activities suggests the following overall conclusions:

- The most important factors affecting whether enterprises have stakeholder activities are (a) which *industry* the enterprise belongs to, (b) what *type of business* is involved (public limited company, private limited company, sole trade, etc.), and (c) whether the enterprise *communicates* its corporate social responsibility externally.
- *Number of employees* and *organisational assignment* of responsibility for CSR, on the other hand, are of no measurable importance with regard to whether enterprises have stakeholder activities.

The table below describes the results of the multivariate analysis of stakeholder engagement in more detail.

Table 8.1 Characteristics of enterprises with stakeholder activities

Industry

- The largest proportion of enterprises with stakeholder activities is found in the hotel and catering industry.
- The smallest proportion of enterprises with stakeholder activities is found in trade and servicing enterprises and enterprises concerned with real property/business services.

Type of business

- The largest proportion of enterprises with stakeholder activities is found among sole traders.
- The smallest proportion of enterprises with stakeholder activities is found among public and private limited companies.

Communication of stakeholder activities

- There is a larger proportion of enterprises with stakeholder activities among enterprises that communicate their activities externally.

8.2 Prevalence and impact of stakeholder activities

The table below shows the prevalence of different stakeholder-related CSR activities.

The most widespread stakeholder activity is *stakeholder cooperation on activities that help to solve social problems*. More than half (55%) of the enterprises that have stakeholder-related CSR activities have entered into such cooperation. Thirty one per cent have entered into *stakeholder cooperation on environmental activities*.

Table 8.2 Specific stakeholder activities

Which specific activities has your enterprise implemented in order to demonstrate corporate social responsibility in relation to its STAKEHOLDERS?	
Cooperation with stakeholders on activities that help to solve social problems	55%
Cooperation with stakeholders on environmental activities	31%
Cooperation with stakeholders on safeguarding general and competitive conditions for enterprises in the area	22%
Reporting and communication to stakeholders on the enterprise's corporate social responsibility	21%
Dialogue with and involvement of the enterprise's stakeholders in important decisions on the enterprise's conduct	20%
Other	7%
Don't know	15%
Total	171%
N	214

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

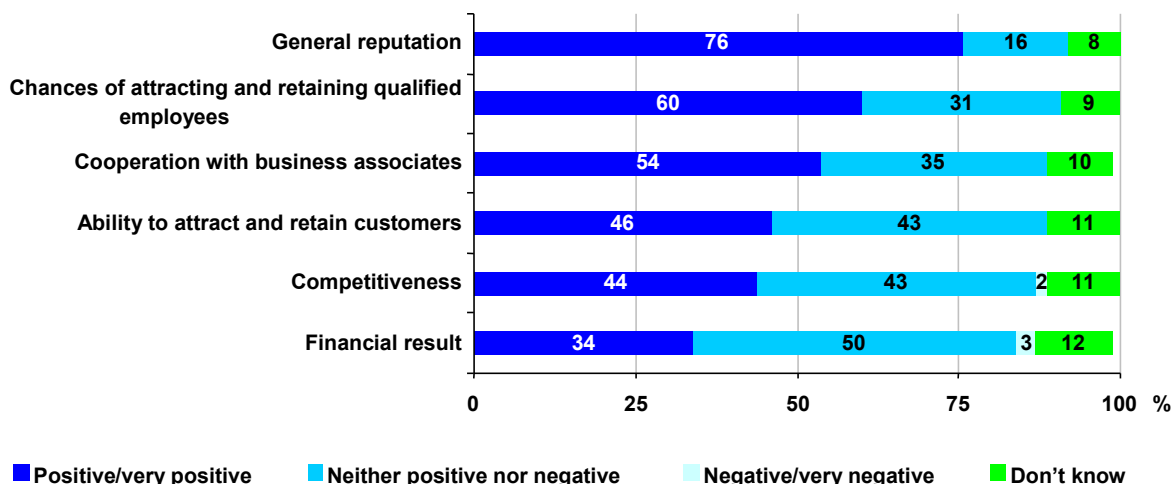
Manufacturing enterprises are significantly more likely to report and communicate their CSR activities to stakeholders.

Enterprises with 10-19 employees are significantly less likely to enter into cooperation with stakeholders on environmental activities, while *enterprises with 50-99 employees* are significantly more likely to do so, and to report and communicate to stakeholders.

The following figure shows how respondents assess the impact of stakeholder activities.

As with workforce and environmental activities, the largest number of respondents relatively speaking (76%) are of the opinion that stakeholder activities have a positive impact on the *enterprise's general reputation*. Sixty per cent are of the opinion that they have a positive impact on the *chances of attracting and retaining qualified employees*. The smallest number relatively speaking (34%) estimate that such activities have a positive impact on *their financial result*.

Figure 8.1 Impact of stakeholder activities (n=214)

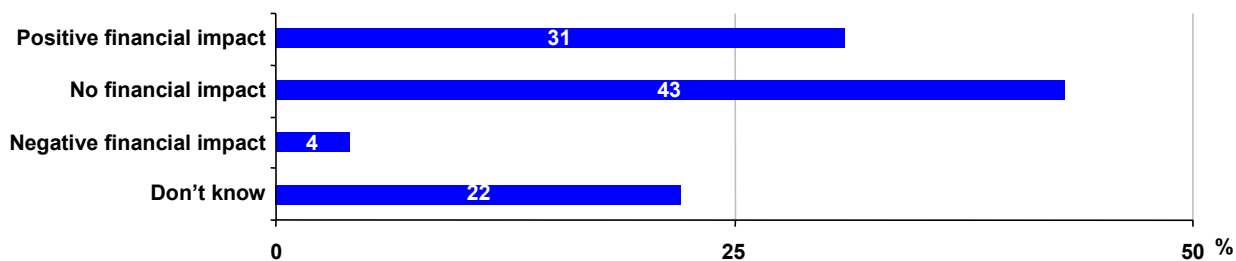


The question was: How do you assess the impact of stakeholder activities in relation to the enterprise's...

Figure 8.2 enlarges on assessment of the impact on financial result.

The figure shows that the largest number relatively speaking (43%) are of the opinion that stakeholder activities have no financial impact. Thirty one per cent are of the opinion that such activities have a positive financial impact, while 4% believe that they have a negative financial impact. The results differ from those for environmental and workforce activities in that a majority believes that the activities have no financial impact.

Figure 8.2 Financial impact of stakeholder activities (n=214)



The question was: If the enterprise's profits from stakeholder-related corporate social responsibility are compared with costs, would you estimate that the activities have a positive or negative impact on the enterprise's overall result (its bottom line).

A more detailed analysis of the results in Figure 8.2 shows that manufacturing enterprises are significantly more likely to believe that stakeholder activities have no financial impact.

Enterprises that communicate their CSR activities also have a significantly more positive attitude to the impact of stakeholder activities.

The table below shows how large a proportion believes that stakeholder activities in general have a positive financial impact for enterprises that have/have not implemented a given stakeholder activity.

With the exception of stakeholder dialogue on important decisions, where there is no difference, respondents who have implemented specific activities are more likely to believe that stakeholder activities in general have a positive financial impact. The greatest difference is seen in relation to cooperation on general conditions for enterprises in the area.

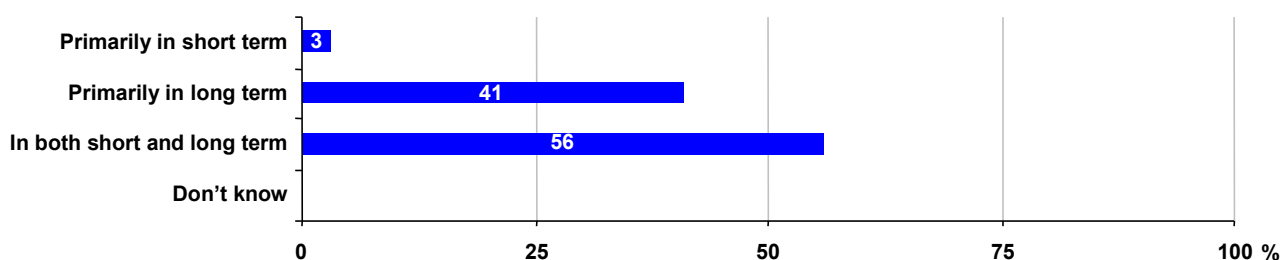
The table illustrates that those enterprises which have implemented specific stakeholder activities are also most likely relatively speaking to believe in the overall positive impact of stakeholder activities.

Table 8.3 Proportion who estimate that stakeholder-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Cooperation with stakeholders on safeguarding general and competitive conditions for enterprises in the area	51%	36%	+ 15%
Cooperation with stakeholders on environmental activities	44%	38%	+ 6%
Cooperation with stakeholders on activities that help to solve social problems	42%	37%	+ 5%
Reporting and communication to stakeholders on the enterprise's corporate social responsibility	41%	36%	+ 5%
Dialogue with and involvement of the enterprise's stakeholders in important decisions on the enterprise's conduct	40%	40%	0%
Other	43%	39%	+ 4%

Figure 8.3 shows whether respondents who believe that stakeholder activities have a positive financial impact feel that impact in short term, long term or both short and long term. As the figure shows, the majority (56%) feels the impact in both the short and long term. Forty one percent feel the impact primarily in the long term, while 3% feel it primarily in the short term.

Figure 8.3 Timeframe for positive financial impact of stakeholder activities (n=66)



The question was: Does the enterprise feel the positive financial impact in the short or long term?

None of the respondents who believe that stakeholder-related CSR activities have a positive financial impact was able/wanted to answer the question about how large the annual positive financial impact of such activities is.

Only a few respondents (n=8) answered the question about the timeframe for the *negative* financial impact of stakeholder activities. Consequently there is great statistical uncertainty in respect of the results. Five out of the eight feel the impact primarily in the short term, while two feel it in both the short and long term. None feels it primarily in the long term.

Just one of the respondents who believe that stakeholder-related CSR activities have a negative financial impact was able/wanted to answer the question about how large the annual negative financial impact of such activities is. The respondent said it was DKK 50,000.

9 Marketplace-related CSR

This section examines marketplace-related CSR activities. Twenty eight per cent of respondents have implemented marketplace-related CSR activities (see section 3).

Marketplace-related CSR is targeted at the marketplace and the enterprise's customers, who can be both commercial and private players. It specifically involves showing responsibility in relation to the enterprise's customers and market, assuming product responsibility, raising the profile of one's corporate social responsibility and ensuring broader market access.

The results reproduced in this section are based exclusively on the replies from those respondents who gave marketplace activities either 1st, 2nd or 3rd priority out of the areas where they have implemented activities.

First an account is given of what characterises enterprises with marketplace activities, then a closer look is taken at the prevalence of different marketplace activities and their impact.

9.1 Characteristics of SMEs with marketplace activities

The multivariate analysis of enterprises' marketplace activities suggests the following overall conclusions:

- The most important factors affecting whether enterprises have marketplace activities are (a) which *industry* the enterprise belongs to, (b) the *organisational assignment of responsibility for CSR*, and (c) whether the enterprise *communicates* its corporate social responsibility externally.
- *Number of employees* and *type of business*, on the other hand, are of no measurable importance with regard to whether enterprises have marketplace activities.

The table below describes the results of the multivariate analysis of marketplace activities in more detail.

Table 9.1 Characteristics of enterprises with marketplace activities

Industry

- The largest proportion of enterprises with marketplace activities is found in the hotel and catering industry and among trade and servicing enterprises.
- The proportion of enterprises with marketplace activities is fairly uniformly distributed between the other industries.

Responsibility for CSR

- The smallest proportion of enterprises with marketplace activities is found among enterprises where responsibility for CSR activities has been assigned to senior management.

Communication of marketplace activities

- There is a larger proportion of enterprises with marketplace activities among enterprises that communicate their activities externally.

9.2 Prevalence and impact of marketplace activities

The following maps the prevalence of different marketplace activities and their impact.

The table below shows the prevalence of different marketplace-related CSR activities. The most widespread marketplace activities are *general ethical business practice* (60%) and *responsible customer relations* (59%). In addition, more than half (49%) are involved in *product responsibility*. The smallest number relatively speaking (28%) use *product labelling schemes*.

Table 9.2 Specific marketplace activities

Which specific activities has your enterprise implemented in order to demonstrate corporate social responsibility in relation to its CUSTOMERS?	
General ethical business practice	60%
Responsible customer relations	59%
Product responsibility	49%
Dialogue with and involvement of the enterprise's customers in important decisions on the enterprise's work processes and products	43%
Use of product labelling schemes	28%
Other	8%
Don't know	7%
Total	254%
N	238

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

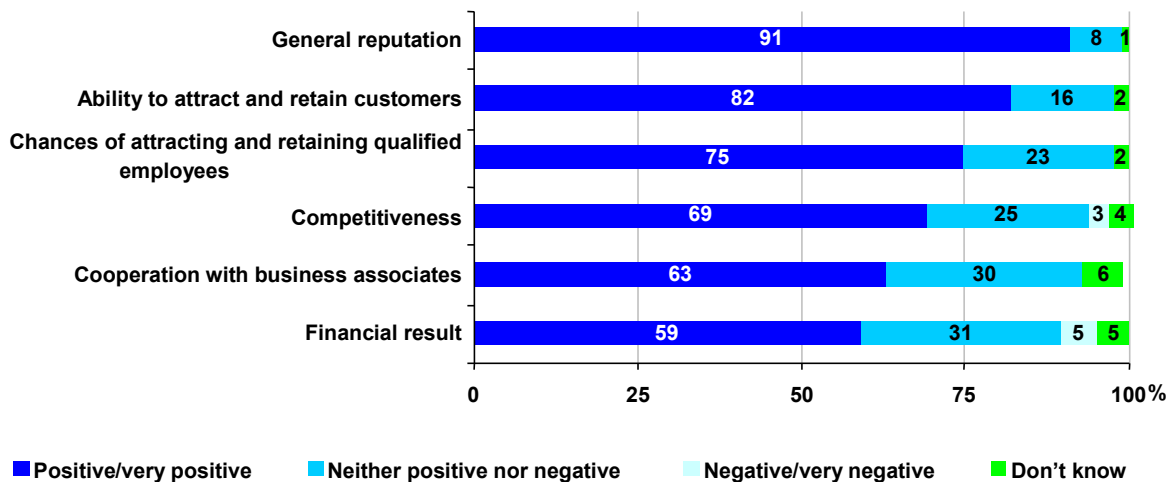
The analysis of the replies shows that *trade and servicing enterprises* are significantly more likely to have responsible customer relations and product responsibility, and to use product labelling schemes.

Enterprises in *real property/business services*, on the other hand, are significantly less likely to have product responsibility and use product labelling schemes.

The figure below shows how respondents assess the impact of marketplace activities. Overall, the impact of marketplace activities is estimated to be greater than that of activities in the other areas.

As with activities in the other areas, the largest number relatively speaking (91%) are of the opinion that marketplace activities have a positive impact on *the enterprise's general reputation*. Eighty two per cent are of the opinion that they have a positive impact on *ability to attract and retain customers*. The smallest number relatively speaking (59%) estimate that such activities have a positive impact on *their financial result*.

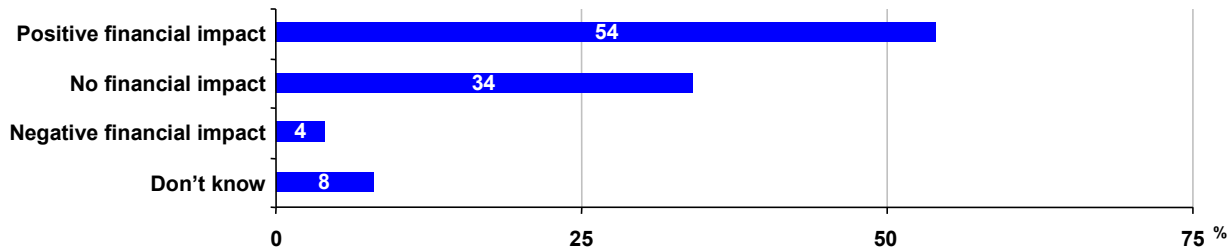
Figure 9.1 Impact of marketplace activities (n=238)



The question was: How do you assess the impact of marketplace-related CSR activities in relation to the enterprise's...

Figure 9.2 enlarges on the question as to financial impact. The figure shows that the largest number relatively speaking (54%) are of the opinion that marketplace activities have a positive financial impact. Thirty four per cent are of the opinion that such activities have no financial impact, while 4% believe that they have a negative financial impact. The replies therefore follow the same pattern as for workforce and environmental activities.

Figure 9.2 Financial impact of marketplace activities (n=238)



The question was: If the enterprise's profits from marketplace-related corporate social responsibility are compared with costs, would you estimate that the marketplace activities in general have a positive or negative impact on the enterprise's overall result (its bottom line).

A detailed analysis of the results in Figure 9.2 shows that enterprises with 50-99 employees are significantly more likely to believe that marketplace activities have a positive financial impact. The same applies to enterprises that communicate their CSR activities.

The table below shows how large a proportion believes that marketplace activities in general have a positive financial impact for enterprises that have/have not implemented a given marketplace activity.

Respondents who have implemented specific activities consistently estimate to a greater extent that marketplace activities in general have a positive financial impact. The greatest difference is seen in relation to responsible customer relations and use of product labelling schemes.

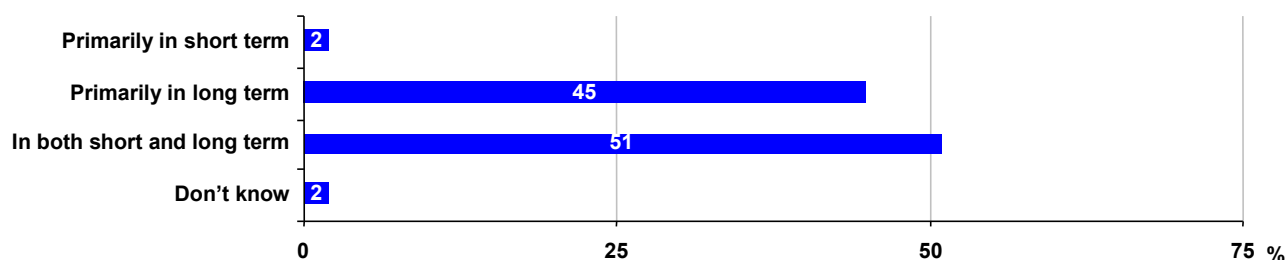
The table therefore illustrates that those enterprises which have implemented specific marketplace activities are also most likely relatively speaking to believe in the overall positive impact of such activities.

Table 9.3 Proportion who estimate that marketplace-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Responsible customer relations	68%	44%	+ 24%
Use of product labelling schemes	74%	53%	+ 21%
Dialogue with and involvement of the enterprise's customers in important decisions on the enterprise's work processes and products	67%	52%	+ 15%
Product responsibility	66%	51%	+ 15%
General ethical business practice	60%	56%	+ 4%
Other	65%	58%	+ 7%

The figure below shows whether respondents who believe that marketplace activities have a positive financial impact feel that impact in the short term, long term or both short and long term. As the figure shows, the majority (51%) feels the impact in both the short and long term. Fifty one percent feel the impact primarily in the long term, while 2% feel it primarily in the short term.

Figure 9.3 Timeframe for positive financial impact of marketplace activities (n=129)



The question was: Does the enterprise feel the positive financial impact in the short or long term?

Only one of the respondents who believe that marketplace-related CSR activities have a positive financial impact was able/wanted to answer the question about how large the annual positive financial impact of such activities is. The respondent quantified the impact as DKK 4,000,000.

Very few respondents (n=9) answered the question about the timeframe for negative financial impact. Consequently there is great statistical uncertainty in respect of the results. Six out of the nine respondents feel the negative financial impact of marketplace-related CSR activities primarily in the short term. Two feel it in both the short and long term, while one feels it primarily in the long term.

None of the respondents who believe that marketplace-related CSR activities have a negative financial impact was able/wanted to answer the question about how large the annual financial impact of such activities is.

10 Supply-chain-related CSR

This section looks at supply-chain-related CSR activities, the last of the five areas to be examined in this report. Twenty two per cent of respondents have implemented supply-chain-related CSR activities (see section 3).

Supply-chain-related CSR is directed back up the value chain, with the emphasis being on the relationship between the enterprise and its suppliers, and the enterprise's responsibility with regard to the conditions under which the raw materials and semi-manufacturers used in the enterprise's own products are produced. After all, the conditions in suppliers' operations can ultimately affect the profile of the enterprise's own products with regard to environmental or social responsibility.

The results reproduced in this section are based exclusively on the replies from those respondents who gave supply chain activities either 1st, 2nd or 3rd priority out of the areas where they have implemented activities.

First of all the section examines what characterises the enterprises that have implemented supply chain activities. It then takes a closer look at the prevalence of different supply chain activities and their impact.

10.1 Characteristics of SMEs with supply chain activities

The multivariate analysis of enterprises' supply-chain-related CSR activities suggests the following overall conclusions:

- The most important factors affecting *whether* enterprises have supply chain activities are (a) *industry*, (b) *type of business*, and (c) whether the enterprise *communicates* its corporate social responsibility externally.
- *Number of employees* and *organisational assignment* of responsibility for CSR, on the other hand, are of no measurable importance with regard to whether enterprises have supply chain activities.

The table below describes the results of the multivariate analysis of supply chain activities in more detail.

Table 10.1 Characteristics of enterprises with supply chain activities

Industry

- The largest proportion of enterprises with supply chain activities is found in the hotel and catering industry and among trade and servicing enterprises.
- The smallest proportion of enterprises with supply chain activities is found among enterprises concerned with real property/business services.

Type of business

- The largest proportion of enterprises with supply chain activities is found among branch businesses and public limited companies.
- The smallest proportion of enterprises with supply chain activities is found among sole traders.

Communication of supply chain activities

- There is a larger proportion of enterprises with supply chain activities among enterprises that communicate their activities externally.

10.2 Prevalence and impact of supply chain activities

The following takes a closer look at the prevalence of different supply chain activities and their impact.

The table below shows the prevalence of different supply-chain-related CSR activities. It appears from the table that the most widespread supply chain activity is the *formulation of ethical, social or environmental requirements for suppliers* (54%). The *involvement of suppliers in important decisions* is also widespread among enterprises (48%) that have supply-chain-related CSR activities. In addition, around a quarter of enterprises (24%) *share experience with and upgrade suppliers*.

Table 10.2 Specific supply chain activities

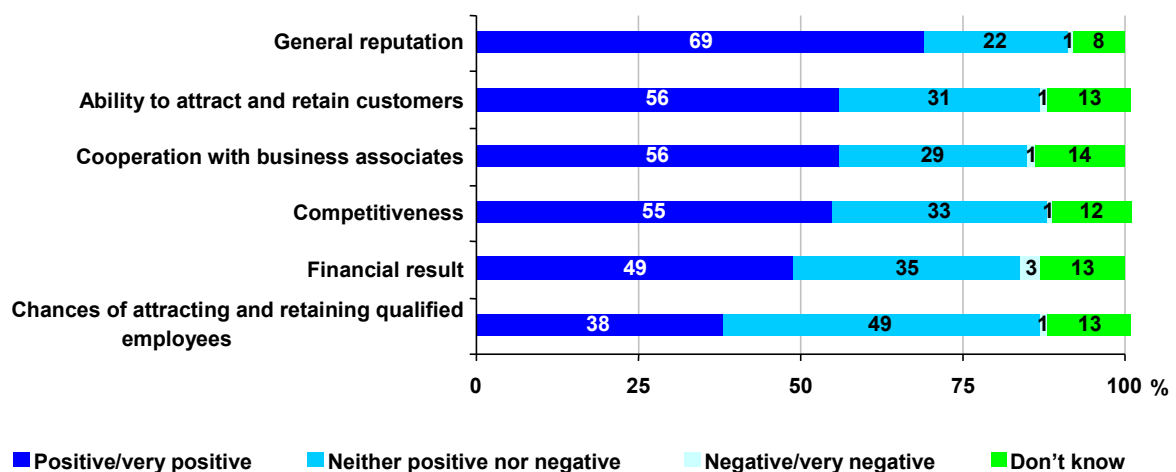
Which specific activities has your enterprise implemented in order to demonstrate corporate social responsibility in relation to its SUPPLIERS?	
Formulation of ethical, social or environmental requirements for suppliers	54%
Dialogue with and involvement of the enterprise's suppliers in important decisions on cooperation between the enterprise and supplier	48%
Sharing experience with and upgrading suppliers	24%
Other	10%
Don't know	17%
Total	153%
N	144

Note: The figures add up to more than 100% because it is possible to give more than one answer to the question.

From the point of view of industry, *trade and servicing enterprises* are significantly more likely to formulate ethical, social or environmental requirements.

The figure below shows how respondents assess the impact of supply chain activities. When it comes to the supply chain too, the largest number of respondents relatively speaking (69%) are of the opinion that such activities have a positive impact on the *enterprise's general reputation*. This is a consistency tendency in all five areas. Fifty six per cent are of the opinion that such activities have a positive impact on *ability to attract and retain customers*. The smallest number relatively speaking (38%) estimate that such activities have a positive impact on the *chances of attracting and retaining qualified employees*.

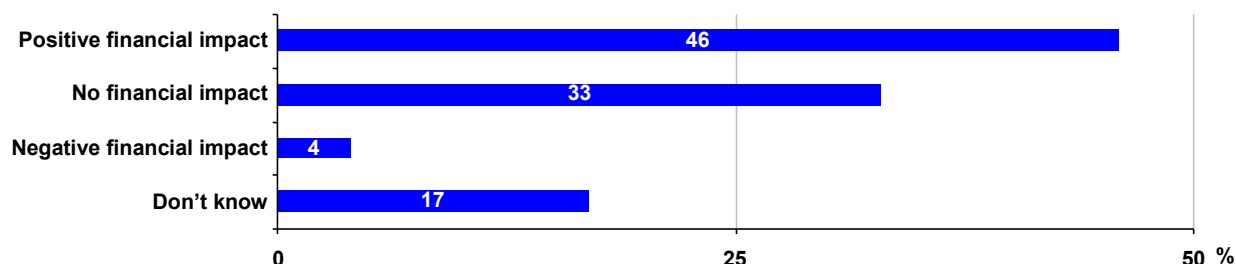
Figure 10.1 Impact of supply chain activities (n=144)



The question was: How do you assess the impact of supply chain activities in relation to the enterprise's...

Figure 10.2 shows that the largest number relatively speaking (46%) are of the opinion that supply chain activities have a positive financial impact. Thirty three per cent are of the opinion that such activities have no financial impact, while 4% believe that they have a negative financial impact. The replies follow the same pattern as for workforce, environmental and marketplace activities.

Figure 10.2 Financial impact of supply chain activities (n=144)



The question was: *If the enterprise's profits from supply-chain-related corporate social responsibility are compared with costs, would you estimate that the activities in general have a positive or negative impact on the enterprise's overall result (its bottom line).*

Trade and servicing enterprises are significantly more likely to believe that such activities have a positive financial impact. In addition, enterprises that *communicate* their CSR activities have a significantly more positive attitude to financial impact. None of the respondents who believe that supply-chain-related CSR activities have a positive financial impact was able/wanted to answer the question about how large the annual positive financial impact of such activities is.

The table below shows how large a proportion believes that supply chain activities in general have a positive financial impact for enterprises that have/have not implemented a given supply chain activity.

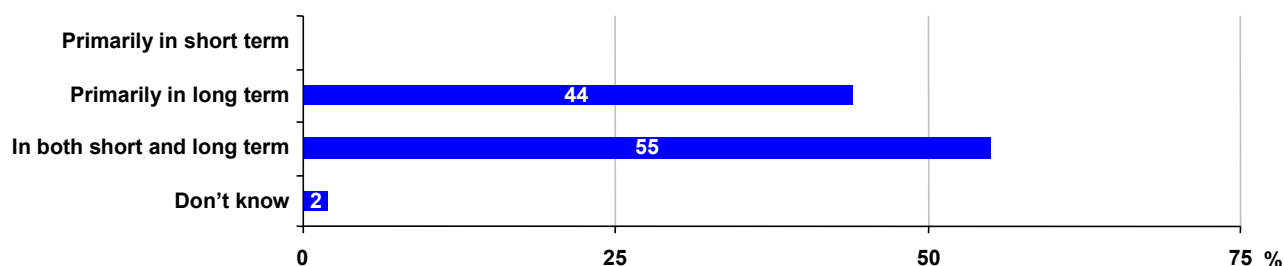
It is consistently the respondents who *have* implemented specific activities who are more likely to believe that supply chain activities in general have a positive financial impact. The largest difference is seen in relation to *sharing experience with and upgrading suppliers*. The table therefore illustrates that those enterprises which have implemented specific supply chain activities are also most likely relatively speaking to believe in the overall positive impact of such activities.

Table 10.3 Proportion who estimate that supply-chain-related CSR activities in general have a positive financial impact for enterprises that have/have not implemented specific activities

Specific activity	Activity implemented	Activity NOT implemented	Difference (percentage points)
Sharing experience with and upgrading suppliers	81%	46%	+ 35%
Dialogue with and involvement of the enterprise's suppliers in important decisions on cooperation between the enterprise and supplier	61%	48%	+ 13%
Formulation of ethical, social or environmental requirements for suppliers	60%	48%	+ 12%
Other	62%	54%	+ 8%

The following figure shows how respondents who are of the opinion that supply chain activities have a positive financial impact assess the timeframe of the impact. It appears from the figure that the majority (55%) believes that the impact makes itself felt in both the short and long term. Forty four percent believe that the impact makes itself felt primarily in the long term, while none believes that it makes itself felt primarily in the short term.

Figure 10.3 Timeframe for positive financial impact of supply chain activities (n=66)



The question was: Does the enterprise feel the positive financial impact in the short or long term?

When it comes to the supply chain too, very few respondents (n=6) answered the question about the timeframe for negative financial impact. Consequently there is great statistical uncertainty in respect of the results. Four out of the six feel the impact primarily in the short term, while two feel it in both the short and long term.

None of the respondents who believe that supply-chain-related CSR activities have a negative financial impact was able/wanted to answer the question about how large the annual negative financial impact of such activities is.

11 Survey method

This section gives an account of the method used. First the questionnaire is explained. This is followed by a look at the target group and composition of the random sample, then data collection and drop-out. Finally, data processing and analysis are described.

11.1 Questionnaire

The survey took the form of an Internet-based questionnaire survey.

The questionnaire for the survey was drawn up by the Danish Commerce and Companies Agency and TNS Gallup in collaboration. The questionnaire and results from phase 1 of People & Profit represented an important foundation for drawing up the questionnaire for phase 2.

A draft questionnaire was sent to the reference group for the People & Profit project for consultation: the Confederation of Danish Industries (DI), the Danish Construction Association, the Danish Employers' Confederation (DA), the United Federation of Danish Workers (3F), the National Labour Market Authority, the Danish Association of Managers and Executives, the Central Organisation of Industrial Employees in Denmark, Danish Commerce and Service, the Danish Chamber of Commerce (HTS), the Confederation of Danish Trades Unions (LO) and the Union of Commercial and Clerical Employees in Denmark (HK). The reference group's comments were then incorporated in the questionnaire.

TNS Gallup then pilot-tested the questionnaire. For the pilot test Gallup recruited 10 respondents, chosen at random, who were sent a link to the questionnaire. Once the questionnaire had been completed, the respondents were phoned up again and asked about the technical quality of the questionnaire, the subjects covered by the survey, the questions, the reply categories and the terminology.

Based on the pilot test, Gallup drew up a validation memo summarising the participants' general and specific comments on the questionnaire. Gallup made some adjustments to the questionnaire in collaboration with the Commerce and Companies agency on the basis of this validation memo. The final questionnaire is enclosed as appendix 1.

11.2 Target group and composition of random sample

The target group for the survey was made up of small and medium-sized enterprises (SMEs). In phase 1 of People & Profit small and medium-sized enterprises were defined as enterprises with up to 250 employees and annual turnover not exceeding 50 million Euros or assets not exceeding 43 million Euros.⁴

TNS Gallup did not have full access to information on turnover and assets when taking the random sample, as such information is only available for enterprises that have statutory duty to provide it and so is not available for a representative cross-section of all SMEs in Denmark. The financial part of the definition was therefore omitted, with SMEs being defined in this survey as *enterprises with between 10 and 250 employees*.

The specific respondent in each enterprise was someone who knew about the enterprise's CSR activities. This person might be from the enterprise's management, HR department or sales and purchasing function, for example.

For the survey TNS Gallup took a sample of enterprises (the survey's random sample) with 10-250 employees from Købmandsstandens Oplysnings Bureau (KOB). The sample was taken at random based on the following parameters: number of employees, industry, geographical location, type of business and age. The full sample from KOB contained 20,350 enterprises with a representative distribution based on these parameters.

⁴ Source: "Summary report: People & Profit – Phase 1", Danish Commerce and Companies Agency, August 2005.

As KOB only contains information on the number of employees at each place of work, the random sample's information on number of employees was double-checked as part of the telephone recruitment of respondents. To this end the respondent was asked for the number of employees nationwide, with those who said more than 250 being excluded from the survey.

In addition, only enterprises set up prior to 2004 were included, as the most recent financial information from Statistics Denmark, which was to be used in the analysis, is for 2003.

With regard to industry distribution, the sample was taken on the basis of the NACE code system. Enterprises were distributed between a number of industries, which are listed in the table below, by agreement with the Commerce and Companies Agency.

Table 11.1 List of industries in the random sample

Industry category	Types of enterprise	NACE codes
Manufacturing	Food and drink manufacturing; textile industry, timber industry, chemical industry, rubber and plastics industry, etc.	151110-372000
Trade and servicing enterprises	Wholesalers and retailers of motor vehicles, raw materials, food, drink, textiles, domestic goods, machinery, etc.	501010-505020 511100-519000 521110-527490
Real property / business services	Leasing of real property, motor vehicles, machinery; IT service providers; data processing; research and development; law firms; firms of architects and engineers; advertising and marketing agencies, etc.	701100 701200 702020-748790
Building and construction	Site preparation, building and construction, building services, etc.	451100-455000
Transport	Railways; bus and tram operators; taxi firms; shipping; aviation; freight handling and storage; travel and tourist agencies, etc.	602200-612000 621000-623000 631100-632120 632240 633010-634090 641100-642040
Hotels and catering	Hotels, campsites, restaurants, public houses, canteens and catering firms	551010-555200
Extraction of natural resources	Extraction of crude oil and natural gas; coalmines, lignite fields and peat cutting, etc.	101000-145000

11.3 Data collection and drop-out analysis

The survey took the form of an Internet-based questionnaire survey. The participants in the survey were recruited over the telephone by TNS Gallup's interview department.

The interview department contacted 4,178 enterprises in the target group, 2,840 (68%) of which agreed to take part in the survey. These 2,840 enterprises were sent an email containing a link to the questionnaire, which could then be completed over the Internet.

An email reminder was planned for those respondents who did not complete the questionnaire by the deadline. This was changed to a telephone reminder in view of the tight schedule for the survey. TNS Gallup received 1,071 valid replies, a response rate of 38%.

The representativeness of the survey is reflected in how the respondents are distributed in relation to the population (i.e. all small and medium-sized enterprises in Denmark) with regard to a number of background variables.

In any mapping of CSR activities it should be investigated whether enterprises with a lot of CSR activities were more likely to reply than enterprises with not many activities. Therefore TNS Gallup carried out a drop-out analysis.

The figures below show the distribution of the population and respondents for industry, geography, number of employees and type of business respectively. The values for the population were calculated on the basis of the representative random sample of 20,350 enterprises in total taken from KOB.

The figure below shows distribution according to industry.

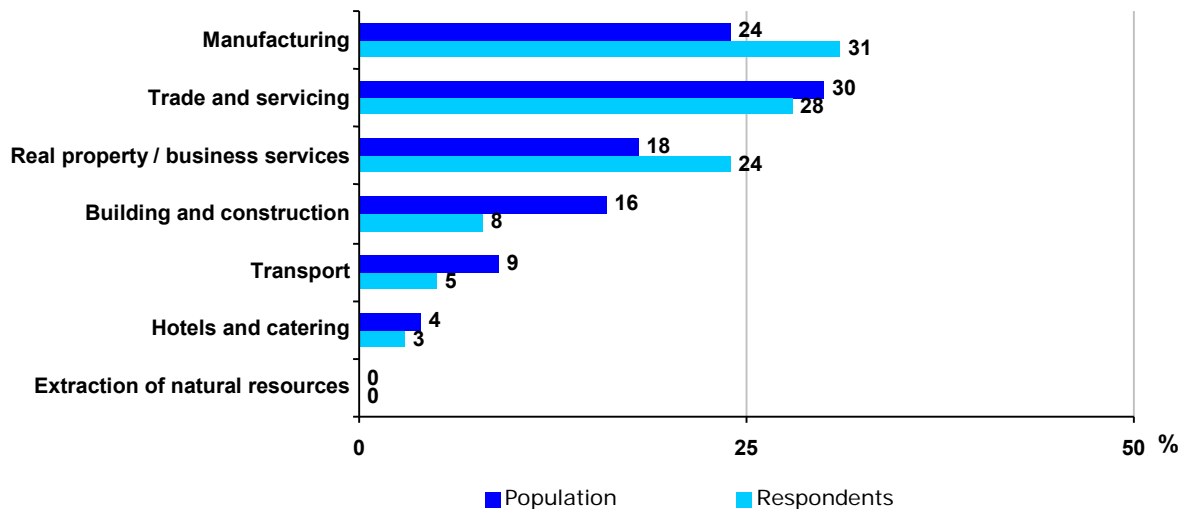
Replies from manufacturing enterprises and enterprises in real property/business services are overrepresented. Replies from building and construction enterprises and transport enterprises, on the other hand, are underrepresented.

Seen in relation to how likely the various industries are to have implemented CSR activities (see section 3.1), replies from those industries that are least and second most likely respectively to have implemented CSR activities are overrepresented.

Replies from those industries that are most and second least likely respectively to have CSR activities, on the other hand, are underrepresented.

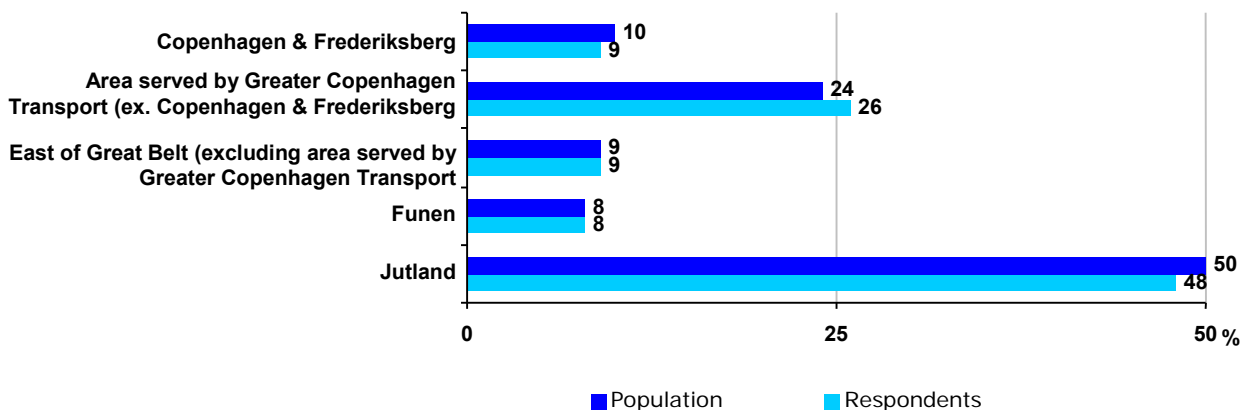
As the industry-related distortions can therefore be said to balance each other out in a way, there are no grounds for assuming there to be systematic industry-related distortions in the mapping of the scope of CSR activities.

Figure 11.1 Distribution according to industry



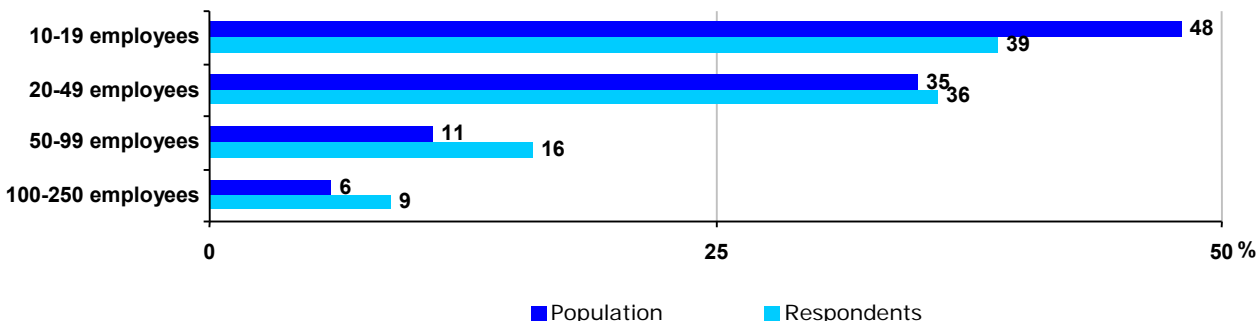
The next figure shows the geographical distribution of population and respondents respectively. It appears from the figure that the geographical distribution of the respondents is largely identical to that of the population. Therefore, from a geographical point of view, there are no distortions in the survey results.

Figure 11.2 Geographical distribution



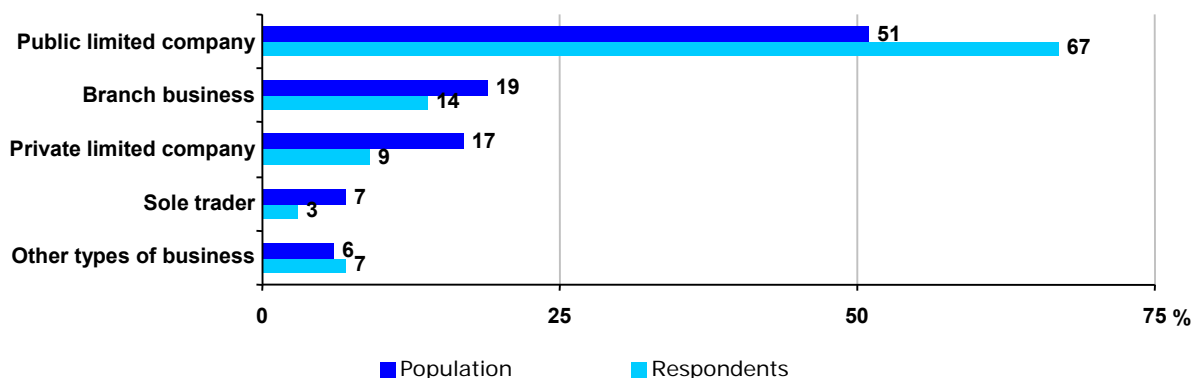
The figure below shows the distribution for number of employees. It appears from the figure that replies from large SMEs (50-250 employees) are overrepresented, while replies from the smallest SMEs (10-19 employees) are clearly underrepresented. Seen in relation to how likely the various industries are to have implemented CSR activities (see section 3.1), replies from those industries that are more likely to have CSR activities are overrepresented. Replies from those industries that are less likely to have CSR activities, on the other hand, are underrepresented. There is thus a certain amount of size-related distortion in the mapping of the scope of CSR activities.

Figure 11.3 Distribution according to number of employees



As the final element in the quantitative drop-out analysis, **Figure 11.4** shows the distribution of the population and respondents for type of business. The figure shows that replies from public limited companies are clearly overrepresented, while replies from private limited companies and sole traders are underrepresented. Seen in relation to how likely various types of business are to have implemented CSR activities (see section 3.1), replies from enterprises that are, on average, likely to have CSR activities are overrepresented. At the same time, replies from enterprises that are less likely to have CSR activities are underrepresented. There is thus a slight distortion in the mapping of the scope of CSR activities with regard to type of business.

Figure 11.4 Distribution according to type of business



By way of a supplement to the quantitative drop-out analysis, TNS Gallup carried out a qualitative drop-out analysis in order to throw light on the reasons for the failure to answer the questionnaire. The qualitative drop-out analysis was carried out among a cross-section of those respondents who were reminded by telephone. A total of 66 respondents were involved.

Of the 66 respondents, 15 did not want to take part in the survey (despite previously agreeing to do so). The overriding reason given by these respondents was that they did not have time, were too busy, etc. Only a very small number cited the subject matter of the survey and the length/content of the questionnaire as the reason for not wanting to answer the questionnaire. None of the respondents gave lack of relevance as the reason. The qualitative drop-out analysis does not, therefore, suggest systematic drop-out.

11.4 Data processing and analysis

Statistics Denmark was involved in the processing and analysis of data. This is because only Statistics Denmark has access to the enterprises' accounting information. Statistics Denmark was therefore responsible for those parts of the analysis that involved financial key figures.

From a purely practical point of view, this was done by TNS Gallup supplying a data file with the information collected for each enterprise (identified by CVR number). Statistics Denmark then enriched the data file with its own data and carried out a number of cross-tabulations and multivariate analyses specified by TNS Gallup.

As the information involved is confidential, financial enrichment of the data was done in completely anonymised form. This means that only Statistics Denmark can trace the financial information to the individual enterprise.

In the case of some of the enterprises several places of work are linked to the enterprise's CVR number, which means that they do not have independent accounting figures. Such enterprises, which represent a third of all respondents, have not therefore been included in the cross-tabulations and multivariate analyses that involve accounting information, as this would have given a misleading picture. The analyses that involve accounting information are therefore based on replies from fewer enterprises (n=714) than the other analyses.

In the data processing of the results the reply distributions for all the questions were analysed for correlations with industry, number of employees, geographical location, type of business and age of enterprise as standard. The report only comments on statistically significant correlations.

These correlations were revealed by carrying out a significance test (Chi² test) on the data material. A correlation between two variables is defined as significant if it is more than 95% certain. In other words, the result for a given group differs from the result for all respondents with 95% certainty.

It should be noted that the percentages do not always add up exactly, but may deviate by one or two percentage points. This does not affect the accuracy of the figures and is the result of working with rounded figures.

Two types of multivariate analysis were carried out on the data material:

- One included only non-financial information.

The purpose of this analysis was to identify and characterise enterprises that have CSR activities. To be specific, this was done by analysing the data for correlations with industry, number of employees, geographical location, type of business and age of enterprise.

By way of a supplement to this analysis, separate multivariate analyses were carried out for each of the five areas (workforce, environment, stakeholder engagement, marketplace and supply chain). In these analyses geographical location and age were replaced with two new variables: organisational assignment of responsibility for CSR activities and external communication of CSR activities respectively.

The purpose of these analyses was to identify and characterise enterprises that have CSR activities within the area in question.

- The other analysis involved financial information for the enterprises and was therefore carried out by Statistics Denmark.

The purpose of this analysis was to identify which factors determine an enterprise's profit.

To be specific, the analysis was carried out by analysing the enterprise's profit ratio for a correlation with the enterprise's CSR activities (based on both the number of activities implemented and the areas in which the activities had been implemented) and at the same time checking for correlations with industry, number of employees, geography, age of enterprise, turnover and level of exports. The technique used was linear regression.

Appendix 2 contains the statistical models for CSR activities that resulted from the multivariate analyses (which only included non-financial key figures).

Appendix 3 deals with the multivariate analyses involving accounting figures carried out by Statistics Denmark.



Catalogue of CSR Activities: A broad overview

An Ashridge report produced for
The Danish Commerce and Companies Agency

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INTRODUCTION

This catalogue provides a broad overview of practical activities that enterprises are undertaking within the realm of Corporate Social Responsibility (CSR). It is the English translation of a catalogue in Danish produced by Ashridge for the Danish Commerce and Companies Agency (DCCA) in April 2005¹.

Purpose and scope

The DCCA is engaged in improving CSR competences in Small and Medium Sized Enterprises (SMEs) in Denmark. This 'People & Profit' project needs a broad and practical understanding of the most common CSR activities that enterprises engage in. The project is financed by The European Social Fund and funds for the development of an inclusive labour market provided by the National Labour Market Authority in Denmark (Arbejdsmarkedets-styrelsen).

The catalogue concerns the first part of Phase One of the project and among other it will be used to inform a survey of CSR activities by Danish SMEs.

CSR activities vary considerably among countries. What are seen as common CSR activities in France may not be so important in Sweden or Denmark. CSR is also an immense field making it impossible to produce a catalogue that describes every type of CSR activity in detail. This catalogue is therefore not a full, final and authoritative description of all forms of CSR activity.

As the objective of the catalogue is to enable the project to have a broad view of practical CSR activities, a narrow perspective is undesirable. The catalogue therefore provides a broad overview of what internationally, especially in Europe and North America, constitutes the most common forms of CSR activities. As the 'People & Profit' project is about building the CSR competences of Danish SMEs, their context has been considered in producing the catalogue.

The catalogue does not assess whether CSR activities should or should not be conducted and does not seek to provide assessments about their relevance, rationale or suitability as CSR activities.

Methodology

The starting point for this catalogue has been to identify different types of CSR activities. To do this Ashridge drew on its extensive experience of working in the field of CSR and information from a variety of useful sources on practical CSR activities.

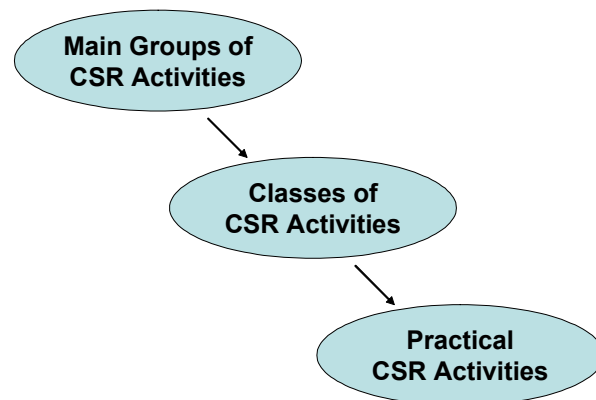
¹ For the Danish version, contact Leon Olsen at Ashridge, Telephone: +44 (0)1442 841173 or email leon.olsen@ashridge.org.uk

The CSR activities have been clustered into seven main groups²:



These main groups broadly follow mainstream CSR guidelines and descriptions focusing on practical CSR activities, including Business in the Community's Corporate Responsibility Index and CSR Europe's SME Key.

For each main group Ashridge has identified relevant practical CSR activities and clustered them into coherent, meaningful and representative classes of CSR activities, as illustrated in the figure to the right.



The catalogue provides a broad and short description of what CSR activities mean for each main group. This is followed by a description of the main classes of CSR activity within the main group and what it means in terms of practical CSR activities.

For each main group of activity a couple of short practical examples are included to illustrate the CSR activities. There is also sign-posting of additional sources of information.

The grouping and classification of CSR activities provides useful context to the different practical CSR activities. However, it is important to note that there is considerable overlap between different main groups and classes of CSR activities. Each practical activity has been assigned in the group and class that it most usefully fit into. In addition, the catalogue informs about the most obvious connections between practical activities classified differently.

The Appendix provides an overview of the main groupings and classes.

Useful definitions and clarifications

Bearing the scope of the 'People & Profit' project in mind, it is useful to consider the definition for Danish SMEs. In broad terms, SMEs are enterprises that are below two of the following three limits:

² The English translation deliberately applies this common CSR terminology even as it is different to the stakeholder orientation in Danish CSR terminology, applied in the Danish version. (i.e. in the Danish version: marketplace = customers; workforce = employees; and supply chain = suppliers.)

- An annual revenue of DKK 238 million (€32.0m).
- A total balance sheet (total assets) of DKK 119 million (€16.0m).
- An average of 250 full-time employees.

This definition follows the EU definition, as per the EU company law directives.

For the purpose of the ‘People & Profit’ project, the EU’s definition of CSR is used as broad guidance for CSR activities:

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

This means that activities which enterprises engage in because they are mandatory fall outside this definition. However, as legal requirements vary considerably and the purpose of this catalogue is to give a broad overview of practical CSR activities internationally, such fine points in distinguishing what is legally mandatory and what is voluntary cannot usefully be made. The definitions therefore only serve as guidance in identifying practical CSR activities in this catalogue.

The term ‘Enterprise’ has been used throughout the catalogue to signify different types of businesses, including limited companies according to company law and other forms of businesses.

Finally, as one of the objectives of the ‘People & Profit’ project is to focus on the social component of CSR, especially regarding a socially coherent society and workplace, the catalogue has a slight bias towards more detail on these components of CSR.

A. LEADERSHIP, VISION AND VALUES

This is about setting a clear direction and leading by putting CSR at the centre of the enterprise. It is related to all the other main groups of CSR activities, especially ‘Workforce activities’ and ‘Stakeholder engagement’. (See sections C and E below).

<p>The main CSR activities in relation to Leadership, vision and values are</p>	<p>⇒ Purpose, values and vision ⇒ Policies and procedures ⇒ Putting it into practice ⇒ Ethical leadership</p>
--	--

Defining and setting purpose, values and vision

CSR leadership involves defining and setting a purpose (or mission) that takes CSR into consideration. The vision naturally has to be aligned to the purpose of the enterprise as otherwise it would not lead the enterprise towards the purpose.

Examples of practical activities in this class include:

- **Incorporating CSR into the enterprise’s purpose** (or mission). What is enterprise here to do and is it aligned to CSR?
- **Incorporating CSR into the enterprise’s values**. What does the enterprise stand for and is it aligned to CSR?
- **Incorporating CSR into the enterprise’s vision**. What does the enterprise seek to become and does this incorporate CSR?
- **Aligning purpose, values and vision**. Ensuring they are coherent and incorporate appropriate CSR considerations.
- **Involving relevant stakeholders**, especially employees, in deciding what success looks like and their part in achieving it.
- **Gaining commitment from key constituents**, especially senior management and key employees (can be selected staff, e.g. union representatives).

Translating it into policies and procedures

Purpose, values and vision have to be translated into practice to be useful and formulating policies and procedures is usually part of this translation. It is important to consider important issues and behaviours, so that everyone concerned knows what is expected of them.

Examples of practical activities in this class include:

- **Developing business principles / Code of conduct**. Business principles often clarify a set of behavioural expectations in a more detailed and practical manner than overall values.
- **Developing policies**. The enterprise must define policies and procedures on areas of specific concern, e.g. regarding diversity, harassment, complaints, environment and

human rights. Policies and procedures are typically a set of specific rules that must be complied with.

- **Integrating CSR into strategy.** Developing a strategy that integrates the purpose, values and vision of the enterprise in a manner that ensures that CSR is implemented into both day-to-day operations and longer term activities.
- **Integrating CSR into corporate governance.** Ensuring that CSR is integrated into the considerations of the board of directors, including the board's oversight and control of the enterprise. It may include appointing (independent) directors with specific CSR knowledge or interest to provide input and influence.
- **Integrating CSR into management systems,** including its alignment to purpose, values and vision as well as appropriate structure and resourcing. This may imply defining and setting targets and delegation of responsibility for different activities (see 'Responding and managing' under 'Stakeholder engagement' in section E for more).

Putting it into practice including empowering and embedding

Purpose, values, vision, policies and procedures can all be captured in descriptive statements. They need to be implemented to be of practical use. It includes empowering people to do what needs to be done and embedding and strengthening the relevant structures, attitudes and behaviours.

Examples of practical activities in this class include:

- **Empowering people** to act in accordance with the defined purpose, values, vision, policies and procedures. This may include informing people what they can and cannot do.
- **Providing necessary training and development** of employees to enable them to take necessary action. This may include training and development regarding the business principles and values of the business. It may also include specific training on ethics and CSR.
- **Instilling a culture of responsible business practice** throughout the enterprise, e.g. leading by example and encouraging people who take responsible action. The latter may involve special employee award schemes where specific CSR suggestions or innovations are recognised through awards or bonuses.
- **Aligning remuneration** and disciplinary actions to promote CSR, for example bonuses for good behaviour and dismissal procedures for grossly poor behaviour.
- **Using values-based leadership** as a central guiding mechanism throughout the enterprise, where values are promoted and embedded into day-to-day actions.

Ethical leadership and championing

This is about setting high standards in areas that matter and ensuring that the enterprise lives up to these high standards. It may address areas of particular concern, e.g. business practice seen as 'dodgy' because it is in a 'grey zone' where its legitimacy may be questioned despite being legal (for example certain lobby activities). Ethical leadership also involves inspiring and leading other enterprises to become more responsible.

Examples of practical activities in this class include:

- **Defining a clear position on political contributions** and if permitted, giving transparent contributions.
- **Lobbying transparently.** Being clear about the position of the enterprise and with whom the enterprise is talking to, whilst respecting privacy issues.
- **Combating corruption and bribery**, especially if the enterprise conducts business in industries or geographical areas prone to corruption and bribery.
- **Refraining from aggressive tax-avoidance** procedures, ensuring the enterprise pays its fair share of taxes in line with the intent of relevant tax-regulations.
- **Being a leader and advocate** for business engagement into CSR, inside and outside the enterprise. Admitting challenges and failures while also communicating aspiration for good business practice and sharing good practice with other enterprises, for example through relevant networks.

Examples of activities regarding leadership, vision and values

- **Adnams** is a regional brewery with fewer than 300 employees on the East Coast of England. Its approach to CSR applies **values-based leadership** as the key to building a special and enduring relationship with stakeholders as a central part of becoming a successful business. This is both about trust and integrity but also about enjoyment and helping to enhance quality of life. To ensure this Adnams has embedded a culture that empowers people in a bottom-up approach to secure energy, purpose and unity to deliver on commercial priorities. It is linked to developing and motivating Adnams people who, as the bearers of the values, are key to effective implementation of the approach. See www.adnams.co.uk for more.
- **Bagus** is an example of a very small business working with **a set of core-values based on its specific products, and CSR** defining the purpose and values of the business. In line with this, Bagus requires suppliers to ensure that their products are socially and environmentally responsible. With fewer than 10 employees, it primarily markets Indonesian hand-made products in Denmark and neighbouring countries. Products are ‘Things from far away’ produced by small workshops, where the craftsmen put care and ‘soul’ into making the product, using natural materials. See www.bagus.dk for more (in Danish).

Further relevant information on activities regarding leadership, vision and values

BITC ‘Winning with integrity’	www.bitc.org.uk/resources/publications/winning
Center for Corporate Values & Responsibility (CVR)	www.cbs.dk/centres/cvr
EFQM Excellence model	Available at www.efqm.org
Global Sullivan Principles	www.globalsullivanprinciples.org
OECD	www.oecd.org
The small business journey	www.smallbusinessjourney.com
Tomorrow’s Company	www.tomorrowscompany.com
Transparency International	www.transparency.org
UN Global Compact	www.unglobalcompact.org

B. MARKETPLACE ACTIVITIES

Managing an enterprise's marketplace responsibilities relates to issues of relevance to customers – whether they are individual consumers or other businesses. The number of issues that concern customers extends across a wide range of activities.

<p>The main CSR related Marketplace activities are</p>	<p>⇒ Responsible customer relations ⇒ Product responsibility ⇒ CSR product labelling ⇒ Ethical competition ⇒ Making markets work for all</p>
---	--

Responsible customer relations including marketing and advertising

These are activities relating to consumer rights, good customer relations, responsible marketing and advertising and ensuring high levels of customer feedback, including customer complaints.

Examples of practical activities in this class include:

- **Avoiding misleading marketing and advertising.** This is about enterprises doing their best to ensure that all information about their products and services is presented in a clear, concise and accurate way. In many sectors there are voluntary codes of advertising prescribing good practice.
- **Providing good and clear product information.** This is about providing information on product quality, e.g. in relation to product safety or environmental concerns. The information can be provided via product labels or on websites. It may involve informing customers about the effects of using particular products, e.g. clear and honest nutritional information on food products.
- **Avoiding offensive advertising.** For example in advertising to children or other vulnerable groups.
- **Promoting diversity.** For example, by promoting positive role models in marketing and advertising. This can be by appropriate inclusion of minority groups or disabled people.
- **Screening customers for acceptable behaviour.** Applying criteria of ethics, responsibility or behaviour to the selection of customers, the enterprise will work with and screening customers prior to engaging in a business relationship with the customer.
- **Engaging in cause-related marketing.** Aligning sales and marketing effort with a positive social cause. Very often this involves linking the sales of specific goods and services with support for a charitable organisation – the more customers buy, the more the charity benefits (and of course sales increase for the enterprise). This activity is often linked to 'Community activities'. (See section F for more.)
- **Listening and responding to customer feedback and complaints.** Ensuring that customers have appropriate opportunities to provide feedback and complaints to the enterprise.

- **Involving customers in improvements.** Going further, some enterprises invite customers to provide feedback, ideas for improvement, or suggestions for making products more responsible.

Product responsibility

At its core, product responsibility relates to the impact that goods and services have on people. Do the goods and services an enterprise produces provide value to society, or conversely are they potentially harmful? Product responsibility is naturally also closely related to ‘Environmental product responsibility’ described in more detail in section G on ‘Environmental activities’.

Examples of practical activities in this class include:

- **Ensuring product safety** by ensuring that products and services are safe for human health and the environment during their entire life cycle, from sourcing raw materials to the disposal of the product at the end of its useful life.
- **Addressing potential misuse of products** by making consumers aware of the proper use of products or services and any potentially harmful side effects.
- **Protecting vulnerable customers.** Ensuring that vulnerable customers are protected, e.g. providing protective equipment or gear if appropriate for the use of the product.
- **Considering product life cycle** by making sure that responsible measures are taken to design, develop, produce and dispose of sustainable products and services.
- **Incorporating CSR impacts in product innovation.** When designing new products and services the social and environmental impacts of both the product itself and how it will be produced, distributed and disposed of can be considered. It may, for example, involve considering how food products with greater nutritional value may be produced. It may also be considering controversial issues such as use of genetically modified organisms or animal testing.

Using CSR product labelling

A growing number of labelling programmes help enterprises market specific social or environmental attributes of their products and services. The different types of product labels may naturally overlap and they usually involve working with suppliers to ensure the standards live up to the criteria of the product label. (See section D on ‘Supply chain activities’ for more.)

Examples of practical activities in this class include:

- **Marketing environmentally friendly products**, which is the oldest common form of product labelling. In Denmark it includes ‘Blomsten’ (‘The Flower’) and the ‘Svanen’ (‘The Swan’) labels and industry specific labels such as the FSC label by the Forest Stewardship Council.
- **Marketing organic food products.** In Denmark, notably the ‘Ø’ state controlled product label. Many other countries have similar organic food product labels. The EU also operates an organic labelling scheme.

- **Marketing products respecting human and labour rights**, including avoidance of child labour in production of the products. Different industries have different labels, e.g. the ‘Rugmark’ label of German origin in the carpet industry. A noteworthy example is the ‘Ethical Trading Initiative’ (ETI) in the UK. ETI offers British retailers a high degree of assurance regarding human and labour rights for products produced in developing countries. These products are being marketed successfully in the UK using the ETI product label.
- **Marketing fair trade products**, focusing on securing producers a fair deal that secures a decent livelihood. It is usually targeted at assisting producers in developing countries who otherwise provide commodities or crafts at low world market prices, compromising their ability to a decent life. In Denmark ‘Max Havelaar’ is an example of a fair trade product label (it is linked to ‘Fairtrade Labelling Organizations International’).

Ethical competition

Ethically, or fair, competitive practices concern the way in which an enterprise interacts with its peers, competitors and customers.

Examples of practical activities in this class include:

- **Avoiding anti-competitive behaviour.** Avoiding exploiting a monopolistic market position or colluding with others to ‘fix’ prices at artificially high levels.
- **Ensuring fair prices.** Enterprises can also ensure that their products and services are priced fairly and equitably to all consumers, avoiding discriminatory pricing policies in certain markets, e.g. prices designed to discourage sales on the basis of gender, age, race, religion, etc.
- **Ensuring affordable prices.** Related to this is the provision of goods and services at low cost to customers that cannot afford full commercial rates, such as drug companies making essential medicine available to patients in developing economies. Smaller enterprises could consider offering discounts to non-profit customers for their goods and services.
- **Avoiding aggressive selling practices.** Avoiding and indeed combating activities such as high-pressure selling techniques, exploiting vulnerable consumers, or sales quotas / bonus systems that encourage sales people to commit unreasonable or unethical acts.

Making markets work for all

This concerns broader issues of engagement with people in poor or excluded sectors of economies, both in the developed and the developing world.

Examples of practical activities in this class include:

- **Ensuring accessibility** to goods and services for minority groups (e.g. disabled people). This is simply about making sure everyone can do business with an enterprise regardless of their personal circumstances. For financial services

enterprises it may involve ensuring that consumers in poor communities are offered the same range of products and services as those in more affluent areas.

- **Engaging in “Base of the Pyramid” activities** designed to address the needs of the billions of the world’s poorest people living on less than US\$2 (approx. DKK 12) a day. While this part of society has little disposable income, enterprises are able to meet their needs in innovative ways that provide social and economic benefits.

Examples of marketplace activities

- **Happy Computers** is a London based company offering computer software training. It employs 42 people and social responsibility is at the core of everything that Happy Computers does. One of its core values is to 'make a difference in the world' and its training programmes are based on a fundamental belief in human ability when people are engaged in their own learning. Happy Computers **will not work with companies whose behaviour or products could be deemed unethical**. Another way in which the enterprise displays its social responsibility is through its **marketplace relations** – some 70% of its 5,000 customers are from charities that get access to a high quality course at a cost-effective price. See www.happycomputers.co.uk/socialimpact/ for more.
- **Dansk Kaffekompagni** with around 55 employees produces ‘private label’ coffee, e.g. ‘Cirkel Kaffe’. It has positioned **itself on the market through CSR product labelling**, especially organic and fair trade label products to be attractive to customers other than its main customer, Coop Danmark. The approach has more than doubled demand and export has increased considerably, especially to England. See report ‘Etik i erhvervslivet’ from 2002 available at www.ebst.dk, for more (in Danish).

Further relevant information on marketplace activities

BITC ‘Winning with Integrity’	www.bitc.org.uk/resources/publications/winning.html
BITC Cause Related Marketing Campaign	Available at www.bitc.org.uk
Danish organic ‘Ø’ label	www.fvm.dk/oko_uk/high_final_okouk.asp?page_id=290 , www.fvm.dk/oko/high1.asp?page_id=160 (in Danish)
Environmental product labelling (‘Blomsten’ and ‘Svanen’)	www.ecolabels.dk (in Danish, English available)
EU organic labelling	http://europa.eu.int/comm./agriculture/qual/organic/
Ethical Trading Initiative	www.ethicaltrade.org
Fairtrade Labelling Organizations International	www.fairtrade.net
Forest Stewardship Council	www.fscus.org , www.fsc.dk (in Danish)
Max Havelaar	www.maxhavelaar.dk (in Danish, English available)
Marine Stewardship Council	www.msc.org
Rugmark	www.rugmark.org
SME Key	www.smekey.org
We are what we do campaign	www.wearewhatwedocampaign.org

C. WORKFORCE ACTIVITIES

This is about fair treatment of employees and is often related to attraction and retention of employees. It can also comprise the enterprise as a compassionate employer, extending to people who are disadvantaged, such as minority groups. It is about giving all people a fair chance and seeks to develop employees to maximise their potential. In Denmark such activities are often related to the concept of the inclusive labour market ('det rummelige arbejdsmarked').

<p>The main CSR related Workforce activities are</p>	<ul style="list-style-type: none"> ⇒ Employee communication and representation ⇒ Ensuring employability and skills development ⇒ Diversity and equality ⇒ Responsible/fair remuneration ⇒ Work/life balance ⇒ Health, safety and wellbeing ⇒ Responsible restructuring
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Employee communication and representation

Consulting with employees about the strategy and key business activities can be an important aspect of how an enterprise operates.

Examples of practical activities in this class include:

- **Respecting rights to free assembly and collective bargaining**, including recognition of trade union(s) and providing time-off to union officials.
- **Listening to and involving employees**, including regular employee attitude surveys, communication between managers and staff and employee newsletters.
- **Ensuring grievance resolution**. Ensuring that employees have appropriate opportunity to raise and resolve issues regarding working conditions and how they are treated. This may follow recognised procedures for workplace disputes.
- **Enabling whistle blowing**. Allowing employees to report anonymously on ethical concerns about breaches in enterprise policy or about how colleagues are being treated.
- **Combating harassment and bullying**, for example having an 'anti-bullying charter' to ensure employees feel confident to report bullying or harassment.
- **Respecting privacy**. Observing procedures to obtain formal consent from individuals about different ways that enterprises hold and use personal information and avoiding random monitoring of employees and their communications.

Ensuring employability and skills development

Training and development are activities that may both support the future success of the business and ensure the continued employability of the employees.

Examples of practical activities in this class include:

- **Provision of training and development opportunities.** Supporting training and development of employees, including financial support and allowing time off work. This may be supported by mentoring and coaching.
- **Planning career development.** Having structures and systems in place supporting deliberate growth and development of individuals, e.g. on-the-job training and job-rotation.
- **Promoting knowledge management and organisational learning.** This may, for example, involve a deliberate system to ensure that employees have learning opportunities and access to necessary knowledge.
- **Conducting job appraisals.** Regular (monthly, quarterly or, more commonly annual) job appraisals between line manager and the individual, supported by job specific performance reviews, skills needs assessments or 360^o assessments.

Diversity and equality

Diversity and equality activities focus on ensuring equal (employment) opportunities for all and promoting diversity among the workforce. Some see diversity as giving unfair advantages for certain groups and focus only on equality. Others see diversity as a benefit, as they think it promotes social cohesion and ensures that the enterprise is aligned with society as well as making the enterprise more attuned to the needs of different societal groups. The most usual target group is women but it may also be targeting other disadvantaged or minority groups such as people of different ethnic background, sexual orientation, age, religion or socially excluded people.

Examples of practical activities in this class include:

- **Promoting a diverse workforce.** This can, for example, be through training programmes, equal opportunity workshops or support to certain minority groups to encourage employees to understand better a diverse workforce and customer base.
- **Promoting non-discrimination.** For example, creating a policy statement on equal opportunities.
- **Providing equal access to employment opportunities.** For example, setting targets for the number of women managers, ethnic minority recruits, disabled recruits, etc. This may involve targeted recruitment of people from minority groups.
- **Ensuring career development for the disadvantaged.** It may involve ensuring that minority groups or women are equally likely to be candidates for senior roles. It may, for example, involve regular assessment of how promotion procedures ensure equality or by deliberately favouring candidates from minority groups.

Responsible / fair remuneration

This is about the pay and benefits that employees receive. The increased mobility of the workforce with people switching jobs more often and moving internationally, use of temporary and contract employees as well as out-sourcing of functions, creates further challenges for responsible and fair remuneration.

Examples of practical activities in this class include:

- **Paying employees fairly.** This includes equal pay for equal work and may involve equal pay audits where women or minority employees' contribution and remuneration are compared to that of other employees.
- **Ensuring equal benefits.** This includes ensuring that various benefits and rights, e.g. pensions benefits, sickness and holiday leave or health care rights, are not diluted by new working arrangements, such as outsourcing or employees having different legal status, e.g. refugees or unmarried couples.
- **Paying a living/minimum wage.** For example, reviewing whether employees receive a salary recognised by law or other standards as sufficient to survive.

Work / life balance

This activity is about helping employees balance their work responsibilities with those in their private life.

Examples of practical activities in this class include:

- **Addressing work/life balance,** including consultation with employees about how to address this, e.g. enhanced maternity pay/paternity leave, return to work programmes for mothers, career breaks and emergency time-off schemes.
- **Offering flexible working,** which is about creating more flexibility and changing the traditional 9 to 5 working hours, e.g. by enabling staff to select a range of part-time or flexible working options such as home working, four day weeks, etc.
- **Providing stress management.** For example, employee counselling services to help with this (and a broad range of personal problems). Going further, the enterprise can implement stress prevention programmes.

Health, safety and wellbeing

Most enterprises have legal responsibilities in the area of occupational health and safety but they may go further in this and broaden it to consider employee wellbeing as well.

Examples of practical activities in this class include:

- **Promoting health and safety.** Enterprises may implement procedures to reduce sick leave, enable internal teams to assess performance, and offer first aid classes etc.
- **Promoting health and wellbeing.** This may include offering regular health checks for the workforce, exercise classes, back care sessions, sport or gym facilities or a company-wide health and wellness programme.
- **Enabling child care, elder care and caring for employees.** This may include enabling employees to provide care to their children or relatives in need, as well as provision of direct health care provision through insurance schemes.
- **Providing support programmes.** For example, a counselling service on personal issues such as bereavement, divorce, drug and alcohol abuse; advice or referral service for dependency.

- **Dealing with HIV/AIDS in the workplace** or similar issues of stigma or terminal disease. For example, through a positive action plan to ensure equal treatment, confidentiality, creating a supportive environment and health advice.

Responsible restructuring

Responsible restructuring concerns the way the enterprise acts when restructuring the business, a process which often may involve employee redundancies.

Examples of practical activities in this class include:

- **Consulting on restructuring.** Involving affected employees in decisions over different options available to the business in layoffs, restructuring and when outsourcing jobs.
- **Promoting job-sharing.** For example, agreeing to reduce workforce hours for all employees to ensure fewer people are made redundant.
- **Promoting voluntary redundancies.** Inviting employees to volunteer for redundancy, including provision of financial incentives to encourage volunteering.
- **Applying planned restructuring.** Restructuring in a phased manner using a voluntary redundancy and employee retirement process where job-leavers are not replaced.
- **Providing support** for employees who are made redundant as a result of restructuring, such as providing necessary training to upgrade their skills to current job-opportunities and supporting them in their job-hunting.

Examples of workforce activities

- **Microboard** is based in Connecticut, USA and is a medium-size employer producing computer hardware. The company has used education and training programmes **to recruit 'high risk' categories of the workforce.** The programme has been successful and currently around 30 per cent of Microboard's workforce have a prison or drug related background, or once received state welfare. See www.microboard.com for more.
- **Rosborg**, a Danish gardening centre with around 150 employees, works actively with **integration of refugees into the workplace.** Its effort to integrate Kosovo-Albanian refugees was nominated to 'The Network Prize' by the Danish Ministry of Social Affairs in 2000 (a leading award in Denmark promoting CSR). The refugees were hired on the same wage and employment terms as all Rosborg's other employees, without any public welfare support. This reflects Rosborg's fundamental value that all should be treated equally and that, in turn, all are expected to contribute equally. See report 'Etik i erhvervslivet' available at www.ebst.dk (in Danish) and www.rosborg-as.dk/ for more (in Danish, English available).

Further relevant information on workforce activities

Arbejdsmiljøweb	www.arbejdsmiljoweb.dk (in Danish)
BSR and workplace activities	www.bsr.org/AdvisoryServices/Workplace.cfm
CSR Europe Sharing Solutions Catalogue	Examples available at www.csreurope.org
Det sociale indeks (social index)	www.detsocialeindeks.dk (in Danish, English available)
EU resource on business responsibilities and legislation	Available at http://europa.eu.int
European Agency for Health & Safety at Work	www.agency.osha.eu.int
European Great Place to Work	www.greatplacetowork-europe.com/
Great Place to Work, Denmark	www.greatplacetowork.dk (in Danish)
ILO national guidelines on EEO (equal employment opportunities)	Available at www.ilo.org
International Federation for Human Rights	www.fidh.org/_news.php3
Offshore Digest	www.offshoring-digest.com
Small Business Research Portal	www.smallbusinessportal.co.uk/nabout.htm
WHO information about sexually transmitted diseases	Available at www.who.int/

D. SUPPLY CHAIN ACTIVITIES

For many enterprises, suppliers are a key stakeholder group, as products and services are produced with the assistance of suppliers. The social and environmental performance of suppliers can therefore be reflected in the final product. In collaboration with its suppliers, the enterprise may therefore encourage good practice throughout the entire supply chain.

The main CSR related Supply chain activities are	⇒ Being a fair customer ⇒ Driving standards ⇒ Promoting social and economic inclusion
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Being a fair customer

By listening to and working with its suppliers the enterprise may strengthen relationships and collaboration with them to address supply chain problems and identify new opportunities. Being a fair customer by treating suppliers with respect and being a fair partner in a mature relationship can be part of it.

Examples of practical activities in this class include:

- **Listening to and working with suppliers.** Rather than just making demands of suppliers, many enterprises are actively engaging with and listening to their suppliers, sharing information and agreeing mutually beneficial ways forward for shared gain.
- **Agreeing honest and fair terms with suppliers.** Agreeing honest and fair terms with suppliers and sticking to them helps build strong long term relationships. It is related to clear communication about terms, needs and demands.
- **Ensuring fair pricing.** Related to this is ensuring that suppliers are paid a decent price with decent payment terms for work done in reasonable conditions.

Driving standards through the supply chain

An enterprise may share responsibility for its suppliers' social and environmental impacts by working with them to implement standards of acceptable social and environmental performance across the whole supply chain. This is particularly related to general product responsibility and use of CSR product labels (see section B on 'Marketplace activities') and environmental product responsibility (see section G on 'Environmental activities').

Examples of practical activities in this class include:

- **Screening suppliers for compliance with social and environmental standards.** Integrating social and environmental performance into procurement selection criteria.
- **Monitoring social and environmental performance of suppliers.** Working with suppliers to monitor and improve their social and environmental performance. Some enterprises are in addition prepared to terminate contracts where standards are not met and the supplier is unwilling to improve.

- **Applying CSR standards throughout the supply chain.** For example, the SA8000 standard and verification system as a tool for assuring humane workplaces.
- **Promoting fair trade.** Ensuring that suppliers, especially in developing countries, are paid a price that secures their livelihoods and those that depend on them, such as their employees and suppliers. The Ethical Trading Initiative in the UK is an example of an initiative that incorporates this aspect (see ‘Using CSR product labelling’ in section B on ‘Marketplace activities’ for more).
- **Setting targets for suppliers.** Working with suppliers to agree targets for social and environmental performance.
- **Embedding policies to exclude child and forced labour.** Working with suppliers to create policies on child and forced labour and to create procedures and programmes to embed these policies in the practices of suppliers.

Promoting social and economic inclusion via the supply chain

Enterprises can proactively promote social cohesion through activities in their supply chain. The amount of money retained in the local economy of disadvantaged urban and rural areas can be increased significantly by business activity.

Examples of practical activities in this class include:

- **Providing access for suppliers run by minority groups.** For example, by encouraging and supporting businesses owned by ethnic minorities, women, people of diverse sexual orientation as well as organisations employing disabled people.
- **Providing access for small and local suppliers.** Ensuring that small and local suppliers are not excluded from the supply chain by, for example, organising supplier fairs for small local suppliers. Ensuring that social and environmental demands made upon them respect their limited administrative resources.
- **Stimulating a sustainable local economy.** Providing training and credit to local people to encourage new entrepreneurs and new businesses and thereby stimulating a sustainable local economy.

Examples of supply chain activities

- The Italian enterprise **Monnalisa Spa**, which has around 35 employees, designs and produces children’s and teenagers’ clothing. It obtained **SA8000 certification** in May 2002, which is a management system that includes a code of conduct within CSR. An ethical committee, with two representatives elected by employees, monitors the implementation of the standard and stimulates continuous improvement. Monnalisa believes that involving suppliers and sub-suppliers in the process of conforming with the contents of SA8000 is becoming an essential requirement and therefore engages contractors through information and training. It has visited suppliers in order to make sure they have understood the company’s CSR commitment and its implications for them. See report on ‘Responsible entrepreneurship’ from the European Commission, available at <http://europa.eu.int>, for more.
- The Slovakian food processing company **Progest** has around 70 full-time staff and a few more part-time and seasonal staff. The enterprise regularly organises **seminars**

for suppliers and customers about new developments in the food processing sector. Prokast's own staff participate in a number of events to update their know-how about new technologies, new ingredients and products, quality standards and management. They then transfer this knowledge to their business partners. Supplier seminars are organised three to four times a year. See report on 'Responsible entrepreneurship' from the European Commission, available at <http://europa.eu.int>, for more.

Further relevant information on supply chain activities

Business Leaders Initiative on Human Rights	www.blihr.org
Danish organic 'Ø' label	www.fvm.dk/oko_uk/high_final_okouk.asp?page_id=290 , www.fvm.dk/oko/high1.asp?page_id=160 (in Danish)
Environmental product labelling ('Blomsten' and 'Svanen')	www.ecolabels.dk (in Danish, English available)
EU organic labelling	http://europa.eu.int/comm./agriculture/qual/organic/
Ethical Trading Initiative	www.ethicaltrade.org
Fairtrade Labelling Organizations International	www.fairtrade.net
Forestry Stewardship Council	www.fsc.org , www.fsc.dk (in Danish)
Marine Stewardship Council	www.msc.org
Rugmark	www.rugmark.org
SME Key	www.smekey.org
Social Accountability International (SA8000)	www.cepaa.org/sa8000/sa8000.htm
We are what we do campaign	www.wearewhatwedocampaign.org

E. STAKEHOLDER ENGAGEMENT

Stakeholder engagement and the associated management practice may provide the enterprise with intelligence on what its stakeholders think it should do to be socially responsible. Stakeholders are people and organisations that can be affected by or can influence the activities of the enterprise. Stakeholders usually include owners, employees, customers, suppliers, local communities, authorities etc.

The main CSR related activities in Stakeholder engagement are	⇒ Mapping ⇒ Stakeholder consultation ⇒ Responding and managing ⇒ Reporting and communication
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Mapping key stakeholders and their main concerns

Mapping involves the identification and prioritisation of key stakeholders and their main concerns and is often integrated with the consultation activity (see below).

Examples of practical activities in this class include:

- **Mapping stakeholders** and their relationship with the enterprise, including their likely concerns about it.
- **Using available knowledge.** Identifying what the enterprise already knows in terms of stakeholders' concerns, including analysing all available intelligence for clues.
- **Prioritising stakeholders**, especially the key stakeholders and their main concerns.
- **Planning consultation** to ensure that stakeholder intelligence is gathered to enrich and supplement the mapping of stakeholders and their concerns.

Stakeholder consultation

This activity involves consulting stakeholders to better understand their concerns and how they would like the enterprise to deal with them – or simply to identify what their concerns are. Consultation can clarify and explore the expectations of stakeholders towards the enterprise, including expectations that may seem unreasonable.

Examples of practical activities in this class include:

- **Engaging in employee consultation**, for example through works councils or an employee elected staff forum (see 'Employee communication and representation' in section C on 'Workforce activities').
- **Ensuring customer feedback**, for example by using customer panels and other mechanisms for customer feedback (see section B on 'Marketplace activities').
- **Establishing complaints procedures** for staff, customers, suppliers and other stakeholders.
- **Conducting stakeholder surveys.** For example, employee or customer surveys.

- **Engaging in local community liaison** to understand local stakeholders' concerns and build good community relations (see section F on 'Community activities').
- **Conducting focus groups** with stakeholders to explore material concerns in depth, including an exploration on how the enterprise can usefully respond.
- **Communicating and liaising with business partners.** For example, on policies or demands that the enterprise wishes them to support (see section D on 'Supply chain activities').
- **Participating in public policy debate** to engage politicians while observing responsible lobbying considerations (see 'Ethical leadership' in section A on 'Leadership, vision and values').
- **Partnering with public authorities,** both government departments and local councils, in order to address societal needs.

Responding and managing

This revolves around the actions taken by the enterprise in response to stakeholders' concerns and expectations. It involves decision-making to resolve which actions should or should not be taken, and prioritising and enabling the necessary resources to ensure that intended actions are being undertaken. This naturally leads into actions associated with management and oversight of efforts and effects. It is naturally also closely related to activities regarding 'Leadership, vision and values' described in section A.

Examples of practical activities in this class include:

- **Deciding which CSR activities the enterprise should engage in.** This may involve balancing and prioritising among competing stakeholder concerns. It can also involve the deliberate involvement of stakeholders into the decision-making process.
- **Setting commitments, targets and goals for CSR.** These should naturally be aligned to the CSR activities the enterprise engages in.
- **Deploying and enabling resources.** Setting up CSR management and oversight mechanisms.
- **Overseeing CSR efforts** and effects and taking remedial actions, if necessary.
- **Identifying and managing risks** and opportunities associated with CSR activities.
- **Measuring success.** This is about valuing what the enterprise has to offer. This may include measuring CSR related efforts and effects, e.g. workforce profile, absenteeism, legislative non-compliance, number of staff grievances, corrupt / un-professional behaviour, staff turnover, value of training and development, pay etc.
- **Using management guidelines with a CSR element,** such as AA1000, SA8000, the Social Index, the EFQM Excellence model, EMAS etc.

Transparent reporting and communication

This is about reporting and communicating transparently with stakeholders who are interested in or affected by the enterprise. It naturally builds on how CSR is being approached and managed, including how the enterprise responds to stakeholders' concerns (see above). It may involve both formal reporting and other forms of communication on actions taken and performance achieved. It also involves outlining the response to those stakeholder expectations the enterprise has resolved it should not or cannot meet.

Examples of practical activities in this class include:

- **Establishing appropriate communication and reporting channels.** For example, formal reporting, informal feedback or website communication.
- **Demonstrating openness and transparency** about operations, activities and responses to stakeholder consultation.
- **Using leading guidelines on CSR reporting**, such as AA1000, Global Reporting Initiative (GRI), social-ethical accounting, intellectual capital reporting, workplace reporting, ‘green reporting’ (which is mandatory for certain Danish enterprises) etc.
- **Getting external validation** for practice and communications, e.g. verification of formal CSR reporting.
- **Using quality assurance methods** to build credibility in communications.

Examples of stakeholder engagement activities

- **Middelfart Sparekasse’s Social-Ethical Accounting** approach enables the local Danish banking society with its 130 employees to be accountable to three key stakeholder groups: employees, customers and local citizens. Annual surveys among all employees and a representative sample of its 35,000 customers and local citizens are used as input into a consultation process with representatives of all three stakeholder groups and as source-data to the banking society’s annual social-ethical review. The consultation process includes meetings involving the three stakeholder groups with management focusing on suggestions for improvement. This provides management with a clear indication of the expectations that the three key stakeholder groups have and how to live up to them. See www.middelfartsparekasse.dk for more (in Danish).
- **Oxford Bus Company** has a **stakeholder board** as a forum to bring together the views of employees, customers and other interested groups, most notably large employers in and around Oxford. The stakeholder board seeks to create engagement across different stakeholder groups with the overall aim to improve bus transport in and around Oxford. See www.oxfordbus.co.uk/company3.shtml for more.

Further relevant information on stakeholder engagement activities

AA1000 from AccountAbility	www.accountability.org.uk/aa1000
Det sociale indeks (social index)	www.detsocialeindeks.dk (in Danish, English available)
EFQM CSR framework	Available at www.efgm.org
EMAS	http://europa.eu.int/comm.environment/emas
Global Reporting Initiative	www.globalreporting.org
‘Green accounting’ and EMAS	Available at www.mst.dk (in Danish)
Intellectual Capital reporting	www.vtu.dk/icaccounts
Social-Ethical accounting	Available at www.bm.dk/publikationer (in Danish)
Workplace accounts	Available at www.arbejdsmiljoweb.dk (in Danish)

F. COMMUNITY ACTIVITIES

Community activities are related to promoting – in the broadest sense – the health and well-being of the (local) communities in which an enterprise operates. Community activities are often linked to other parts of the enterprise’s activities, including its other CSR activities, and most community related CSR activities are therefore described elsewhere in this catalogue. This section will therefore deal with Corporate Community Investment (CCI) and with enterprises being a good neighbour (further community activities). CCI is an activity that is much more widely structured in other countries than Denmark, especially in the UK. As it is not so widely structured in Denmark no adequate Danish terminology exists for it.

The main CSR related Community activities are	⇒ Types of support (CCI) ⇒ Giving cash (CCI) ⇒ Giving employee time (CCI) ⇒ Giving gifts (CCI) ⇒ Being a good neighbour
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Types of community support (CCI)

In practice CCI is about supporting a broad range of causes and organisations, such as schools, environmental groups, cultural organisations, relevant leisure and sports clubs and other community organisations. The professional handling of CCI in the UK has led to an internationally recognised categorisation of different types of CCI by the London Benchmarking Group (LBG), illustrated below.

Examples of practical activities in this class include:

- **Supporting charity.** Gifts of cash and other forms of assistance in response to appeals by charities and community organisations.
- **Engaging in partnerships for social investment.** Partnering with charities and community organisations for sustained involvement in resolving social issues carefully chosen by the enterprise to protect its long-term interests and reputation.
- **Applying commercial initiatives.** Activities in support of the commercial success of the enterprise, promoting its name in partnership with supported organisations.

Giving cash (CCI)

Giving cash is primarily in support of charity or a commercial activity, but it can also be combined with a partnership of a charity or community organisation in social investment.

Examples of practical activities in this class include:

- **Donating.** Giving cash to worthy causes. Some enterprises seek to engage employees by match-funding employee donations to chosen causes.
- **Sponsoring** events, arts or sports clubs. Usually as a commercial initiative related to an expectation of a direct business return, such as media coverage or other forms of

brand promotion. ‘Sponsoring’ without a direct business return is often really a donation.

- **Providing loans** below commercial interest rates for community initiatives. For example, for start-up businesses in socially deprived communities.

Giving employee time (CCI)

Supporting communities through the giving of employee time can be a central part of partnering with charities or local community organisations in social investments to resolve chosen social issues.

Examples of practical activities in this class include:

- **Allowing employee volunteering.** Allowing employees time to work in service of the community. For example, in non-executive positions in community organisations, such as school governors and trustees of charities.
- **Encouraging part-time project assignment.** Releasing employees during paid work time, individually or in teams, for certain amounts of time to undertake specific community projects. This can include guiding visiting school children or providing one-to-one support to people in need as a personal mentor, advocate or tutor.
- **Using full-time secondment.** Employees taking career breaks to carry out general functions or particular tasks in charities with continuous employment in the enterprise and agreed return to continue their career at the enterprise after the secondment.
- **Co-ordinating giving of employee time** to maximise its potential to provide mutual benefit for the community and the enterprise. This can mean combining different forms of employee involvement and other types of support.

Giving gifts in kind (CCI)

Enterprises are also supporting community initiatives through a broad range of gifts in kind. Such gifts are often charitable, but may also relate to commercial initiatives or engaging in partnerships for social investment.

Examples of practical activities in this class include:

- **Providing facilities.** For example, by allowing a community group to hold a reception on enterprise premises or providing office accommodation for a community group.
- **Loaning facilities and assets.** For example, by allowing community organisations to use in-house facilities to design and produce promotional material or allowing the use of company cars.
- **Giving assets.** For example, giving old office equipment such as old PCs, or supporting a raffle with samples of the enterprise’s products or other gifts in kind.

Being a good neighbour

Community activities involve further activities than CCI. Many relate to being a good neighbour or a good corporate citizen in the broadest sense and are to a large extent covered by the other main groups of CSR activities. However, there are a few further community activities worth noting.

Examples of practical activities in this class include:

- **Liaising with local communities.** For example, by setting up local liaison councils or neighbour meetings and by communicating transparently on areas of concern to local communities and consulting local communities before major capital investments (see section E on ‘Stakeholder engagement’).
- **Promoting social cohesion in the community.** This is in addition to promoting social cohesion as part of the other main groups of CSR activities, for example ‘Promoting a diverse workforce’ (see section C on ‘Workforce activities’) or ‘Promoting social and economic inclusion via the supply chain’ (see section D on ‘Supply chain activities’). It can include a role in supporting the integration of marginalised groups in society, e.g. by offering refugees points of contact to their new culture by visits to the premises of the enterprise.
- **Minimising adverse effects of local operations** as covered in section G on ‘Environmental activities’.

Examples of community activities

- **Gripple**, supplier and manufacturer of wire and wire rope tensioning and joining units in the UK, has focussed on **launching and supporting education and skills related initiatives** throughout the Sheffield area as part of its CSR policy. Gripple, which employs 145 staff, offers pupils and students from surrounding schools, colleges and universities opportunities to visit its factory and take part in work experience programmes. Over 1,000 school children have had an appreciation of a world class organisation and the opportunities that exist in industry, helping to improve pupil attainment and attendance levels. Over 1,000 students have seen how innovation makes a valuable contribution to business, and some have had the chance to take their work placements at Gripple. See www.bitc.org.uk and www.gripple.com for more.
- **AXA**, an insurance company, has actively **promoted employee involvement** in France since 1990 when it launched its ‘AXA Atout Coeur’ programme. This now involves 2,000 volunteers in France and thousands more in the 22 other countries in which AXA operates. A network of volunteers within the company co-ordinates the volunteering activities of AXA’s employees. More than 300 organisations benefit, dealing with a wide variety of issues, including the integration of people with disabilities and drug problems. The company’s recent merger with UAP has increased the numbers volunteering. See www.axa.com/en/responsibility for more.

Further relevant information on community activities

Business for Social Responsibility	www.bsr.org
Business in the Community	www.bitc.org.uk
CSR Europe	www.csreurope.org
FES – Fundacion Empresa y Sociedad	www.empresaysociedad.org
IMS – Entreprendre pour la Cite	www.imsentreprendre.com
London Benchmarking Group	www.lbg-online.net
NyforetagarCentrum	www.jobs-society.se
Samenleving & Bedrijf	www.samen.nl
The Copenhagen Centre	www.copenhagencentre.org

G. ENVIRONMENTAL ACTIVITIES

Environmental impacts may have serious social consequences, especially in the long-term. Environmental management requires an understanding of the impacts arising from all areas of an enterprise's activity. Good practice involves integrating these concerns into strategy and risk management and compliance control systems, through to policy, operational performance and reporting. As such, environmental activities may naturally be highly related and integrated with other practical CSR activities.

<p>The main CSR related Environmental activities are</p>	<p>⇒ Resource and energy use ⇒ Pollution and waste management ⇒ Environmental product responsibility ⇒ Transport planning</p>
---	---

Resource and energy use

Choice of materials (both type and source) and choice of energy source and use often represents a strategic concern with operational, cost and reputation implications.

Examples of practical activities in this class include:

- **Running awareness initiatives** for employees on efficient energy and resource use.
- **Using 'green' technologies.** 'Green' and more efficient technologies may use fewer resources and pollute less per unit of economic output.
- **Improving energy efficiency.** For example, by considering characteristics of buildings, often taking advantage of state grants to improve building insulation.
- **Purchasing 'green' materials.** For example, timber from sustainable sources and renewable energy.
- **Using locally generated renewable energy** to supplement an enterprise's primary source of energy, e.g. by fitting photovoltaic cells to buildings.
- **Considering land use and biodiversity** in operational and strategic decisions, such as those integrated in the assessments of agricultural suppliers of food retailers.

Pollution and waste management

Emissions to air and water represent a complex challenge for enterprises and the jurisdictions in which they sit, not least because pollution does not recognise national boundaries. The sheer volume of the general waste stream also makes it a high profile issue for many enterprises. Treatment and disposal of hazardous waste is especially important, and can be tightly regulated and enforced implying it is not a CSR activity. However, many environmentally damaging forms of pollution are not well regulated, relying on the voluntary actions of enterprises.

Examples of practical activities in this class include:

- **Treating emissions.** End-of-pipe treatment of emissions, effluent and solid waste such as through the addition of treatment plants to industrial processes.
- **Re-engineering processes,** including the adoption of new technologies for a more radical, systems solution than the bolt-on, end-of-pipe approach described above.
- **Reusing and recycling.** The reuse and recycling of materials and disposal of waste with energy recovery in preference to landfill. An example would be recycling fibre from consumer products in new paper products usually marketed on their environmental credentials.
- **Managing localised environmental pollution,** including being a good neighbour by minimising noise, odour and vibration nuisance, and undesirable visual impacts.

Environmental product responsibility

Environmental product responsibility is about demonstrating a responsible attitude towards the environment beyond the enterprise's own operations. Best practice adopts a more holistic view taking into account both upstream impacts (including working with suppliers), and downstream (that is, the impacts from the use and disposal of products). Environmental product responsibility is naturally related to the more generic 'Product responsibility' activity described in section B on 'Marketplace activities'.

Examples of practical activities in this class include:

- **Managing the supply chain** for environmental benefit (see section D on 'Supply chain activities').
- **Assessing impacts in product life-cycle.** Assessing and managing environmental impacts from 'cradle to grave'.
- **Certifying and labelling products** with the use of independent third parties to verify how products are produced (see section D on 'Supply chain activities').
- **Reducing packaging** to reduce the amount of consumer waste while maintaining functionality (product protection, marketing, brand image and so on).
- **Using product take-back schemes.** Promoting schemes whereby consumers can return products for reuse, recycling or other responsible waste management.
- **Addressing GMO issues,** for example by embedding a policy on genetically modified organisms as it is a politically sensitive issue, particularly in Europe.

Transport planning

With local and global economic integration (often termed 'globalisation') the impacts arising from transport are increasing as the movement of goods and people increases. An enterprise can therefore pay attention to the consequences of employee travel and the distribution of goods.

Examples of practical CSR activities in this class include:

- **Reducing goods transport.** Efficient transport of goods and logistics, including the use of sophisticated IT systems to reduce mileage in the distribution of goods.

- **Reducing employee travel**, including company-subsidised public transport, car pooling schemes and company car policy addressing travel efficiency.
- **Applying home working** to reduce the environmental impacts associated with employee travel.
- **Using teleconferencing** to reduce the need for air travel and other transport for meetings.

Examples of environmental activities

- Belgian **Ecover** is a worldwide market leader in ecological washing and cleansing agents. It has built this success through a strong focus on **environmental product responsibility**, where its products have to have minimum environmental and ecological impacts from ‘cradle to grave’. This naturally also involves the packaging of their products but, more radically, Ecover has built an ecological factory. See www.ecover.com for more.
- **Gulpener Bier** is a family brewery that was founded in the Netherlands in 1825. **Sustainability and social responsibility are important aspects of the company’s strategy** – not least to help the business find a niche in a highly competitive market dominated by larger companies. All the ingredients the company uses are ecologically grown in the local region and all the energy used is from renewable sources. The beer bottles are recyclable and packaging is reduced to the minimum. The company is completely integrated in its community in the middle of the city centre, paying attention to the healthcare and safety of its workforce and the people in the local area. See www.smekey.org for more.

Further relevant information on environment activities

Business in the Community	www.bitc.org.uk/environment
Danish environment resources	Available at www.mst.dk (in Danish)
The Carbon Trust	www.thecarbontrust.co.uk
The Forest Stewardship Council	www.fscus.org , www.fsc.dk (in Danish)
The Marine Stewardship Council	www.msc.org
The Sigma Project	www.projectsigma.com
United Nations Environment Programme	www.unep.org/resources/business
World Business Council for Sustainable Development	www.wbcsd.org
World Wide Fund for Nature	www.wwf.org

APPENDIX

The following is an overview of the main groupings and classes of CSR activities as presented in this catalogue:

Main groups of CSR activities	⇒ Classes of CSR activities (within main group)
The main CSR activities in relation to Leadership, vision and values are	<ul style="list-style-type: none"> ⇒ Purpose, values and vision ⇒ Policies and procedures ⇒ Putting it into practice ⇒ Ethical leadership
The main CSR related Marketplace activities are	<ul style="list-style-type: none"> ⇒ Responsible customer relations ⇒ Product responsibility ⇒ CSR product labelling ⇒ Ethical competition ⇒ Making markets work for all
The main CSR related Workforce activities are	<ul style="list-style-type: none"> ⇒ Employee communication and representation ⇒ Ensuring employability and skills development ⇒ Diversity and equality ⇒ Responsible/fair remuneration ⇒ Work/life balance ⇒ Health, safety and wellbeing ⇒ Responsible restructuring
The main CSR related Supply chain activities are	<ul style="list-style-type: none"> ⇒ Being a fair customer ⇒ Driving standards ⇒ Promoting social and economic inclusion
The main CSR related activities in Stakeholder engagement are	<ul style="list-style-type: none"> ⇒ Mapping ⇒ Stakeholder consultation ⇒ Responding and managing ⇒ Reporting and communication
The main CSR related Community activities are	<ul style="list-style-type: none"> ⇒ Types of support (CCI) ⇒ Giving cash (CCI) ⇒ Giving employee time (CCI) ⇒ Giving gifts (CCI) ⇒ Being a good neighbour
The main CSR related Environmental activities are	<ul style="list-style-type: none"> ⇒ Resource and energy use ⇒ Pollution and waste management ⇒ Environmental product responsibility ⇒ Transport planning

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**COMPETITIVE SOCIAL RESPONSIBILITY:
Uncovering the Economic Rationale for Corporate Social Responsibility
among Danish Small- and Medium-Sized Enterprises**

People & Profit Project
Danish Commerce and Companies Agency
Danish Ministry of Economic and Business Affairs

Prepared by
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DE EUROPÆISKE FÆLLESSKABER



Den Europæiske Socialfond



About the Danish Commerce and Companies Agency

The Danish Commerce and Companies Agency (DCCA) is a government agency under the Danish Ministry of Economic and Business Affairs. The responsibilities and activities of the agency take place within three main areas:

- *Administration of company and enterprise legislation:* The agency is responsible for the administration and development of a number of legislative business acts, including: the Companies Act, the Company Accounts Act, the Commercial Foundations Act, and the Act on Undertakings Carrying on Business for Profit. The agency is also responsible for various commercial laws that apply to certain business types, such as accountants, real estate agents, authorized translators, interpreters, and restaurants and hotels, as well as the HomeService Scheme.
- *Registration and disclosure of certain information about companies, including company accounts:* The second core responsibility of the agency is registration of information and documents that must be filed under company law, and related legislation in order to secure the incorporation, re-registration, and striking-off of companies and other certain business types.
- *Improving the conditions of the business community:* The effort to improve the conditions of the business community focus on relieving the administrative burden on enterprises and is concentrated on two main areas: (1) preventing the imposition of unnecessary burdens on business from new legislation, and (2) exploring more efficient ways for business to communicate with authorities and comply with legislative and administrative requirements. Furthermore the DCCA is highly engaged in promoting the transition to eGovernment in the public sector

About People & Profit

The DCCA is currently conducting the People & Profit Project, funded by the European Social Fund and the National Labour Market Authority's (AMS) Fund for Development of the Inclusive Labour Market. The main goal of the project is to enhance the competitiveness of Danish companies by providing them with the education and tools to work strategically with CSR, disseminating knowledge on CSR as a business factor, and assisting SMEs in turning CSR knowledge into practice. These goals will be met through several types of activities:

- *Research* – gaining knowledge on the link between CSR and business activities for small- and medium-sized enterprises (SMEs): This includes identification of CSR activities, identification of available CSR tools, and analysis of the relationship between CSR activities and business practice.
- *Training* – developing a training sequence for managers and employees of Danish SMEs based on the findings in the research activities: This involves training 12,000 managers and employees in Danish SMEs on CSR activities.

- *Dissemination* – disseminating knowledge through an information campaign about CSR and the results of People & Profit, for SMEs that do not participate in the aforementioned training program.

About the authors

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Foundation Strategy Group is a mission-driven social enterprise dedicated to advancing the practice of social investment and corporate social engagement through consulting to governments, private foundations, community foundations, and corporations. With offices in Boston, Geneva, and San Francisco, our international team of full-time consultants – drawn from some of the world’s top strategy consulting firms – combine the highest standards of strategy consulting with a deep understanding of social investment and the nonprofit sector. We invest heavily in research to develop new ideas, and our thinking is regularly featured in such publications as the *Harvard Business Review*, the *Stanford Social Innovation Review*, and *The Chronicle of Philanthropy*.

In particular, our research and analytical frameworks about the competitive benefits of corporate social responsibility have been developed in collaboration with Professor Porter, who is acknowledged as one of the foremost experts on competitive strategy in the world today. His work on competitiveness has influenced the strategies of major corporations, as well as the policies of countries and regions around the world. We have drawn liberally on Professor Porter’s thinking from internal discussions and working papers, as well as his book, *The Competitive Advantage of Nations*.

For more information, please visit www.foundationstrategy.com.

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Disclaimer

All statements and conclusions in this report, unless specifically attributed to another source, are those of the authors and do not necessarily reflect the opinions of the interviewees, the Danish government, or any other parties.

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I. EXECUTIVE SUMMARY

Background

This study is one of the first steps in the two-year People & Profit Project, which is intended to enhance Denmark's global competitiveness through the use of strategic corporate social responsibility (CSR) by Danish companies. The project is managed by the Danish Commerce and Companies Agency (DCCA), under the Danish Ministry of Economic and Business Affairs, and funded by the European Social Fund and the National Labour Market Authority's (AMS) Fund for Development of the Inclusive Labour Market.

The purpose of this study is to determine whether we can identify measurable economic or competitive benefits that result from the CSR activities of the small- and medium-sized enterprises (SMEs) that constitute the vast majority of businesses in Denmark. Our mandate is not to conduct a comprehensive analysis, but merely to offer a conceptual basis for the more extensive research that will follow.

Summary of findings

Responses from our study of approximately 50 Danish SMEs that engage in a variety of CSR practices indicate four areas of CSR activity with potentially significant economic or competitive value:

- **Innovation:** We identified a number of companies that derive a substantial and growing share of business from socially-beneficial innovations that directly address societal problems as part of the customer value proposition. This seems to be an expanding niche well suited to smaller and more nimble enterprises such as SMEs.
- **Workforce development:** We found reduced costs associated with hiring, retention, and absenteeism among SMEs that offer unusually generous employee benefits. None of the SMEs we studied, however, had actually calculated whether these savings outweighed the costs of the extra benefits.
- **Environmental conservation:** SMEs reported reduced costs for energy conservation or waste disposal from their environmental CSR activities.
- **Contextual investments:** Voluntary corporate social investments, when explicitly directed toward factors that influence the company's competitive context, also demonstrated the potential to contribute to long-term competitiveness.

In addition, we found instances where government subsidies or incentives created *de facto* public-private partnerships that helped address societal challenges without imposing

a net economic burden on businesses. Subsidies for social inclusion, for example, enabled SMEs to employ handicapped or disadvantaged workers, even at lower levels of productivity, without diminishing competitiveness.

We also examined a number of other CSR activities conducted by the SMEs in our sample, but apart from the four areas listed above, we did not find any measurable economic or competitive benefits. In particular, extraordinary investments in the marketplace (such as enhanced product safety), in the supply chain (such as supplier employee education), and voluntary donations to unrelated community issues, were generally viewed by SMES as beneficial, but were not associated directly with specific and identifiable economic or competitive value.

Even when there was no apparent economic rationale, we found that many owners and managers of SMEs in Denmark operate their businesses in a socially responsible manner as a matter of strong personal conviction. SMEs have greater freedom than large public companies to subsidize social benefits at the expense of maximizing profitability, and in so doing, they contribute significantly to the health and prosperity of Denmark.

Recommendations

We conclude that there is evidence of economic and competitive benefits from CSR activities on the part of Danish SMEs, and we recommend that the DCCA study these benefits in greater depth through further research. We suggest that the Ministry use the next steps of the People & Profit Project to test our findings in more detail and explore ways to support SMEs in capturing economic value from their CSR activities. In particular, the DCCA might:

1. Provide encouragement, support activities, and other incentives for SMEs to pursue niche markets for CSR product or service innovations that build on their core areas of knowledge and activity. Workshops, centered around specific SME sectors or clusters could further expose SMEs to the achievements of peers and growth opportunities through social innovations.
2. Provide guidance, tools and incentives to help SMEs compare the costs of extra employee benefits against the longer-term savings from improvements in hiring, retention, productivity, health, safety and absenteeism. The DCCA might further work with SMEs to identify those extraordinary employee benefits that contribute the most to economic and competitive advantage, and to provide public recognition to encourage such practices.
3. Build knowledge about the return on investment from potential cost savings through investments in environmental conservation for specific SME sectors, including information on reference SMEs, technology, or system experts and providers.

4. Provide research and training for SMEs on the opportunity to direct voluntary support toward targeted issues that influence the underlying drivers of competitiveness in the locations in which they operate, such as education and workforce development, supply and demand conditions, regulatory issues, *etc.* The People & Profit project could help facilitate collaboration among SMEs within key regions or economic sectors to map and address such contextual issues collectively.

We see a great opportunity for the Ministry and the Danish government to pursue this agenda with SMEs and their industry associations, and to forge public-private initiatives that can promote mutually-reinforcing societal and economic value creation.

II. INTRODUCTION

Corporate social responsibility (CSR) is rapidly becoming an inescapable obligation of doing business today. Companies, both large and small, have modified their strategies and operations to take into account a vast array of governmental regulations, stakeholder interests, and evolving societal expectations. These changes have led to significant improvements in social and environmental factors, but they have often come at a cost to businesses. A considerable amount of research and heated debate has focused on whether these costs are offset by direct economic or competitive benefits to the business, or by a premium in its stock price. Different studies have led to contradictory conclusions and, to date, the evidence remains unclear.¹

Most studies have focused on the impact of CSR on publicly-traded global companies, and it is uncertain whether this research applies equally to SMEs, which in the case of Denmark represent the majority of its businesses. Furthermore, in a global marketplace, as different countries set varying CSR standards – either explicitly through regulation or implicitly through incentives and societal expectations – the question arises: Can a country enhance its global competitiveness through government efforts to facilitate CSR activities among businesses?

The Responsible Competitiveness Index 2003 examined the relationship between global competitiveness and the CSR profiles of different countries.² The study found that Denmark's global ranking in CSR was quite high and was, in fact, higher than its ranking in competitiveness, creating a CSR "surplus." The report did not, however, explore in any detail how CSR might contribute directly to the global competitiveness of a country's economy. It is through this study that the Government of Denmark decided to address that question directly. Our goal, therefore, is to explore whether there are economic and competitive benefits resulting from the CSR activities of SMEs in Denmark. If there are, then there may also be opportunities for the Danish government to work with SMEs to realize mutually-beneficial societal and economic outcomes of well-selected CSR activities, and ultimately, to enhance the competitiveness of the country as a whole.

It is important to note at the outset that the sample size and depth of research in this study are far too limited to draw definitive conclusions. As the first step in a much larger project, the purpose of this study is only to determine whether there is any evidence of an economic rationale for CSR activities, and if so, to offer guidance for the focus and structure of subsequent research.³

¹ Walsh, James, and Margolis, Joshua. "Misery Loves Companies: Rethinking Social Initiatives by Business." *Administrative Science Quarterly*. 2004.

² MacGillivray, Alex, John Sabapathy, and Simon Zadek. *Responsible Competitiveness Index 2003: Aligning Corporate Responsibility and the Competitiveness of Nations*. AccountAbility and The Copenhagen Centre. 2003.

³ Throughout the report, we use the term "economic rationale" to encompass both "economic benefits" in the form of short-term cost savings, and "competitive benefits" that contribute to product and service differentiation or to a sustainable long-term cost advantage.

Study background

Denmark and its enterprises have long been leaders in CSR. The Danish Commerce and Companies Agency (DCCA), for instance, recently developed an online resource that allows companies to compare Danish standards on CSR with international reporting methods, considerably reducing the burden of compliance. Earlier this year, the DCCA also launched the two-year People & Profit Project, funded by the European Social Fund and the National Labour Market Authority's (AMS) Fund for the Development of the Inclusive Labour Market. The main goal of the project is to enhance the competitiveness of Denmark by giving Danish companies the information and tools to work strategically with CSR in areas that contribute to their economic success and competitive advantage. Since the majority of Danish enterprises are SMEs, as noted above, the focus of the project is only on CSR activities that are relevant to those companies.

The project as a whole is organized into five phases (with targeted dates of completion):

1. Research on CSR activities, existing CSR tools, and the economic rationale for CSR among SMEs in Denmark (July 2005)
2. Mapping of CSR activities of Danish companies through a large-scale survey (October 2005)
3. Development of tools and educational programs (December 2005)
4. Pilot project (April 2006)
5. Large-scale implementation (December 2006)

Our mandate within Phase One was to build on the Ministry's experience to research the business case and identify the economic rationale, if any, behind the CSR activities of SMEs.⁴ Our objective is to focus the project as a whole on those CSR activities that are most likely to enhance the competitiveness of Danish SMEs. The research in this phase included a survey of 47 Danish companies active in CSR, as well as 20 in-depth interviews with SME owners and operators.

⁴ Throughout this report, we use the term "project" to refer to the overall two-year project as a whole, and the term "study" to refer to research and findings from Phase One of the project.

III. DEVELOPING AN ANALYTICAL FRAMEWORK FOR CSR

Two common methodological difficulties with CSR research are the variability in how it is defined, and the frequent reliance on anecdotal evidence. The limitations of this study prevent us from avoiding anecdotal data altogether; however, we have sought to distinguish clearly in our interviews and survey between the impacts of CSR activities that SME managers consider *measurable* (specific, quantifiable, and linked to the company's P&L statement or competitive position), and those that they do not. In some cases, the former includes impacts that have not yet been measured, but which would be measurable given the proper tools and resources. Benefits that are not considered measurable – although they may be real – are not highlighted in our study because they are less likely to be useful foci for the subsequent phases of research in the People & Profit Project.⁵

We have also sought to provide guidance for the overall project by developing a clear analytical framework to define and analyze CSR activities. This framework was developed by Foundation Strategy Group in collaboration with Professor Michael E. Porter of Harvard Business School. Our framework is built upon extensive research on the interdependence of business and society, and the relationships between economic and societal objectives.⁶ In particular, we have drawn liberally on Professor Porter's analysis of the value chain of activities within a company, and on his analysis of the elements of local context that influence the competitiveness of a nation or region.⁷ Our hypothesis is that CSR activities affecting a company's value chain or influencing elements of its competitive context are most likely to make a real and measurable contribution to the competitiveness of the company and of the country as a whole.

Our CSR framework divides CSR activities into four categories:

1. *Compliance*: Managing business operations to create societal benefits in conformance with local legal standards
2. *Best practices*: Managing business operations to create additional societal benefits motivated by the values of the owner or the expectations of society
3. *Innovation*: Developing new products or services that offer societal benefits as a specific part of the customer value proposition
4. *Voluntary support*: Voluntary contributions of money, time, products, or services that are either (a) acts of *good citizenship* that do not address elements of the competitive context, or (b) *contextual investments* that strengthen the future competitiveness of the company or industry

⁵ The People & Profit Ashridge report provided a range of CSR activities to explore; however, the purpose of the Ashridge report was to catalog activities, not to explore the economic and competitive impacts of those activities on businesses.

⁶ Porter, Michael, and Mark Kramer. "The Competitive Advantage of Corporate Philanthropy." *Harvard Business Review*. December 2002. Porter, Michael, and Mark Kramer. "Corporate Social Integration." Working Paper. 2005. By the term "societal," we mean both issues affecting people and the environment.

⁷ Porter, Michael. *The Competitive Advantage of Nations*. New York: The Free Press, 1991.

Since our research is structured around these categories, we discuss each in further detail before reporting the results of our study.

1. Compliance

Danish law imposes a relatively high standard of corporate responsibility. Some activities that might be considered voluntary CSR in other countries – such as prohibition of child labor – are mandatory in Denmark. We therefore explored the impact of compliance with Danish law on competitive advantage.

In this category, we include all legal standards for business operations with respect to the workforce, environment, business partners, and other stakeholders. Activities include the remediation of negative impacts from operations, such as health and safety hazards, as well as negative externalities, such as pollution. These activities aim to improve societal conditions affected by business operations. In rare instances they may result in cost savings; however, most regulations come at a direct cost to companies. Since this requirement is imposed on all competitors, there is no relative long-term competitive advantage or disadvantage within a specific regulatory regime. Export companies, however, may face competitors subject to lesser legal standards, potentially putting them at a competitive disadvantage. Conversely, some customers may value stricter regulations if, for example, they prohibit the use of child labor in the supply chain.

2. Best practices

Many companies make a conscious decision to exceed the legally required standards in their business operations in order to provide greater societal benefits, such as additional employee benefits, above-market wages, or advanced resource and waste management processes. These activities are typically driven by evolving societal expectations, new public initiatives, or the personal convictions of individual owners and managers. They may actually raise the cost of doing business over time, initially for the company that sets an example, and in some cases, for the overall industry, especially if the early example raises public expectations of acceptable corporate behavior.⁸

At other times, best practices may yield economic benefits by generating cost savings as a result of greater resource efficiency or waste reduction. Best practices may also yield economic benefits through employee recruitment and retention or heightened customer loyalty and demand as a result of the company's exemplary behavior. Another benefit may be risk mitigation, as companies that are caught violating societal expectations may

⁸ In his noted article, "The Virtue Matrix," Roger Martin describes how today's voluntary innovations tend to raise societal expectations and eventually become tomorrow's minimum standards, raising the bar for all actors. His analysis focuses on large-scale enterprises, however, and it is far less likely that the conduct of an SME would be sufficiently influential to influence societal expectations. Martin, Roger. "The Virtue Matrix." *Harvard Business Review*. March 2002.

be seriously punished by negative publicity or a consumer backlash.⁹ Economic and employment benefits are relatively easy to measure; however, customer motivations and the value of risk avoidance are much more difficult to quantify.

3. Innovation

Developing new products or services that incorporate societal benefits in their value proposition makes sense only if there is a demand for the product at a profitable price. Activities in this category are highly market-driven, targeting value chain innovations with sustainable business models while at the same time addressing important societal conditions, such as clean energy, elderly homecare, handicapped access, or public transportation. In fact, global attention to CSR has actually created new markets for products and services that help other companies improve their own societal impacts, from energy-saving devices to employee safety. These markets, where the overlap of business and societal objectives is clear and direct, are often too specialized to attract major global companies, and therefore appear to be potentially attractive markets for SMEs to serve.

4. Voluntary Support

Philanthropy, or the voluntary contribution of corporate resources, can take many forms. “Good citizenship” activities target issues that are important to the community or business owners personally, but that do not directly impact the success of the business. A manufacturing company that sponsors an unrelated art collection or sports activity, for instance, would fall into this category.

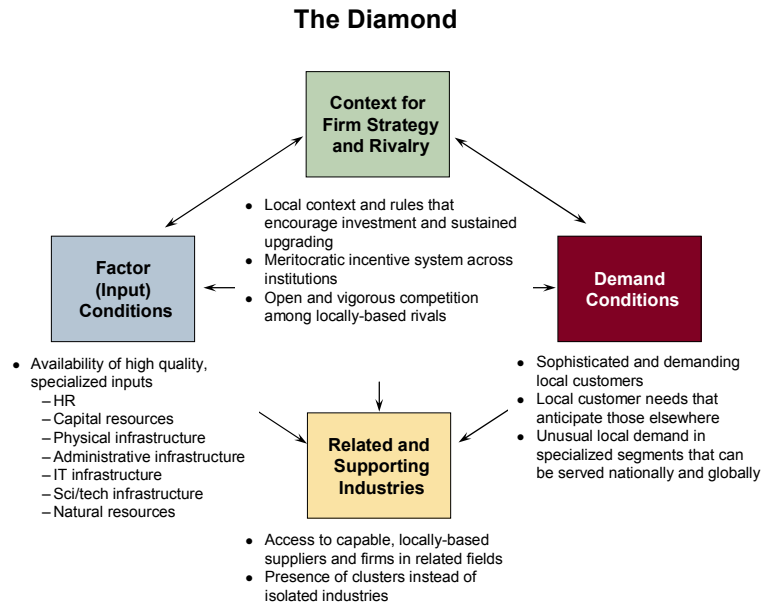
It is not clear whether the often intangible benefits of good citizenship contributions outweigh the costs. A minimum level of community support may simply be a necessary cost of doing business. These activities may also contribute to the stature of the SME owner and manager in the local community, and may yield indirect but significant benefits for the business through personal relationships or the manager’s local reputation. It is also possible that the owner is willing to absorb these costs because of the personal satisfaction they produce. Unlike larger companies that owe a fiduciary duty to many stockholders, the SME owner spends only his own profits and is free to trade off profitability in favor of allegiance to personal values.

Voluntary contributions, however, need not be limited to activities that are unrelated to the business. Companies can also target their “competitive context,” by focusing on issues that affect the underlying drivers of competitiveness in locations where they operate. Supportive societal factors, nurtured over time through interventions by both government and private entities, can have a significant impact on the growth and long-

⁹ The likelihood of such risk is substantially less, however, for SMEs than for large scale enterprises that tend to attract greater public scrutiny.

term productivity gain of companies, as illustrated by the elements of competitive context in Professor Porter's competitive "diamond" in Figure 1.¹⁰

Figure 1



Examples of contextual factors affected by societal conditions include:

- *Factor/input conditions*: Local educational systems that equip prospective employees with the necessary skills for the industry to succeed
- *Demand conditions*: Consumer awareness of safety, health and nutrition, or energy consumption, affecting demand for particular products and services
- *Related and supporting industries*: Presence of skilled suppliers who can deliver the necessary products or services while meeting standards of time, cost, and quality
- *Context for firm rivalry*: Legislation to protect human and intellectual property rights

Companies that make significant investments to improve factor conditions tend to open up new market opportunities or operate within a more favorable business context. Societal objectives, therefore, are aligned with long-term business objectives. Still, measurable economic and competitive benefits remain difficult to quantify. Furthermore, in a country like Denmark where factor conditions have been nurtured by generations of taxpayers and are relatively mature, incremental contextual investments may be more limited in reach compared to investments in less developed settings.

¹⁰ Porter, Michael, *ibid.*

Using this analytical framework, we oriented our research on Denmark SMEs and CSR around the following four questions:

1. Is **compliance** with Danish legal standards a competitive advantage/disadvantage for export-oriented SMEs (those with a significant portion of turnover from exports)?
2. Do SMEs that adopt **best practices** in employee benefits, social inclusion (hiring disadvantaged workers), environmental impacts, supplier and customer benefits, and other CSR activities, derive positive economic benefits?
3. To what extent do SMEs focus on **innovation** in products and services that yield societal benefits, and do these innovations contribute to their prospects for growth?
4. Do SMEs derive measurable benefits from their good citizenship contributions, and/or are they using voluntary support to improve their **competitive context** in the hopes of building a more promising long-term business environment?

IV. STUDY METHODOLOGY AND BACKGROUND RESEARCH

Our research methodology consisted of three parts:

1. *Description of Danish SMEs and prioritization of sectors*: What are the key characteristics of Danish SMEs, and which sectors of the domestic economy would be most important to study?
2. *Overview of SME research landscape*: What does existing research on CSR and SMEs tell us about our hypotheses concerning the overlap of societal and economic objectives?
3. *Testing hypotheses through a survey and interviews*: Can we confirm or expand on our hypotheses through a first survey of Danish SMEs and CSR, and through select interviews with individual companies?

1. Description of Danish SMEs and prioritization of sectors

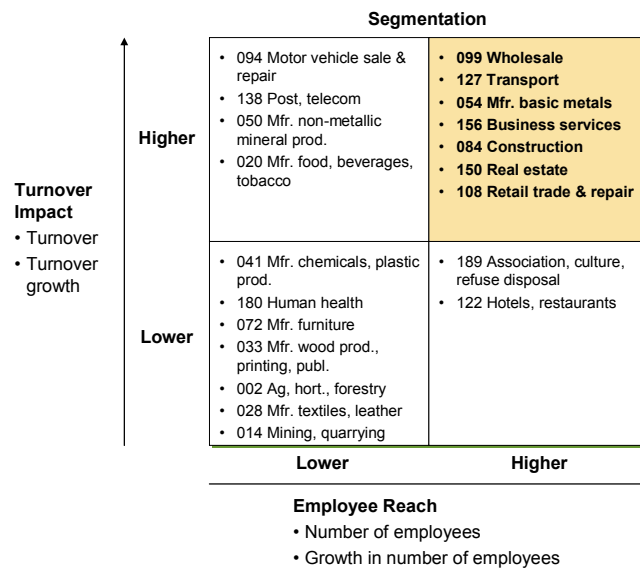
For the purposes of this study, SMEs were defined as companies with at least 10 and no more than 249 employees.¹¹ There are over 200,000 SMEs in Denmark, which as a group constitute 99 percent of the total number of enterprises, 65 percent of turnover, and 69 percent of employment.

Within the limited mandate of this study – developing a study sample of about 50 SMEs – it was essential for us to first identify which sectors of the economy to focus on. Given that the ultimate goal of the People & Profit Project is to determine how CSR policies can contribute to the competitiveness of Denmark as a country, we sought to identify which SME sectors have the greatest influence on the Danish economy in terms of size and growth. Utilizing data from Statistics Denmark on 20 sectors, over the 2000-2002 time period (the most recent available), our analysis yielded seven focus sectors: Wholesale, Transport, Manufacturing of Basic Metals, Business Services, Construction, Real Estate, and Retail Trade and Repair (Figure 2).

¹¹ Three companies in our sample exceeded 250 employees in 2005. They were selected from 2002-2003 employee data when the total number of employees was less than 250.

Figure 2

Sector Prioritization



Prioritizing these sectors helped us to identify approximately 120 SMEs to target for our survey, from which we expected 50 responses. Our sample was not randomly selected, however. In order to study the economic rationale of CSR activities, companies were selected based on their publicly demonstrated commitment to CSR practices.¹² The DCCA identified and contacted the SMEs directly and received 34 survey responses from the focus sectors. The DCCA also contacted additional SMEs from various sectors that could provide further examples of economic and competitive benefits from CSR activities. Thirteen additional SMEs responded to the survey. While the final sample was therefore not weighted by the size and importance of each focus sector, all of the identified sectors were represented by companies known for their CSR activities.

We then conducted a series of second-order analyses on these seven sectors, comparing figures on export intensity, value added, wage totals, urban versus rural location, age of the enterprise, and social inclusion.

- The seven focus sectors represent approximately 73 percent of turnover from all SME sectors, and 63 percent of employment.
- Some sectors are more export-oriented, such as Basic Metals, Transport, and Wholesale.
- Figures for value added and wages per employee are strikingly similar, with an exception for Retail, which is significantly lower than the other sectors.

¹² Sources included industry associations, business networks, CSR awards and publications, and a literature search. See Appendix for a full list of sources.

- Figures for social inclusion (hiring handicapped and disadvantaged workers) are also similar across sectors, again with several noticeable outliers: Business Services employs relatively more immigrants and women, Retail employs more women and uneducated staff, and Transport employs more low-skilled labor.
- For the seven SME focus sectors, mean turnover was DKK 39 million (vs. 33 million for all 20 SME sectors), the mean number of employees was 30 (vs. 29 for all 20 SME sectors), and the mean enterprise age was 15 years (same for all 20 SME sectors).¹³

We supplemented our sector analysis with a forward-looking perspective to identify high-potential clusters that are expected to impact Denmark's competitiveness in the long term. We reviewed existing cluster studies to identify clusters that are innovation leaders or policy focus areas. Two studies were particularly helpful: a review of cluster performance conducted by the National Agency for Enterprise and Construction in 2001, and a report on Denmark's future strategy published by the Innovation Council in 2004. As a result of this review, we added Health and Environmental Technology to our list¹⁴ resulting in the following list of focus sectors:

1. Wholesale
2. Transport
3. Manufacturing basic metals
4. Business services
5. Construction
6. Real estate
7. retail trade & repair
8. Health
9. Environmental technology

This analysis provided us with an enhanced understanding of the forces and trends affecting the focus sectors, and informed our interviews and findings. Our sample, however, was too small to extract any significant sector-specific results.¹⁵ We recommend that future research focus specifically on these focus sectors and clusters in examining the economic rationale for CSR among Danish SMEs, and that further analysis be carried out to identify which kinds of CSR activities offer the strongest economic rationale in each sector.

2. Overview of SME research landscape

¹³ For SMEs with 10-249 employees; weighted averages for age of enterprise by sector; 2002.

¹⁴ No companies from these two clusters responded to the survey.

¹⁵ We ran several analyses bundling companies in various categories, including capital-intensive vs. knowledge-intensive companies; in this case we found that both samples showed the same positive impact of CSR activities albeit to slightly different degrees.

In parallel, we also reviewed 10 CSR research initiatives with a significant SME component in order to understand how existing research might inform our hypotheses.¹⁶ We found that most studies link specific CSR activities with business economics in a highly qualitative fashion, often by surveying the attitudes of business executives. Case studies are common; few studies, however, focus on measurable economic and competitive benefits resulting from CSR activities carried out by SMEs.¹⁷

Several important findings, however, did emerge from our review:

- *SMEs have not yet integrated CSR activities into business strategy.*
 - According to the 2001 ENSR Survey conducted by the Observatory of European SMEs, nearly three-quarters of Danish SMEs are involved in some form of CSR.¹⁸ However, only 34 percent of these SMEs link their activities to business strategy. As with their European counterparts, sponsorships and donations represent the bulk of voluntary activities for Danish SMEs.
 - Despite limited current activity, over half of Danish SMEs believe that both social and environmental responsibility will become more important for them in the future.
 - European CSR studies that have looked at SMEs specifically emphasize the linkage between extraordinary investments in employee benefits and worker productivity and retention. Other win-win areas include eco-efficiency and innovations resulting from stakeholder engagement.

- *Labor issues are important to Danish SMEs, and access to skilled labor is an important business constraint. The most common response to labor issues is to provide enhanced benefits or incorporate disadvantaged groups into the workplace.*
 - In the 2002 ENSR Survey, Danish SMEs cite lack of skilled labor as one of their top three business constraints. Eighty-three percent of Danish SME employers carry out supplementary activities for their employees' benefit.
 - Based on the same study, while some SMEs actively support disadvantaged groups, most do not. Nearly three-quarters of Danish SME employers accord no special attention for any group – women, ethnic minorities, disabled, or other.
 - In an another survey of over 3,000 private companies conducted by the Danish Ministry of Employment in Fall 2004, half of respondents,

¹⁶ Initiatives/initiative sponsors included DTI/BITC, WWF-UK, CSR Europe SME Key, EU Multi-Stakeholder Forum on CSR, Responsible Entrepreneurship for SMEs, Observatory of European SMEs, Copenhagen Center, Ethics in Business, and UNIDO Triple Bottom Line Project.

¹⁷ Again, our emphasis was on measurable benefits, including those not yet measured.

¹⁸ In Europe, size and age of enterprise (especially more than five years) appear to drive greater levels of activity.

however, expressed that they believe to a certain or great extent that social inclusion can be positive for their businesses.¹⁹

- *The costs and benefits of CSR to SMEs is a critical issue to explore. Attitudes are mixed, with roughly equal percentages between those that view CSR purely as a cost versus those that believe that those activities create benefits. There is little evidence that many SMEs view CSR activities as win-win investments that accrue benefits for both business and society.*
 - Private enterprises have a mixed view about the benefits of CSR. More private companies than not say that CSR is “just something we do.” In the Ministry of Employment survey, 27 percent of companies indicated a high level of agreement with the statement, “It’s just something we do,” vs. 23 percent that indicated a low level of agreement. When asked whether they agreed with the statement, “Social commitment pays off,” 21 percent of companies indicated a high level of agreement, vs. 22 percent that indicated a low level of agreement.²⁰
 - Private companies cited lack of affordability as the biggest obstacle to engaging in CSR, followed closely by paperwork and bureaucracy.

In short, the issue of whether SMEs can derive measurable economic and competitive benefits from CSR activities has not been resolved by prior research studies, leaving open an important area for this study to address.

3. Testing hypotheses through a survey and interviews

The third part of our methodology was to design a survey to test our hypotheses and explore the linkages between CSR costs for Danish SMEs and related economic benefits. As shown in Figure 3, we designed the survey questions around two broad areas:

1. CSR activities intended to meet Danish legal standards, and the impact of existing regulations on SMEs.
2. CSR best practices that go beyond standards, product or service value chain innovations, and voluntary support (good citizenship contributions and contextual investments).²¹

We tested a pilot survey with six SMEs, and subsequently shortened and simplified the survey. The pilot demonstrated that companies could not clearly relate to a large number of different CSR activities, and felt more at ease with general categories, such as Workforce or Environment. The revised version also focused respondents on measurable

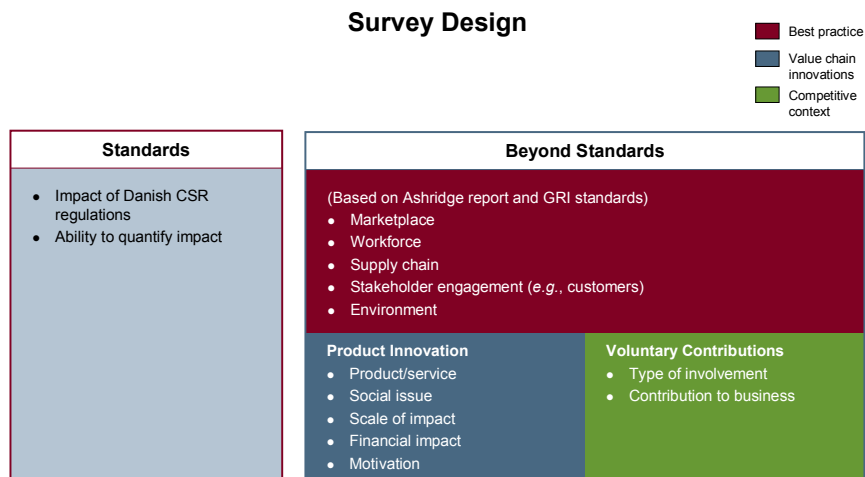
¹⁹ The larger survey sample included approximately 5,600 public and private organizations, of which 94 percent were SMEs.

²⁰ We do not know if the difference in responses is attributable to differences in the kinds of CSR activities performed, or merely representative of different attitudes toward CSR overall.

²¹ We drew upon mainstream reporting guidelines and other checklists to catalog compliance and best practice CSR activities. See Global Reporting Initiative and the Ashridge Report. See Appendix for complete survey in Danish.

impacts, asking them to comment specifically on the sources of positive or negative impacts resulting from their CSR activities.

Figure 3



The survey was administered online with email invitations and telephone follow-up. We received 47 eligible responses.²² We also conducted 20 interviews, all in-person. Fourteen interviews were with survey respondents, and six were with companies that did not complete the survey. In total, 53 companies participated in this phase.

²² In total, the survey yielded 50 responses; however, three were deemed ineligible either due to the number of employees of the enterprise or the respondent's status as a subsidiary of a multinational corporation.

V. FINDINGS AND IMPLICATIONS

1. Is compliance with Danish legal standards a competitive advantage/disadvantage for export-oriented SMEs?

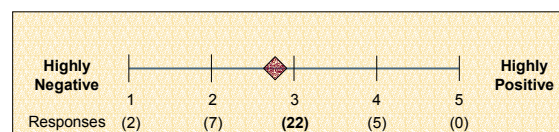
Compliance with Danish legal standards is neither a competitive advantage nor disadvantage for export-oriented SMEs, as Danish standards are comparable to those of other EU countries that most Danish companies compete against or export into. Our recommendation is to not pursue this specific line of research in future studies.

Findings

Most SMEs in our sample had no strong opinion on the impact of legal standards on their businesses (see Figure 4). Survey comments and interviews confirmed that most SMEs did not feel that Danish regulations impose an extraordinary burden on their international competitiveness in terms of mandated social benefits or environmental standards. Only three companies claimed to be able to quantify the impact of legal standards on their businesses. A handful of voices, however, disagreed on both ends of the spectrum. Three SMEs felt that energy and carbon taxes were too high and quoted specific tax amounts. One SME mentioned the high cost of safety and work requirements, before adding, “Optimization in these areas enhances our competitiveness and reputation.” Another SME, in fact, appreciated the simpler tax system in Denmark: “In France, for example, it appears at first that taxes are lower, but when you add up all the benefit payments, it ends up being more.”

Figure 4

Impact of Danish Regulations on Company's Competitive Position*
Export-oriented companies, n = 36 survey respondents, average = 2.83



Implications

Danish standards, shared in large part with the EU and other developed markets that they compete against and sell into, do not appear to be a major concern for SMEs with regard to competitiveness. It may be that European and global standards have been raised to a point that Danish laws are not critical in terms of relative economic impact.²³

²³ Only one company in our survey exported goods to non-OECD countries; therefore, we could not draw any conclusions with respect to those markets.

Recommendations

- We recommend that future research not focus specifically on Danish law in determining the economic rationale for CSR activities among Danish SMEs.
- We further recommend that Danish law on CSR issues remain generally consistent with the requirements of other EU countries so as to avoid overburdening export-oriented SMEs.

2. Do SMEs that adopt best practices in employee benefits, social inclusion, environmental impacts, supplier and customer benefits, and other CSR activities, derive positive economic benefits?

SMEs that create additional societal benefits beyond those legally required generally believe that these activities produce business benefits or are simply “the right thing to do.” In most cases, however, SMEs could not identify specific and measurable economic benefits that resulted from these activities. In the case of SMEs offering extraordinary employee benefits, however, we did find measurable longer-term benefits from reduced costs associated with hiring, retention, and absenteeism, although none of the SMEs had actually calculated the costs of and savings from these extra benefits. SMEs also reported reduced costs for energy and waste disposal from their environmental CSR activities. In the case of social inclusion, we found that government subsidies covered the incremental cost of increased training or lower productivity, creating a societal benefit that the SMEs believe does not burden the business. In other areas, such as supply chain or marketplace activities, we found no measurable benefits. Our recommendations include developing a tool to help SMEs measure the financial return on their CSR investments, and designing incentives and training programs to encourage SMEs to make more of these investments.

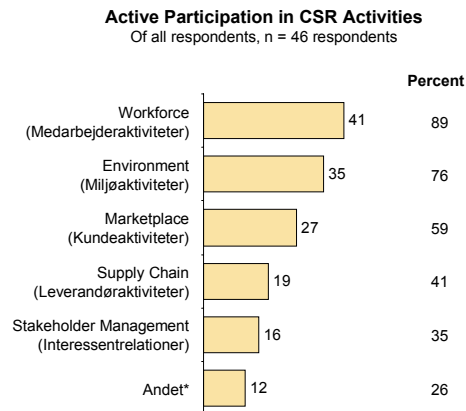
Findings

Respondents are involved to different extents in various types of CSR activities (see Figure 5).²⁴ Given the criteria for the selection of our sample, it is not surprising that all

²⁴ As noted earlier, activities were classified into categories based on the People & Profit Ashridge report, and the Global Reporting Initiative. Workforce activities include: Employee communication and representation (collective bargaining, privacy), ensuring employability and skills development (training, career development), diversity and equality (non-discrimination, equal access), remuneration (fair pay, equal benefits), work-life balance (flex hours, stress management), health, safety, and wellbeing (support programs, child care), and responsible restructuring (job sharing, employee support). Environmental activities include: Resource and energy use (energy efficiency, biodiversity), pollution and waste management (emissions treatment, recycling), environmental product responsibility (product take-back recycling, addressing GMO), and transport planning (reducing goods transport or employee travel, using teleconferencing). Marketplace activities include: Responsible customer relations (responsible advertising, cause-related marketing), product responsibility (product safety, addressing potential misuse), product

respondents showed some degree of CSR activity. Confirming earlier studies, most SMEs surveyed focus CSR initiatives on employee benefits and environmental or marketplace activities, such as product labeling and safety concerns. Fewer SMEs deal with supply chain or stakeholder activities, areas where the pressures on SMEs are far less than on large-scale enterprises.

Figure 5

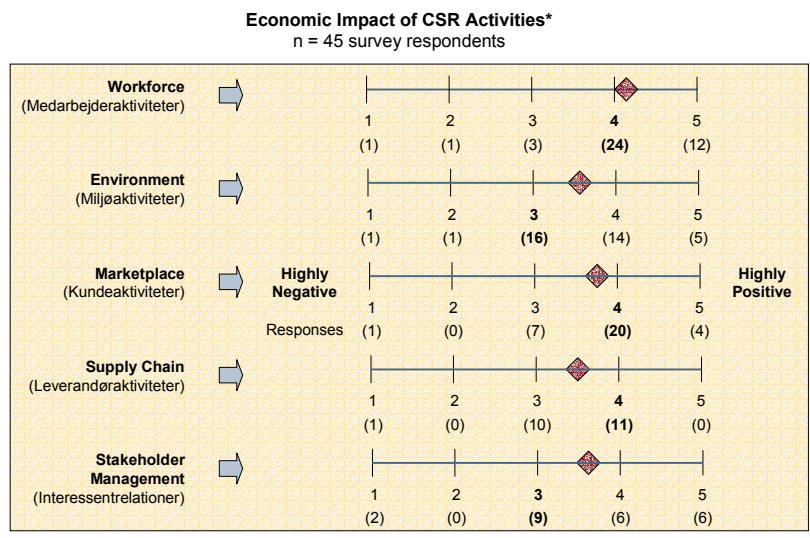


* Other includes other codes and policies, social partnerships, and international development
 Note: For economic impact scale, modes are boldfaced; one respondent skipped the participation question
 Source: SME CSR Survey, June 2005

We asked respondents to describe their activities under the different CSR categories and to evaluate the economic impact qualitatively on a spectrum of “highly negative” to “highly positive,” as shown in Figure 6. Given the criteria for selection, it is not surprising that all respondents showed some degree of CSR activity.

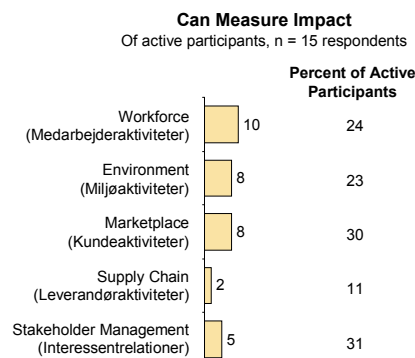
labeling (health impacts, materials origin), and ethical competition (corruption, fair pricing). Supply chain activities include: Being a fair customer (fair terms with suppliers, fair pricing and timely payment), and driving standards (labor and environmental, fair trade). Stakeholder management includes: Mapping stakeholders, relationship with enterprise, consultation (feedback, community liaison), and reporting (CSR reporting, external validation).

Figure 6



The result was consistent across all categories: companies feel that CSR activities that meet or exceed societal expectations have a moderately positive economic impact on their businesses. This response reflects a more optimistic view of economic impact than the attitudes suggested by previous studies, which is expected given that our sample was selected based on companies known for their commitment to CSR practices. When we dig deeper, however, we find that few SMEs are able to actually measure the impact on their businesses. While Workforce and Marketplace received the most positive responses (see Figure 6), and SMEs indicated that they had the ability to measure economic impact in all five areas (see Figure 7), detailed comments from the survey and in-depth interviews revealed that respondents were able to measure economic benefits in only two categories: *Workforce* and *Environment*.

Figure 7



Workforce

Looking at the survey responses and interviews with individual companies, workforce activities with measurable impact fell into two general groups: (1) extraordinary benefits to improve workplace conditions, and (2) social inclusion of disabled or elderly employees.

- *Improving workplace conditions*: A number of interviewees invest in employee education, health and safety, and lifestyle (e.g., flextime or light jobs).
 - *Bon 'A Parte* sells clothing via mail order and employs 367 employees, including large numbers of seasonal help. Eighty percent of employees are female. The company sponsors health projects for employees that include nutrition programs, sports activities, physiotherapy, first aid courses, psychological counseling, and support for private hospitals. Bon 'A Parte also encourages union participation and job training (by providing mentors for new employees), and provides a number of other employee benefits, e.g., allowing employees to bring children to work when childcare is not available. The company believes that such efforts pay off “not in the short-term, but in the long-term.” Bon 'A Parte receives 700 unsolicited job applications per year for its seasonal work and lower-skilled positions, and has a low sick-leave rate of two to three percent.²⁵
 - *Kjaer Group* exports cars to developing countries and sells them through their own dealerships. Kjaer employs 270 people and has been named the “Best Place to Work in Denmark” two years in a row by the Great Place to Work Institute. It is also ranked one of the top 10 highest-rated workplaces in Europe.²⁶ All employees are given company shares in order to stimulate a sense of employee ownership, and can purchase additional shares at discount pricing. In addition, dividends to employees in developing countries can add a significant portion to their compensation, which is already far above the market rate. Kjaer has also set up a fund to provide loans to African employees to build new homes. All employees, including the 65 located at the company’s headquarters in Denmark, are accorded an education allowance of DKK 10,000 per year, which they must utilize in order to qualify for the company bonus program. Non-Danish employees in Denmark receive free Danish classes, and all employees are offered English classes.²⁷ Kjaer has an important partnership with the AIDS Foundation that provides education to employees in Africa. Instead of focusing on the economic rationale for all of these activities, the company instead emphasizes that it is important to “earn money in the right way.” They do note a declining sick-leave rate

²⁵ The average sick-leave rate in Denmark is almost 5% (2003). Arbejdsmiljøinstituttet (AMI, National Institute of Occupational Health in Denmark). *Sygefravær i Norden (Sick leave in the Nordic countries)*. August 2003. Danish Ministry of Labour. *Nordiske initiativer til nedbringelse af sygefravær*. 2005.

²⁶ See GreatPlacetoWork.com.

²⁷ Since the majority of Kjaer’s employees are local citizens of developing countries, the company has a policy that all employees receive literacy training and learn how to read and write.

- (average of 3.2 days per employee in 2004 vs. 3.6 days in 2002) and low employee turnover. They also hope to lose fewer employees to AIDS in Africa, though this is yet to be seen. In short, Kjaer is willing to accept the cost of their CSR activities primarily because, in their view, it is the right way for the company to function.
- *Dansk Cleaning Services* got its start selling cleaning services to airlines, and eventually migrated to providing its services to a broader set of institutions. The company has 65 employees, almost all from non-Danish backgrounds, and 70 percent male. They have reorganized work around “empowered teams,” in which team members are responsible for each other’s work and for dealing with short-term absences. Employees get three days of education per year, and the owners pay extra for chemical dispensers that are safer for employees. Dansk Cleaning Services attributes an average employee tenure of five years (versus the industry average of one year), and a reduction in absenteeism rates (3.8 percent down to 1.1 percent) as a result of their new empowerment campaign.²⁸
 - *Valtra Danmark A/S*, the fifth-largest tractor manufacturer in the world with 32 employees, and *Sønderjyllands Fragt Service*, a transport company with 25 employees, are two other SMEs that, without being explicit about the economics, cite employee-focused activities as the reason for a more stable workforce, lower absenteeism rates, higher productivity, and more satisfied customers.
- *Inclusion of disabled or disadvantaged employees*: Many companies have partnered with local municipalities to employ a number of disabled or marginalized individuals. Through these partnerships, typically one-third to one-half of the individual’s salary is covered by the government. Companies interviewed generally consider these activities to be economically cost neutral, but either did not have or were not willing to disclose specifics.
 - *Sønderjyllands Fragt Service* employs nine disabled employees out of a total of 25 employees. The company first started down this route eight years ago at the request of the local municipality. The owners believe that the cost is more or less neutral when considering compensation carried by the company with respect to work output. Although their salaries are subsidized, each disabled or disadvantaged employee is less productive than the typical employee. In addition, management reports that the additional step-by-step training required for these employees is a heavy burden on a few individuals, borne out of the owners’ commitment and deep sense of social obligation.
 - *Horsens Varmeværk* is a semi-public utility that provides district heating to the municipality of Horsens. The company employs 14 people, including two disabled employees for a project to change hot water meters throughout the town and on short-term contracts subsidized by the municipality. Thirty to 50 percent of their salaries were subsidized by the municipality.

²⁸ Measured per production hour for each employee.

- *Rambøll Management* is a consulting firm founded in Aarhus with over 180 employees in Denmark. The company provides IT services, public sector research and analysis, and engineering services. Rambøll hired immigrants to take on basic office tasks for the company, and their experience of the benefits has been mixed. In one case, an employee subsidized by the municipality for his first five months of work, successfully developed to take on an IT coordination job, but in another situation, an employee required extra supervision and therefore cost more than typical new administrative hires.
- *Scanseason* sells seasonal goods (*e.g.*, gift-wrap, ornaments, fireworks) in department stores and supermarkets. The company employs 55 people, and has a partnership with the municipality to employ disabled persons for special packaging tasks. These employees are subsidized and the company considers the costs roughly equal to the benefits.
- *Tricon*, a company with 200 employees selling electrical panels, panel software, and print circuits, is a rarer case of a company employing elderly persons and ethnic minorities without any subsidies. They started “just because they needed good employees, but it was a real success both for the company and for the other employees who were inspired by the new kind of colleagues.”

Implications

Larger SMEs, such as Bon ‘A Parte and Kjaer Group, appear to be more active providing workforce-related benefits that exceed legal minimums. The interview data suggests that SMEs with extraordinary employee benefits gain significant advantages in recruitment, retention, and reduced absenteeism; however, none of the SMEs we studied had actually calculated the cost of extra employee benefits provided compared to the value of the economic advantages gained. Some SME managers reject even the idea that such advantages could be measured, insisting that this is simply how their business should (and can afford) to operate: “There are no direct economic benefits: It is solid belief. There are too many unsure factors, which means we have no basis for measuring it.”

Social inclusion activities are clearly a cost to SMEs like Sønderjyllands Fragt Service and Scanseason, but this cost is typically offset by municipal subsidies. To the extent that government subsidies for employment are less than the cost to society of unemployed handicapped or disadvantaged workers, the government benefits financially, usually without an increase in net cost for SMEs. As a result, SMEs have the potential to become a valuable public-private instrument for social inclusion, reducing social costs without diminishing competitiveness.

Recommendations

- SMEs lack practical tools for accounting for the costs and potential savings of CSR investments. A workforce “return on investment” approach would be necessary to account for investments that exceed legal standards, and to capture indicators of lower hiring costs and absenteeism, and improved retention rates and worker productivity resulting from educational investments. Such a tool might enable SMEs to increase employee benefits, strengthening the local workforce while at the same time improving their competitiveness and economic returns. In short, while it appears that there are benefits, further study is necessary to determine if such a tool would in fact show that the benefits outweigh the costs.
- SMEs are clearly a very powerful engine of workforce development, and leaders with strong business models can afford to contribute more than others. A key area of intervention may lie in bridging the short-term increase in the cost of doing business, with evidence of long-term advantages (*e.g.*, business continuity). Incentives, such as rewards and public rankings, could help realize those benefits in the nearer term. The value of such incentives merits further investigation.

Environment

In the area of environmental activities, the survey responses and interviews were highly uniform for SMEs that have invested in this area: Adopting better practices and new technologies that are environmentally friendly also makes sense.

- *Sjørring Maskinfabrik* produces metal parts and employs 285 staff. In response to demands from customers, including Volvo, the company went through the ISO 14001 certification process for environmental management. One of the unexpected consequences of the process changes has been improved waste management practices, which have actually contributed positively to company earnings. “At first, you might become a bit negative when your customers bring on demands like these, but after working with them for a while, you see that there is an advantage since there is the possibility for savings and to enhance your competitiveness.”
- *Sønderjyllands Fragt Service* experienced a significant reduction in energy use as a result of educating its employees on how to drive for fuel efficiency. Fuel costs decreased by as much as 20 percent, representing an overall cost savings of three percent for the company.
- *Industrimuseet* also commented that it has observed significant energy savings from changing operational practices.
- *Horsens Varmværk* has an internal mandate to continuously improve its energy efficiency, particularly when converting electricity and gas to hot water. Upgrade investments are made regularly based on expected positive returns on investment, even when the costs might only be offset in the long-term.
- As an example of a company with negative economic consequences, *Rexam Glass Holmegaard* experienced a sharp increase in the costs of its recycling efforts. Eight to 10 percent of the 60,000 tons it collects is garbage, resulting in a cost to the company of DKK 3.8 million.

Implications

The survey results confirm the widely-recognized business case for many environmental investments. Greater resource efficiency yields direct cost savings and can enhance competitiveness. The cases of Sjørring Maskinfabrik and Rexam Glass Holmegaard, however, suggest that waste management and recycling can have both positive or negative economic consequences.

Recommendations

- Interviews suggest that most SMEs, through the experience of their owners or managers, or in collaboration with industry associations, are aware of technological innovations that may reduce operational costs as well as negative environmental impacts. However, there remains a need to develop new energy-saving processes, educate business owners, and promote the further exchange of best practices among SMEs.

Marketplace, Supply Chain, and Stakeholder Management

We consider these three categories together since few companies in our sample could provide specific comments or examples to justify the economic rationale for these activities. However, we did uncover several specific examples through our interviews with individual SMEs.

- *Rice* designs consumer products – baskets, bags, home decorations – in Denmark and outsources manufacturing to developing countries. The company has 20 employees. In the late 1990s, the company responded to Nike’s entanglement with labor standards and suppliers in developing countries by reviewing their own operations. After some research, the owners decided to implement the SA 8000 standards for their suppliers in Asia and Africa. The standards consider a range of issues relating to working conditions, employee education, sanitary conditions, and more. In India, where enforcement is particularly difficult, DANIDA, the Danish Agency for Development, has given *Rice* a grant to support the rollout of SA 8000. In terms of marketplace activities, *Rice* advertises the company’s supply standards on product labels; however, they are skeptical about the impact on turnover. “Customers do not care, except maybe in the UK.” *Rice*’s owners feel that these activities represent an extraordinary effort and cost. With a successful and growing business, however, they feel they can afford it even though they face difficult conditions for implementation. In addition, although *Rice*’s implementation of the SA 8000 standards may not translate into turnover growth, the company benefits by mitigating potential supply chain risks that could negatively impact the business.

- *Select Sport* sells sports equipment and clothing and employs 43 staff. The company sources the production of its handmade footballs from Pakistan, and shares equally with its main supplier the costs of providing extraordinary benefits to its employees in Pakistan?, such as free medical care and education for both children and adults. They do not highlight these efforts in their marketing, although some customers appear to favor them for these activities.
- *Kjaer Group* has made a strong point to limit sales brokerage fees to strict minimums to avoid corruption in certain African countries. The owners admit that they probably lose some business this way, but explain that their values are more important to them than the economic argument.
- *Domus*, an architectural firm with 34 employees, has built a reputation of superior stakeholder management when dealing with new construction areas. Management believes that this profile has positively enhanced their competitive position vis-à-vis the competition, although they have not measured the impact.

Implications

Extending CSR activities into the supply chain and marketplace (*e.g.*, anti-corruption measures) clearly comes at a cost to SMEs. While respondents claim a positive impact on business economics from these CSR activities, the fact that they could not provide concrete examples of measurable impact suggests that the benefits, if any, are intangible and/or very long-term. Customers who make purchasing decisions on the basis of such practices appear to be the exceptions rather than the rule. SMEs are not subject to the same level of scrutiny from NGOs, the media, and the public, as are major global corporations. Nor do SMEs exert as much influence on suppliers or other stakeholders. Consequently, their CSR activities in these areas appear to carry fewer economic consequences, whether positive or negative.

Instead, respondents explain that their efforts are motivated by their values, describing their activities as “the right thing to do.” Just as some people deliberately choose lower-paying jobs in the public or NGO sectors out of a desire to do good, it appears that a segment of SME owner-managers are prepared to trade off maximizing profitability for themselves against the societal benefits for others that their businesses enable them to create. In some cases, they do believe in longer-term economic benefits (as indicated in qualitative survey responses), but cannot substantiate it due to the interplay of a numerous non-CSR factors in their business models.

Recommendations

- As with workforce development activities, there is an opportunity for government incentives to bridge the gap between short-term costs and long-term benefits, and to help raise awareness among SMEs about these activities. In our view, however, this should be secondary to workforce efforts. Employees are an inherent component of SMEs’ cost structure and competitiveness – investments

can be linked directly to health levels or productivity. When dealing with customer choices or stakeholder and supply chain practices, the wide variety of influencing factors and the relatively small footprint of SMEs makes determining the correlation between investments and measurable economic benefits much more difficult.

3. To what extent do SMEs focus on innovation in products and services that yield societal benefits, and do these innovations contribute to their prospects for growth?

The clearest example of alignment between societal and business interests is in product or service innovations that address societal problems. We identified a number of companies that derive a substantial and growing share of their business from socially-beneficial innovations. This seems to be a niche well suited to smaller and more nimble enterprises such as SMEs. Our recommendations include identifying potential new market areas, supporting and encouraging greater innovation.

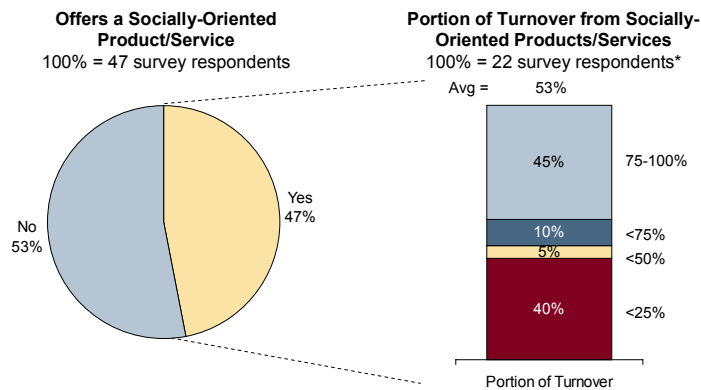
Findings

Innovation in core product and service offerings is clearly driven by a desire for profitability and growth. Yet when the innovation carries societal benefits, it represents one of the clearest synergies between societal and economic objectives, and the area of CSR with the greatest potential economic and competitive benefits for SMEs.

Based on the survey results and interviews, we found that the SMEs in our sample were significantly invested in this area. Nearly half of the SMEs surveyed offer a product or service with a specific value proposition that addresses an important societal problem (see Figure 8). Within this subset, socially-oriented products or services comprise over half of turnover for the average SME. Our selection of companies on the basis of CSR distinction has likely caused a bias in this direction and we would expect a lower percentage from a broader national survey; however, our findings strongly suggest the potential for significant economic and competitive benefits through product innovation.

Figure 8

Socially-Oriented Product/Service Offerings



* Two respondents skipped this question
 Source: SME CSR Survey, June 2005

Both motivations and outcomes differed widely among the SMEs in our sample. Some companies were driven primarily by the market potential, responding to demand, whereas others were driven by personal values and worked to create new markets for products they considered socially beneficial. In addition, some respondents were obviously more successful than others at implementing their socially-oriented products and services.

- *Reson* is a medium-sized enterprise with 200 employees that designs and manufactures underwater sonar systems. The company holds 50 percent of the global market. In addition to its mainstream products for oil platform development, sea mapping, and underwater cabling, Reson also develops products for habitat management and monitoring drilling and gas leakages from underwater production platforms. Customer demand has been growing rapidly as a result of EU regulations, and sales from these socially-oriented products are expected to account for five percent of sales this year, doubling to 10 percent in 2006.
- *Rambøll Management* includes a number of socially-oriented projects in its portfolio of client work, including topics such as immigrant integration, labor market policies, and restructuring of orphanages to promote integration of orphans into families. These projects are a key part of the business, and Rambøll estimates that they account for over 10 percent of its annual turnover.
- *Merkur* is a bank with 36 employees. The company directs its lending primarily to companies and initiatives that create societal value. Examples include organic farming, food production that reduces ground water pollution and enhances food product quality, and independent primary schools.
- *SCA Packaging Flamingo* is a producer of expanded polystyrene (EPS), with 160 employees. The company develops customized packaging designed to minimize

- customer transport injuries when they export goods. In addition, the designs reduce environmental waste since the packaging is fitted to the product.
- *Aalborg Zoo* has 55 employees and reaches 10,000 students and 375,500 foreign visitors each year. Among its offerings are exhibitions where visitors can play with and learn about waste sorting, water recycling, and other environmental topics.

Implications

Innovation is alive and well in our SME sample. SMEs have succeeded at finding commercially profitable solutions for certain societal issues. In fact, the turnover figures suggest that SMEs can be very successful in this domain. As global trends in social and environmental responsibility continue, they create new market opportunities for products and services that address important societal problems. SMEs have the agility and creativity to find solutions and develop viable business models.

Recommendations

- Of the four CSR categories in our framework, innovation presents the clearest economic rationale. We encourage future research to focus on this area of CSR.
- Government incentives within the arena of CSR might be used to encourage greater innovation in socially-oriented product and service areas, especially since SMEs have limited resources to invest in research and development. Such an initiative could become a powerful tool for mobilizing the private sector to address important societal conditions and simultaneously improve the competitiveness of SMEs in Denmark.

4. Do SMEs derive measurable benefits from their good citizenship contributions, and/or are they using voluntary support to improve their competitive context in the hopes of building a more promising long-term business environment?

No measurable benefit was ascertained from the voluntary contributions that companies make out of a sense of citizenship to causes that have no connection to the businesses they are in. We did identify instances in which corporate social investments were directed toward factors that influence the company's competitive context, contributing to longer-term competitiveness. Our recommendations include identifying contextual factors to focus investment in, convening SMEs around common issues, and developing public-private partnerships with SMEs to address contextual social issues.

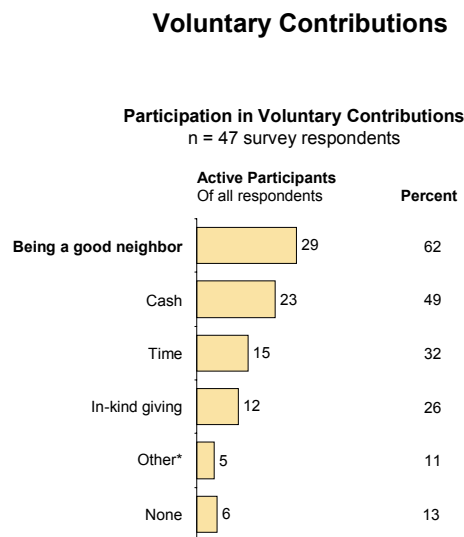
Findings

As discussed earlier, voluntary support can fall into two categories, good citizenship contributions or contextual investments. Whereas the former represent the most tenuous and least direct linkage between societal and economic impact, contextual investments can exhibit very strong ties, especially in the long term. Among the SMEs in our sample, good citizenship investments far outweighed contextual investments. However, there were several promising examples of contextual investments, suggesting the potential for more activity in this area.

Good citizenship contributions

Over 90 percent of survey respondents indicated that they participate in some form of voluntary contribution (see Figure 9). Being a good neighbor is the leading activity; however, a sizeable number of SMEs also donate cash and time. Our interviews indicated that most good citizenship voluntary contributions take the form of small cash contributions and product or time donations (e.g., sports sponsorships, exposing students to company activities). All of these activities clearly come at a cost to business owners with diffuse and difficult-to-measure economic benefits. The survey results indicate that most SMEs are motivated by a desire to build goodwill within the community (see Figure 10). We found that some SMEs were explicitly motivated by a desire to build consumer demand or attract employees; however, none were able to measure these benefits.

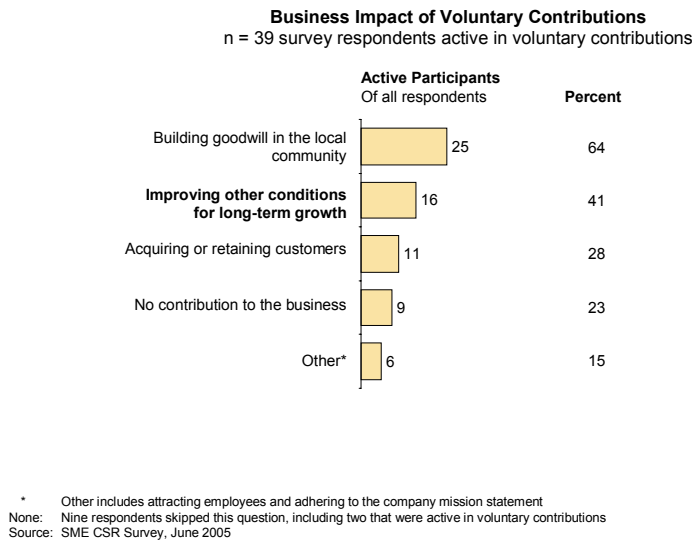
Figure 9



* Other includes purchasing rain forest parcels, supporting indigenous people groups overseas, other grants and sponsorships, membership in regional associations, student courses
Source: SME CSR Survey, June 2005

Figure 10

Impact of Voluntary Contributions



Implications

Our findings confirmed for Danish SMEs what we found in existing research. SMEs are very active in good citizenship investments, which are an especially important tool for connecting with the local community. These investments will likely continue without any additional encouragement. They may contribute to the stature of the owners and managers in their communities, and this may be worth the cost, or they may yield indirect benefits for the business through personal relationships. Given the indirect linkage to the business and lack of measurable data, resources for further study may be better spent on other kinds of CSR activities, or by encouraging voluntary support for contextual investments.

Contextual investments

While no interviewees explicitly viewed context as a source of economic constraint or opportunity, several invested in contextual issues (*e.g.*, joint projects with university students, upgrading technical standards for water heating, or developing guidelines for social evaluators). Most SMEs consider their investments in this area as either a normal contribution to the industry or another part of being a good neighbor, rather than as part of an explicit agenda to strengthen competitive context.

- *Nørrebro Handelsforening* is an association of 77 shop owners in Nørrebro, a section of Copenhagen. Recently, in response to increasing youth violence, the

- association worked with the Ministries of Education and Integration to design a new apprenticeship program that rebalanced the number of days apprentices are in school. The program launches in August of this year, and is expected to not only help keep youth off the streets and out of crime, but also address a longstanding shortage of apprentice sites in the city while reversing a trend over the past decade of declining availability of educated employees for the retail sector.
- The manager of *Horsens Varmeværk*, the semi-public heating utility mentioned earlier, participated in developed operating standards for an association of 400 “district heating companies” over a number of years that have helped to improve the competitiveness of the Danish water heating industry, making it, according to our interviewee, more efficient than Germany’s.
 - *Rambøll Management* created the Danish Society of Evaluators to establish standards for social evaluation. The company cannot link the initiative to specific revenue; however, the owners believe that in addition to enhancing Rambøll’s image, it has also had the more important impact of improving its competitive position within its market.
 - *Aarstiderne* is an organic foods delivery company with 90 employees. As part of the company’s promotional efforts and its goal of building positive relationships with the local community, the company sponsors a number of events directed toward youths: student education projects, children’s gardens, and children’s education events. *Aarstiderne* hopes these efforts will increase awareness in the market about the company and ecological food production. While the benefits for the business are yet to be seen, *Aarstiderne* hopes that these activities will eventually increase demand and the size of its future customer base.
 - *Columbus IT Partner* is an IT company with 200 employees across three offices in Denmark. Facing a labor shortage and fierce competition for talent, *Columbus* banded together with six of its competitors and designed a new course to retrain unemployed academics for the IT sector, in the hopes of creating a larger labor pool for the entire group, including their own company.

Implications

The survey and interviews confirmed that Danish SMEs do go beyond good citizenship contributions, investing in contextual issues that are important to their industries. One obvious constraint, however, is that individual SMEs have limited resources to influence their respective competitive contexts. In addition, most of the efforts identified in our sample appear to be sub-scale in terms of having the necessary resources to fundamentally address issues of relevance.

Recommendations

- Further study can explore ways to encourage these activities, in part by helping SMEs identify which contextual factors to focus their investment on.

- To address limited resources, convening party could help bring different SMEs together on common issues. Domus, the architecture firm discussed earlier, invested significant resources to develop tools and guidelines for environmentally-conscious project design because they “believed this would be the future.” Instead, faced with changes in government and unfavorable industry trends, they have encountered a lack of uptake on environmental standards and sustainable design. This is an example of one potential area that different SMEs could come together on – other architectural firms, construction, consulting, *etc.* – to promote a positive business context for their industry.
- As with social inclusion, there may be opportunities for public-private partnerships that simultaneously address social problems and strengthen the competitive context. In the aforementioned example of *Nørrebro Handelsforening*, reducing youth violence and increasing the pool of apprentices created both societal and economic/business benefits. Similarly, workforce constraints, such as a lack of skilled labor, could be addressed through collaboration between SMEs and the public sector.

VI. CONCLUSIONS AND RECOMMENDATIONS

Our study suggests that some, but not all, CSR activities of SMEs in Denmark can create measurable economic benefits. The results clearly suggest that additional research is justified, and provide guidance on where that research could most productively be focused.

We find that Danish SMEs are not motivated to engage in CSR activities only out of personal conviction, but because such activities pay off in the shorter or longer term. Many SMEs, however, continue to emphasize individual CSR activities rather than having a clear map of how their business and societal objectives overlap. As a result, we consider further strategic integration of CSR into business dynamics, as well as knowledge and best practice exchanges to be both possible and desirable.

Workforce development is central to many SMEs CSR activities. This study has allowed us to differentiate more carefully than previous studies between activities that affect business economics directly (*e.g.*, hiring costs, training and retention, absenteeism rates, *etc.*) and those that relate to social inclusion activities. The former relate to reduced costs and longer-term business continuity — and should therefore be a priority for the People & Profit project — while the latter demonstrates a powerful way to use public-private partnerships to achieve social objectives in a way that does not affect company competitiveness either positively or negatively.

Despite the potential economic benefits, it is clear that many companies still cannot measure or track the costs and benefits—or the competitive value— associated with their CSR activities. Supporting Danish SMEs in this area should be part of the project's next phases.

As described in the summary table, four areas warrant further investigation in the next phase of this project, in line with a wider mapping of CSR activities among SMEs in Denmark. Two areas address shorter-term “win-win” strategies (environmental best practice and social innovation) and two more address longer-term impacts and more intangible areas of convergence between societal and economic objectives (workforce development and voluntary contributions to strengthen contextual conditions that influence SME competitiveness).

The area of compliance, however, should warrant less attention moving forward. Danish legal standards on people or environmental issues, shared in large part with the markets that SMEs compete against and sell into, do not appear to be a major factor in SME competitiveness. Other best practice CSR activities around supply chain, marketplace and stakeholder engagement activities do bring evident societal value. However, these activities lacked the measurable economic rationale of workforce or environmental CSR initiatives. Employee retention and job performance, raw materials and energy use are all direct and inherent components of SME cost structures. CSR practices that affect these factors can be linked directly to competitiveness and productivity. When dealing with

customer choices or stakeholder and supply chain practices, however, the wide variety of influencing factors and the small footprint of individual SMEs makes determining the correlation between investments and measurable economic benefits much more difficult.

Within these four areas that warrant further research, we therefore offer the following recommendations:

Figure 11

Summary of Findings and Implications

	Shorter-Term Economic Impact	Longer-Term Economic Impact	Implications
Compliance	<ul style="list-style-type: none"> No clear relative competitive cost disadvantage, despite high energy taxes 	<ul style="list-style-type: none"> Select SMEs consider Danish standards as a source of long-term competitiveness 	<ul style="list-style-type: none"> No apparent need for intervention beyond existing regulatory processes
Best Practices	<ul style="list-style-type: none"> Select environmental investments display clear positive returns Workforce, supply chain, and other CSR activities have a negative short-term impact 	<ul style="list-style-type: none"> Workforce investments could pay off in the long-term, but SMEs lack resources and usable measurement tools Other CSR activities may contribute to marginal revenue, but the case is hard to make 	<ul style="list-style-type: none"> SMEs are a powerful engine for the workforce – could further recognize or create incentives for SME leaders to make extraordinary investments to accelerate the long-term pay-off for these companies; could also develop measurement tools
Innovation	<ul style="list-style-type: none"> SMEs appear to be extraordinary innovators of social value propositions that generate revenue 	<ul style="list-style-type: none"> Not all social value innovations are equally profitable, or as profitable as the core business 	<ul style="list-style-type: none"> Societal innovation can be further developed or encouraged with greater use of incentives
Voluntary Support	<ul style="list-style-type: none"> SMEs still mostly engage in good citizenship contributions with no measurable economic benefit 	<ul style="list-style-type: none"> A few SME leaders have helped shape a positive context, but many efforts are sub-scale in their ability to influence key contextual constraints 	<ul style="list-style-type: none"> SME public-private partnerships could play a greater role in working with SMEs to channel contributions towards contextual investments

- **Recommendation regarding best practices**

- Workforce

- Understanding the benefits of workforce investments requires further investigation to compare accrued savings with the cost of providing extraordinary employee benefits. Beyond research, new tools and training programs will need to be developed to enable SMEs to measure their return on investment. Basic research is also needed on a sector-by-sector basis to determine which kinds of benefits offer the greatest economic returns to businesses in different industries and with different employee skill levels.
- Research should also be conducted to explore whether there are measurable returns to society, through a better-educated, more productive, and healthier workforce, which might justify government subsidies for employers that offer these additional benefits. The DCCA might also consider whether support would be appropriate to help SMEs bridge the gap between a short-term disadvantage from added labor costs and longer-term advantages

from improvements in absenteeism and attrition rates. Even continued public recognition may be sufficient to encourage SMEs to invest more heavily in their employees.

- Environment
 - Here, too, further research is needed on a sector-by-sector basis to document savings, identify the most valuable kinds of environmental CSR activities, and explore barriers to widespread adoption.
 - Tools to measure return on investment, as well as education and training programs, could increase knowledge and awareness of options for environmental improvement.
 - Support might also be appropriate here to offset the short-term costs against the longer term savings.
 - The government may also consider reviewing the state of university research to identify new ways of increasing environmental efficiency

- **Recommendations regarding innovation**

- SMEs are clearly finding opportunities to extend their business models into products and services that present strong social value propositions. These activities should be promoted at both the company and sector/cluster levels.
- At the company level, for instance, research might focus on collecting success stories so that SME managers might be encouraged to consider innovations on the basis of the experience of their peers. At the sector or cluster level, a more comprehensive mapping of CSR practices across Denmark (and possibly across Europe) might uncover patterns of innovation, or emerging needs for socially-beneficial products and services, that could be promoted for development by Danish companies for sale to both domestic and international markets.
- Again, the limitations SMEs face on the availability of investment capital suggest that support and incentives could stimulate greater innovation and contribute to the competitive advantage of Denmark. A starting point within the People & Profit project, building on the broader survey of practices planned for the next phase of the project, would be to orchestrate social innovation workshops with SMEs to identify growth opportunities around social value propositions that build on their core capabilities.

- **Recommendations regarding voluntary contributions**

- Research is necessary to identify, again on a sector-by-sector basis, the critical elements of competitive context that could be strengthened through voluntary contextual investments. Individual SMEs lack the resources for such comprehensive research, suggesting that this would be a valuable

governmental undertaking. The government might also choose to invest directly in projects that improve the competitive context for Denmark's priority sectors and growth clusters.

- Individual SMEs rarely have the resources to spearhead contextual initiatives on a large scale. If they were brought together as a group, however, they could be a powerful force for social and economic improvement. There is a clear role for the DCCA and the project People & Profit in facilitating such collaborations among SMEs to work on targeted improvements in their competitive context.

We further recommend that future research be concentrated in the seven focus sectors (wholesale, transport, manufacturing basic metals, business services, construction, real estate, retail trade & repair) and two priority clusters (health, environmental technology) of the Danish economy identified by our research, and that with a sufficient sample size, patterns should be discernible about the kinds of CSR activities that have the strongest economic rationale in each sector and cluster.²⁹

Environmental best practices are likely to be important in the transport, manufacturing and construction areas. Social innovations in the business services, real estate, health and environmental technology sectors and clusters, in particular, should be documented and opportunities for growth exploited as potential competitive differentiators for both individual SMEs and the Danish economy as a whole.

The longer-term workforce and competitive context activities will be relevant for all sectors, but the emphasis is likely to differ. The next phase of the People & Profit project should identify which workforce investments bring the most benefit to each sector or cluster, and which contextual factors are perceived by each sector/cluster to warrant the most attention in terms of strengthening their respective competitive context through voluntary contributions.

Finally, the project should further explore the issue of scale. While our study sample was too small to determine precisely how company size influences the ability of SMEs to engage in "win-win" CSR, we did find some indications that smaller SMEs cannot invest substantially enough in CSR to reap the benefits found by larger companies. With more information on the subject, the next phases of the project could better focus on scaling-up activities for SMEs that fail to reach the "win-win" threshold.

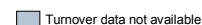
²⁹ An analysis of the survey data comparing knowledge-intensive and capital-intensive SMEs resulted in some differences in response patterns; however, none of these were significant. See Appendix for more detail.

APPENDIX: STUDY METHODOLOGY AND BACKGROUND RESEARCH

1. Description of Danish SMEs and prioritization of sectors

- *Data and sample:* We obtained financial data from Statistics Denmark for a total of 27 sectors. No turnover data was available for seven sectors. Of the seven sectors for which no turnover data was available, all had low impact on employment, each with less than two percent share of the sample. The remaining 20 sectors represented 90 percent or greater share of turnover in each sector, with three exceptions: mining and quarrying (17 percent), letting and selling of real estate (64 percent), and human health (86 percent).³⁰
- *Segmentation:* The remaining 20 sectors were segmented by size and growth of turnover and employment. We used 2002 data for size, and 2000-2002 data for growth.³¹ We divided high and low in each category as follows: We started with an initial anchor point using the simple average of percentage values (x-axis) and the simple average of growth rates (y-axis). We assumed slope of negative one (-1) to reflect neutral weighting between percentage growth and percentage share. Finally, we calculated the x- and y-intercepts accordingly, and extrapolated the cutoff lines, which for turnover was $y = -x + 0.0654$, and for employment, $y = -x + 0.0495$.

Sector Analysis (1/2)

 Turnover data not available

Code	Danish	English
002	• Landbrug, gartneri og skovbrug	• Agriculture, horticulture and forestry
011	• Fiskeri mv.	• Fishing
014	• Råstofudvinding	• Mining and quarrying
020	• Nærings- og nydelsesmiddelindustri	• Mfr. of food, beverages and tobacco
028	• Tekstil-, beklædnings- og læderindustri	• Mfr. of textiles and leather
033	• Træ-, papir- og grafisk industri	• Mfr. of wood products, printing and publ.
041	• Mineralolie-, kemisk- og plastindustri mv.	• Mfr. of chemicals and plastic products
050	• Sten-, ler- og glasindustri mv.	• Mfr. of other non-metallic mineral products
054	• Jern- og metalindustri	• Mfr. of basic metals and fabr. metal prod.
072	• Møbelindustri og anden industri	• Mfr. of furniture; manufacturing n.e.c.
077	• Energi- og vandforsyning	• Electricity, gas and water supply
084	• Bygge- og anlægsvirksomhed	• Construction
094	• Handel m. biler, autorep., servicestationer	• Sale and repair of motor vehicles sale of auto. fuel
099	• Engros- og agenturhandel undt. m. Biler	• Wholesale except of motor vehicles

Source: Statistics Denmark

³⁰ We restricted our analysis to enterprises with 10-249 employees, ignoring microenterprises (enterprises with fewer than 10 employees) because of the limited likelihood of CSR involvement.

³¹ 2002 was the most recent year for which data was available, and 1999 was the most distant year; however, we opted for 2000 data due to the introduction of the CVR numbering system in 1999.

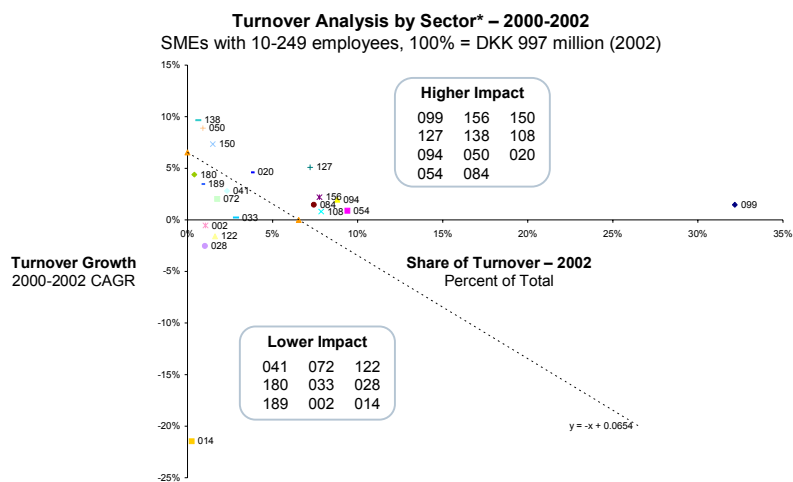
Sector Analysis (2/2)

Turnover data not available

Code	Danish	English
108	• Detailh. og reparationsvirks. undt. Biler	• Re. trade and repair work exc. of m. vehicles
122	• Hotel- og restaurationsvirksomhed mv.	• Hotels and restaurants
127	• Transportvirksomhed	• Transport
138	• Post og telekommunikation	• Post and telecommunications
142	• Finansierings- og forsikringsvirksomhed	• Finance and insurance
150	• Udlejning og ejendomsformidling	• Letting and sale of real estate
156	• Forretningsservice mv.	• Business activities
169	• Offentlig administration mv.	• Public administration
174	• Undervisning	• Education
180	• Sundhedsvæsen mv.	• Human health activities
184	• Sociale institutioner mv.	• Social institutions etc.
189	• Renovation, foreninger og forlystelser mv.	• Associations, culture and refuse disposal
199	• Uoplyst erhverv	• Activity not stated

Source: Statistics Denmark

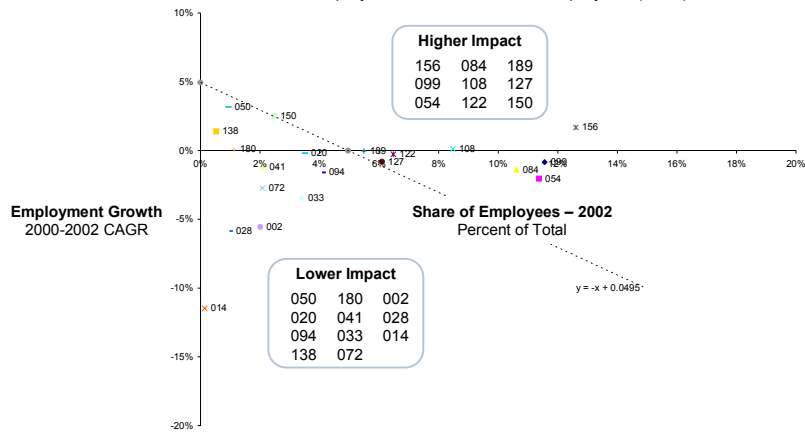
Turnover Analysis



* Data was unavailable for seven sectors: 011 Fiskeri mv., 077 Energi- og vandforsyning, 142 Finansierings- og forsikringsvirksomhed, 169 Offentlig administration mv., 174 Undervisning, 184 Sociale institutioner mv., 199 Uoplyst erhverv
Source: Denmark Statistics Agency; FSG analysis

Employment Analysis

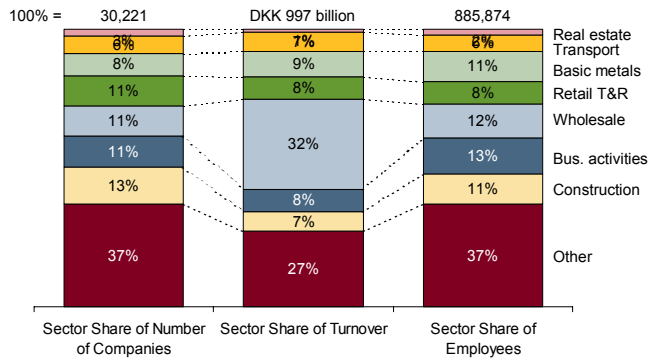
Employment Analysis by Sector* – 2000-2002
SMEs with 10-249 employees, 100% = 885,874 employees (2002)



* Seven sectors were removed because turnover data was unavailable for comparison: 011 Fiskeri mv., 077 Energi- og vandforsyning, 142 Finansierings- og forsikringsvirksomhed, 169 Offentlig administration mv., 174 Undervisning, 184 Sociale institutioner mv., 199 Uoplyst erhverv
Source: Denmark Statistics Agency; FSG analysis

Turnover and Employment

Sector Share of Number of Companies, Turnover, and Number of Employees – 2002
100% = 20 SME sectors, companies with 10-249 employees*

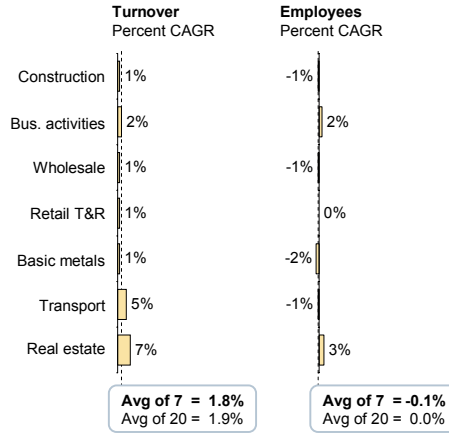


* Of a total of 27 SME sectors, employment and turnover data was available for 20 sectors
Source: Statistics Denmark, May 2005; FSG analysis

Turnover and Employment Growth

Growth in Turnover and Number of Employees – 2000-2002

100% = DKK 731 billion in turnover, 559,791 employees, 7 sectors, 18,952 SMEs, 10-249 employees

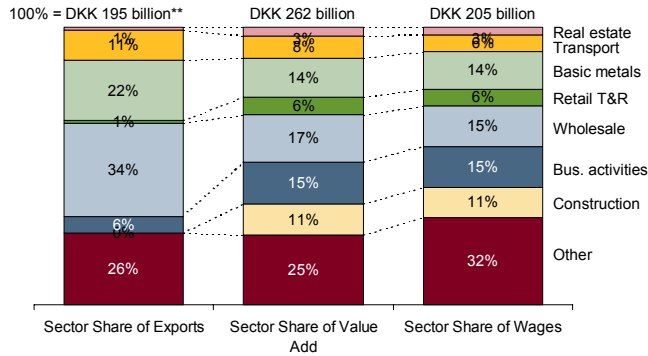


Source: Statistics Denmark, May 2005; FSG analysis

Exports, Value Add, and Wages

Sector Share of Exports, Value Add, and Wages – 2002

100% = 20 SME sectors, 10-249 employees*



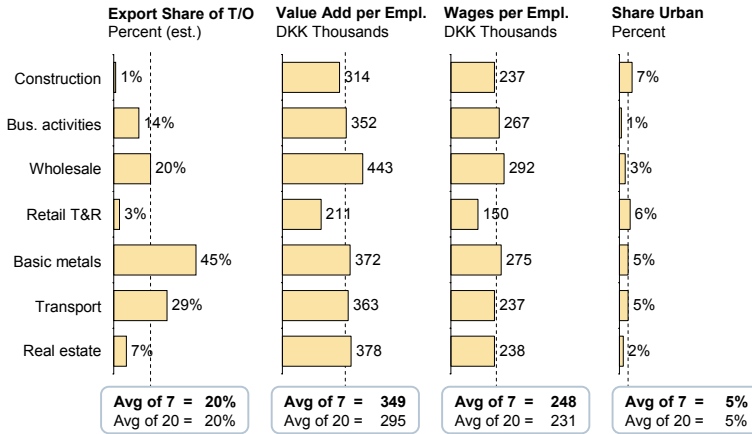
* Of a total of 27 SME sectors, employment and turnover data was available for 20 sectors

** Export shares are rough estimates since they are based on a unique subset of the total number of enterprises within each sector; Statistics Denmark did not have export figures for the same set of companies as for turnover, employees, value add, wages, or urban vs. rural location

Source: Statistics Denmark, May 2005; FSG analysis

Export Orientation

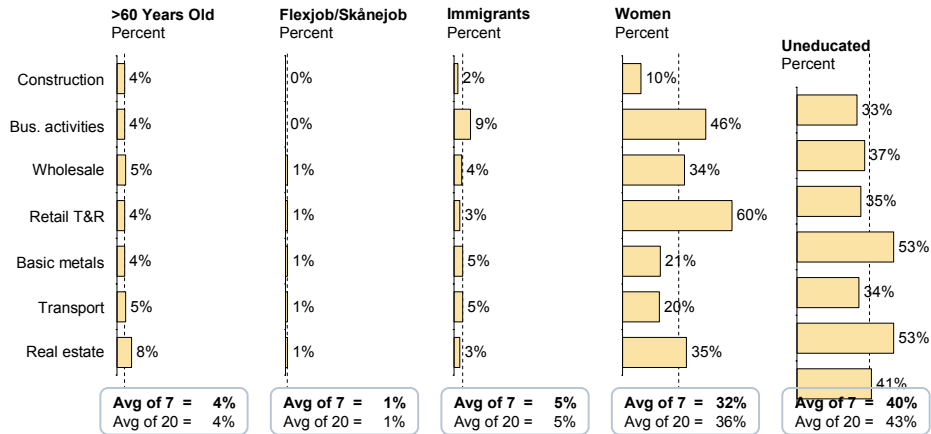
Export Share of Turnover, Value Add and Wages per Employee, Share Urban – 2000
 100% = DKK 731 billion in turnover, 559,791 employees, 7 sectors, 18,952 SMEs, 10-249 employees



Note: Export shares are rough estimates since they are based on a unique subset of the total number of enterprises within each sector; Statistics Denmark did not have export figures for the same set of companies as for turnover, employees, value add, wages, or urban vs. rural location
 Source: Statistics Denmark, May 2005; FSG analysis

Social Inclusion

Percent of Employees in Special Classes – 2002
 100% = 559,791 employees in 7 sectors, 18,952 SMEs, 10-249 employees

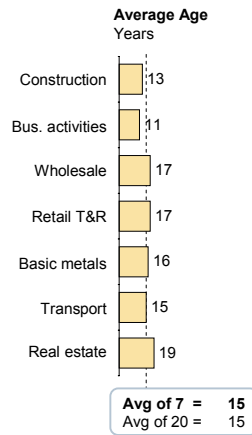


Source: Statistics Denmark, May 2005; FSG analysis

Average Age of Companies

Average Age of Companies by Sector – 2002

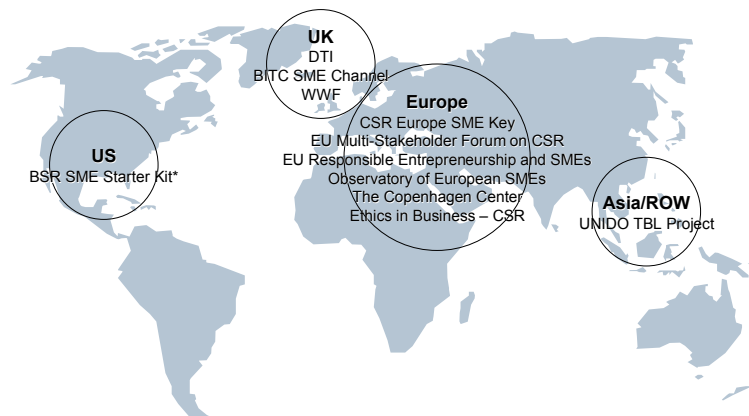
100% = DKK 731 billion in turnover, 559,791 employees, 7 sectors, 18,952 SMEs, 10-249 employees



Source: Statistics Denmark, May 2005; FSG analysis

2. Overview of SME research landscape

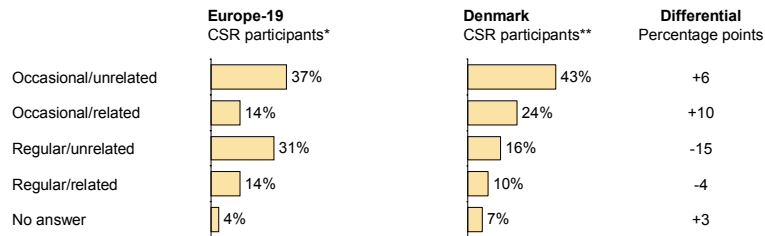
FSG Reviewed 10 SME CSR Research Initiatives, Most of Which Focus on Case Study Development



* Has been temporarily removed from the website pending an update to the original materials

Most SMEs Active in CSR Describe Their Approach to CSR as Occasional and Unrelated to Business Strategy

Strategic Approach to External CSR Activities – 2001



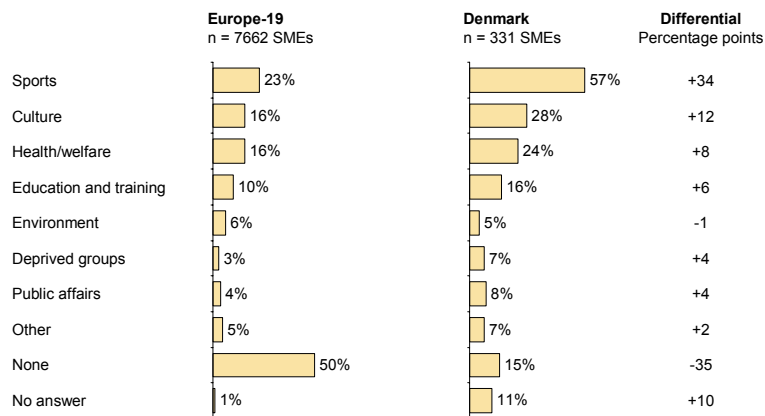
* n = approximately 3,760 with some variance due to sample quality

** n = approximately 245, as derived from synthesized data; actual number is not available in survey or survey technical notes

Source: ENSR Enterprise Survey 2001

74% of Danish SMEs Claim Some External CSR Involvement, vs. 50% for Europe-19 SMEs

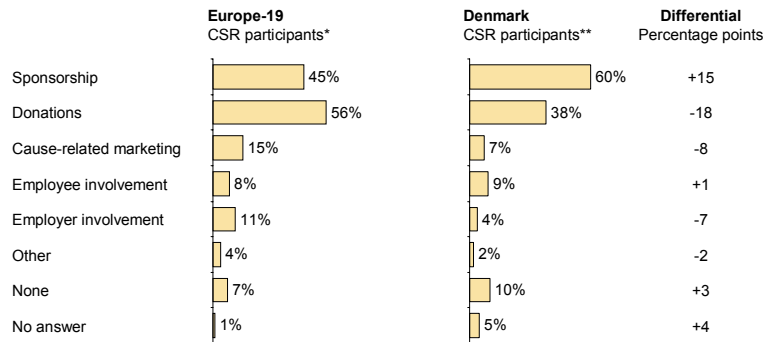
Participation in External CSR Activities – 2001



Note: Total of 74% is derived by subtracting the "None" and "No answer" categories from 100%; multiple answers are allowed
Source: ENSR Enterprise Survey 2001

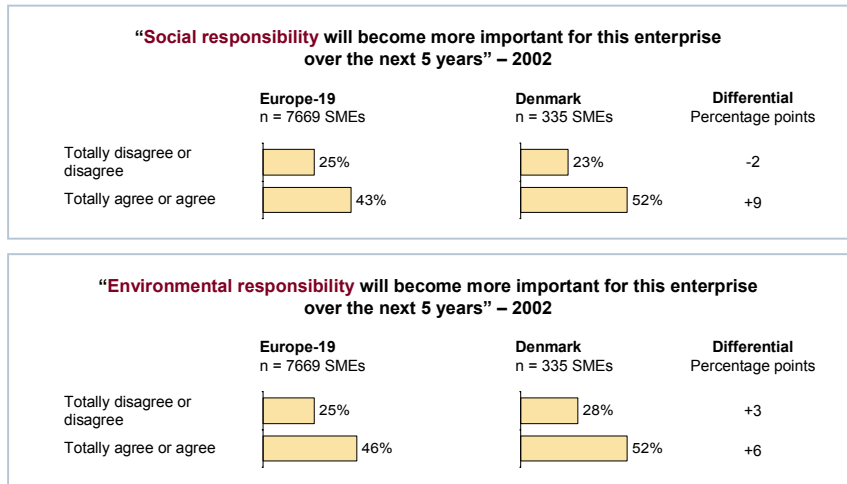
Both Europe-19 and Danish SMEs in Particular Use Sponsorship and Donations as Their Primary CSR Vehicles

Types of External CSR Activities – 2001



* n = approximately 3,760 with some variance due to sample quality
 ** n = approximately 245, as derived from synthesized data; actual number is not available in the survey technical notes
 Source: ENSR Enterprise Survey 2001

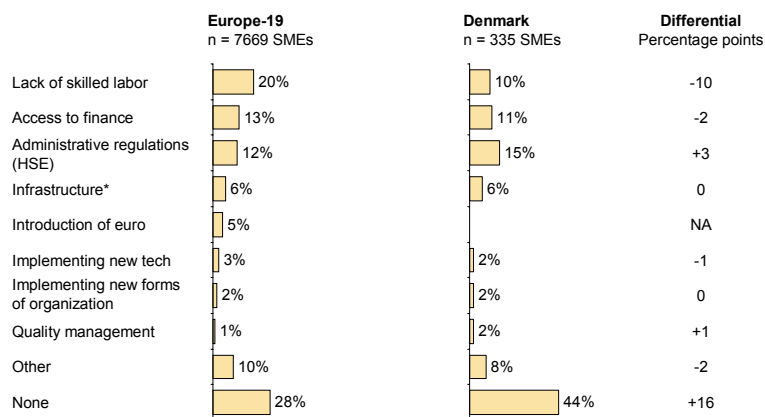
Despite Limited Current Activity, Over Half of Danish SMEs Believe that CSR Will Become More Important for Them



Source: ENSR Enterprise Survey 2002

The Top Business Constraints for Europe-19 & Danish SMEs Are Skilled Labor, Finance, and Administrative Regulations

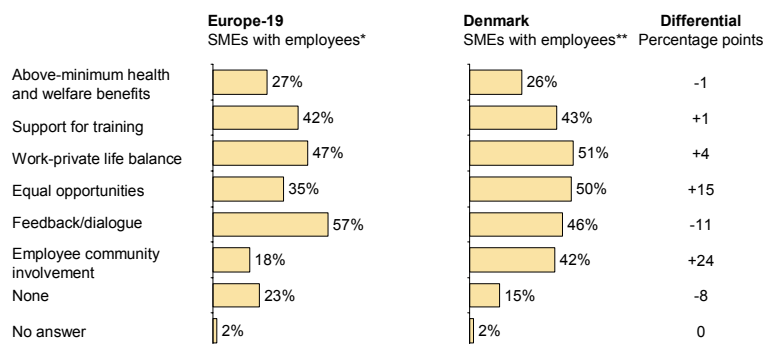
Major Constraints on Business Performance – 2002



* Includes roads, gas, electricity, and communications
Source: ENSR Enterprise Survey 2002

83% of Danish SMEs with Employees Carried Out Activities for Their Employees' Benefit in 2002

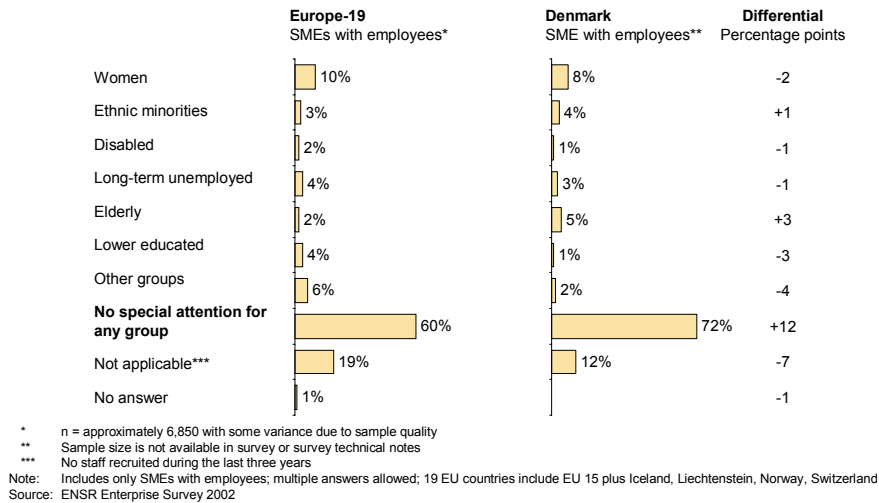
Conducted Activities Beneficial to Employees – 2002



* n = approximately 6,850 with some variance due to sample quality
** Sample size is not available in survey or survey technical notes
Note: Includes only SMEs with employees; multiple answers allowed
Source: ENSR Enterprise Survey 2002

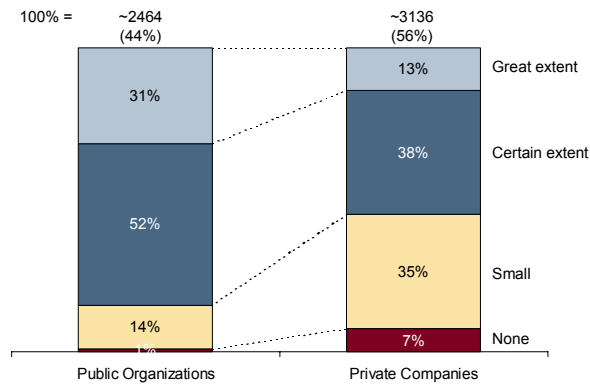
Nearly Three-Quarters of Danish SMEs with Employees Do Not Focus Recruitment or Attention on Any Disadvantaged Group

Recruitment and Attention to Disadvantaged Groups – 2002



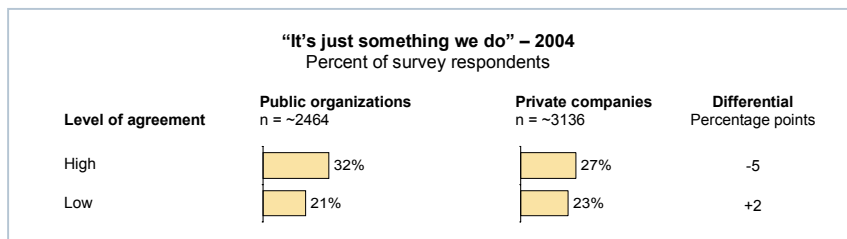
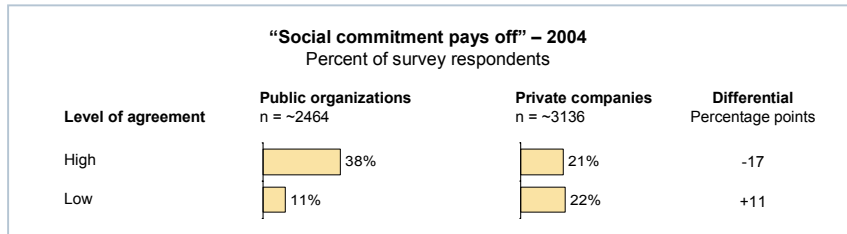
51% Private Companies Believe Social Inclusion Provides More than a Small Benefit for Their Businesses

Extent to Which Social Inclusion Can Be Positive for Your Business/Workplace – 2004
 Percent of survey respondents by type of organization



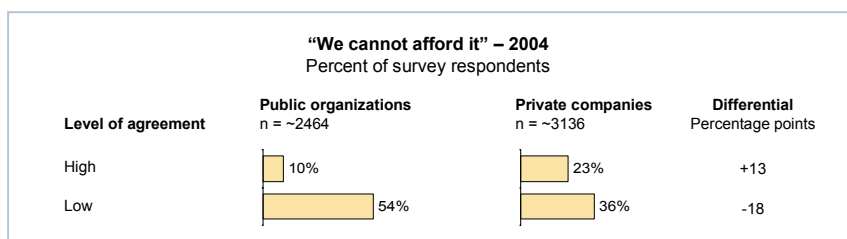
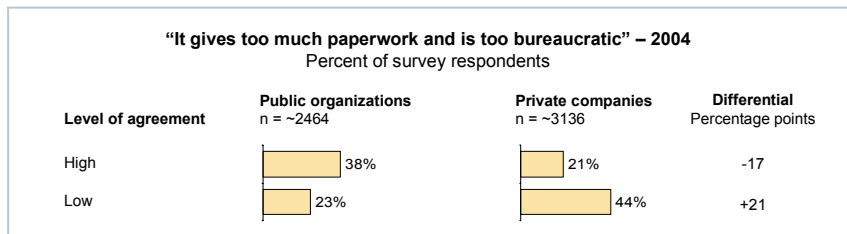
Source: Survey of approximately 5,600 public and private organizations on social inclusion conducted by the Danish Ministry of Employment, Fall 2004

An Almost Even Number of Private Companies Believe that CSR Pays Off



Source: Survey of approximately 5,600 public and private organizations on social inclusion conducted by the Danish Ministry of Employment, Fall 2004

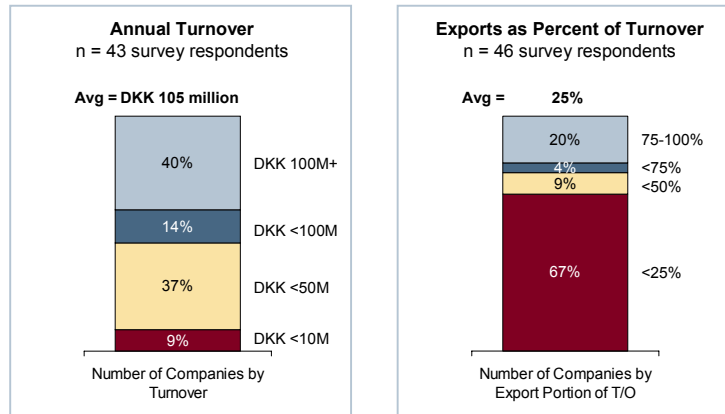
The Two Barriers to CSR Most Often Cited by Private Companies Are Cost and Paperwork/Bureaucracy



Source: Survey of approximately 5,600 public and private organizations on social inclusion conducted by the Danish Ministry of Employment, Fall 2004

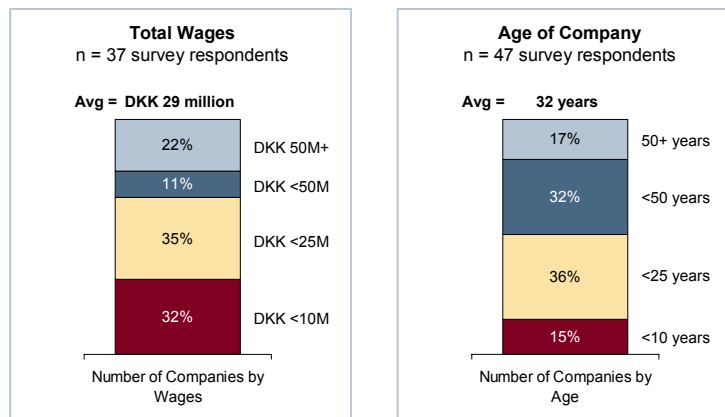
3. Testing hypotheses through a survey and interviews

Annual Turnover and Exports



Source: SME CSR Survey, June 2005

Total Wages and Age of Company



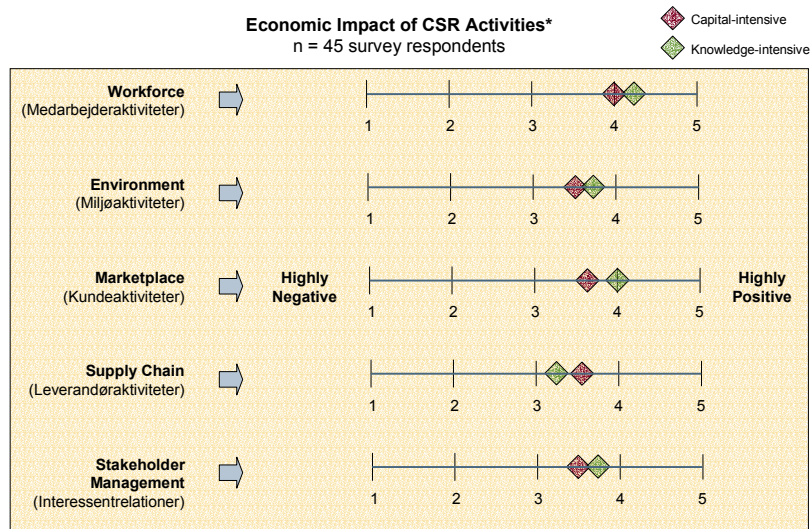
Source: SME CSR Survey, June 2005

Capital-Intensive vs. Knowledge-Intensive Profiles

Indicator	Capital-Intensive	Knowledge-Intensive
Number of enterprises In sample	25	22
Turnover Average per enterprise	DKK 150 million	DKK 59 million
Number of employees Average per enterprise	110	57
Exports Percent of turnover	38%	12%
Total wages	DKK 35 million	DKK 23 million
Wages per employee	DKK 321,165	DKK 411,509
Wages/turnover Percent	24%	40%
Urban vs. rural Percent urban	64%	73%
Age of company	41 years	21 years

Source: SME CSR Survey, June 2005

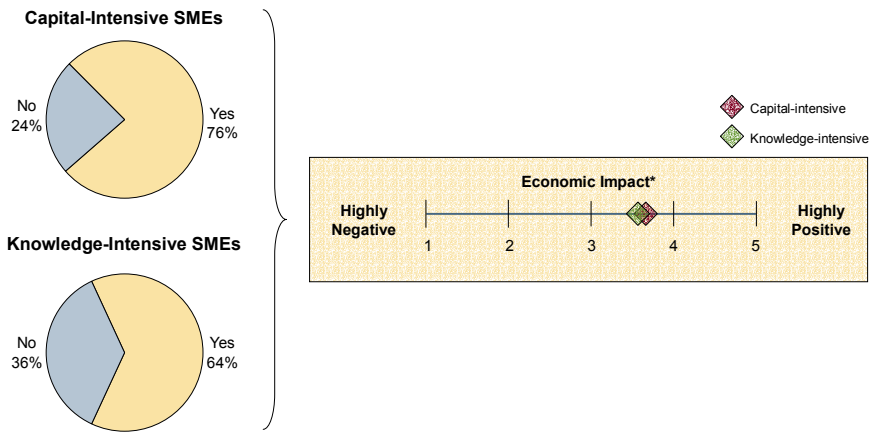
Economic Impact for Capital- vs. Knowledge-Intensive SMEs



* Averages for capital-intensive group are 4.0, 3.4, 3.7, 3.5, 3.4; for knowledge-intensive group are 4.2, 3.8, 4.0, 3.2, 3.8
Source: SME CSR Survey, June 2005

Innovation by Capital- vs. Knowledge-Intensive SMEs

Implementation of Product/Process Innovations with Social Impact
100% = 47 survey respondents



* Averages are 3.7 for capital-intensive group, 3.6 for knowledge-intensive group
Source: SME CSR Survey, June 2005

APPENDIX: SURVEY QUESTIONS

Introduktion

People & Profit er et projekt støttet af EU's Socialfond og Beskæftigelsesministeriets Rummelighedspulje. Erhvervs- og Selskabsstyrelsen har ansvaret for at lede projektet sammen med projektets referencegruppe bestående af Dansk Industri (DI), Dansk Metal, Dansk Byggeri, Dansk Arbejdsgiverforening (DA), Fagligt Fælles Forbund (3F), Arbejdsmarkedsstyrelsen, Ledernes Hovedorganisation, CO-industri, Dansk Handel & Service, Handel, Transport og Serviceerhvervene (HTS), Landsorganisationen i Danmark (LO) og HK Danmark.

Projektets hovedformål er at undersøge Corporate Social Responsibility (CSR) indvirkning på små- og mellemstore virksomheder i Danmark. CSR - på dansk virksomheders samfundsmæssige engagement - handler om virksomheders frivillige integration af sociale, etiske og miljømæssige hensyn i deres forretning.

Særligt ønsker vi at undersøge de økonomiske begrundelser for små- og mellemstore virksomheders arbejde med CSR via forskning, økonomiske analyser og case studier.

Formålet med dette spørgeskema er at indhente information om de økonomiske argumenter for små- og mellemstore virksomheders arbejde med CSR: 1) Findes der en sammenhæng mellem økonomi og CSR, og 2) Hvis denne sammenhæng findes, hvordan sammenhængen kan beskrives og demonstreres.

Fokus er på din virksomheds konkurrencesituation. Vi vil også undersøge, hvordan de eksisterende CSR-normer virker. Det er ikke formålet med denne undersøgelse at ændre på eksisterende lovkrav, men at forstå deres positive eller negative indvirkning.

Hvis undersøgelsen viser os, at der er en klar økonomisk sammenhæng mellem CSR og forbedring af virksomhedernes konkurrencesituation, vil der blive udviklet værktøjer, der kan hjælpe andre virksomheder til at forbedre deres CSR-arbejde i fremtiden.

Din besvarelse af spørgeskemaet er meget vigtig for at give os en fornemmelse for, hvordan arbejde med CSR påvirker din virksomhed. Alle svar er fortrolige og vil alene blive brugt til denne undersøgelse. Det tager 15-30 minutter at svare på spørgeskemaet. Mange tak for din deltagelse og hjælp.

(Hvis du har nogle spørgsmål eller kommentarer til spørgeskemaet, eller hvis der opstår problemer med at udfylde spørgeskemaet skriv eller ring til Janda Campos, jca@eogs.dk, tlf.: 33 30 74 17.)

Baggrund

1. Virksomhedens navn:
2. Antal af medarbejdere (skriv "0", hvis ingen):
 - Antal medarbejdere i alt
 - Medarbejdere over 60 år
 - Ansatte i flex/skånejob
 - Medarbejdere med fysisk eller psykisk handicap
 - Medarbejdere med indvandrere eller flygtninge baggrund
 - Antal af kvindelige ansatte
 - Antal af ufaglærte
3. Årsomsætning (DKK seneste år f.eks. 50.000.000):
4. Eksportens andel af årsomsætning (procentsats f.eks. 80%):
5. Totale lønomkostninger (DKK f.eks. 10.000.000)
6. Er virksomheden placeret i land- eller bykommune (bykommune = kommune hvis største by har mindst 10.000 indbyggere)?
7. Hvor længe har din virksomhed eksisteret (antal år f.eks. 15)?

CSR-aktiviteter

Eksisterende undersøgelser viser, at en række små- og mellemstore virksomheder har igangsat CSR-aktiviteter. Det kan være mange forskellige initiativer som tager etiske, miljømæssige eller sociale hensyn ud over det loven foreskriver. Formålet med følgende spørgsmål er at finde ud af, om denne form for aktiviteter er almindelig blandt små- og mellemstore virksomheder, og hvordan disse aktiviteter påvirker din forretning.

8. Marker venligst de områder hvori din virksomhed har igangsat aktiviteter.
 - Kundeaktiviteter (f.eks. ansvarlig kunderelationer, produktansvar, produktmærkning, anti-korruption politik)
 - Medarbejderaktiviteter (f.eks. kompetenceudvikling, mangfoldighed og ligestilling, indretning, fair aflønning, balancere arbejdsliv, sundhed og sikkerhed)
 - Leverandøraktiviteter (fair leverandørbetingelser, anvendelse af standarder igennem leverandørkæden, fremme 'fair trade')
 - Interessentrelationer (kortlægning og prioritering af interessenter, dialog med interessenter, miljø og social rapportering)
 - Miljøaktiviteter (materiale og energiforbrug, forurening og affaldshåndtering, miljømæssig produktansvar, transport planlægning)
 - Andet (beskriv nærmere):

9. Hvis din virksomhed har aktiviteter inden for nedenstående områder, marker venligst om den økonomiske effekt af aktiviteten er positiv eller negativ. (Meget negative, Negativ, Hverken negativ eller positive, Positiv, Meget positive)

- Kundeaktiviteter
- Medarbejderaktiviteter
- Leverandøraktiviteter
- Interessentrelationer
- Miljøaktiviteter

10. Hvis din virksomhed har aktiviteter inden for nedenstående områder, marker venligst om du kan sætte tal på den økonomiske effekt af aktiviteten.

- Kundeaktiviteter
- Medarbejderaktiviteter
- Leverandøraktiviteter
- Interessentrelationer
- Miljøaktiviteter

11. Hvis din virksomhed kan sætte tal på den økonomiske effekt, vær venlig at uddybe den, f.eks. faktisk effekt, hvilken form for effekt, eksempel.

Innovation af processer/forretningsgange med klare samfundsmæssige gevinster

Følgende spørgsmål undersøger, hvorvidt I har udviklet nye processer/forretningsgange i din virksomhed med henblik på at opnå miljømæssige eller andre sociale gevinster. F.eks. nye produktionsprocesser med henblik på at reducere brug af kemikalier, eller dansk kurser for medarbejdere.

12. Har I iværksat nye processer/forretningsgange, der har miljømæssige eller social effekt?

- Ja
- Nej

13. Hvis ja, beskriv kort den/de nye processer/forretningsgange.

14. Hvad er den økonomiske effekt på kort sigt (inden for 3 år) af denne/disse processer/forretningsgange på forretningen generelt? (Meget negativ, Negativ, Hverken negativ eller positiv, Positiv, Meget positiv)

- Økonomisk effekt på kort sigt

15. Kan du sætte tal på effekten?

- Ja
- Nej

16. Hvis din virksomhed kan sætte tal på den økonomiske effekt, vær venlig at uddybe den, f.eks. faktisk effekt, hvilken form for effekt, eksempel.

Udvikling af nye produkter med henblik på at løse sociale og/eller miljømæssige samfundsproblemer

Disse spørgsmål undersøger udvikling af nye produkter eller serviceydelser i din virksomhed, hvis målsætning er at afhjælpe eller forbedre sociale og miljømæssige samfundsproblematikker såsom arbejdsløshed, forurening, klima ændringer mm.

17. Er der nogle af jeres produkter eller serviceydelser, som afhjælper eller forbedrer en eller flere samfundsproblematikker?

- Ja
- Nej

18. Hvis ja, beskriv produktet eller serviceydelserne.

19. Hvor stor andel af jeres omsætning kommer fra disse produkter/serviceydelser (procentsats f.eks. 25%)?

Andre indsatser for at forbedre forhold omkring og for din forretning f.eks. velgørehed

Denne sektion omhandler andre frivillige indsatser f.eks. velgørehed, og hvordan disse indsatser påvirker dine forretningsbetingelser.

20. Markér hvorvidt din virksomhed deltager i følgende aktiviteter:

- Støtte i form af kontanter
- Støtte i form af tid f.eks. frivilligt arbejde af medarbejdere
- Gavedonationer i naturalier, f.eks. tøj, mad
- Lokalt engagement f.eks. deltagelse i bestyrelser, lokalforeninger mm.
- Ingen
- Andet (beskriv nærmere):

21. Hvis din virksomhed er aktiv med frivillige indsatser, hvordan indvirker det på din forretning?

- Opbygge goodwill i lokalsamfundet (ikke nødvendigvis til potentielle kunder eller medarbejdere)
- Tiltrække og fastholde kunder
- Forbedre andre forhold, der bidrager til virksomhedens vækst på lang sigt
- Ingen indvirkning på forretning
- Andet (beskriv nærmere):

Miljø-, social- eller anden lovgivning indvirkning på konkurrenceevnen

De følgende spørgsmål retter sig mod virksomheder med eksport, dvs. hvis din virksomhed indhenter en markant del af omsætning fra eksport. Selvom formålet med denne undersøgelse ikke er at evaluere eller ændre lovkrav, men i stedet at forstå indvirkning af normkrav på forretningsøkonomi og konkurrenceevne, vil vi alligevel gerne høre din mening om følgende elementer i dansk lovgivning:

22. Har dansk miljø-, social- eller anden lovgivning positiv eller negativ indvirkning på din virksomheds konkurrenceevne? (Meget negativ, Negativ, Hverken negativ eller positiv, Positiv, Meget positiv)

- Effekt på konkurrenceevnen

23. Kan du måle/sætte tal på virksomhedens omkostninger i relation til danske lovkrav?

- Ja
- Nej

24. Hvis 'ja' vær venlig at uddybe.

Konklusion

25. Hvis din virksomhed arbejder med sociale og miljømæssige hensyn, indikér den beskrivelse, der bedst passer til jeres tilgang til CSR. (Meget uenig, Uenig, Hverken enig eller uenig, Enig, Meget enig)

- Vi har CSR-aktiviteter, fordi vi har oplevet, at det har en positiv indvirkning på vores forretning, som vi ønsker at opretholde/udvide.
- Vi har endnu ikke registreret positiv effekt af CSR på forretningen, men vi har CSR-aktiviteter, fordi vi tror på, at det vil gavne forretningen i det lange løb.
- Vi har ikke registreret positiv effekt af CSR på forretning og forventer ikke, at det vil forbedre vores forretning, men vi har CSR-aktiviteter på grund af andre faktorer (f.eks. etiske, personlige uegennyttige grunde).

26. Kender du til nogen form for regeringsinitiativer rettet mod at støtte din virksomheds arbejde med CSR, dvs. sociale og miljømæssige hensyn?

- Ja
- Nej

27. Hvis 'ja', hvilke? Hvis du i øvrigt har benyttet dig af initiativet, beskriv venligst hvilken effekt det har haft.

28. Andre bemærkninger:

29. Vi vil gerne foretage interviews med respondenter fra spørgeskemaundersøgelsen, så vi kan få større viden om, hvad I gør i praksis på CSR-området. Hvis vi må kontakte dig for at følge op på nogle af dine svar inden for denne uge, så udfyld venligst følgende:

- Navn
- Titel
- Virksomhed
- Email
- Telefon
- Bedst at træffe på følgende tidspunkt

APPENDIX: LIST OF INTERVIEWEES AND SURVEY RESPONDENTS

List of interviewees (20 in total)

(*Italics* indicates respondent did not participate in the survey – six of 20 companies listed below.)

- *Aarstiderne*
- *AC Trafik*
- Bon 'A Parte
- Columbus IT
- Dansk Cleaning Service
- Domus
- *Flügger/Nørrebro Handelsforening*
- *Genbyg*
- Horsens Kraftvarmeværk
- Horsens Varmeværk
- *Kjaer Group*
- *Nybolig Lillelund*
- Rambøll Management
- Reson
- Rice
- Scanseason
- Select Sport
- Sjørring Maskinfabrik
- Sønderjyllands Fragtservice
- Tricon Electric

List of survey respondents (47 in total)

(**Boldface** indicates respondent was also interviewed – 14 of 20 companies listed above.)

- A. Winther A/S
- Aalborg Zoologiske Have
- Andersen & Broberg A/S
- anlægsgartner Leon Askov
- AORTA ApS
- **Bon 'A Parte A/S**
- Brüscher Maskinfabrik A/S
- **Columbus IT Partner Danmark A/S**
- Comwell Rebild Bakker
- Cronquist HR- & Projektudvikling
- CUBIC-Modulsystem A/S

- Dafolo A/S
- Damcos A/S
- **Dansk Cleaning Service**
- **DOMUS arkitekter a/s**
- estron a/s
- EuroCode A/S
- FINELCO A/S
- Hagens Fjedre A/S
- Hanegal A/S
- Hillerod Fysioterapi og Tr ningscenter
- **Horsens kraftvarmev rk**
- **Horsens Varmev rk**
- IMC Business Consulting A/S
- Industrimuseet
- Lyngsoe Systems A/S
- Merkur, Den Almennyttige Andelskasse
- NCH Europe Inc, Usa Dansk filial
- Nybolig Jan Milvertz
- Print Production A/S
- **Ramb ll Management**
- **RESON A/S**
- Rexam Glass Holmegaard
- **RICE A/S**
- Ruukki Danmark A/S, Fredericia
- SCA Packaging Flamingo
- **scanseason**
- **Select Sport A/S**
- **Sj rring Maskinfabrik**
- Sole Minkfoder A/S
- **S nderjyllands Fragt Service A/S**
- Thise Mejeri
- Tresu Group
- **Tricon Electric A/S**
- Udbye & le Fevre Grafisk Mediehus A/S
- Valtra Danmark A/S
- VetXX A/S

Sources

- Networks and associations
 - Confederation of Danish Industries
 - Copenhagen Centre
 - Danish Foreign Ministry

- Danish Institute of Human Rights
- Green Network
- Nybolig
- Regional Network of Leaders Copenhagen
- Regional Network of Leaders East-Jutland
- Regional Network of Leaders South
- CSR brochures, publications, and surveys
 - Etik i Erhvervslivet, 2002
 - Virksomhedernes Sociale Engagement – Eksempelsamling: Initiativer på 70 virksomheder, 1996
 - Servicemedarbejderen, 1999
 - Sideproduktion – en gevinst for virksomhed og medarbejdere, 1999
 - Virksomhedernes Sociale Engagement – en interviewundersøgelse i mindre virksomheder, 1995
- Awards
 - Aids prisen
 - Årets Sociale Virksomhed i Haderslev Kommune
 - Årets Transportvirksomhed
 - Integrationsprisen
 - Inter-Cot Award
 - MIA prisen
 - Netværksprisen
 - Royal Green Food Award
- Lit search (news and magazine articles, CSR experts, other recommendations)

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CSRgov.dk

Danish Government Centre for CSR

The Commerce and Companies Agency is working to create better conditions for trade and industry in Denmark. The Danish Government Centre for CSR is contributing to this by helping businesses become aware that they can increase their competitiveness and create value for their business through CSR activities.

The Centre coordinates Government initiatives implementing the Government's action plan for CSR. The Centre also develops and communicates knowledge and tools for businesses and other parties with an interest in CSR. The Centre is unable to advise individual businesses, referring these instead to existing business advisory services and consultancy services on the private market.

The Danish Government Centre for CSR was established in 2007, when the former Copenhagen Center merged with the Commerce and Companies Agency CSR unit.

- [Employees in the Danish Government Centre for CSR](#)

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Activities in the Danish Government Centre for CSR

Nordic project on CSR-driven innovation

The purpose of the project is to underpin a competence boost among Danish and Nordic SMEs in the area of CSR-driven innovation. The project includes Danish and international partners from the business world, the research world and national authorities. In January 2010, The Ideas Compass was launched. The web-based tool helps small and medium-sized companies find inspiration to innovate and evolve.



- [Read more about the project](#)
 - [Visit the project website](#)
 - [Visit The Ideas Compass](#)
-

Partnerships for increased growth and employment

The focus of the project Virksom.nu was on social responsibility concerning the tolerant job market. The purpose was to increase growth and employment in local areas. The project generated attention to the connection between the companies' opportunities for growth and the integration of ethnic minorities at workplaces. The project was successfully finished in May 2009.

- [Read more about the project](#)
 - [Visit the project website \(in Danish only\)](#)
-

SUZBIZ India

SUSBIZ India is a project on responsible supply chain management in India. It serves to

facilitate the work on CSR in practice for small and medium sized suppliers of eight selected Danish companies.

- [Read more about the project](#)
- [Visit the project website](#)



Small Suppliers

in Global Supply Chains

A project on responsible supply chain management in Central and Eastern Europe. The focus of the project is a selection of small and medium sized suppliers of a large multinational company, along with their work on social responsibility. One of the purposes is to develop guidelines for the multinational companies' work on responsible supply chain management.

- [Read more about the project](#)
- [Read the project report](#)

People & Profit

People & Profit is a project managed by The Danish Commerce and Companies Agency with the purpose of developing CSR as a strategic competitive parameter in Danish SMEs.

- [Read more about the project](#)
- [Visit the project website \(in Danish only\)](#)

The CSR Compass

The CSR compass is a tool for companies who wants to demand social responsibility from their suppliers, or companies whose costumers expect them to make these demands. The tool was made in cooperation with The Confederation of Danish Industry and The Danish Institute for Human Rights.

- [Read more about the tool](#)
- [Try out the tool \(in Danish only\)](#)

The Climate Compass

The Climate Compass is an online tool that serves to inspire companies to devise a climate

strategy that will help them reduce the emission of carbon and other greenhouse gases. The tool was created in cooperation with The Confederation of Danish Industry.

- [Read more about the tool](#)
- [Try out the tool](#)

High Level Group on Corporate Social Responsibility

The Danish Government Centre for CSR participates in

the High Level Group on Corporate Social Responsibility in the European Commission. The group is a forum for knowledge sharing in which the member states and the commission can keep each other informed on recent initiatives within CSR.

- [Read more about the High Level Group on CSR](#)
-

ISO 26000

The Danish Government Centre for CSR participates in the development of a new ISO standard by the name ISO 26000 Social Responsibility. The purpose of the guide is to urge the companies to work with CSR voluntarily. Copenhagen, Denmark, will be hosting the last ISO Social Responsibility Plenary Meeting in May 2010.



- [Read more about ISO 26000](#)
- [Visit the homepage of International Organization for Standardization](#)
- [Visit the homepage of ISO 26000](#)



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Nordic project on CSR-driven innovation

CSR-driven innovation is a process of innovation based on social or environmental regards. It contributes to the development of a cost-effective service or product that benefits the employees, the environment or society in new ways. For instance, CSR-driven innovation can support the development of handicap-friendly products, products contributing to reduce carbon emissions or products targeted at the world's poorest client bases.

Up until spring 2010 Danish Government Centre for CSR will be the head of a Nordic project on CSR-driven innovation. The project is of benefit to society becoming more innovative and sustainable, and to companies – and their employees – to whom new market opportunities will open.



The purpose of the project is to underpin a competence boost among Danish and Nordic SMEs in the area of CSR-driven innovation. For instance, the project will collect best practice and develop an easily read book of recipes full of concrete tools that companies and entrepreneurs can use for their product development so they can realise their potential in CSR-driven innovation as a position of strength and an opportunity for growth.

The project includes Danish and international partners from the business world, the research world and national authorities such as The Danish Commerce and Companies Agency (project manager), Copenhagen Business School, the Finnish Ministry of Commerce, Index: , Business and Society Finland, Region Zealand and research representatives from universities in Norway, Sweden, Finland and Iceland. The project is financed by Nordic Innovation Centre, Region Zealand, TrygVesta and the Finnish Ministry of Commerce.

In January 2010, The Ideas Compass was launched. The Ideas Compass is the place where small and medium-sized companies can find inspiration to innovate and evolve. The focus of the website is on

CSR-driven innovation – an innovation process focusing on current social and environmental needs which gives companies an opportunity to develop sustainable products or services.

- [Visit the project website](#)
- [Visit The Ideas Compass](#)

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Partnerships for increased growth and employment

The purpose of the project is to contribute to increasing the growth of SMEs as well as increasing the employment and integration of ethnic minorities in exposed urban and residential areas.

The establishment of local partnerships in integration between municipalities, companies and voluntary organisations was facilitated by conducting a series of workshops. Furthermore, the companies and the experts in industry, employment and integration were taught how integration and growth can go hand in hand. The object of the project is for companies to become aware of the economic potential of hiring ethnic minorities, and for the project activities to lead to an increase of employment.

The purpose of the partnership model is to bring a competence boost of integration and social responsibility in general to any given local area. To make this happen, the Danish Government Centre for CSR will engage relevant local operators (like municipalities, trade organisations, companies, citizens, NGOs etc.) in a partnership.

The basic elements of the partnership are interactive workshops and training (and training material) for strategic CSR and integration.

The idea is for the training and the workshops to supply the local operators with sufficient knowledge and inspiration for them to keep working on the partnership after the set-up.

- [Visit the project website \(in Danish only\)](#)

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SUSBIZ India - Partnerships for Sustainable Business Development in India

SUSBIZ India facilitates collaboration between eight Danish small and medium-sized enterprises and their Indian suppliers for development and implementation of social and environmental initiatives.

The objective of the project is to strengthen the ability of Danish companies and their Indian suppliers to create synergies between social and environmental improvements and core business. For example, better conditions for workers can help suppliers boost productivity, improve quality and cut delivery times.

The goal is to achieve development in close dialogue with participating companies, making implementation take place on a voluntary basis. The project will initiate best practices and create public debate and awareness, to be reached through on-going dialogue with business, researchers and public institutions.



The project involves eight Danish SMEs along with their Indian suppliers.

To ensure a wider effect beyond the companies directly involved, SUSBIZ India cooperates on an ad-hoc basis throughout the project with trade organisations and other agencies working closely with the SME sector in India.

- [Visit the project website](#)

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Small Suppliers in Global Supply Chains

The project was made in collaboration between the Danish Commerce and Companies Agency and Hewlett-Packard (HP).

The main goals of the project were

- To generate knowledge about HP's work on responsible supply chain management.
- To generate knowledge about the awareness, the absence and the potential of CSR in the Central and Eastern European suppliers.
- To build up the capacity to connect CSR initiatives with business development in 15 of HP's small and medium sized suppliers in Poland, Hungary and The Czech Republic.
- To develop generic guidelines for multinational companies about responsible supply chain management focusing on small and medium sized suppliers.
- [Read the project report](#)

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People & Profit

The project, People & Profit, was successfully finished in December 2007. More than 12,500 executives and employees from Danish SMEs were educated in strategic social responsibility.

The most significant results of the project includes

- Improved research of the use of CSR including formation of a national research panel and conduct of a series of research seminars.
- Diffusing knowledge about CSR as a competitive parameter in Danish SMEs. This includes systematisation and disclosure of CSR activities and tools.
- Analysing CSR activities in Danish SMEs including analyses of the economic rationale related to a strategic approach to CSR.
- Developing extensive instruction capacity and teaching resources.
- Increased coverage of CSR in the media and in direct communication.
- Educating around 12.650 executives and employees nationwide in CSR

The project put strategic CSR on the agenda by educating more than 12.500 executives and employees in Danish SMEs. The project is the most comprehensive of its kind, in Denmark as well as internationally.

- [Visit the project website \(in Danish only\)](#)

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The CSR Compass

The CSR Compass is made to help Danish companies deal with social, ethical and environmental matters. The tool was developed by the Danish Ministry of Economic and Business Affairs, The Confederation of Danish Industry, and the Danish Institute for Human Rights.

The CSR Compass consists of two components:

- [CSR declaration \(link\)](#) helping companies meet customer requirements.
- [CSR codex \(link\)](#) helping companies with responsible supply chain management.
- [Try out the tool \(in Danish only\)](#)

CSR declaration

The CSR Declaration helps the companies address customer requirements. If it is demanded of a company to comply with the international conventions on child labour, the company can make a declaration about the specific demand. As the declaration will encompass accurate references to Danish law, it can be used to document that the company complies with the customers demands. The company can also get information on common social, ethical and environmental customer requirements and on current Danish legislation within the field.

CSR codex

The CSR codex helps the companies handle their demands on their own suppliers. In this part of the tool, the company has access to a guide to responsible supply chain management and several documents, e.g. a standardised code of conduct which the company can freely use to make demands on its own sub-suppliers.

- [Try out the tool \(in Danish only\)](#)

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CSRgov.dk

The Climate Compass

The Climate Compass offers inspiration in terms of preparing a climate strategy to reduce your greenhouse gas emissions.

The Climate Compass can help you

- calculate your company's carbon footprint by using The Carbon Calculator
- prepare a climate strategy – step by step
- reduce emissions and costs

The Climate Compass also presents cases with companies, which each in their own way have reduced their climate impact and used it to strengthen business.

The Climate Compass is developed in partnership between the Confederation of Danish Industries and the Danish Commerce and Companies Agency under the Danish Ministry of Economic and Business Affairs.

- [Try out the tool](#)

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High Level Group on Corporate Social Responsibility

The Danish Government Centre for CSR participates in the High Level Group on Corporate Social Responsibility. The group consists of delegates from all the member countries of the European Union who meet in Brussels twice a year.

The group is a knowledge sharing forum, in which the member countries and the European Commission can keep each other informed on recent initiatives within CSR, and in which researchers, interest groups and companies, among others, can present new knowledge.

You can find more information on the European Commission's work in CSR at:

- [DG Enterprise and Industry](#)
- [DG Employment and Social Affairs](#)

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Økonomi- og Erhvervsministeriet

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Den fulde tekst**Bekendtgørelse af årsregnskabsloven¹⁾**

Herved bekendtgøres årsregnskabsloven, jf. lovbekendtgørelse nr. 647 af 15. juni 2006, med de ændringer, der følger af § 5 i lov nr. 108 af 7. februar 2007, § 63 i lov nr. 468 af 17. juni 2008, lov nr. 516 af 17. juni 2008, § 166 i lov nr. 1336 af 19. december 2008 og lov nr. 1403 af 27. december 2008.

Afsnit I**Lovens anvendelsesområde, grundlæggende krav m.v.**

Kapitel 1

*Lovens anvendelsesområde m.v.**De omfattede virksomheder*

§ 1. Denne lov gælder for alle erhvervsdrivende virksomheder, jf. dog stk. 3.

Stk. 2. I henhold til denne lov anses en virksomhed for at være erhvervsdrivende, hvis den yder varer, rettigheder, pengemidler, tjenester eller lignende, for hvilke den normalt modtager vederlag. En virksomhed anses dog altid for erhvervsdrivende, hvis den er omfattet af lov om aktieselskaber, lov om anpartsselskaber, lov om erhvervsdrivende fonde, lov om visse erhvervsdrivende virksomheder eller i øvrigt er erhvervsdrivende i henhold til lov. Dette gælder, uanset om virksomhederne helt eller delvis er undtaget fra kravene i de nævnte love.

Stk. 3. Loven gælder ikke for virksomheder, som

- 1) er omfattet af regnskabsregler fastsat ved eller i henhold til lovgivningen for finansielle virksomheder,
- 2) er omfattet af lov om statens regnskabsvæsen eller

3) udelukkende er omfattet af regnskabsregler fastsat ved eller i henhold til lov om kommunernes styrelse.

Årsrapporten

§ 2. For hvert regnskabsår skal de virksomheder, der er nævnt i § 3, stk. 1, aflægge et årsregnskab efter denne lov. Medmindre andet følger af §§ 18, 22, 78, 102 eller 109, skal årsregnskabet suppleres med

- 1) årsregnskab for en af virksomheden ledet koncern (koncernregnskab),
- 2) ledelsesberetning for virksomheden og for en af virksomheden ledet koncern og
- 3) ledelsespåtegning.

Stk. 2. Herudover kan virksomheden tilføje eventuelle supplerende beretninger, jf. § 14.

Stk. 3. Fællesbetegnelsen for de i stk. 1 og 2 omhandlede regnskaber, beretninger og påtegninger er »årsrapport«.

Stk. 4. Et regnskab, som en virksomhed udelukkende udarbejder til eget brug, er ikke en årsrapport efter denne lov. Aflægges en virksomhed et regnskab, der ikke er en årsrapport efter denne lov, må det ikke betegnes som årsrapport, og det skal såvel i form som indhold fremstå, så det ikke kan forveksles med en sådan årsrapport.

De omfattede virksomhedsformer

§ 3. Følgende erhvervsdrivende virksomheder skal aflægge årsrapport efter reglerne i denne lov, medmindre de er undtaget herfra efter reglerne i §§ 4-6:

- 1) Aktieselskaber, partnerselskaber (kommanditaktieselskaber) og anpartsselskaber,
- 2) interessentskaber og kommanditselskaber, hvori alle interessenterne henholdsvis komplementarerne er
 - a) aktieselskaber, partnerselskaber (kommanditaktieselskaber), anpartsselskaber eller selskaber med en tilsvarende retsform eller
 - b) interessentskaber eller kommanditselskaber, i hvilke alle interessenter henholdsvis komplementarer er omfattet af litra a,
- 3) erhvervsdrivende fonde, jf. lov om erhvervsdrivende fonde § 1, stk. 2, jf. dog stk. 3-5,
- 4) virksomheder med begrænset ansvar, som er omfattet af lov om visse erhvervsdrivende virksomheder § 3 (virksomheder og foreninger med begrænset ansvar) og § 4 (andelsselskaber med begrænset ansvar), medmindre virksomheden er undtaget efter nærværende lovs § 4, og
- 5) europæiske andelsselskaber (SCE-selskaber).

Stk. 2. Vælger en af loven omfattet virksomhed, som ikke er forpligtet til at aflægge årsrapport efter stk. 1, frivilligt at aflægge en årsrapport, der ikke udelukkende anvendes til virksomhedens eget brug, skal den i det mindste følge reglerne for regnskabsklasse A, jf. § 7, stk. 1, nr. 1.

Stk. 3. I SE-selskaber med et tostrengt ledelsessystem finder bestemmelserne i §§ 8-10, 73, 98 b, 107 og 160 samt § 162, stk. 1, nr. 2 og 3, tilsvarende anvendelse på tilsynsorganet. Ved »øverste ledelsesorgan« i bilag 1, B. Koncerner, 4. Modervirksomhed, nr. 2, forstås tilsynsorganet i SE-selskaber med et tostrengt ledelsessystem.

Stk. 4. I SCE-selskaber med et tostrengt ledelsessystem finder bestemmelserne i §§ 8-10, 98 b og 160 samt § 162, stk. 1, nr. 2 og 3, tilsvarende anvendelse på tilsynsorganet. Ved »øverste ledelsesorgan« i bilag 1, B. Koncerner, 4. Modervirksomhed, nr. 2, forstås tilsynsorganet i SCE-selskaber med et tostrengt ledelsessystem.

Undtagelse for virksomheder omfattet af lov om visse erhvervsdrivende virksomheder

§ 4. Virksomheder, som er omfattet af lov om visse erhvervsdrivende virksomheder § 3 (virksomheder og foreninger med begrænset ansvar) og § 4 (andelsselskaber med begrænset ansvar), kan undlade at aflægge årsrapport efter denne lov, jf. dog stk. 4-6, hvis virksomheden i to på hinanden følgende regnskabsår på balancetidspunktet ikke overskrider to af følgende størrelser:

- 1) En balancesum på 7 mio. kr.,
- 2) en nettoomsætning på 14 mio. kr. og
- 3) et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 10.

Stk. 2. Ved beregningen af størrelserne i stk. 1 finder § 7, stk. 3, anvendelse.

Stk. 3. Vælger en virksomhed at udnytte undtagelsen i stk. 1, skal den indsende undtagelseserklæring til Erhvervs- og Selskabsstyrelsen i overensstemmelse med § 145.

Stk. 4. Undtagelsen i stk. 1 gælder dog ikke for en virksomhed, der er modervirksomhed for en koncern, for hvilken den skal aflægge koncernregnskab efter denne lov, jf. § 7, stk. 4.

Stk. 5. Vælger en virksomhed, som er omfattet af undtagelsen i stk. 1, at aflægge en årsrapport, der ikke udelukkende skal anvendes til virksomhedens eget brug, skal virksomheden i det mindste følge reglerne for regnskabsklasse A, jf. § 7, stk. 1, nr. 1.

Stk. 6. Ønsker virksomheden en årsrapport, som er aflagt frivilligt efter stk. 5, offentliggjort i Erhvervs- og Selskabsstyrelsen, skal virksomheden indsende årsrapporten til styrelsen som bilag til den i stk. 3 nævnte undtagelseserklæring. Undtagelseserklæring skal dog ikke indsendes, hvis virksomheden vælger at lade årsrapporten omfatte af reglerne i regnskabsklasse B, jf. § 7, stk. 1, nr. 2.

Undtagelse for visse interessent- og kommanditselskaber

§ 5. Et interessent- eller kommanditselskab, der er omfattet af § 3, stk. 1, nr. 2, kan undlade at aflægge årsrapport og i stedet indsende undtagelseserklæring i henhold til § 146, stk. 1, hvis

- 1) dets regnskab ved fuld konsolidering eller ved indregning og måling til regnskabsmæssig indre værdi indgår i et koncernregnskab, der er aflagt af en interessent eller komplementar eller af en af disses modervirksomheder i stedet,
- 2) interessenten eller komplementaren har hjemsted her i landet eller henhører under lovgivningen i et andet EU-land eller i et EØS-land,
- 3) koncernregnskabet er udarbejdet efter reglerne i denne lov eller, hvis interessenten, komplementaren eller den pågældende modervirksomhed er udenlandsk, efter reglerne i Rådets direktiv 83/349/EØF med senere ændringer og det er revideret og offentliggjort efter de nævnte regler og
- 4) det oplyses i det omhandlede koncernregnskab, at interessentskabet henholdsvis kommanditselskabet har undladt at aflægge årsrapport under henvisning til denne paragraf.

Stk. 2. Et interessent- eller kommanditselskab, der er omfattet af § 3, stk. 1, nr. 2, kan undlade selv at aflægge årsrapport og i stedet indsende undtagelseserklæring i henhold til § 146, stk. 2, hvis

- 1) en af virksomhedens interessenter henholdsvis komplementarer har hjemsted her i landet og
- 2) interessenten eller komplementaren aflægges årsrapporten for interessent- eller kommanditselskabet og herunder lader den revidere og offentliggøre efter reglerne i denne lov sammen med sin egen årsrapport i en fælles årsrapport eller som to særskilte årsrapporter.

Stk. 3. Et interessent- eller kommanditselskab, der er omfattet af § 3, stk. 1, nr. 2, i hvilket ingen interessent eller komplementar har hjemsted her i landet, kan undlade selv at aflægge årsrapport og i stedet indsende undtagelseserklæring i henhold til § 146, stk. 3, hvis

- 1) en interessent henholdsvis en komplementar henhører under lovgivningen i et EU/EØS-land, og

- 2) interessenten eller komplementaren aflægger årsrapporten for interessent- eller kommanditselskabet og herunder lader den revidere og offentliggøre i overensstemmelse med den i nr. 1 omtalte lovgivning sammen med sin egen årsrapport i en fælles årsrapport eller som to særskilte årsrapporter.

Stk. 4. Interessentskaber og kommanditselskaber, der anvender undtagelserne i stk. 2 og 3, skal efter anmodning oplyse enhver om navn, CVR-nummer eller registreringsnummer samt hjemsted for den virksomhed, der har aflagt årsrapporten.

Undtagelse for dattervirksomheder uden aktivitet

§ 6. En dattervirksomhed, der i regnskabsåret ikke har haft aktivitet, kan undlade at aflægge årsrapport for dette år og i stedet indsende undtagelseserklæring i henhold til § 146, stk. 4, hvis

- 1) dattervirksomhedens regnskab ved fuld konsolidering eller ved indregning og måling til regnskabsmæssig indre værdi indgår i et koncernregnskab, der er aflagt af en modervirksomhed eller af en højere liggende modervirksomhed i stedet,
- 2) modervirksomheden eller den højere modervirksomhed henhører under lovgivningen i et EU/EØS-land,
- 3) koncernregnskabet er udarbejdet efter reglerne i denne lov eller, hvis den pågældende modervirksomhed er udenlandsk, efter reglerne i Rådets direktiv 83/349/EØF med senere ændringer og det er revideret og offentliggjort efter de nævnte regler,
- 4) alle dattervirksomhedens virksomhedsdeltagere har erklæret sig indforstået med fremgangsmåden for det pågældende regnskabsår,
- 5) modervirksomheden har erklæret, at den indestår for dattervirksomhedens forpligtelser, indtil dattervirksomheden har indsendt årsrapport for et senere regnskabsår og denne er modtaget og offentliggjort efter reglerne i kapitel 19 og 20 og
- 6) det oplyses i det omhandlede koncernregnskab, at dattervirksomheden har undladt at aflægge årsrapport under henvisning til denne paragraf.

Stk. 2. En virksomhed anses for at være uden aktivitet i regnskabsåret, hvis den ikke udøver erhvervsdrivende aktiviteter direkte eller indirekte, ikke besidder kapitalandele i en anden virksomhed og ikke har påtaget sig risici.

Regnskabsklasser

§ 7. Reglerne i denne lov for udarbejdelse af årsrapporter opdeles i regnskabsklasserne A, B, C og D, jf. afsnit II-V. Ved afgørelsen af, hvilken regnskabsklasse en virksomhed skal følge, gælder nedenstående:

- 1) Virksomheder omfattet af loven, som ikke har pligt til at aflægge årsrapport efter § 3, stk. 1, men som frivilligt aflægger årsrapport, jf. § 3, stk. 2, skal i det mindste følge reglerne for regnskabsklasse A i afsnit II.
- 2) Små virksomheder, som har pligt til at aflægge årsrapport efter § 3, stk. 1, skal i det mindste følge reglerne for regnskabsklasse B i afsnit III.
- 3) Mellemstore og store virksomheder, som har pligt til at aflægge årsrapport efter § 3, stk. 1, skal i det mindste følge reglerne for regnskabsklasse C i afsnit IV.
- 4) Statslige aktieselskaber og virksomheder, som har kapitalandele, gældsinstrumenter eller andre værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, og som har pligt til at aflægge årsrapport efter § 3, stk. 1, skal uanset størrelse følge reglerne for regnskabsklasse D i afsnit V.

Stk. 2. Ved afgørelsen af, hvilken regnskabsklasse en virksomhed skal følge, anvendes følgende størrelsesgrænser:

- 1) Små virksomheder:
Virksomheder, som i to på hinanden følgende regnskabsår på balancetidspunktet ikke overskrider to af følgende størrelser:

<ol style="list-style-type: none"> a) En balancesum på 36 mio. kr., b) en nettoomsætning på 72 mio. kr. og c) et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 50. 	<ol style="list-style-type: none"> 1) Balancesummen er summen af alle aktivposter. 2) Nettoomsætningen er defineret i bilag 1, C, nr. 11. Er et regnskabsår kortere eller længere end 12 måneder, forhøjes eller formindskes nettoomsætningen forholdsmæssigt, således at der opnås et beløb svarende til beløbet for en periode på 12 måneder. 3) Det gennemsnitlige antal heltidsbeskæftigede beregnes så vidt muligt efter de regler, der er fastsat i medfør af aktieselskabslovens § 178.
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- 2) Mellemstore virksomheder:
Virksomheder, der ikke er små virksomheder, og som i to på hinanden følgende regnskabsår på balancetidspunktet ikke overskrider to af følgende størrelser:

<ol style="list-style-type: none"> a) En balancesum på 143 mio. kr., b) en nettoomsætning på 286 mio. kr. og c) et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 250. 	<p><i>Stk. 3.</i> Ved beregning af størrelserne i stk. 2 gælder følgende:</p> <p><i>Stk. 4.</i> Uanset stk. 1 skal modervirksomheder for koncerner, der efter § 109 skal aflægge koncernregnskab, i deres årsrapport i det mindste følge reglerne for regnskabsklasse C, medmindre de i det mindste skal følge regnskabsklasse D i henhold til stk. 1, nr. 4. Undlader en modervirksomhed at aflægge koncernregnskab i henhold til §§ 111 eller 112, kan modervirksomheden dog i sin årsrapport følge reglerne for regnskabsklasse B, hvis den opfylder betingelserne i stk. 2, nr. 1.</p> <p><i>Stk. 5.</i> I stedet for at følge reglerne i det afsnit, som virksomheden i det mindste skal følge i henhold til stk. 1 og 4, kan virksomheden vælge</p>
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- 3) Store virksomheder:
Virksomheder, der ikke er små eller mellemstore virksomheder.

systematisk og konsekvent at følge alle eller nogle af reglerne i et eller flere efterfølgende afsnit (regnskabsklasser).

Kapitel 2

Ledelsens ansvar for aflæggelse af årsrapporten

§ 8. De ledelsesorganer, der efter den for virksomheden gældende lovgivning, vedtægter, aftale eller sædvane har den øverste henholdsvis den daglige ledelse, skal aflægge årsrapport for virksomheden. Er der ikke et særskilt ledelsesorgan, anses de personligt ansvarlige ejere i fællesskab for at udgøre det ansvarlige ledelsesorgan i denne lovs forstand.

Stk. 2. Hvert enkelt medlem af de pågældende ledelsesorganer har ansvar for, at årsrapporten udarbejdes i overensstemmelse med lovgivningen og eventuelle yderligere krav til regnskaber i vedtægter eller aftale. Ved udarbejdelsen skal de endvidere iagttage de for virksomheden gældende standarder, jf. §§ 136 og 137. Endvidere har hvert enkelt medlem ansvar for, at årsrapporten, hvis revision er krævet, kan revideres og godkendes i tide. Hvert enkelt medlem af det øverste ledelsesorgan har ansvar for, at årsrapporten indsendes til Erhvervs- og Selskabsstyrelsen inden for de i loven fastsatte frister.

§ 9. Når årsrapporten er udarbejdet, skal alle medlemmerne af de ansvarlige ledelsesorganer underskrive den og datere underskriften. De skal give deres underskrift i tilknytning til en ledelsespåtegning, hvori de erklærer,

- 1) hvorvidt årsrapporten er aflagt i overensstemmelse med lovgivningens og eventuelle standarders krav samt eventuelle krav i vedtægter eller aftale, og
- 2) hvorvidt årsregnskabet og et eventuelt koncernregnskab giver et retvisende billede af virksomhedens og koncernens aktiver og passiver, finansielle stilling og resultatet.

Stk. 2. I ledelsespåtegningen for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, og for statslige aktieselskaber skal ledelsen erklære, hvorvidt ledelsesberetningen indeholder en retvisende redegørelse for udviklingen i virksomhedens og, hvis

der er udarbejdet koncernregnskab, koncernens aktiviteter og økonomiske forhold, årets resultat og virksomhedens finansielle stilling og den finansielle stilling som helhed for de virksomheder, som er omfattet af koncernregnskabet. Ledelsen skal endvidere erklære, hvorvidt ledelsesberetningen indeholder en beskrivelse af de væsentligste risici og usikkerhedsfaktorer, som virksomheden erklærer, hvis der er udarbejdet koncernregnskab, koncernen står over for. I ledelsespåtegningen for disse virksomheder skal navn og funktion i forhold til virksomheden for de enkelte medlemmer af de ansvarlige ledelsesorganer anføres.

Stk. 3. Bestemmelsen i stk. 2 gælder ikke for virksomheder, der alene udsteder gældsinstrumenter, som er optaget til handel på et reguleret marked i et EU/EØS-land, og hvis pålydende værdi pr. enhed udgør mindst 50.000 euro, eller hvis pålydende værdi pr. enhed på udstedelsesdagen svarer til mindst 50.000 euro, når gældsinstrumenterne er udstedt i en anden valuta end euro.

Stk. 4. Er årsregnskabet ikke revideret, jf. § 135, stk. 1, 2. pkt., skal medlemmerne af de ansvarlige ledelsesorganer i ledelsespåtegningen erklære, hvorvidt virksomheden opfylder betingelserne herfor.

Stk. 5. Har ledelsen indføjret supplerende beretninger i årsrapporten, skal medlemmerne af de ansvarlige ledelsesorganer i ledelsespåtegningen erklære, hvorvidt beretningen giver en retvisende redegørelse inden for rammerne af almindeligt anerkendte retningslinjer for sådanne beretninger.

§ 10. Selv om et ledelsesmedlem er helt eller delvis uenig i en årsrapport eller har indvendinger mod, at den skal godkendes med det indhold, der er besluttet, kan medlemmet ikke undlade at underskrive årsrapporten. Ledelsesmedlemmet kan dog tilkendegive sine indvendinger med konkret og fyldestgørende begrundelse i tilknytning til sin underskrift og ledelsespåtegningen.

Kapitel 2 a

Oplysning om fravalg af revision for det kommende regnskabsår

§ 10 a. Det skal i tilknytning til ledelsespåtegningen, jf. § 9, oplyses, hvis generalforsamlingen eller det tilsvarende godkendelsesorgan i en virksomhed, der opfylder betingelserne i § 135, stk. 1, 2. pkt., har truffet beslutning om, at årsregnskabet for det kommende regnskabsår ikke skal revideres.

Kapitel 3

Grundlæggende krav til årsrapporten

Retvisende billede

§ 11. Årsregnskabet og et eventuelt koncernregnskab skal give et retvisende billede af virksomhedens og koncernens aktiver og passiver, finansielle stilling samt resultatet. Ledelsesberetningen skal indeholde en retvisende redegørelse for de forhold, som beretningen omhandler.

Stk. 2. Hvis anvendelsen af bestemmelserne i denne lov ikke er tilstrækkelig til at give et retvisende billede som nævnt i stk. 1, skal der gives yderligere oplysninger i årsregnskabet, henholdsvis koncernregnskabet.

Stk. 3. Hvis anvendelse af bestemmelserne i denne lovs §§ 19-21, 23-76, 79-101, 103-107 og 115-134 i særlige tilfælde vil stride mod kravet i stk. 1, 1. pkt., skal de fraviges, således at dette krav opfyldes. En sådan fravigelse skal hvert år oplyses i noter, hvor den skal begrundes konkret og fyldestgørende med oplysning om, hvilken indvirkning, herunder så vidt muligt den beløbsmæssige indvirkning, fravigelsen har på virksomhedens henholdsvis koncernens aktiver og passiver, finansielle stilling samt resultatet.

Stk. 4. Kravene i stk. 1-3 gælder tilsvarende, når der anvendes standarder, der er udstedt inden for rammerne af denne lov, jf. § 136.

Kvalitetskrav

§ 12. For at årsregnskabet og koncernregnskabet kan give et retvisende billede, og for at ledelsesberetningen kan indeholde en retvisende redegørelse, jf. § 11, skal reglerne i stk. 2 og 3 opfyldes.

Stk. 2. Årsrapporten skal udarbejdes således, at den støtter regnskabsbrugerne i deres økonomiske beslutninger. De omhandlede regnskabsbrugere er personer, virksomheder, organisationer og offentlige myndigheder m.v., hvis økonomiske beslutninger normalt må forventes at blive påvirket af en årsrapport, herunder nuværende og mulige virksomhedsdeltagere, kreditorer, medarbejdere, kunder, alliancepartnere, lokalsamfundet samt tilskudsgivende og fiskale myndigheder. De omhandlede beslutninger vedrører

- 1) placering af regnskabsbrugerens egne ressourcer,
- 2) ledelsens forvaltning af virksomhedens ressourcer og
- 3) fordeling af virksomhedens ressourcer.

Stk. 3. Årsrapporten skal udarbejdes således, at den oplyser om forhold, der normalt er relevante for regnskabsbrugerne, jf. stk. 2. Oplysningerne skal desuden være pålidelige i forhold til, hvad regnskabsbrugerne normalt forventer.

Grundlæggende forudsætninger

§ 13. Årsrapporten skal udarbejdes efter nedenstående grundlæggende forudsætninger:

- 1) Den skal udarbejdes på en klar og overskuelig måde (klarhed).
- 2) Der skal tages hensyn til de reelle forhold frem for formaliteter uden reelt indhold (substans).
- 3) Alle relevante forhold skal indgå i årsrapporten, medmindre de er ubetydelige (væsentlighed). Anses flere ubetydelige forhold tilsammen for at være betydelige, skal de dog indgå.
- 4) Driften af en aktivitet formodes at fortsætte (going concern), medmindre den ikke skal eller ikke antages at kunne fortsætte. Afvikles en aktivitet, skal klassifikation og opstilling samt indregning og måling tilpasses med denne afvikling.
- 5) Enhver værdiændring skal vises, uanset indvirkningen på egenkapital og resultatopgørelse (neutralitet).
- 6) Transaktioner, begivenheder og værdiændringer skal indregnes, når de indtræffer, uanset tidspunktet for betaling (periodisering).
- 7) Indregningsmetoder og målegrundlag skal anvendes ensartet på samme kategori af forhold (konsistens).
- 8) Hver transaktion, begivenhed og værdiændring skal indregnes og måles hver for sig, ligesom de enkelte forhold ikke må modregnes med hinanden (bruttoværdi).
- 9) Primobalancen for regnskabsåret skal svare til ultimobalancen for det foregående regnskabsår (formel kontinuitet).

Stk. 2. Regnskabsår, opstilling og klassifikation, konsolideringsmetode, indregningsmetode og målegrundlag samt den anvendte monetære enhed må ikke ændres fra år til år (reel kontinuitet). Ændring kan dog ske, hvis der derved bedre opnås et retvisende billede, eller, hvis ændringen er nødvendig for at overholde nye regler ved overgang til ny regnskabsklasse, ved lovændring, ved nye forskrifter i henhold til lov eller ved nye standarder efter § 136.

Stk. 3. Bestemmelserne i stk. 1, nr. 6-9, og stk. 2 kan fraviges i særlige tilfælde. I så fald finder § 11, stk. 3, 2. pkt., tilsvarende anvendelse.

§ 14. Supplerende beretninger om f.eks. virksomhedens sociale ansvar, viden og medarbejderforhold, miljøforhold samt etiske målsætning og opfølgning herpå skal give en retvisende redegørelse inden for rammerne af almindeligt anerkendte retningslinjer for sådanne beretninger. De skal opfylde kvalitetskravene i § 12, stk. 3, og med de lempelser, der følger af forholdets natur, de grundlæggende forudsætninger i § 13, stk. 1 og 2.

Stk. 2. Af de supplerende beretninger skal fremgå de metoder og målegrundlag, efter hvilke beretningerne er udarbejdet.

§ 15. Regnskabsåret skal omfatte 12 måneder, der altid skal begynde og slutte på en bestemt dato i året. Næste regnskabsår begynder dagen efter foregående regnskabsårs balancedato.

Stk. 2. Første regnskabsperiode kan omfatte et kortere eller længere tidsrum end 12 måneder, dog højst 18 måneder.

Stk. 3. Ændres regnskabsåret, må omlægningsperioden ikke overstige 12 måneder. Omlægningsperioden kan dog omfatte op til 18 måneder, hvis det er nødvendigt at ændre regnskabsår for at opnå samme regnskabsår i flere virksomheder i tilfælde af

- 1) etablering af koncernforhold,
- 2) etablering af deltagelse i fælles ledelse over en anden virksomhed eller
- 3) fusion.

Anvendelse af den i 2. pkt. anførte omlægningsperiode på op til 18 måneder forudsætter, at etableringen af det omhandlede forhold er sket inden for omlægningsperioden, medmindre det ikke har været muligt for virksomheden at ændre regnskabsåret inden for denne periode på grund af forhold, som er ude af virksomhedens kontrol.

Stk. 4. Beslutning om omlægning af regnskabsår skal være truffet i så god tid, at anmeldelse herom kan indsendes til Erhvervs- og Selskabsstyrelsen, så den er modtaget i styrelsen senest 5 måneder efter udløbet af det regnskabsår, som ønskes ændret, dog senest 5 måneder efter omlægningsperiodens udløb. For statslige aktieselskaber og virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, er fristen dog 4 måneder. Modtages anmeldelsen efter udløbet af fristen i 1. eller 2. pkt., nægtes registrering.

Stk. 5. Modervirksomheder og dattervirksomheder skal sikre, at dattervirksomhederne har samme regnskabsår som modervirksomheden, medmindre det ikke er muligt på grund af forhold, som er ude af modervirksomhedens og dattervirksomhedens kontrol.

§ 16. Indregning, måling og oplysninger i monetære enheder skal foretages i danske kroner eller i euro. Virksomheden kan dog vælge i stedet at anføre beløbene i en anden fremmed valuta, der er relevant for virksomheden henholdsvis virksomhedens koncern.

Kapitel 4

Rækkefølge m.v. af årsrapportens bestanddele

§ 17. Årsrapporten skal indeholde de for hver regnskabsklasse foreskrevne bestanddele, jf. §§ 18, 22, 78 og 102, samt tilsvarende bestanddele for koncernregnskaber. Redegørelsen for anvendt regnskabspraksis skal placeres samlet. Opgørelsen over bevægelser på egenkapitalen kan placeres som en regnskabsopstilling eller under noter.

Stk. 2. Ledelsesberetningen for modervirksomheden og koncernen kan sammendrages, hvis de oplysninger, der er forskellige for modervirksomheden og koncernen, fremgår hver for sig af den samlede beretning.

Stk. 3. Supplerende beretninger, der knyttes til årsrapporten, skal placeres særskilt i denne efter de lovpligtige bestanddele.

Afsnit II

Regnskabsklasse A

Kapitel 5

Udarbejdelse af årsrapport

Generelle bestemmelser

§ 18. En virksomhed, der aflægger årsrapport efter reglerne i regnskabsklasse A, skal i det mindste udarbejde en årsrapport bestående af ledelsespåtegning, balance, resultatopgørelse og noter, herunder redegørelse for anvendt regnskabspraksis. Hvis en statsautoriseret eller registreret revisor har underskrevet en påtegning eller erklæring til årsrapporten, skal påtegningen henholdsvis erklæringen indgå i denne. Reglerne i §§ 11-17 finder anvendelse.

Stk. 2. (Ophævet).

Klassifikation og opstilling

§ 19. Virksomheden skal medtage de aktiver og forpligtelser, der skal indregnes for regnskabsklassen, samt egenkapitalen i en åbningsbalance pr. tidspunktet for påbegyndelsen af dens aktiviteter. Hvor intet andet er bestemt i lovgivningen, anses virksomhedens aktiviteter for påbegyndt på tidspunktet for stiftelsen eller det tidligere tidspunkt, hvor en erhvervsmæssig aktivitet skal henregnes til virksomheden.

Stk. 2. Posterne i resultatopgørelsen skal klassificeres efter virksomhedens art og aktiviteternes omfang. Balancen skal i det mindste vise de i bilag 2, skema 1, opregnede, relevante hovedposter og romertalsposter. Opstillingerne skal i øvrigt vise de poster, der er nødvendige for at vise virksomhedsdeltagernes indskud og andel i overskud eller underskud.

Stk. 3. Indregnede forhold, der ikke vedrører de erhvervsmæssige aktiviteter, skal klassificeres således, at de tydeligt fremstår adskilt fra de erhvervsmæssige aktiviteter i balance og resultatopgørelse.

Indregning og måling

§ 20. Virksomhedens aktiver og forpligtelser samt indtægter og omkostninger indregnes og måles systematisk og konsekvent i overensstemmelse med almindeligt anerkendte retningslinjer under hensyntagen til virksomhedens art og omfang.

Stk. 2. En virksomhed, der ejes personligt af en eller flere indehavere, kan undlade at indregne de af indehaverens aktiver og forpligtelser, som ikke vedrører de erhvervsmæssige aktiviteter.

Oplysninger

§ 21. Virksomheden skal redegøre for de indregningsmetoder og målegrundlag (værdiansættelse), der er anvendt for posterne i alle årsrapportens bestanddele.

Stk. 2. Virksomheden skal særskilt oplyse

- 1) eventualforpligtelser,
- 2) pantsætninger og anden sikkerhed i aktiver,
- 3) renter af indskud på egenkapitalen,
- 4) hvor meget der er uddelt eller udloddet til ejere eller andre virksomhedsdeltagere,
- 5) hvorledes underskud er dækket, og
- 6) hvorvidt uddelinger eller udlodninger er sket kontant eller på anden måde.

Stk. 3. En virksomhed, der ejes personligt af en enkelt indehaver eller af ægtefæller i fællesskab, og hvor indehaveren henholdsvis ægtefællerne ejer aktiver, forpligtelser, eventualforpligtelser eller pantsætninger, som ikke vedrører de erhvervsdrivende aktiviteter, skal særskilt oplyse,

- 1) om den undlader at indregne de pågældende aktiver og forpligtelser,
- 2) om den undlader at indregne eller oplyse om de pågældende eventualforpligtelser,
- 3) om den undlader at oplyse om de pågældende pantsætninger, og
- 4) hvorledes der er taget hensyn til indehaverens og ægtefællens indbyrdes formueforhold.

Afsnit III

Regnskabsklasse B

Kapitel 6

Udarbejdelse af årsrapport

Generelle bestemmelser

§ 22. En virksomhed, der er omfattet af regnskabsklasse B, skal udarbejde en årsrapport, der i det mindste består af en ledelsespåtegning, balance, resultatopgørelse, noter, herunder redegørelse for anvendt regnskabspraksis og opgørelse over bevægelserne i egenkapitalen, samt en eventuel ledelsesberetning, jf. § 77. Hvis en revisor har afgivet en revisionspåtegning eller anden erklæring til årsrapporten, jf. §§ 135 og 135 a, skal revisionspåtegningen eller erklæringen indgå i årsrapporten. Ud over reglerne i §§ 11-17 finder § 19, stk. 1 og 3, § 20, stk. 2, samt §§ 23-77 anvendelse, jf. dog § 137 vedrørende muligheden for at aflægge årsrapport efter internationale regnskabsstandarder.

Stk. 2. Hvis en modervirksomheds oplysninger er de samme som koncernens oplysninger, kan modervirksomheden undlade at give oplysningerne i sit eget årsregnskab og ledelsesberetning.

Stk. 3. Første gang en virksomhed, der har været omfattet af regnskabsklasse A, aflægger årsrapport efter reglerne i regnskabsklasse B, kan virksomheden benytte sig af følgende lempelser:

- 1) Ved indregning af aktiver, der efter reglerne i regnskabsklasse A ikke skulle indregnes eller skulle indregnes til et andet målegrundlag end i regnskabsklasse B, kan aktivets værdi på det forrige års balancedag anses for kostpris. Forrige års indregningsmetode og målegrundlag for aktivet skal oplyses i noter.
- 2) For de poster i årsregnskabet, som påvirkes af ændringer i indregningsmetoder og målegrundlag, kan sammenligningstal efter § 24 for perioder, der ligger før regnskabsåret, opgøres efter de hidtil anvendte metoder.

Klassifikation og opstilling

Generelle bestemmelser

§ 23. Balance og resultatopgørelse skal opstilles i skematisk form i overensstemmelse med bilag 2, skema 1 eller 2 og skema 3 eller 4.

Stk. 2. Posterne skal anføres særskilt og i den rækkefølge, som er angivet i skemaerne. Poster, der er betegnet med arabertal (1, 2, 3 osv.), kan opdeles. Nye arabertalsposter kan tilføjes, hvis deres indhold ikke er dækket af en eksisterende post.

Stk. 3. Arabertalsposterne kan sammendrages, hvis sammendragningen fremmer overskueligheden.

Stk. 4. Opstilling og benævnelse af arabertalsposter skal tilpasses, når virksomhedens særlige karakter gør det påkrævet.

Stk. 5. Erhvervs- og Selskabsstyrelsen kan ændre bilag 2, herunder foreskrive særlige skemaer, hvis der er behov herfor for virksomheder, hvis struktur og postbehov ikke kan tilgodeses ved lovens regler om tilpasning af skemaer eller som følge af ændringer i markedsvilkår eller internationale standarder.

§ 24. Ved hver post i balance og resultatopgørelse anføres de tilsvarende beløb for det foregående regnskabsår. Er posterne ikke direkte sammenlignelige med foregående års poster, skal sidstnævnte tilpasses. Virksomheden kan dog undlade at tilpasse sammenligningstal, hvis den manglende sammenlignelighed skyldes ændringer i virksomhedens aktiviteter.

Stk. 2. Poster i balance og resultatopgørelse, som ikke indeholder noget beløb, skal kun medtages, hvis det foregående årsregnskab indeholder en sådan post.

Stk. 3. Stk. 1 og 2 finder tilsvarende anvendelse for noteoplysninger, i det omfang sammenligningstal er foreskrevet i denne lov.

Balancen

§ 25. Balancen består af indregnede aktiver, indregnede forpligtelser, herunder hensatte forpligtelser, og egenkapitalen, der udgør forskellen mellem disse aktiver og forpligtelser. Ved passiver forstås summen af egenkapital og indregnede forpligtelser.

§ 26. Tilgodehavender under omsætningsaktiver, der forfalder til betaling mere end et år efter regnskabsårets udløb, anses som langfristede. De skal klassificeres særskilt for hver arabertalspost, medmindre tilsvarende oplysninger gives i noter.

Stk. 2. Forudbetalinger fra kunder kan på en synlig måde modregnes inden for aktivposten »Varebeholdninger« henholdsvis posten »Igangværende arbejder for fremmed regning«, i det omfang forudbetalingerne vedrører de pågældende poster.

Stk. 3. Forpligtelser, der forfalder til betaling inden for et år efter regnskabsårets udløb, er kortfristede. Andre forpligtelser er langfristede. Forpligtelserne skal klassificeres i overensstemmelse med disse kriterier for hver arabertalspost, medmindre tilsvarende oplysninger gives i noter.

§ 27. Omkostninger, der er afholdt senest på balancedagen, men som vedrører de efterfølgende år, skal klassificeres som periodeafgrænsningsposter under omsætningsaktiver. Indtægter, der vedrører regnskabsåret, men som først forfalder til betaling efter balancedagen, skal klassificeres som tilgodehavender.

Stk. 2. Betalinger, der er indgået senest på balancedagen, men som vedrører indtægter i de efterfølgende år, skal klassificeres som periodeafgrænsningsposter under forpligtelser. Omkostninger, der vedrører regnskabsåret, men som først vil blive betalt i de efterfølgende år, skal klassificeres som gældsforpligtelser.

Resultatopgørelsen

§ 28. Resultatopgørelsen består af indregnede indtægter og omkostninger.

§ 29. Under posten »Produktionsomkostninger« i den funktionsopdelte resultatopgørelse indregnes de omkostninger, der i produktionen er medgået for at opnå omsætningen.

Stk. 2. I posterne »Produktionsomkostninger«, »Distributionsomkostninger« og »Administrationsomkostninger« i den funktionsopdelte resultatopgørelse medregnes af- og nedskrivninger på aktiver samt personaleomkostninger, som er knyttet til de nævnte funktioner.

§ 30. Indtægter og omkostninger, der hidrører fra begivenheder, som ikke hører under den ordinære drift, og som derfor ikke forventes at være tilbagevendende, skal klassificeres som ekstraordinære indtægter og omkostninger.

§ 31. Ledelsens forslag til beslutning om anvendelse af virksomhedens overskud eller dækning af underskud skal placeres i tilknytning til resultatopgørelsen, jf. dog § 56, stk. 3, 2. pkt. og som en særlig post i egenkapitalen under »Overført overskud eller underskud«, jf. bilag 2, skema 1 eller 2, jf. dog § 48.

§ 32. Virksomheden kan sammendrage følgende poster og i stedet indføre en post benævnt »Bruttofortjeneste« eller »Bruttotab«:

- 1) Posterne nr. 1-5 i bilag 2, skema 3, og
- 2) posterne nr. 1-3 og 6 i bilag 2, skema 4.

Stk. 2. § 11, stk. 2, finder ikke anvendelse på poster, der er sammendraget efter stk. 1.

Stk. 3. Det første år virksomheden ikke længere benytter stk. 1, kan sammenligningstal, jf. § 24, for de omhandlede poster undlades.

Kapitel 7

Indregning og måling

Generelle bestemmelser

§ 33. Et aktiv skal indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil tilflyde virksomheden og aktivets værdi kan måles pålideligt. Uanset definitionen på aktiver i bilag 1, C, nr. 1, kan virksomheden dog undlade at indregne aktiver, der ikke ejes af virksomheden, selv om virksomheden har alle væsentlige risici og fordele forbundet med ejendomsretten over aktivet. Virksomheden kan endvidere undlade at indregne udviklingsprojekter og internt oparbejdede immaterielle rettigheder såsom patenter, koncessioner, varemærker og lignende rettigheder. Virksomheden kan ikke indregne andre internt oparbejdede immaterielle aktiver.

Stk. 2. En forpligtelse skal indregnes i balancen, når det er sandsynligt, at fremtidige økonomiske fordele vil fragå virksomheden og forpligtelsens værdi kan måles pålideligt.

Stk. 3. Ved indregning og måling af aktiver og forpligtelser skal der tages hensyn til alle forhold, herunder forudsigelige risici og tab, der fremkommer inden det tidspunkt, hvor årsrapporten udarbejdes, og som bekræfter eller afkræfter forhold, som er opstået senest på balancedagen.

§ 34. Virksomheden kan indregne kapitalandele i virksomheder ved pro rata-konsolidering, jf. § 124, hvis den leder disse virksomheder sammen med en eller flere andre virksomheder og den hæfter fuldt ud for alle eller kun for en forholdsmæssig del af den fælles ledede virksomheds forpligtelser. Virksomheden medtager posterne i den fælles ledede virksomheds regnskab i forhold til dens ejerandel af den fælles ledede virksomheds egenkapital. Virksomheden skal indregne og måle posterne efter sin egen regnskabspraksis.

§ 35. Uanset definitionen på aktiver i bilag 1, C, nr. 1, kan virksomheden indregne egne kapitalandele. I så fald skal et beløb svarende til kostprisen for kapitalandelene omklassificeres fra posten »Overført overskud« eller anden til udbytte disponibel post under egenkapitalen til posten »Reserve for egne kapitalandele«. Denne reserve kan ikke elimineres med virksomhedens underskud eller formindskes på anden måde, jf. dog næste punktum. Reserven skal opløses eller formindskes, i det omfang de indregnede egne kapitalandele

- 1) realiseres eller annulleres,
- 2) nedskrives til lavere genindvindingsværdi, jf. § 42, eller nettorealiseringsværdi, jf. § 46, stk. 2, eller
- 3) ikke længere indregnes med værdi.

Stk. 2. Egne kapitalandele må ikke opskrives.

§ 36. Aktiver og forpligtelser skal på tidspunktet for første indregning måles til kostpris. Efter første indregning skal aktiver måles til kostpris og forpligtelser til nettorealiseringsværdi, medmindre andet følger af denne lov.

§ 37. Virksomheden skal efter første indregning løbende regulere finansielle aktiver, jf. dog stk. 2, samt de finansielle forpligtelser, der indgår i en handelsbeholdning eller er afledte finansielle instrumenter, til dagsværdi. Denne måles til den salgsværdi, der kan konstateres for de pågældende aktiver eller forpligtelser på et velfungerende marked. Kan salgsværdien ikke umiddelbart konstateres for aktiverne eller forpligtelserne, måles de ud fra markedets salgsværdier på aktivets eller forpligtelsens enkelte bestanddele. Eksisterer der heller ikke et velfungerende marked for disse bestanddele, skal dagsværdien så vidt muligt måles til en tilnærmet salgsværdi ved hjælp af den for aktivet eller forpligtelsen relevante kapitalværdi, hvis denne kan beregnes ved hjælp af almindeligt accepterede værdiansættelsesmodeller og -teknikker. Kan en tilnærmet salgsværdi ikke beregnes, skal aktivet eller forpligtelsen måles til kostpris.

Stk. 2. Virksomheden skal efter første indregning løbende regulere følgende til amortiseret kostpris:

- 1) Udlån og tilgodehavender, der hidrører fra virksomhedens egen aktiviteter, i det omfang de ikke indgår i en handelsbeholdning,
- 2) øvrige finansielle aktiver, der ikke er afledte finansielle instrumenter, og som beholdes til udløb, samt
- 3) finansielle forpligtelser, bortset fra dem, der er nævnt i stk. 1, 1. pkt.

Stk. 3. Bestemmelserne i stk. 1 og 2 finder ikke anvendelse på

- 1) kapitalandele i dattervirksomheder,
- 2) kapitalandele i fællesledede og associerede virksomheder,
- 3) egne kapitalandele og
- 4) andre finansielle instrumenter, som Erhvervs- og Selskabsstyrelsen ved bekendtgørelse har undtaget fra bestemmelserne i stk. 1 eller 2.

§ 38. Virksomheder, der som hovedaktivitet udøver investeringsvirksomhed, kan efter første indregning løbende regulere de i stk. 2 nævnte aktiver, som er omfattet af investeringsaktiviteten og dermed forbundne finansielle forpligtelser, til dagsværdi.

Stk. 2. Bestemmelsen i stk. 1 finder anvendelse på investeringer i finansielle aktiver, investeringsejendomme, råstoffer og lignende materielle aktiver samt finansielle forpligtelser, der er forbundet dermed. Anvendelse kan ske på samtlige investeringsaktiver eller på enkelte kategorier af investeringsaktiver samt de finansielle forpligtelser, der er forbundet dermed.

Stk. 3. Virksomheder, der som hovedaktivitet omdanner levende dyr eller planter biologisk med henblik på salg, forarbejdning, forbrug eller avl af yderligere dyr og planter, kan efter første indregning løbende regulere disse aktiver til dagsværdi.

Stk. 4. Bestemmelserne i § 37, stk. 1, 2.-4. pkt., finder anvendelse på stk. 1 og 3.

Stk. 5. (Ophævet).

§ 39. Ved omregning af balanceposter fra fremmed valuta til årsrapportens monetære enhed anvendes balancedagens valutakurs for monetære aktiver og forpligtelser. For andre poster i balancen og for transaktioner benyttes transaktionsdagens valutakurs. For aktiver og forpligtelser, som er op- eller nedskrevet henholdsvis op- eller nedreguleret, anvendes dog valutakursen på tidspunktet for omvurderingen.

Stk. 2. Er en aktivitet, for hvilken der udarbejdes regnskab i fremmed valuta, ikke løbende indregnet i virksomhedens pengestrømme, skal omregning af balanceposter ske til balancedagens valutakurs. Forskellen indregnes direkte på egenkapitalen.

Anlægsaktiver

§ 40. Kostprisen for anlægsaktiver skal indeholde alle omkostninger, der er foranlediget af anskaffelsen indtil det tidspunkt, hvor aktivet er klar til at blive taget i brug, eller som direkte kan henføres til det fremstillede aktiv. Herudover kan renter af kapital, der er lånt til at finansiere fremstillingen, og som vedrører fremstillingsperioden, indregnes i kostprisen.

§ 41. Virksomheden kan vælge at opskrive materielle anlægsaktiver og kapitalandele i dattervirksomheder og associerede virksomheder til dagsværdi. Immaterielle anlægsaktiver kan ikke opskrives.

Stk. 2. Bestemmelserne i § 37, stk. 1, 2.-4. pkt., finder anvendelse, dog således at genanskaffelsværdi eller nettorealisationsværdi kan anvendes, hvis en tilnærmet salgspris ikke kan opnås.

Stk. 3. Et beløb svarende til opskrivningen skal indregnes direkte i posten »Reserve for opskrivning« under egenkapitalen. Denne reserve kan ikke elimineres med virksomhedens underskud eller formindskes på anden måde, jf. dog næste punktum. Reserven skal opløses eller formindskes, i det omfang de opskrevne aktiver

- 1) realiseres eller udgår af aktiviteten,
- 2) nedskrives på grund af lavere genindvindingsværdi, jf. § 42,
- 3) er forbundet med udskudt skat, der skal hensættes, jf. § 47, eller
- 4) tilbageføres på grund af ændret regnskabsmæssigt skøn, jf. § 52.

§ 42. Anlægsaktiver, der ikke løbende reguleres til dagsværdi efter §§ 37 eller 38, skal nedskrives til en lavere genindvindingsværdi.

Stk. 2. Er det ikke muligt at fastsætte en genindvindingsværdi for det enkelte aktiv, skal aktiverne vurderes samlet i den mindste gruppe af aktiver, hvor der ved en samlet vurdering kan fastsættes en pålidelig genindvindingsværdi. En nedskrivning af en sådan gruppe af aktiver fordeles systematisk på de enkelte aktiver.

§ 43. Kostpris, dagsværdi eller genindvindingsværdi for immaterielle og materielle anlægsaktiver med begrænset brugstid skal formindskes med afskrivninger, der tilsigter en systematisk afskrivning af aktiverne over deres brugstid. Dette gælder dog ikke aktiver, der løbende reguleres til dagsværdi i medfør af § 38.

Stk. 2. Afskrivninger skal beregnes under hensyntagen til aktivets forventede restværdi efter afsluttet brugstid målt til værdien på tidspunktet for brugstidens begyndelse.

Stk. 3. Uanset stk. 1 må immaterielle anlægsaktiver ikke afskrives over en periode, der overstiger 20 år.

§ 43 a. Virksomheden kan indregne kapitalandele i dattervirksomheder og associerede virksomheder til nævnte virksomheders regnskabsmæssige indre værdi. Virksomheden skal i så fald anvende indre værdi på alle dattervirksomheder eller på alle associerede virksomheder eller på begge kategorier af virksomheder i henhold til bestemmelserne i stk. 2-5, jf. dog stk. 6.

Stk. 2. Virksomheden skal indregne og måle den regnskabsmæssige indre værdi efter sin egen regnskabspraksis.

Stk. 3. Bestemmelserne i §§ 119-121 om koncernregnskaber finder tilsvarende anvendelse, dog således at eliminerings i forhold til associerede virksomheder alene gælder forholdsmæssigt ud fra ejerandelen. § 116, stk. 2, finder tilsvarende anvendelse. Udarbejder en dattervirksomhed et koncernregnskab, anvendes dette som grundlag. Optager dattervirksomheden sine kapitalandele i dattervirksomheder og associerede virksomheder til regnskabsmæssig indre værdi, kan disse værdier anvendes som grundlag.

Stk. 4. Virksomheden skal op- eller nedskrive værdien af kapitalandelene med dattervirksomhedernes og de associerede virksomheders resultat og eventuelle bevægelser i deres regnskabsmæssige indre værdi, der ikke indgår i deres resultat. Dattervirksomhedernes og de associerede virksomheders resultat og bevægelser i regnskabsmæssig indre værdi, der ikke indgår i deres resultat, indregnes forholdsmæssigt til de andele, der svarer til kapitalandelene.

Stk. 5. Et beløb svarende til den samlede nettoopskrivning, jf. stk. 4, skal indregnes i posten »Reserve for nettoopskrivning efter indre værdis metode« under egenkapitalen. Reserven kan ikke indregnes med et negativt beløb. Denne reserve kan elimineres med virksomhedens underskud, men kan ikke formindskes på anden måde. Reserven skal dog opløses eller formindskes, i det omfang de opskrevne kapitalandele

- 1) realiseres eller
- 2) tilbageføres på grund af ændret regnskabsmæssigt skøn, jf. § 52, stk. 1.

Stk. 6. En virksomhed kan undlade at anvende indre værdis metode for kapitalandele i en dattervirksomhed, der er omfattet af § 114, stk. 2, nr. 1-3, eller i en associeret virksomhed, hvis de nødvendige oplysninger ikke er kendte. I så fald måles kapitalandelene til kostpris, jf. § 36.

Kapitalandele i virksomheder omfattet af § 114, stk. 2, nr. 3, kan dog måles til dagsværdi efter § 37, stk. 1, 2.-4. pkt. Endvidere kan regulering for en associeret virksomhed efter stk. 4 ske på basis af det seneste årsregnskab for den associerede virksomhed, selv om denne har et regnskabsår, der afviger fra virksomhedens.

Omsætningsaktiver

§ 44. Kostprisen for omsætningsaktiver skal indeholde de omkostninger, der er foranlediget af anskaffelsen, eller som direkte kan henføres til det fremstillede aktiv. Distributionsomkostninger må ikke indgå i kostprisen. Herudover kan renter af kapital, der er lånt til at finansiere fremstilling af varer, og som vedrører fremstillingsperioden, indregnes i kostprisen.

§ 45. Kostprisen for varebeholdninger kan beregnes på grundlag af vejede gennemsnitspriser, »først ind-først ud« (FIFO) metoden eller en anden lignende metode, som afspejler værdien af den fysiske varebeholdning på balancedagen.

§ 46. Varebeholdninger kan opskrives til genanskaffelsværdi. Andre omsætningsaktiver, som ikke løbende reguleres til dagsværdi efter §§ 37 eller 38, kan opskrives til dagsværdi. Bestemmelserne i § 37, stk. 1, 2.-4. pkt., og § 41, stk. 3, finder anvendelse.

Stk. 2. Omsætningsaktiver, der ikke løbende reguleres til dagsværdi efter §§ 37 eller 38, skal nedskrives til en lavere nettorealisationsværdi.

Hensatte forpligtelser

§ 47. Forpligtelser, der er uvisse med hensyn til størrelse eller tidspunkt for afvikling, skal indregnes i balance og resultatopgørelse som hensatte forpligtelser. Herunder skal indregnes udskudt skat, garantiforpligtelser og pensionsforpligtelser, der påhviler virksomheden.

Stk. 2. Hensatte forpligtelser kan måles til dagsværdi. Bestemmelserne i § 37, stk. 1, 2.-4. pkt., finder anvendelse.

Gældsforpligtelser

§ 48. Uanset definitionen på forpligtelser, jf. bilag 1, C, nr. 5, kan virksomheden indregne ledelsens forslag til udbytte som en forpligtelse under posten »Forslag til udbytte for regnskabsåret«.

Resultatopgørelsen

§ 49. I resultatopgørelsen indregnes alle indtægter i takt med, at de indtjenes. Virksomheden kan dog undlade at indregne indtægter i takt med arbejdernes udførelse efter produktionsmetoden. Indtægter efter § 37, stk. 1 og 2, samt § 38, stk. 1 og 3, anses altid for indtjent. I resultatopgørelsen indregnes ligeledes

- 1) resultatandele, der hidrører fra dattervirksomheder henholdsvis associerede virksomheder, der måles til indre værdi, jf. § 43 a, som særskilte poster,
- 2) alle omkostninger, herunder afskrivninger, nedskrivninger, nedreguleringer og hensættelser af forpligtelser, og
- 3) tilbageførsler af beløb, der har været indregnet i resultatopgørelsen som følge af ændret regnskabsmæssigt skøn, jf. § 52, stk. 1.

Stk. 2. Beløb, der opstår som følge af nedenstående, må ikke indregnes i resultatopgørelsen, men skal indregnes direkte på egenkapitalen:

- 1) Opskrivning efter §§ 41 og 46, tilbageførsel af en sådan opskrivning og omklassifikation af beløb til hensatte forpligtelser, som hidrører fra en sådan opskrivning,
- 2) indtægter og omkostninger ved køb og salg af egne kapitalandele, i det omfang kapitalandelene ikke indregnes i balancen,
- 3) indtægter og omkostninger, der hidrører fra aktiver og forpligtelser, som virksomheden udelukkende benytter til at sikre værdien af aktiver og forpligtelser, som virksomheden forventer at modtage eller påtage sig, og tilbageførsel af sådanne beløb,
- 4) forskelsbeløb, der er opstået ved omregning af balanceposter i aktiviteter, der ikke løbende er indregnet i virksomhedens pengestrømme, jf. § 39, stk. 2,
- 5) ændring af metoder og grundlag for indregning henholdsvis måling samt af den anvendte monetære enhed, jf. § 13, stk. 2, og
- 6) tilbageførsel på grund af fundamentale fejl, jf. § 52, stk. 2.

Stk. 3. Indskud, udlodning og uddeling, der sker som led i kapitalfremskaffelse, tilbageførsel af indskudt kapital henholdsvis fordeling af overskud til virksomhedsdeltagerne, må ikke indregnes i resultatopgørelsen, men skal indregnes direkte på egenkapitalen.

§ 50. Indtægter og omkostninger, der hidrører fra aktiver og forpligtelser, hvis værdi er effektivt sikret af andre aktiver og forpligtelser, kan uanset forbudet mod modregning i § 13, stk. 1, nr. 8, modregnes med indtægter og omkostninger, der hidrører fra sikringsdispositionerne.

Ændring af regnskabspraksis

§ 51. Ændrer virksomheden metoder for indregning, grundlag for måling eller den anvendte monetære enhed, skal de poster i årsregnskabet, der berøres heraf, ændres i overensstemmelse med de nye metoder henholdsvis grundlag ved indregning direkte på egenkapitalen primo. Herunder skal sammenligningstal ændres i overensstemmelse med de nye metoder.

Stk. 2. Ændrer virksomheden indregningsmetoder for at kunne opskrive aktiver, behandles de heraf følgende opskrivninger efter § 41, stk. 3, og indregnes direkte på egenkapitalen.

Ændring af regnskabsmæssige skøn og fejl

§ 52. Ændres beløb, der blev indregnet for et tidligere regnskabsår, som følge af et ændret regnskabsmæssigt skøn, skal indvirkningen af ændringen behandles på tilsvarende måde som det oprindelige skøn. Afskrivninger, der er foretaget i tidligere år, kan ikke tilbageføres.

Stk. 2. Var årsregnskabet vedrørende tidligere regnskabsår urigtig i en sådan grad, at årsregnskabet ikke ville have givet et retvisende billede (fundamentale fejl), skal den beløbsmæssige effekt af korrektionen indregnes direkte på egenkapitalen primo, og sammenligningstallene for tidligere år skal tilpasses.

Kapitel 8

*Oplysninger**Noteoplysninger**Anvendt regnskabspraksis*

§ 53. Der skal redegøres for de indregningsmetoder og målegrundlag (værdiansættelsen), der er anvendt på posterne i balance, resultatopgørelse, noter og ledelsesberetning. Endvidere skal det fremgå, hvilken regnskabsklasse virksomheden aflægger årsrapport efter. Anføres beløbene i en anden valuta end danske kroner eller euro, jf. § 16, 2. pkt., skal der gives oplysning om kursen på den anførte valuta pr. balancedagen i forhold til danske kroner og den tilsvarende valutakurs pr. det foregående regnskabsårs balancedag.

Stk. 2. Af redegørelsen skal for de relevante poster i det mindste fremgå:

- 1) Indregningsmetoderne og målegrundlag for aktiver og forpligtelser, herunder om, hvorvidt renter indregnes i kostprisen, og efter hvilke metoder og grundlag der foretages op-, ned- og afskrivninger samt op- og nedreguleringer. Herunder skal nævnes:
 - a) For finansielle aktiver og forpligtelser, der måles til kapitalværdi eller amortiseret kostpris, skal forudsætningerne for den valgte beregningsmetode oplyses.
 - b) For investeringsaktiver og biologiske aktiver, der måles til dagsværdi efter § 38, skal forudsætningerne for den valgte beregningsmetode oplyses.
 - c) Afskrivningsmetode, skøn over restværdi og brugstid i forbindelse med afskrivning af anlægsaktiver. Overstiger afskrivningsperioden for immaterielle anlægsaktiver 5 år, skal det oplyses og begrundes konkret og fyldestgørende.
 - d) Metoder for indregning og måling af nettoomsætning, uanset om virksomheden undlader at oplyse nettoomsætningen, jf. § 32.

- 2) Metoderne for omregning fra fremmede valutaer til den valgte monetære enhed.
- 3) Metoderne efter § 50 for sikring af værdien af aktiver og forpligtelser samt metoderne for sikring af aktiver og forpligtelser, som virksomheden forventer at modtage henholdsvis påtage sig.
- 4) Hvis forslag til udbytte indregnes som forpligtelse efter § 48.
- 5) Andelsvirksomheders behandling af efterbetaling fra og tilbagebetaling til andelshavere.

§ 54. Ændres regnskabsmæssige skøn, jf. § 52, skal de ændrede skøn forklares, ligesom den beløbsmæssige indvirkning på aktiver, passiver, den finansielle stilling og resultatet så vidt muligt skal oplyses. Tilsvarende gælder, hvis indregning og måling af aktiver og forpligtelser ændres som følge af fejl, herunder fundamentale fejl.

§ 55. Er sammensætningen af virksomhedens aktiviteter ændret i løbet af regnskabsåret, skal der gives oplysninger, der muliggør en sammenligning af virksomheden år for år. Oplysningerne kan dog undlades, hvis sammenligningstallene for balancen og resultatopgørelsen tilpasses de i regnskabsåret skete ændringer.

Stk. 2. Kan beløb for regnskabsåret og det foregående år ikke sammenlignes, eller er beløbene tilpasset, skal den manglende sammenlignelighed henholdsvis den foretagne tilpasning anføres samt begrundes konkret og fyldestgørende.

Bevægelser på egenkapitalen

§ 56. Virksomheden skal oplyse om bevægelser på egenkapitalen i en summarisk egenkapitalopgørelse, jf. stk. 2 og 3, eller i en fuldstændig egenkapitalopgørelse, jf. stk. 4. Indholdet af bevægelserne i egenkapitalopgørelsen efter stk. 2 og 3 eller 4 skal fremgå af benævnelsen eller af noterne.

Stk. 2. Den summariske egenkapitalopgørelse skal for den samlede egenkapital indeholde oplysning om

- 1) størrelsen primo regnskabsåret,
- 2) tilgang i løbet af regnskabsåret,
- 3) afgang i løbet af regnskabsåret og
- 4) størrelsen ultimo regnskabsåret.

Stk. 3. I opgørelsen efter stk. 2 skal særskilt fremgå til- og afgang i posten »Reserve for opskrivninger« samt beløb, som indregnes direkte på egenkapitalen i henhold til § 49, stk. 2, nr. 3 og 4. Endvidere skal ledelsens forslag til beslutning om anvendelse af overskud eller dækning af tab fremgå af opgørelsen, hvis dette ikke er oplyst i tilknytning til resultatopgørelsen, jf. § 31.

Stk. 4. Den fuldstændige egenkapitalopgørelse skal for hver post under egenkapitalen indeholde de i stk. 2 nævnte oplysninger. For virksomhedskapitalen skal de i stk. 2 nævnte oplysninger gives for de 4 foregående regnskabsår, hvis der i denne periode har været bevægelser på posten.

Aktiver

§ 57. (Ophævet).

§ 58. Op- eller nedskriver virksomheden aktiver, som ikke løbende reguleres til dagsværdi, jf. §§ 37 og 38, skal følgende beløb oplyses:

- 1) For anlægsaktiver, forskellen mellem de enkelte opskrevne posters værdi og den værdi, posten ville have haft, hvis opskrivning ikke havde været foretaget.
- 2) Årets tilbageførsler af op- og nedskrivninger på omsætningsaktiver.
- 3) Årets nedskrivninger af omsætningsaktiver, som overstiger normale nedskrivninger.

§ 59. Indregner virksomheden rentekomkostninger som en del af kostprisen for aktiver, skal rentebeløbet oplyses for hver post.

§ 60. Har virksomheden valgt at indregne aktiver, der ikke ejes af virksomheden, skal det oplyses, hvilke indregnede aktiver der ikke ejes af virksomheden, og med hvilken værdi de er indregnet.

§ 61. (Ophævet).

§ 62. Andelsvirksomheder skal angive den samlede efterbetaling fra eller tilbagebetaling til andelshaverne.

Forpligtelser og eventualforpligtelser

§ 63. Der skal oplyses om den del af virksomhedens samlede gæld, der forfalder til betaling mere end 5 år efter balancetidspunktet.

§ 64. Virksomheden skal oplyse om sine eventualforpligtelser. Herunder skal den angive beløbene for henholdsvis pensions-, kautions- og garantiforpligtelser, diskonterede vekslere og andre eventualforpligtelser, som ikke er indregnet i balancen. Oplysningerne skal gives for hver kategori.

Stk. 2. Har virksomheden indgået leje- eller leasingkontrakter, skal forpligtelserne i henhold til kontrakterne særskilt angives, medmindre de er indregnet i balancen.

Stk. 3. De i stk. 1 og 2 omhandlede forpligtelser over for en modervirksomhed og dennes øvrige dattervirksomheder skal oplyses særskilt, specificeret for hver kategori.

Stk. 4. Har virksomheden stillet pant eller anden sikkerhed i aktiver, skal den oplyse dette og herunder angive det samlede omfang af pantsætningerne samt de pantsatte aktivers samlede regnskabsmæssige værdi.

§ 65. (Ophævet).

Klassifikation

§ 66. Arabertalsposter, der er sammendraget for at fremme overskueligheden, skal anføres særskilt i noterne. De tilsvarende beløb for det foregående regnskabsår skal anføres.

§ 67. Hvis et aktiv eller passiv henhører under flere poster i skemaerne, jf. bilag 2, skema 1 eller 2, skal dets forbindelse med andre poster oplyses i noterne eller i tilknytning til posterne.

Nærtstående parter m.v.

§ 68. (Ophævet).

§ 69. (Ophævet).

§ 70. Er en erhvervsdrivende fond ved en vedtægtsbestemmelse eller aftale knyttet til en erhvervsdrivende virksomhed eller en anden fond, skal der redegøres herfor.

§ 71. Virksomheden skal oplyse navn og hjemsted for de modervirksomheder, der udarbejder koncernregnskab for den største henholdsvis mindste koncern, hvori virksomheden indgår som dattervirksomhed. Det skal endvidere oplyses, hvor de pågældende udenlandske modervirksomheders koncernregnskaber kan rekvireres.

§ 72. Virksomheden skal oplyse navn, hjemsted og retsform for hver dattervirksomhed, associeret virksomhed og for hvert interessent- eller kommanditselskab, i hvilket virksomheden er interessent eller komplementar.

Stk. 2. Virksomheden skal endvidere for hver dattervirksomhed og associeret virksomhed oplyse,

1) hvor stor en andel virksomheden ejer og

2) størrelsen af egenkapital og resultat ifølge den senest godkendte årsrapport.

Stk. 3. Oplysningerne om egenkapital og resultat i stk. 2, nr. 2, kan undlades, hvis

1) den pågældende datter- eller associerede virksomhed ikke er forpligtet til at offentliggøre årsrapport og virksomheden ejer mindre end 50 pct. af egenkapitalen,

2) den pågældende datter- eller associerede virksomheds regnskab indgår ved konsolidering i virksomhedens koncernregnskab eller

3) virksomheden indregner kapitalandelene i den pågældende datter- eller associerede virksomhed til dennes regnskabsmæssige indre værdi.

Stk. 4. Oplysningerne i stk. 1 kan udelades, hvis de kan volde betydelig skade for virksomheden selv eller de i stk. 1 omhandlede virksomheder. Udeladelse af oplysninger af denne grund skal nævnes.

§ 73. Har et aktieselskab, et anpartsselskab, et partnerselskab (kommanditaktieselskab) eller en erhvervsdrivende fond et tilgodehavende hos medlemmer af ledelsen, skal virksomheden angive summen af disse tilgodehavender fordelt på hver ledelseskategori. For hver kategori skal angives de væsentligste vilkår, herunder rentefod, og de beløb, der er tilbagebetalt i året. Er et lån optaget og indfriet i årets løb, skal det oplyses særskilt.

Stk. 2. Stk. 1 finder tilsvarende anvendelse for sikkerhedsstillelser, der er sket for den nævnte personkreds.

Stk. 3. Stk. 1 og 2 finder tilsvarende anvendelse for ledelsesmedlemmer i modervirksomheder.

Stk. 4. Stk. 1-3 finder tilsvarende anvendelse for personer, der står de omhandlede ledelsesmedlemmer særligt nær.

§ 74. Aktieselskaber, der i henhold til aktieselskabslovens §§ 28 a og 28 b skal føre en særlig fortegnelse over aktiebesiddelser i selskabet, skal oplyse, hvem der på tidspunktet for årsrapportens aflæggelse er optaget i den særlige fortegnelse, med angivelse af fulde navn og bopæl eller for virksomheders vedkommende hjemsted.

Virksomhedskapitalen m.v.

§ 75. Består virksomhedskapitalen i et aktie- eller anpartsselskab af flere klasser, skal disse specificeres. Antallet af aktier eller anparter og deres pålydende værdi skal angives for hver klasse. For aktieselskaber skal i alle tilfælde angives antal og pålydende værdi.

Stk. 2. De faktiske omkostninger ved stiftelse af et aktieselskab og ved forhøjelse af aktiekapitalen skal oplyses i førstkomende årsrapport.

§ 76. Ejer en virksomhed egne kapitalandele, skal den oplyse

1) antal og pålydende værdi med angivelse af procentdel af virksomhedskapitalen af egne kapitalandele i virksomhedens beholdning,

2) antal og pålydende værdi med angivelse af procentdel af virksomhedskapitalen af de egne kapitalandele, der er erhvervet henholdsvis afhændet i regnskabsåret, samt størrelsen af den samlede købesum henholdsvis salgssum og

3) årsagen til regnskabsårets erhvervelser af egne kapitalandele.

Stk. 2. Tilsvarende oplysninger skal gives for de egne kapitalandele, virksomheden har erhvervet til sikkerhed.

Virksomhedens væsentligste aktiviteter

§ 76 a. Der skal gives en beskrivelse af virksomhedens væsentligste aktiviteter. Udarbejder virksomheden ledelsesberetning, jf. § 77, kan beskrivelsen af disse placeres i ledelsesberetningen.

Ledelsesberetning

§ 77. Er der sket væsentlige ændringer i virksomhedens aktiviteter og økonomiske forhold, skal årsregnskabet suppleres med en ledelsesberetning, der redegør for disse ændringer.

Afsnit IV

Regnskabsklasse C

Kapitel 9

Udarbejdelse af årsrapport

Generelle bestemmelser

§ 78. En virksomhed, der er omfattet af regnskabsklasse C, skal udarbejde en årsrapport, der i det mindste består af en ledelsespåtegning, balance, resultatopgørelse, pengestrømsopgørelse, noter, herunder redegørelse for anvendt regnskabspraksis og opgørelse over bevægelserne i egenkapitalen, samt en ledelsesberetning. Når et årsregnskab og et eventuelt koncernregnskab er revideret, indgår revisionspåtegningen m.v. i årsrapporten, jf. § 135, stk. 1 og 5. Ud over reglerne i §§ 11-17 finder § 19, stk. 1 og 3, og § 20, stk. 2, anvendelse. Endvidere finder reglerne i §§ 23-76 og 79-101 anvendelse. Kommer regler i §§ 23-76 i strid med regler i §§ 79-101, har reglerne i §§ 79-101 forrang. Ønsker virksomheden at aflægge årsrapport efter internationale regnskabsstandarder, finder § 137 anvendelse.

Stk. 2. Hvis en modervirksomheds oplysninger er de samme som koncernens oplysninger, kan modervirksomheden undlade at give oplysningerne i sit eget årsregnskab og ledelsesberetning.

Stk. 3. Første gang en virksomhed, der har været omfattet af regnskabsklasse A eller B, aflægger årsrapport efter reglerne i regnskabsklasse C, kan virksomheden benytte sig af følgende lempelser:

- 1) Ved indregning af omkostninger, der kun indirekte kan henføres til et fremstillet anlægs- eller omsætningsaktiv, jf. § 82, kan virksomheden nøjes med at tillægge disse indirekte omkostninger til aktiver, der fremstilles fra og med regnskabsåret.
- 2) Indregning af immaterielle aktiver i form af udviklingsprojekter, jf. § 83, kan ske således, at alene forhold, der opstår fra og med regnskabsåret, indgår.
- 3) Indregning af aktiver, der ikke ejes af virksomheden, jf. § 83 a, kan ske således, at alene forhold, der opstår fra og med regnskabsåret, indgår.
- 4) Indregning efter produktionsmetoden, jf. § 83 b, kan ske således, at alene forhold, der opstår fra og med regnskabsåret, indgår.
- 5) For de poster i årsregnskabet, som påvirkes af ændringer i indregningsmetoder og målegrundlag, kan sammenligningstal efter § 24 og § 101, stk. 1, nr. 2, for perioder, der ligger før regnskabsåret, opgøres efter de hidtil anvendte metoder.

Klassifikation og opstilling

§ 79. Resultatopgørelsen skal opstilles i overensstemmelse med bilag 2, skema 5 eller 6.

§ 80. Virksomheden skal oplyse om de aktiviteter (ophørende aktiviteter), der i henhold til en samlet plan skal afhændes, lukkes eller opgives, forudsat de kan udskilles fra de øvrige aktiviteter. Herunder skal så vidt muligt oplyses, med hvilke beløb de ophørende aktiviteter indgår i posterne »Nettoomsætning«, »Årets resultat«, »Anlægsaktiver« og »Omsætningsaktiver«, jf. dog § 81, for så vidt angår nettoomsætning.

§ 81. § 32 om undtagelser for oplysning om nettoomsætning m.v. gælder ikke for store virksomheder. Disse skal derfor i resultatopgørelsen vise nettoomsætningen tillige med de i bilag 2, skema 5, opregnede poster nr. 2-5 eller de i bilag 2, skema 6, opregnede poster nr. 2, 3 og 6.

Kapitel 10

Indregning og måling

Balancen

§ 82. Virksomheden skal i kostprisen for de anlægs- og omsætningsaktiver, den har fremstillet, jf. §§ 40 og 44, indregne de omkostninger, der indirekte kan henføres til det pågældende produkt, hvis omkostningerne vedrører fremstillingsperioden.

§ 83. Store virksomheder skal indregne udviklingsprojekter, der tilsigter at udvikle et bestemt produkt eller en bestemt proces, som virksomheden har til hensigt at fremstille henholdsvis benytte i produktionen. Herunder hører patenter, koncessioner og andre immaterielle aktiver, som følger af et udviklingsprojekt.

§ 83 a. Virksomheden skal indregne aktiver, der ikke ejes af virksomheden, når virksomheden har alle væsentlige risici og fordele forbundet med ejendomsretten over aktivet.

Resultatopgørelse

§ 83 b. Virksomheder, der i henhold til aftale udfører entreprisarbejder eller serviceopgaver for fremmed regning, skal indregne indtægter og omkostninger i takt med arbejdernes udførelse efter produktionsmetoden.

§ 84. (Ophævet).

§ 85. (Ophævet).

Pengestrømsopgørelsen

§ 86. I pengestrømsopgørelsen skal ind- og udbetalinger indregnes på betalingstidspunktet, uanset hvornår indregningen sker i resultatopgørelsen eller balancen.

Stk. 2. Pengestrømsopgørelsen skal i det mindste vise periodens pengestrømme fordelt på drifts-, investerings- og finansieringsaktiviteterne. Endvidere skal pengestrømsopgørelsen særskilt vise regnskabsårets forskydninger i likvider samt likviderne ved periodens begyndelse og slutning.

Stk. 3. De tilsvarende beløb for posterne i det foregående regnskabsår skal anføres. Er posterne ikke direkte sammenlignelige med det foregående års poster, skal sidstnævnte tilpasses. Virksomheden kan dog undlade at tilpasse sammenligningstal, hvis den manglende sammenlignelighed skyldes ændringer i virksomhedens aktiviteter. Poster i pengestrømsopgørelsen, som ikke indeholder noget beløb for regnskabsåret, skal kun medtages, hvis den foregående årsrapport indeholder en sådan post.

Stk. 4. En virksomhed kan undlade selv at udarbejde en pengestrømsopgørelse, hvis denne er indeholdt i en pengestrømsopgørelse for koncernen.

Kapitel 11

Oplysninger

Noteoplysninger

Anvendt regnskabspraksis

§ 87. Ud over de i § 53 krævede oplysninger skal redegørelsen for anvendt regnskabspraksis oplyse:

- 1) Indregningsmetoder og målegrundlag for indirekte produktionsomkostninger, der indregnes under aktiver.
- 2) Indregningsmetoder og målegrundlag for kapitalandele i dattervirksomheder og associerede virksomheder.
- 3) Indregningsmetoder og målegrundlag for pengestrømsopgørelsen, herunder oplysning om, hvad virksomheden henregner til likvider. Det skal særskilt oplyses, hvis virksomheden har undladt at udarbejde pengestrømsopgørelse i medfør af § 86, stk. 4.
- 4) Metoder til opgørelse af nøgletal, der indgår i ledelsesberetningen.

Bevægelser på egenkapitalen

§ 87 a. Virksomheden skal udarbejde en fuldstændig egenkapitalopgørelse i overensstemmelse med § 56, stk. 4, jf. stk. 1, 2. pkt.

Aktiver

§ 88. For hver post under anlægsaktiver skal kostpris, opskrivninger samt ned- og afskrivninger oplyses således:

- 1) Kostprisen:
 - a) Kostprisen ved det foregående regnskabsårs slutning uden op-, ned- og afskrivninger,
 - b) tilgang i årets løb, herunder forbedringer,
 - c) afgang i årets løb,
 - d) overførsler i årets løb til andre poster og
 - e) den samlede kostpris på balancetidspunktet.
- 2) Opskrivninger:
 - a) Opskrivninger ved det foregående regnskabsårs slutning,
 - b) årets opskrivninger,
 - c) årets tilbageførsler af tidligere års opskrivninger og
 - d) de samlede opskrivninger på balancetidspunktet.
- 3) Ned- og afskrivninger:
 - a) Ned- og afskrivninger ved det foregående regnskabsårs slutning,
 - b) årets nedskrivninger,
 - c) årets afskrivninger,
 - d) årets ned- og afskrivninger på afhændede og udrangerede aktiver,
 - e) årets tilbageførsler af tidligere års nedskrivninger samt tilbageførsel af de samlede af- og nedskrivninger på aktiver, der i året er afhændet eller udgået af driften, og
 - f) de samlede af- og nedskrivninger på balancetidspunktet.

Stk. 2. Stk. 1 finder med de fornødne tilpasninger anvendelse for hver post under anlægsaktiver, der løbende reguleres, jf. § 38.

§ 89. Virksomheden skal forklare de periodeafgrænsningsposter, der indgår som aktiver i balancen, jf. § 27, stk. 1.

Stk. 2. Afviger en varebeholdnings genanskaffelsesværdi fra kostprisen opgjort i overensstemmelse med §§ 44, 45 og 82, skal virksomheden for hver post oplyse forskelsbeløbet.

§ 90. (Ophævet).

§ 90 a. Virksomheden skal oplyse, hvilke indregnede aktiver der ikke ejes af virksomheden, og med hvilken værdi de er indregnet, jf. § 83 a.

§ 90 b. Store virksomheder skal oplyse karakteren og værdien af virksomhedens eventualaktiver.

Forpligtelser

§ 91. Virksomheden skal forklare

- 1) periodeafgrænsningsposter, der indgår som forpligtelser i balancen, jf. § 27, stk. 2, og
- 2) hensatte forpligtelser, jf. § 47.

§ 92. For hver post under gældsforpligtelser skal der gives oplysning om den del, der forfalder til betaling mere end 5 år efter balancetidspunktet.

§ 93. Har virksomheden optaget lån mod udstedelse af konvertible gældsbreve, skal der for hvert lån angives det udestående beløb, ombytningskursen og den fastsatte frist for ombytning til kapitalandele. Er der optaget lån mod obligationer eller mod andre gældsbreve med ret til rente, hvis størrelse helt eller delvis er afhængig af det udbytte, som virksomheden deklarerer, eller af årets overskud, skal der for hvert lån angives det udestående beløb samt den aftalte forrentning.

Stk. 2. Har en kreditor tilkendegivet at ville træde tilbage til fordel for alle virksomhedens andre kreditorer med henblik på dækning for deres tilgodehavender i virksomheden, skal der for hver forpligtelse, som er omfattet af tilbagetrædelsen, oplyses det udestående beløb, tidspunktet for forfald og eventuelle særlige vilkår for tilbagetrædelsen.

Eventualforpligtelser m.v.

§ 94. Har virksomheden stillet pant eller anden sikkerhed i aktiver, skal den angive omfanget af pantsætningerne og de pantsatte aktivers regnskabsmæssige værdi, specificeret for de enkelte poster.

§ 94 a. Virksomheden skal oplyse om arrangementer, som ikke er indregnet i balancen, herunder anvendelse af virksomheder eller aktiviteter til et specielt økonomisk, juridisk, skatte- eller regnskabsmæssigt formål, hvis oplysning herom er nødvendig for bedømmelsen af virksomhedens finansielle stilling.

Stk. 2. Oplysningerne efter stk. 1 skal omfatte karakteren af og det forretningsmæssige formål med arrangementerne. Store virksomheder skal tillige oplyse om de risici og fordele, der er forbundet med arrangementerne, og den finansielle indvirkning heraf.

Resultatopgørelsen

§ 95. Virksomheden skal forklare

- 1) ekstraordinære indtægter og omkostninger, jf. § 30, og
- 2) indtægter og omkostninger, der hidrører fra ændring af regnskabsmæssigt skøn, jf. § 52.

§ 96. Store virksomheder skal angive nettoomsætningens fordeling på forretningssegmenter og geografiske segmenter, hvis forretningssegmenterne henholdsvis de geografiske segmenter afviger indbyrdes. Ved fordelingen skal der tages hensyn til den måde, hvorpå salget

af de varer og tjenesteydelser, der indgår i virksomhedens ordinære drift, er tilrettelagt. Angivelserne kan udelades, hvis de kan volde betydelig skade for virksomheden. Udeladelsen skal begrundes. § 11, stk. 2, finder ikke anvendelse på oplysninger, der er udeladt efter 3. pkt.

Stk. 2. En stor virksomhed skal angive det samlede honorar for regnskabsåret til den revisionsvirksomhed, der udfører den lovpligtige revision, og til revisionsvirksomhedens dattervirksomheder. Oplysningen skal specificeres i honorar for lovpligtig revision af årsregnskabet, honorar for andre erklæringsopgaver med sikkerhed, honorar for skatterådgivning og honorar for andre ydelser. For de i 1. pkt. omhandlede beløb skal angives de tilsvarende beløb for det foregående regnskabsår.

Stk. 3. En virksomhed kan undlade at give oplysningerne efter stk. 2, hvis virksomhedens regnskab ved fuld konsolidering indgår i et koncernregnskab, hvori oplysningen gives for koncernen som helhed, og koncernregnskabet er udarbejdet af en modervirksomhed, der henhører under lovgivningen i et EU/EØS-land.

Nærtstående parter m.v.

§ 97. Virksomheden skal særskilt angive den samlede sikkerhedsstillelse, jf. § 94, for eventuelle dattervirksomheder og den samlede sikkerhedsstillelse for eventuelle andre tilknyttede virksomheder.

§ 98. Virksomheden skal give oplysninger efter § 76 for kapitalandele i virksomheden, der besiddes af dattervirksomhederne til eje eller sikkerhed, eller som er erhvervet eller afhændet af dattervirksomhederne i regnskabsåret.

§ 98 a. Virksomheden skal angive det gennemsnitlige antal beskæftigede i regnskabsåret.

Stk. 2. Virksomhedens personaleomkostninger skal specificeres i lønninger, pensioner og andre omkostninger til social sikring, medmindre dette fremgår af resultatopgørelsen.

Stk. 3. De tilsvarende oplysninger og beløb, jf. stk. 1 og 2, for det foregående regnskabsår skal angives.

§ 98 b. Virksomheden skal angive det samlede vederlag m.v. for regnskabsåret til nuværende og forhenværende medlemmer af ledelsen for deres funktion fordelt på hvert ledelsesorgan samt, hvor der ikke er udpeget et ledelsesorgan, for ejerne. Desuden skal virksomheden angive de samlede forpligtelser til at yde pension til de nævnte. Er der fastsat særlige incitamentsprogrammer for medlemmer af ledelsen, skal det oplyses, hvilken kategori af ledelsesmedlemmer programmet gælder for, hvilke ydelser programmet omfatter, og hvad der er nødvendigt for at kunne vurdere værdien heraf.

Stk. 2. De tilsvarende oplysninger og beløb for det foregående regnskabsår skal angives.

Stk. 3. Hvis oplysninger efter stk. 1 vil føre til, at der vises beløb for et enkelt medlem af en ledelseskategori, kan beløbene i stedet

- 1) angives samlet for to kategorier eller
- 2) udelades, hvis kun én kategori modtager vederlag m.v., pension eller særligt incitamentsprogram.

§ 98 c. Virksomheden skal oplyse om transaktioner med nærtstående parter, jf. stk. 2, hvis transaktionerne ikke er indgået på normale markedsvilkår. Oplysningerne skal omfatte beløbet for sådanne transaktioner, karakteren af forholdet til den nærtstående part og andre oplysninger om transaktionerne, som er nødvendige for at forstå virksomhedens finansielle stilling.

Stk. 2. Nærtstående parter defineres i overensstemmelse med definitionen i den internationale regnskabsstandard IAS 24, således som denne er vedtaget af Kommissionen i overensstemmelse med Europa-Parlamentets og Rådets forordning om anvendelse af internationale regnskabsstandarder, samt efterfølgende ændringer i definitionen, som vedtages af Kommissionen i overensstemmelse med den nævnte forordning.

Stk. 3. De i stk. 1 nævnte oplysninger kan undlades, hvis transaktionerne er indgået imellem virksomheden og en eller flere af virksomhedens helejede dattervirksomheder.

Stk. 4. Oplysninger om individuelle transaktioner efter stk. 1 kan grupperes efter deres karakter, medmindre særskilte oplysninger er nødvendige for at forstå virkningerne af transaktioner med nærtstående parter for virksomhedens finansielle stilling.

Stk. 5. Ud over de i stk. 1, 1. pkt., nævnte oplysninger skal virksomheden oplyse om de nærtstående parter, som har bestemmende indflydelse på virksomheden. Oplysningerne skal omfatte navn, bopæl, for virksomhedens vedkommende hjemsted, og grundlaget for den bestemmende indflydelse.

Ledelsesberetningen

§ 99. Ledelsesberetningen skal

- 1) beskrive virksomhedens hovedaktiviteter,
- 2) beskrive eventuel usikkerhed ved indregning eller måling, så vidt muligt med angivelse af beløb,
- 3) beskrive usædvanlige forhold, der kan have påvirket indregningen eller målingen, så vidt muligt med angivelse af beløb,
- 4) redegøre for udviklingen i virksomhedens aktiviteter og økonomiske forhold,
- 5) omtale betydningsfulde hændelser, som er indtruffet efter regnskabsårets afslutning,
- 6) beskrive virksomhedens forventede udvikling, herunder særlige forudsætninger og usikre faktorer, som ledelsen har lagt til grund for beskrivelsen,
- 7) beskrive virksomhedens videnressourcer, hvis de er af særlig betydning for den fremtidige indtjening,
- 8) beskrive de særlige risici ud over almindeligt forekommende risici inden for virksomhedens branche, herunder forretningsmæssige og finansielle risici, som virksomheden kan påvirkes af,
- 9) beskrive virksomhedens påvirkning af det eksterne miljø og foranstaltninger til forebyggelse, reduktion eller afhjælpning af skader herpå,
- 10) beskrive forsknings- og udviklingsaktiviteter i eller for virksomheden og
- 11) omtale filialer i udlandet.

Stk. 2. I det omfang det er nødvendigt for at forstå virksomhedens udvikling, resultat og finansielle stilling, skal store virksomheder endvidere supplere redegørelsen i henhold til stk. 1, nr. 4, med oplysninger om ikkefinansielle forhold, som er relevante for de specifikke aktiviteter, herunder oplysninger vedrørende miljø- og personaleforhold.

§ 99 a. Store virksomheder skal supplere ledelsesberetningen med en redegørelse for samfundsansvar, jf. stk. 2-7. Ved virksomheders samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og forretningsaktiviteter. Har virksomheden ikke politikker for samfundsansvar, skal dette oplyses i ledelsesberetningen.

Stk. 2. Redegørelsen skal indeholde oplysning om:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Stk. 3. Redegørelsen skal gives i tilknytning til ledelsesberetningen. Virksomheden kan dog i stedet vælge at give redegørelsen

- 1) i en supplerende beretning til årsrapporten, jf. § 14, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 1. pkt., eller

2) på virksomhedens hjemmeside, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 2. pkt.

Stk. 4. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten og revisors pligter i forhold til de oplysninger, som offentliggøres heri, jf. stk. 3, nr. 1. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar på virksomhedens hjemmeside, herunder regler om virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden, jf. stk. 3, nr. 2.

Stk. 5. For virksomheder, som udarbejder koncernregnskab, er det tilstrækkeligt, at oplysningerne efter stk. 1 og 2 gives for koncernen som helhed.

Stk. 6. En dattervirksomhed, som indgår i en koncern, kan undlade at medtage oplysningerne i sin egen ledelsesberetning, hvis

- 1) modervirksomheden opfylder oplysningskravene efter stk. 1 og 2 for den samlede koncern eller
- 2) modervirksomheden har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer.

Stk. 7. En virksomhed, som har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer, kan undlade at give de oplysninger, som er anført i stk. 1 og 2. Virksomheden skal oplyse i ledelsesberetningen, at den anvender denne undtagelse, og angive, hvor rapporten er offentligt tilgængelig.

§ 100. Ledelsesberetningen skal beskrive årets resultat sammenholdt med den forventede udvikling ifølge den senest offentliggjorte årsrapport og begrunde afvigelser i resultatet i forhold hertil.

§ 101. Ledelsesberetningen skal indeholde en oversigt over

- 1) årets nettoomsætning, resultat af ordinær primær drift, resultat af finansielle poster, resultat af ekstraordinære poster, årets resultat, balancesum, investeringer i materielle anlægsaktiver, egenkapital og de nøgletal, som efter virksomhedens forhold er nødvendige, og
- 2) de i nr. 1 nævnte tal for de fire foregående regnskabsår.

Stk. 2. På oversigten efter stk. 1 finder bestemmelserne i § 24, stk. 1, 2. og 3. pkt., og § 55, stk. 1 og 2, tilsvarende anvendelse, jf. dog stk. 3. For mellemstore virksomheder finder § 32 anvendelse på nettoomsætningen i stk. 1, nr. 1.

Stk. 3. Uanset stk. 2 kan en mellemstor virksomhed dog undlade at tilpasse sammenligningstal for 2.-4. foregående regnskabsår i oversigten efter stk. 1, hvis virksomheden har ændret regnskabspraksis. Der skal i så fald gives oplysning herom i tilknytning til oversigten med en overordnet omtale af, hvilken indvirkning den ændrede regnskabspraksis har på sammenligningstallene.

Stk. 4. En virksomhed, der er modervirksomhed i en koncern, kan undlade at vise den i stk. 1 nævnte oversigt i årsregnskabet, hvis virksomheden aflægger koncernregnskab, hvori der gives en oversigt efter stk. 1 for koncernen.

Afsnit V

Regnskabsklasse D

Kapitel 12

Udarbejdelse af årsrapport

Generelle bestemmelser

§ 102. En virksomhed, der er omfattet af regnskabsklasse D, skal udarbejde en årsrapport, der i det mindste består af en ledelsespåtegning, balance, resultatopgørelse, pengestrømsopgørelse, noter, herunder redegørelse for anvendt regnskabspraksis samt opgørelse over bevægelserne i egenkapitalen, samt en ledelsesberetning. Når et årsregnskab og et eventuelt koncernregnskab er revideret, indgår revisionspåtegningen m.v. i årsrapporten, jf. § 135, stk. 1 og 5. Reglerne i §§ 11-17, § 19, stk. 1 og 3, § 20, stk. 2, og §§ 23-76, §§ 79-95, § 96, stk. 1 og 2, §§ 97-101 og 103-108 finder anvendelse, jf. dog § 137. Kommer regler i §§ 23-76 i strid med regler i §§ 79-95, § 96, stk. 1 og 2, og §§ 97-101, har reglerne i §§ 79-95, § 96, stk. 1 og 2, og §§ 97-101 forrang. Kommer reglerne i §§ 23-76 eller §§ 79-95, § 96, stk. 1 og 2, og §§ 97-101 i strid med regler i §§ 103-108, har reglerne i §§ 103-108 dog forrang. Hvor reglerne i §§ 79-95, § 96, stk. 1 og 2, og §§ 97-101 indeholder forskelle i kravene til mellemstore og store virksomheder, skal en virksomhed, der er omfattet af regnskabsklasse D, uanset virksomhedens egen størrelse følge reglerne for store virksomheder.

Stk. 2. Hvis en modervirksomheds oplysninger er de samme som koncernens oplysninger, kan modervirksomheden undlade at give oplysningerne i sit eget årsregnskab og ledelsesberetning.

Stk. 3. (Ophævet).

Stk. 4. (Ophævet).

Klassifikation og opstilling

§ 103. Uanset virksomhedens størrelse skal resultatopgørelsen vise nettoomsætningen tillige med de i bilag 2, skema 5, opregnede poster nr. 2-5, eller de i bilag 2, skema 6, opregnede poster nr. 2, 3 og 6.

Oplysninger

§ 104. Virksomheden skal oplyse fulde navn og bopæl, for virksomheders vedkommende hjemstedet, samt den nøjagtige ejer- og stemmeandel for enhver, der besidder aktier i virksomheden, når aktierne stemmeret udgør mindst 5 pct. af aktiekapitalens stemmerettigheder eller deres pålydende værdi udgør mindst 5 pct. af aktiekapitalen, dog mindst 100.000 kr.

§ 105. Modervirksomheder skal oplyse, hvis ikke alle dattervirksomhedernes årsrapporter revideres af mindst en af modervirksomhedens revisorer, en af disses udenlandske samarbejdspartnere eller af en anerkendt international revisionsvirksomhed.

§ 106. Uanset § 98 b, stk. 3, skal virksomheden give de i § 98 b, stk. 1 og 2, omhandlede oplysninger om vederlag m.v. til ledelsesmedlemmer.

§ 106 a. Ud over oplysningerne i § 96, stk. 1, skal virksomheden vise opdelingen på forretningssegmenter eller geografiske segmenter, hvis forretningssegmenterne henholdsvis de geografiske segmenter afviger indbyrdes, af

- 1) det ordinære resultat før finansielle indtægter og omkostninger,
- 2) summen af de aktiver, der er anvendt i virksomhedens primære omsætningsskabende aktiviteter, og
- 3) summen af de forpligtelser, der er opstået som følge af virksomhedens primære omsætningsskabende aktiviteter.

Stk. 2. Opdelingen i stk. 1 skal vises for den af de to dimensioner af segmenter, forretning eller geografi, som i virksomhedens interne organisations- og ledelsesstruktur og dens interne økonomiske rapporteringssystem til bestyrelse og øverste ledelse er den primære.

Stk. 3. En virksomhed, der er modervirksomhed i en koncern, kan undlade at vise de i stk. 1 og 2 nævnte oplysninger i årsregnskabet, hvis virksomheden aflægger koncernregnskab, hvori der gives segmentoplysninger efter stk. 1 og 2.

Ledelsesberetningen

§ 107. Der skal oplyses om de ledeshverv, som virksomhedens bestyrelses- og direktionsmedlemmer beklæder i andre danske aktieselskaber, bortset fra ledeshverv i virksomhedens egne 100 pct. ejede datterselskaber. Er den pågældende medlem af ledelsen i såvel et andet dansk moderselskab som et eller flere af dets 100 pct. ejede danske datterselskaber, er det uanset 1. pkt. tilstrækkeligt at oplyse navnet på dette moderselskab og antallet af dets datterselskaber, hvori den pågældende er ledelsesmedlem.

Stk. 2. Har offentliggørelse af oplysninger om forventet udvikling fundet sted i årets løb, skal oplysningerne efter § 100 gives i forhold til den senest offentliggjorte beskrivelse.

§ 107 a. Et selskab, som har en eller flere aktieklasser med tilknyttede stemmerettigheder optaget til handel på et reguleret marked i et EU/EØS-land, skal supplere ledelsesberetningen med oplysninger, som skaber gennemsigtighed omkring selskabets forhold med det formål at fremme den frie omsætning af selskabets aktier. Oplysningerne skal omfatte følgende:

- 1) Forhold vedrørende selskabets kapitalstruktur og ejerforhold, herunder
 - a) antallet af aktier med tilknyttede stemmerettigheder og deres pålydende værdi,
 - b) andelen af aktier med tilknyttede stemmerettigheder, der ikke er optaget til handel på et reguleret marked i et EU/EØS-land,
 - c) specifikation af de forskellige aktieklasser som anført i § 75, stk. 1, hvis selskabet har flere aktieklasser, og
 - d) oplysning om ejerforhold og stemmeandel m.v. som anført i § 104.
- 2) Oplysninger, som er kendt af selskabet, om
 - a) rettigheder og forpligtelser, der knytter sig til hver aktieklasse,
 - b) begrænsninger i aktiernes omsættelighed og
 - c) stemmeretsbegrænsninger.
- 3) Regler for udpegning og udskiftning af medlemmer af selskabets bestyrelse og for ændring af selskabets vedtægter.
- 4) Bestyrelsens beføjelser, især hvad angår muligheden for at udstede aktier, jf. aktieselskabslovens § 37, stk. 1, eller for at erhverve egne aktier, jf. aktieselskabslovens § 48.
- 5) Væsentlige aftaler, som selskabet har indgået, og som får virkning, ændres eller udløber, hvis kontrollen med selskabet ændres som følge af et gennemført overtagelsestilbud, samt virkningerne heraf. Oplysningerne efter 1. pkt. kan dog undlades, hvis oplysningernes offentliggørelse vil være til alvorlig skade for selskabet, medmindre selskabet udtrykkeligt er forpligtet til at videregive sådanne oplysninger i henhold til anden lovgivning. Udeladelse af oplysninger efter 2. pkt. skal nævnes.
- 6) Aftaler mellem selskabet og dets ledelse eller medarbejdere, hvorefter disse modtager kompensation, hvis de fratræder eller afskediges uden gyldig grund eller deres stilling nedlægges som følge af et overtagelsestilbud.

Stk. 2. Selskaber, som er omfattet af stk. 1, kan undlade at give oplysninger efter § 75, stk. 1, og § 104 i noterne.

§ 107 b. En virksomhed, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal medtage en redegørelse for virksomhedsledelse, der omfatter følgende:

- 1) Oplysning om, hvorvidt virksomheden er omfattet af en kodeks for virksomhedsledelse, med henvisning til den kodeks, virksomheden i givet fald er omfattet af.
- 2) Angivelse af, hvor den i nr. 1 omhandlede kodeks er offentligt tilgængelig.
- 3) Angivelse af, hvilke dele af den i nr. 1 omhandlede kodeks virksomheden fraviger, og grundene hertil, hvis virksomheden har besluttet at fravige dele af kodeksen.
- 4) Angivelse af grundene til, at virksomheden ikke anvender den i nr. 1 omhandlede kodeks, hvis virksomheden har besluttet ikke at anvende kodeksen.
- 5) Henvisning til eventuelle andre kodekser for virksomhedsledelse, som virksomheden har besluttet at anvende i tillæg til eller i stedet for den i nr. 1 omhandlede kodeks, eller som virksomheden frivilligt anvender, med angivelse af tilsvarende oplysninger som de i nr. 2 og 3 anførte.
- 6) Beskrivelse af hovedelementerne i virksomhedens interne kontrol- og risikostyringssystemer i forbindelse med regnskabsaflæggelsesprocessen.
- 7) Beskrivelse af sammensætningen af virksomhedens ledelsesorganer og deres udvalg samt disses funktion.

Stk. 2. En virksomhed, som er omfattet af stk. 1, og som alene har andre værdipapirer end aktier optaget til handel på et reguleret marked i et EU/EØS-land, kan undlade at give de i stk. 1, nr. 1-5 og 7, nævnte oplysninger, medmindre den pågældende virksomhed har aktier optaget til handel i en multilateral handelsfacilitet i et EU/EØS-land. 1. pkt. gælder ikke for statslige aktieselskaber.

Stk. 3. Redegørelsen efter stk. 1 skal gives i sammenhæng med de i § 107 a nævnte oplysninger i ledelsesberetningen, jf. dog stk. 4.

Stk. 4. Erhvervs- og Selskabsstyrelsen kan bestemme, at redegørelsen efter stk. 1 ikke skal medtages i ledelsesberetningen, hvis ledelsesberetningen indeholder en henvisning til virksomhedens hjemmeside, hvor redegørelsen er offentliggjort. Erhvervs- og Selskabsstyrelsen fastsætter nærmere regler herom, herunder om virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden.

§ 107 c. Statslige aktieselskaber, som ikke har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal medtage en redegørelse for virksomhedsledelse, der omfatter følgende:

- 1) Oplysning om, hvorvidt selskabet anvender en kodeks for virksomhedsledelse, eller i benægtende fald hvordan selskabet i øvrigt forholder sig til god virksomhedsledelse.
- 2) Angivelse af, hvor den i nr. 1 omhandlede kodeks er offentligt tilgængelig.
- 3) Angivelse af, hvilke dele af den i nr. 1 omhandlede kodeks selskabet fraviger, og angivelse af grundene hertil, hvis selskabet har besluttet at fravige dele af kodeksen.
- 4) Angivelse af eventuelle andre kodekser for virksomhedsledelse, som selskabet har besluttet at anvende i tillæg til den i nr. 1 nævnte kodeks, med angivelse af tilsvarende oplysninger som de i nr. 2 og 3 anførte.

Stk. 2. § 107 b, stk. 1, nr. 6 og 7, finder tilsvarende anvendelse for statslige aktieselskaber, som ikke har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land. Endvidere finder § 107 b, stk. 4, anvendelse på disse selskaber.

Stk. 3. Er det statslige aktieselskab et datterselskab, som ikke har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, kan selskabet undlade at give de i stk. 1 og stk. 2, 1. pkt., anførte oplysninger.

Særlige regler for statslige aktieselskaber

§ 108. Erhvervsministeren kan fastsætte bestemmelser, der undtager fra de særlige regler, som gælder for statslige aktieselskaber, hvis dette er nødvendigt for at sikre en ligestilling mellem disse regler og de tilsvarende regler, som fastsættes for selskaber, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land.

Afsnit VI

Koncernregnskab samt regnskab for fusion m.v.

Kapitel 13

Pligt til at aflægge koncernregnskab

§ 109. Modervirksomheder, der er omfattet af § 3, stk. 1, skal aflægge koncernregnskab i overensstemmelse med reglerne i kapitel 14, jf. dog § 137, medmindre andet følger af §§ 110-112.

Stk. 2. Undtagelsen i § 110 finder ikke anvendelse på modervirksomheder, der er omfattet af regnskabsklasse D, eller hvis en dattervirksomhed af den pågældende modervirksomhed er omfattet af regnskabsklasse D. Endvidere finder undtagelsen i § 112 ikke anvendelse på modervirksomheder, der har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land.

§ 110. En modervirksomhed kan undlade at aflægge koncernregnskab, jf. dog § 109, stk. 2, hvis koncernvirksomhederne på balancetidspunktet tilsammen ikke overskrider to af følgende størrelser:

- 1) En balancesum på 36 mio. kr.,
- 2) en nettoomsætning på 72 mio. kr. og
- 3) et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 50.

Stk. 2. Beregningsreglerne i § 7, stk. 3, finder tilsvarende anvendelse på den samlede koncern, dog således at balancesum og nettoomsætning beregnes som summen af alle koncernvirksomhedernes balancesummer henholdsvis nettoomsætninger. Tilsvarende gælder med hensyn til det gennemsnitlige antal af heltidsbeskæftigede i regnskabsåret.

Stk. 3. Adgangen til at anvende bestemmelsen i stk. 1 ændres kun, hvis virksomhederne på balancetidspunktet tilsammen har overskredet eller ikke længere overskrider to af de tre størrelser i to på hinanden følgende regnskabsår.

§ 111. En modervirksomhed, hvis dattervirksomheder alle udeholdes af konsolideringen i medfør af § 114, kan undlade at udarbejde koncernregnskab.

Stk. 2. Herudover kan en modervirksomhed, der er en erhvervsdrivende fond, undlade at udarbejde koncernregnskab, hvis

- 1) fonden kun har én dattervirksomhed,
- 2) fonden selv kun i begrænset omfang udøver erhvervsaktiviteter og
- 3) fonden, bortset fra konvertible gældsbreve og ikkebetalt udbytte eller udlodning, ikke har tilgodehavender hos eller har stillet sikkerhed for dattervirksomheden.

Stk. 3. Endvidere kan en modervirksomhed, der er en erhvervsdrivende fond, undlade at udarbejde koncernregnskab, hvis

- 1) fonden har flere dattervirksomheder og en af disse udarbejder et koncernregnskab, hvori den erhvervsdrivende moderfond er udeladt,
- 2) koncernregnskabet er udarbejdet efter årsregnskabsloven, Rådets direktiv 1983/349/EØF med senere ændringer eller regler, der i det mindste er ligeværdige med reglerne for konsoliderede årsregnskaber i det nævnte direktiv, og det er revideret af personer, der er autoriseret hertil i medfør af den nationale lovgivning, hvorunder dattervirksomheden, der har udarbejdet koncernregnskabet, henhører,
- 3) fonden selv kun i begrænset omfang udøver erhvervsaktiviteter,
- 4) fonden bortset fra konvertible gældsbreve og ikke udbetalt udbytte eller udlodning ikke har tilgodehavender hos eller har stillet sikkerhed for en af dattervirksomhederne,
- 5) det oplyses i fondens årsrapport, at fonden i medfør af denne undtagelse har undladt at udarbejde koncernregnskab, og
- 6) fonden til Erhvervs- og Selskabsstyrelsen indsender det i nr. 1 nævnte reviderede koncernregnskab sammen med sin egen årsrapport.

§ 112. En modervirksomhed kan undlade at aflægge koncernregnskab, jf. dog § 109, stk. 2, hvis den selv er en dattervirksomhed af en højere modervirksomhed, der henhører under lovgivningen i et EU/EØS-land, og

- 1) den højere modervirksomhed
 - a) besidder mindst 90 pct. af kapitalandelene i den lavere modervirksomhed og minoritetsdeltagerne over for denne modervirksomheds øverste ledelse har godkendt, at den ikke aflægger koncernregnskab, eller
 - b) besidder mindre end 90 pct. af kapitalandelene i den lavere modervirksomhed og dennes øverste ledelse ikke senest 6 måneder før regnskabsårets udløb fra minoritetsdeltagere, der ejer mindst 10 pct. af virksomhedskapitalen, har modtaget krav om aflæggelse af koncernregnskab, og
- 2) den højere modervirksomhed udarbejder koncernregnskab i overensstemmelse med lovgivningen i den medlemsstat, hvortil den højere modervirksomhed henhører, og koncernregnskabet er revideret af personer, der er autoriseret i medfør af denne medlemsstats lovgivning.

Stk. 2. En modervirksomhed kan endvidere undlade at aflægge koncernregnskab, jf. dog § 109, stk. 2, hvis den selv er en dattervirksomhed af en højere modervirksomhed, der henhører under lovgivningen i et land, der ikke henhører under den i stk. 1 nævnte lovgivning, og

- 1) den lavere modervirksomheds øverste ledelse ikke senest 6 måneder før regnskabsårets udløb fra minoritetsdeltagere har modtaget krav om aflæggelse af koncernregnskab, og
- 2) den højere modervirksomhed udarbejder koncernregnskab i overensstemmelse med Rådets direktiv 1983/349/EØF med senere ændringer eller efter regler, der i det mindste er ligeværdige med reglerne for konsoliderede årsregnskaber i det nævnte direktiv, og er revideret af personer, der er autoriseret i medfør af den nationale lovgivning, hvorunder den højere modervirksomhed henhører.

Stk. 3. For de i stk. 1 og 2 omhandlede undtagelser kræves endvidere, at

- 1) den lavere modervirksomheds eget og dens dattervirksomheders regnskaber ved fuld konsolidering eller ved indregning og måling til regnskabsmæssig indre værdi indgår i koncernregnskabet for den højere modervirksomhed, jf. dog § 114,
- 2) den lavere modervirksomhed i sit årsregnskab oplyser, at den i medfør af stk. 1 henholdsvis stk. 2 har undladt at udarbejde sit eget koncernregnskab, og oplyser navn, hjemsted og eventuelt CVR-nummer eller registreringsnummer for den højere modervirksomhed, og
- 3) den lavere modervirksomhed til Erhvervs- og Selskabsstyrelsen indsender det i stk. 1 henholdsvis stk. 2 nævnte koncernregnskab samt de oplysninger, styrelsen måtte kræve, jf. § 147.

§ 113. Hvis en modervirksomhed kan undlade at aflægge koncernregnskab, men alligevel aflægger et sådant, der ikke udelukkende anvendes til virksomhedens eget brug, finder bestemmelserne om koncernregnskaber i kapitel 14 anvendelse. Dog kan modervirksomheden anvende reglerne for årsregnskaber i regnskabsklasse B på koncernregnskabet, hvis den kunne undlade at aflægge koncernregnskab efter § 110. Kapitalandele i

associerede virksomheder skal dog i koncernregnskabet indregnes og måles til disse virksomheders indre værdi ved anvendelse af bestemmelserne i § 43 a, stk. 2-6.

Kapitel 14

Koncernregnskabet indhold

Omfattet af konsolideringen

§ 114. Medmindre andet følger af denne paragraf, skal alle koncernvirksomhedernes regnskaber indgå i koncernregnskabet ved fuld konsolidering.

Stk. 2. En koncernvirksomhed kan holdes ude af konsolideringen, hvis

- 1) den er en dattervirksomhed og betydelige og vedvarende hindringer i væsentlig grad begrænser modervirksomhedens udøvelse af sine rettigheder over dattervirksomhedens aktiver eller ledelse,
- 2) den er en dattervirksomhed, og de nødvendige oplysninger ikke kan indhentes inden for en rimelig frist eller uden uforholdsmæssigt store omkostninger,
- 3) den er en dattervirksomhed, der ikke tidligere har indgået i koncernregnskabet ved konsolidering, og modervirksomheden udelukkende besidder kapitalandelen i dattervirksomheden med henblik på efterfølgende at overdrage den eller
- 4) den er en erhvervsdrivende moderfond, der selv kun i begrænset omfang udøver erhvervsaktiviteter og ikke, bortset fra konvertible gældsbreve og ikkeudbetalt udbytte, har tilgodehavender hos eller har stillet sikkerhed for nogen af sine dattervirksomheder.

Stk. 3. (Ophævet).

Generelle krav til koncernregnskabet (konsolideringen)

§ 115. Koncernregnskabet skal vise de konsoliderede virksomheders aktiver og passiver, deres finansielle stilling samt deres resultat, som om de tilsammen var en enkelt virksomhed.

§ 116. Koncernregnskabet skal have samme balancedag som modervirksomhedens årsregnskab.

Stk. 2. Ligger en konsolideret dattervirksomheds balancedag tre måneder eller mindre forud for modervirksomhedens balancedag, kan dattervirksomheden indgå i konsolideringen på grundlag af sit årsregnskab. Ligger en konsolideret dattervirksomheds balancedag mere end tre måneder forud for modervirksomhedens balancedag, skal dattervirksomheden indgå i koncernregnskabet på grundlag af et særligt regnskab udarbejdet efter denne lovs bestemmelser pr. modervirksomhedens balancedag.

Sammendrag

§ 117. Ved konsolideringen sammendrages regnskaberne, således at ensartede indtægter og omkostninger samt aktiver og passiver sammenlægges. Der skal foretages de tilpasninger, der er nødvendige på grund af de særlige forhold, som gælder for koncernregnskaber til forskel fra årsregnskaber.

Stk. 2. Koncernvirksomheder, for hvilke koncernforholdet er etableret i løbet af regnskabsåret, må kun indgå i sammendraget med indtægter og omkostninger af de transaktioner og forhold, der er opstået efter tidspunktet for koncernforholdets etablering.

Stk. 3. Koncernvirksomheder, for hvilke koncernforholdet ophører i løbet af regnskabsåret, må kun indgå i sammendraget med indtægter og omkostninger af de transaktioner og forhold, der er opstået indtil tidspunktet for koncernforholdets ophør.

Klassifikation

§ 118. Koncernregnskabet balance, resultatopgørelse og pengestrømsopgørelse skal opstilles efter reglerne for årsregnskaber i regnskabsklasse C, jf. § 78, medmindre andet følger af 2. pkt. eller stk. 2-4. Hvis modervirksomheden skal følge reglerne for årsregnskaber i regnskabsklasse D, jf. § 102, skal koncernregnskabet også følge disse regler, medmindre andet følger af stk. 2-4.

Stk. 2. Kapitalandele i, tilgodehavender hos eller gæld til ikke konsoliderede dattervirksomheder, henholdsvis associerede virksomheder, opføres som særskilte poster i koncernregnskabet balance.

Stk. 3. Den konsoliderede egenkapital kan opstilles således, at kun de poster vises, der er nødvendige for at opnå et retvisende billede som anført i § 11, stk. 1.

Stk. 4. Minoritetsinteressernes forholdsmæssige andel af dattervirksomhedernes egenkapital opføres som en særskilt hovedpost mellem »Egenkapital« og »Forpligtelser«. Minoritetsinteressernes forholdsmæssige andel af dattervirksomhedernes resultat opføres som en særskilt post i resultatopgørelsen.

Indregning og måling

§ 119. De af konsolideringen omfattede aktiver og passiver samt indtægter og omkostninger indregnes og måles efter ensartede metoder i overensstemmelse med reglerne for årsregnskaber i regnskabsklasse C, jf. §§ 33-52, 78 og 82-83 b. Kapitalandele i associerede virksomheder skal dog indregnes og måles efter indre værdis metode, jf. § 43 a, stk. 2-6.

Stk. 2. I koncernregnskabet anvendes så vidt muligt de samme metoder for indregning og grundlag for måling som i modervirksomhedens årsregnskab. Anvender konsoliderede dattervirksomheder andre metoder og grundlag i deres eget årsregnskab, udarbejdes et nyt regnskab med henblik på koncernregnskabet, hvori der indregnes og måles i overensstemmelse med de i dette anvendte metoder og grundlag.

Eliminering

§ 120. Følgende poster skal elimineres:

- 1) Tilgodehavender og forpligtelser mellem de konsoliderede virksomheder,
- 2) indtægter og omkostninger som følge af transaktioner mellem de konsoliderede virksomheder og
- 3) gevinster og tab som følge af transaktioner mellem de konsoliderede virksomheder, som indgår i posternes bogførte værdi.

Stk. 2. Bestemmelsen i stk. 1, nr. 3, kan i særlige tilfælde fraviges, hvis transaktionen er sket på normale vilkår i et velfungerende marked og elimineringen desuden ville medføre uforholdsmæssigt store omkostninger.

Koncernetablering

§ 121. Når intet andet fremgår, behandles etablering af et koncernforhold mellem to virksomheder ved overtagelsesmetoden, jf. § 122.

Stk. 2. Er de to virksomheder ved etableringen af koncernforholdet begge underlagt en modervirksomhed i et koncernforhold, eller er begge i øvrigt underlagt den samme interessens bestemmende indflydelse, kan koncernetableringen behandles efter sammenlægningsmetoden, jf. § 123.

Stk. 3. Sammenlægningsmetoden efter § 123 kan endvidere finde anvendelse, hvis modervirksomheden ved etableringen af koncernforholdet

- 1) har samme dagsværdi som dattervirksomheden,
- 2) efter erhvervelsen besidder mindst 90 pct. af stemmerettighederne og af den pålydende værdi af den erhvervede virksomheds virksomhedskapital og
- 3) har opnået besiddelsen i kraft af en ordning, der indebærer, at
 - a) hverken de hidtidige virksomhedsdeltagere tilsammen eller de virksomhedsdeltagere tilsammen, der ved ordningen har modtaget kapitalandele i bytte for deres rettigheder i dattervirksomheden, får bestemmende indflydelse over modervirksomheden,
 - b) de hidtidige virksomhedsdeltagere og de virksomhedsdeltagere, der ved ordningen har modtaget kapitalandele i bytte for deres rettigheder over dattervirksomheden, skal have samme rettigheder og
 - c) det kontante vederlag ikke overstiger 10 pct. af den pålydende værdi af de modtagne kapitalandele.

Virksomhedsovertagelse

§ 122. Etableres koncernforholdet ved overtagelse af en virksomhed, indregnes og måles aktiver og forpligtelser på erhvervestidspunktet i den erhvervede virksomhed til dagsværdi i koncernregnskabet, uanset de før erhvervelsen ikke havde været indregnet i virksomhedens balance. Herunder skal forventede omkostninger til omstrukturering i den erhvervede virksomhed indregnes som hensatte forpligtelser.

Stk. 2. De konsoliderede virksomheders kapitalandele i en konsolideret dattervirksomhed, målt til kostpris, udlignes med de konsoliderede virksomheders forholdsmæssige andel af dattervirksomhedens nettoaktiver, målt til dagsværdi, jf. stk. 1. Udligningen sker på tidspunktet for koncernetableringen.

Stk. 3. Et efter stk. 2 fremkommet positivt forskelsbeløb behandles som goodwill, jf. § 43. Et efter stk. 2 fremkommet negativt forskelsbeløb indregnes som en særskilt periodeafgrænsningspost under forpligtelser med en passende benævnelse. Beløbet indregnes i resultatopgørelsen i takt med realiseringen af de forhold, som ligger til grund for forskelsbeløbet, dog højst over 20 år.

Stk. 4. Kapitalandele i en modervirksomhed, der besiddes af en konsolideret virksomhed, udlignes ikke, men behandles som egne kapitalandele.

Virksomhedssammenlægninger

§ 123. Efter sammenlægningsmetoden aflægges koncernregnskabet for den periode, hvori sammenlægningen er sket, som om virksomhederne havde været sammenlagt fra og med den tidligste regnskabsperiode, der indgår i regnskabet. Forskellen mellem det beløb, der vederlægges som virksomhedskapital, samt eventuel overkurs med tillæg af et eventuelt kontant vederlag og den regnskabsmæssige indre værdi i dattervirksomheden tillægges henholdsvis fratrækkes på tydelig vis i de reserver, der kan anvendes til at dække underskud.

Pro rata-konsolidering

§ 124. En virksomhed, som virksomheden leder sammen med en eller flere andre virksomheder, kan indgå i koncernregnskabet ved pro rata-konsolidering.

Stk. 2. Posterne i den fælles ledede virksomhed medtages i forhold til de konsoliderede virksomheders andel af virksomhedens egenkapital og resultat. I øvrigt finder reglerne om konsolidering m.v. i §§ 115-122 anvendelse med de fornødne tilpasninger.

Noteoplysninger

Redegørelse for anvendt regnskabspraksis

§ 125. Koncernregnskabet redegørelse for anvendt regnskabspraksis og noterne skal oplyse om koncernen, som om de konsoliderede virksomheder tilsammen var én virksomhed. §§ 53-55 og 87 finder tilsvarende anvendelse på koncernregnskabet oplysninger om koncernen. I stedet for oplysninger om den enkelte virksomheds beløb vises de konsoliderede virksomheders beløb tilsammen, konsolideret efter de samme metoder som gælder for koncernregnskabet.

Stk. 2. Af redegørelsen om anvendt regnskabspraksis skal endvidere fremgå:

- 1) Udeladelse af en koncernvirksomhed med konkret og fyldestgørende begrundelse.
- 2) En anden balancedag for en konsolideret dattervirksomhed end for modervirksomheden, jf. § 116, stk. 2, 1. pkt. Er der mellem de to balancedatoer indtruffet betydningsfulde hændelser, som har haft indflydelse på dattervirksomhedens aktiver og passiver, på dens finansielle stilling eller på resultatet, skal dette forklares.
- 3) Anvendelse af andre metoder til indregning og grundlag for måling end dem i modervirksomhedens årsregnskab samt en konkret og fyldestgørende begrundelse for at anvende andre metoder.
- 4) Manglende eliminerings efter § 120, stk. 2.

Stk. 3. I en særskilt del af redegørelsen for anvendt regnskabspraksis skal fremgå:

- 1) Hvis virksomheden har benyttet undtagelsen i § 114, stk. 2, nr. 4. I dette tilfælde skal koncernens resultat og egenkapital oplyses.
- 2) De resterende positive og negative forskelsbeløb efter §§ 122 og 123 samt de metoder, der er anvendt ved opgørelsen. Ændringer i forskelsbeløbene i forhold til forrige år skal forklares.

Andre noteoplysninger

§ 126. Følgende krav finder tilsvarende anvendelse på koncernregnskabet:

- 1) Oplysning om eventualforpligtelser m.v., jf. §§ 64, 94 og 94 a,
- 2) oplysning om nærtstående parter m.v., jf. § 71, § 98 a og § 98 c, stk. 1, 2 og 4,
- 3) oplysning om egne kapitalandele, jf. § 76, stk. 1, nr. 1,
- 4) opgørelse over bevægelserne på egenkapitalen, jf. § 87 a,
- 5) oplysning om anlægsaktiver, jf. § 88,
- 6) oplysning om eventualaktiver, jf. § 90 b,
- 7) oplysning om gældsforpligtelser, jf. § 92,
- 8) opdeling af nettoomsætningen på forretningssegmenter og geografiske segmenter, jf. § 96, stk. 1, og
- 9) oplysning om revisionshonorar, jf. § 96, stk. 2.

Stk. 2. Kravet om oplysninger om tilgodehavender og sikkerhedsstillelser hos og sikkerhedsstillelser for ledelsesmedlemmer i § 73 samt kravet om oplysninger om vederlag m.v. i § 98 b finder tilsvarende anvendelse på de samlede beløb til de af bestemmelserne omhandlede kategorier af ledelsesmedlemmer og virksomhedsdeltagere i modervirksomheden, som koncernvirksomhederne tilsammen har ydet.

Stk. 3. Kravet i § 106 finder tilsvarende anvendelse på oplysninger om ydelser efter § 98 b, jf. ovenstående stk. 2, hvis modervirksomheden er omfattet af regnskabsklasse D. Endvidere finder kravet i § 106 a tilsvarende anvendelse, hvis modervirksomheden er omfattet af regnskabsklasse D.

Stk. 4. Der skal gives oplysning om forskydningen i minoritetsinteressernes forholdsmæssige andel af dattervirksomhedernes egenkapital.

§ 127. For hver af de konsoliderede henholdsvis ikkekonsoliderede dattervirksomheder skal oplyses

- 1) navn og hjemsted,
- 2) hvor stor en andel af egenkapitalen der besiddes af koncernvirksomhederne tilsammen,
- 3) grundlaget for koncernforholdet, jf. bilag 1, B, nr. 4, medmindre det følger af nævnte nr. 4, punkt 1, (flertallet af stemmerettighederne) og koncernvirksomhedernes andel af dattervirksomhedens virksomhedskapital og stemmerettigheder er den samme,
- 4) en konkret og fyldestgørende begrundelse, hvis virksomheden er udeholdt af konsolideringen, jf. § 114, stk. 2, og
- 5) om den i § 123 omhandlede metode for kapitaludligning har været anvendt.

Stk. 2. For hver associeret virksomhed skal oplyses

- 1) navn og hjemsted,
- 2) hvor stor en andel af egenkapitalen der besiddes af koncernvirksomhederne tilsammen, og
- 3) om virksomheden er indregnet og målt efter andre metoder end den indre værdis metode, jf. § 119, stk. 1, 2. pkt., jf. § 43 a, stk. 6.

Stk. 3. For hver virksomhed, hvis regnskab indgår i en pro rata-konsolidering i medfør af § 124, skal oplyses

- 1) navn og hjemsted,
- 2) hvor stor en andel af egenkapitalen der besiddes af de konsoliderede virksomheder tilsammen, og
- 3) grundlaget for den fælles ledelse.

Stk. 4. Oplysningerne i stk. 1-3 kan udelades, hvis de kan volde betydelig skade for virksomheden selv eller de i stk. 1-3 omhandlede virksomheder. Udeladelse af oplysninger af denne grund skal nævnes.

Ledelsesberetningen

§ 128. Koncernens ledelsesberetning skal oplyse om koncernen, som om koncernvirksomhederne tilsammen var én virksomhed. I stedet for oplysninger om den enkelte virksomheds beløb vises de konsoliderede virksomheders beløb tilsammen, konsolideret efter de samme metoder, som gælder for koncernregnskabet.

Stk. 2. Bestemmelserne om ledelsesberetningen, jf. §§ 99-101, finder tilsvarende anvendelse, jf. dog stk. 4. Er modervirksomheden omfattet af reglerne i regnskabsklasse D, finder § 107, § 107 b, stk. 1, nr. 6, og stk. 3 og 4, tilsvarende anvendelse på koncernregnskabet, jf. dog stk. 4. Oplysninger efter § 99, stk. 1, nr. 11, kan undlades.

Stk. 3. Første gang en modervirksomhed, der har undladt at aflægge koncernregnskab efter §§ 110-112, aflægger koncernregnskab, kan virksomheden uanset bestemmelsen i § 101, stk. 1, nr. 2, undlade at vise sammenligningstal for 2.-4. foregående regnskabsår.

Stk. 4. Modervirksomhedens og koncernens ledelsesberetninger kan sammendrages, hvis det uden vanskeligheder er muligt at finde de af denne lov krævede oplysninger, der ikke er blevet overflødige som følge af sammendraget, jf. dog § 22, stk. 2, § 78, stk. 2, og § 102, stk. 2. Oplysningerne efter § 107 b for modervirksomheden og efter § 107 b, stk. 1, nr. 6, for koncernen skal gives samlet. 1. pkt. finder tilsvarende anvendelse på statslige aktieselskaber, jf. § 107 c.

Kapitel 15

Fusionsregnskab m.v.

§ 129. I det omfang der i henhold til lovgivningen eller aftale udarbejdes en opgørelse over sammendraget af fusionerende virksomheders aktiver og passiver (fusionsregnskabet), finder bestemmelserne i §§ 115-123 bortset fra § 118, stk. 3, tilsvarende anvendelse på åbningsbalancen for den fusionerede, fortsættende eller den ved fusionen dannede virksomhed. Reglerne for modervirksomheden finder anvendelse på den fortsættende virksomhed, og reglerne for dattervirksomheder finder anvendelse på den ophørende virksomhed.

Stk. 2. Medmindre andet fremgår af lov eller aftale, skal fusionsregnskabet bestå af åbningsbalancen for den fusionerede, fortsættende eller den ved fusionen dannede virksomhed suppleret med ultimobalancer for de fusionerende virksomheder og opgørelser over de bevægelser, der er nødvendiggjort af fusionen eller de dispositioner, der skal foretages som følge af fusionsaftalen. Åbningsbalancen suppleres af de noter, der er nødvendige for at give et retvisende billede af den fortsættende eller den ved fusionen dannede virksomhed, samt de supplerende beretninger, der måtte være besluttet i fusionsaftalen.

§ 130. Reglerne i § 129 gælder tilsvarende for virksomheders overtagelse af aktiver og forpligtelser i forbindelse med spaltning med de tilpasninger, der følger af spaltningens særlige natur.

Afsnit VII

Delårsrapporter for statslige aktieselskaber og virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land

Kapitel 16

Udarbejdelse af halvårsrapport for statslige aktieselskaber

Generelle bestemmelser

§ 131. Statslige aktieselskaber skal udarbejde en halvårsrapport, som dækker de første seks måneder af selskabets regnskabsår. Er det statslige aktieselskab en modervirksomhed, skal halvårsrapporten udarbejdes, som om de konsoliderede virksomheder tilsammen var én virksomhed. En virksomhed kan undlade at udarbejde halvårsrapport, hvis dennes oplysninger indgår i en halvårsrapport, der udarbejdes af en modervirksomhed.

Stk. 2. Et statsligt aktieselskab kan endvidere udarbejde tilsvarende rapporter for andre perioder.

Indregning og måling

§ 132. Halvårsrapporten skal udarbejdes ud fra tilsvarende grundlæggende krav som årsrapporten, jf. kapitel 3.

Stk. 2. Halvårsrapporten skal indeholde oplysninger for den forløbne halvårsperiode svarende til de oplysninger, der kræves efter § 101, stk. 1, nr. 1. Ud for hvert tal skal angives de tilsvarende tal for samme periode det foregående år. § 24, stk. 1, 2. og 3. pkt., og § 55 finder tilsvarende anvendelse.

§ 133. (Ophævet).

Ledelsesberetning

§ 134. Halvårsrapporten skal indeholde følgende oplysninger:

- 1) En redegørelse for udviklingen i selskabets aktiviteter og forhold,
- 2) en redegørelse for selskabets forventede udvikling,
- 3) en redegørelse for eventuelle særlige forudsætninger, som selskabets ledelse har lagt til grund for omtalen af den forventede udvikling, og
- 4) oplysninger om væsentlige beslutninger, som bestyrelsen har truffet i den pågældende halvårsperiode.

Kapitel 16 a

Udarbejdelse af delårsrapport for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land

§ 134 a. Erhvervs- og Selskabsstyrelsen kan fastsætte regler om, at virksomheder omfattet af regnskabsklasse D, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal udarbejde delårsrapport for de første 6 måneder af hvert regnskabsår (halvårsrapport). Styrelsen kan herunder fastsætte regler om indholdet af halvårsrapporten og om, hvorledes oplysningerne heri skal præsenteres. Det kan endvidere bestemmes, at delårsrapporter, som frivilligt udarbejdes for en kortere periode end 6 måneder, skal udarbejdes efter samme regler som for halvårsrapporter.

Stk. 2. Der kan endvidere fastsættes bestemmelser om delårsrapporter, som udarbejdes af virksomheder omfattet af regnskabsklasse A, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land.

Stk. 3. Bestemmelserne i stk. 1 og 2 gælder ikke for virksomheder, der alene udsteder gældsinstrumenter, der er optaget til handel på et reguleret marked i et EU/EØS-land, og hvis pålydende værdi pr. enhed er på mindst 50.000 euro, eller hvis pålydende værdi pr. enhed på udstedelsesdagen svarer til mindst 50.000 euro, når gældsinstrumenterne er udstedt i en anden valuta end euro.

Afsnit VIII

Revision m.v. af årsrapporten

Kapitel 17

Revision m.v.

§ 135. En virksomhed, der har pligt til at udarbejde årsrapport efter reglerne for regnskabsklasse B, C eller D, skal lade sit årsregnskab og et eventuelt koncernregnskab revidere af en eller flere revisorer, jf. dog 2. pkt. En virksomhed, som er omfattet af regnskabsklasse B, jf. § 7, stk. 1, nr. 2, kan undlade at lade årsregnskabet revidere, hvis virksomheden i to på hinanden følgende regnskabsår på balancetidspunktet ikke overskrider to af følgende størrelser, jf. dog stk. 2 og 3:

- 1) En balancesum på 1,5 mio. kr.,
- 2) en nettoomsætning på 3 mio. kr. og
- 3) et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 12.

Stk. 2. Undtagelsen i stk. 1, 2. pkt., gælder ikke for erhvervsdrivende fonde, jf. § 3, stk. 1, nr. 3, idet disse har pligt til at lade årsrapporten revidere uanset størrelse.

Stk. 3. Undtagelsen i stk. 1, 2. pkt., gælder ikke for virksomheder, der besidder kapitalandele i andre virksomheder, og som udøver betydelig indflydelse over en eller flere af disse virksomheders driftsmæssige eller finansielle ledelse.

Stk. 4. Ved beregningen af størrelserne i stk. 1, 2. pkt., finder § 7, stk. 3, anvendelse.

Stk. 5. Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsregnskabet eller koncernregnskabet, alternativt kan placeres i andre dokumenter m.v., hvortil der henvises i årsregnskabet eller koncernregnskabet, omfatter revisionspligten efter stk. 1, 1. pkt., de pågældende oplysninger i disse dokumenter m.v. Revisionspligten efter stk. 1, 1. pkt., omfatter ikke ledelsesberetningen og de supplerende beretninger, som indgår i årsrapporten, jf. § 2, stk. 1 og 2. Revisor skal dog afgive en udtalelse om, hvorvidt oplysningerne i ledelsesberetningen er i overensstemmelse med årsregnskabet og et eventuelt koncernregnskab. 2. og 3. pkt. finder anvendelse på oplysninger, der placeres i ledelsesberetningen, og på oplysninger, der efter denne lov eller regler, som er udstedt efter denne lov, alternativt offentliggøres andre steder, hvortil der henvises i ledelsesberetningen. Erhvervs- og Selskabsstyrelsen kan fastsætte krav om revision af supplerende beretninger, som indgår i årsrapporten for alle eller nogle af de virksomheder, som er omfattet af regnskabsklasse C og D.

Stk. 6. Undtagelsen i stk. 1, 2. pkt., kan ikke anvendes af en virksomhed, når virksomheden eller dens eneejer accepterer et bødeforelæg eller som led i en straffesag dømmes for overtrædelse af selskabslovgivningen, regnskabslovgivningen eller skatte- og afgiftslovgivningen. I disse tilfælde skal virksomhedens årsregnskab for det følgende regnskabsår revideres. Erhvervs- og Selskabsstyrelsen kan forlænge den periode, hvor virksomhedens årsregnskaber skal revideres, med op til 2 regnskabsår.

Stk. 7. Hvis Erhvervs- og Selskabsstyrelsen ved gennemgang af årsrapporten i henhold til § 159 konstaterer væsentlige fejl eller mangler i forhold til selskabslovgivningen eller regnskabslovgivningen, kan styrelsen beslutte, at undtagelsen i stk. 1, 2. pkt., ikke kan anvendes af virksomheden for det følgende regnskabsår. Virksomhedens årsregnskab for dette regnskabsår skal i sådanne tilfælde revideres.

§ 135 a. Kun statsautoriserede eller registrerede revisorer kan revidere årsregnskaber og koncernregnskaber, som er omfattet af revisionspligten i § 135, stk. 1, 1. pkt., og afgive en udtalelse om ledelsesberetningen m.v., jf. § 135, stk. 5, 3. og 4. pkt. Bestemmelsen i 1. pkt. finder tilsvarende anvendelse, hvis en virksomhed, som er fritaget for revisionspligt efter § 135, stk. 1, 2. pkt., vælger at lade sit årsregnskab revidere eller vælger at lade en revisor udføre andet arbejde, som medfører afgivelse af en erklæring til årsrapporten.

Stk. 2. Ved revision af årsrapporter, som skal udarbejdes efter reglerne for regnskabsklasse D, skal mindst én revisor være statsautoriseret revisor.

Afsnit IX

Regnskabsreguleringen i Danmark

Kapitel 18

Organisation til udstedelse af regnskabsstandarder m.v.

§ 136. Det påhviler Erhvervs- og Selskabsstyrelsen at sørge for, at der udarbejdes standarder, der i nødvendigt omfang skal udfylde og supplere denne lov. Standarderne kan inden for rammerne af Rådets direktiver 78/660/EØF og 83/349/EØF med senere ændringer fastsætte de undtagelser fra bestemmelser, der er omfattet af fravigelsespligten efter § 11, stk. 3, og hvor fravigelsen anses for nødvendig for en praktisk og hensigtsmæssig anvendelse af bestemmelserne. Standarderne skal angive, hvilke grupper af virksomheder der kan eller skal følge standarderne.

Stk. 2. Erhvervs- og Selskabsstyrelsen kan indgå aftale med en eller flere uafhængige organisationer om, at disse helt eller delvis varetager de opgaver, der følger af stk. 1. Erhvervs- og Selskabsstyrelsen kan fastsætte de nærmere bestemmelser for arbejdets udførelse og organisering, herunder om offentlige myndigheders adgang til at udtale sig om eller godkende standarder, inden de gennemføres. Erhvervs- og Selskabsstyrelsen kan pålægge en organisation, der er indgået aftale med, jf. 1. pkt., at udarbejde særlige standarder på områder, hvor der viser sig et reguleringsbehov.

Stk. 3. Erhvervs- og Selskabsstyrelsen kan nedsætte et regnskabsråd, hvormed styrelsen kan rådføre sig om generelle regnskabsforhold, og som kan bistå styrelsen med de i stk. 1 nævnte opgaver. Sekretariatsfunktionen varetages af Erhvervs- og Selskabsstyrelsen.

§ 137. Virksomheder, som ikke er forpligtet til at anvende de internationale regnskabsstandarder, jf. Europa-Parlamentets og Rådets forordning om anvendelse af internationale regnskabsstandarder, kan frivilligt vælge at udarbejde årsregnskab eller koncernregnskab efter de nævnte standarder, jf. dog stk. 2.

Stk. 2. Virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, og som alene udarbejder årsregnskab, har dog pligt til at anvende de i stk. 1 nævnte standarder i årsregnskabet.

Stk. 3. Virksomheder, som efter stk. 1 eller 2 følger de i stk. 1 nævnte standarder, skal følge samtlige godkendte standarder. Hvor bestemmelser i denne lov regulerer samme forhold som standarderne, skal disse virksomheder anvende standarderne i stedet for lovens bestemmelser.

Stk. 4. Erhvervs- og Selskabsstyrelsen kan fastsætte regler, der er nødvendige for anvendelsen her i landet af den i stk. 1 nævnte forordning.

Afsnit X**Offentliggørelse og undersøgelse af årsrapport m.v.**

Kapitel 59

*Indsendelse til Erhvervs- og Selskabsstyrelsen**Indsendelse af årsrapport*

§ 138. Virksomheder omfattet af regnskabsklasse B, C og D skal uden ugrundet ophold efter godkendelsen indsende den godkendte årsrapport til Erhvervs- og Selskabsstyrelsen, jf. § 3, stk. 1, og § 7. Årsrapporten skal være modtaget i styrelsen senest 5 måneder efter regnskabsårets afslutning, idet fristen dog er 4 måneder for virksomheder omfattet af regnskabsklasse D. Der kan ikke dispenseres fra disse frister, jf. dog §§ 140 og 141.

Stk. 2. Den indsendte årsrapport skal i det mindste indeholde de bestanddele, der er obligatoriske for hver regnskabsklasse, samt eventuel revisionspåtegning eller anden erklæring fra en revisor, jf. § 135, stk. 1 og 5, og § 135 a, stk. 1. Ønsker virksomheden at få offentliggjort supplerende beretninger som nævnt i § 2, stk. 2, skal disse indsendes sammen med de obligatoriske bestanddele af årsrapporten, således at de obligatoriske bestanddele og de supplerende beretninger tilsammen fremstår som ét dokument betegnet »årsrapport«, jf. dog stk. 3.

Stk. 3. Et grønt regnskab, som virksomheden har pligt til at indsende eller frivilligt indsender til Erhvervs- og Selskabsstyrelsen til offentliggørelse efter miljølovgivningens regler, kan indsendes som en del af årsrapporten, eller det kan indsendes separat til styrelsen efter virksomhedens eget valg.

Stk. 4. Årsrapporter og andre dokumenter, som skal indsendes til styrelsen i henhold til denne lov, skal være affattet på dansk, jf. dog § 157.

Stk. 5. Indsender en virksomhed frivilligt en årsrapport efter § 4, stk. 6, 1. pkt., og er denne revideret, skal virksomheden sikre, at revisors påtegning indgår i dokumentet.

Stk. 6. Har styrelsen bekendtgjort, at en årsrapport er offentligt tilgængelig efter § 154, kan denne ikke omgøres ved en ny årsrapport, medmindre styrelsen tillader dette.

Indsendelse for virksomheder under afvikling eller rekonstruktion

§ 139. Virksomheder, som er under likvidation, skal fortsætte med at indsende årsrapport til styrelsen i henhold til § 138, indtil likvidationen er afsluttet med virksomhedens opløsning.

Stk. 2. Virksomheden skal derudover indsende indledende og afsluttende likvidationsregnskab til Erhvervs- og Selskabsstyrelsen, hvis dette er foreskrevet i den for virksomheden særligt gældende lovgivning.

§ 140. For virksomheder, der er under betalingsstandsning efter konkursloven, kan Erhvervs- og Selskabsstyrelsen tillade, at årsrapporten uanset fristen i § 138, stk. 1, 2. pkt., først indsendes, så den modtages i styrelsen senest 1 måned efter betalingsstandsningens ophør. Overskrides denne frist, finder §§ 150-152 tilsvarende anvendelse, idet afgiften beregnes fra 1 måned efter betalingsstandsningens ophør.

Stk. 2. Overgår virksomheden til konkurs, gælder bestemmelserne i § 141.

Stk. 3. For virksomheder, for hvilke der er indledt akkordforhandlinger i henhold til konkursloven, finder stk. 1 og 2 tilsvarende anvendelse. Årsrapporten skal indsendes, så den er modtaget i styrelsen senest 1 måned efter akkordens stadfæstelse.

§ 141. For virksomheder, som er under konkurs, skal der ikke indsendes årsrapport til Erhvervs- og Selskabsstyrelsen.

Stk. 2. Genoptages virksomheden, skal den indsende årsrapporter for tidsrummet fra den sidst indsendte årsrapports balancedag til udløbet af virksomhedens seneste regnskabsår forud for konkursbehandlingen ophør, således at disse modtages i styrelsen senest 1 måned efter konkursbehandlingen ophør. I stedet for de i 1. pkt. nævnte årsrapporter kan styrelsen give tilladelse til, at virksomheden indsender en åbningsbalance, som er udarbejdet pr. datoen for konkursbehandlingen ophør. Årsregnskaber og eventuelle koncernregnskaber, der er indeholdt i de i 1. pkt. nævnte årsrapporter, og den i 2. pkt. nævnte åbningsbalance skal være revideret, hvis virksomheden er underlagt revisionspligt, jf. § 135, stk. 1, 1. pkt. Er virksomheden fritaget for revisionspligt, finder § 9, stk. 4, § 10 a og § 135 a, stk. 1, 2. pkt., tilsvarende anvendelse. Overskrides indsendelsesfristen i 1. pkt., finder §§ 150-152 tilsvarende anvendelse, idet afgiften beregnes fra 1 måned efter konkursbehandlingen ophør.

§ 142. Andre bestræbelser for at rekonstruere en virksomhed end de i §§ 140 og 141 nævnte fritager ikke virksomheden for pligten til at indsende årsrapport inden udløbet af fristen i § 138, stk. 1.

Indsendelse for udenlandske virksomheder med filial i Danmark

§ 143. Filialbestyrerne for en filial, der er registreret i Erhvervs- og Selskabsstyrelsen som filial af en udenlandsk virksomhed, skal indsende den udenlandske virksomheds reviderede årsrapport, så den er modtaget i styrelsen senest 5 måneder efter regnskabsårets afslutning. Der kan ikke dispenseres fra fristen. Filialens eget regnskab kan ikke indsendes i stedet.

Stk. 2. Den indsendte årsrapport skal i det mindste foreligge således, som den er udarbejdet og offentliggjort efter reglerne i den stat, som virksomheden henhører under.

Stk. 3. Årsrapport for en udenlandsk virksomhed, der henhører under lovgivningen i et EU/EØS-land, kan indsendes i urevideret stand, hvis revision er undladt i overensstemmelse med den lovgivning, der gælder for virksomheden.

§ 144. Er den udenlandske virksomhed en dattervirksomhed, kan filialbestyrerne i stedet for den i § 143 nævnte årsrapport indsende modervirksomhedens koncernregnskab til Erhvervs- og Selskabsstyrelsen i henhold til § 146, stk. 5, hvis

- 1) såvel datter- som modervirksomheden henhører under lovgivningen i et EU/EØS-land,
- 2) koncernregnskabet er udarbejdet i overensstemmelse med Rådets direktiv 83/349/EØF med senere ændringer om konsoliderede regnskaber samt er revideret og offentliggjort efter de nævnte regler, jf. dog § 143, stk. 3,
- 3) undladelsen er i overensstemmelse med den lovgivning, der gælder for virksomheden,
- 4) regnskaberne for virksomheden og dens dattervirksomheder indgår ved fuld konsolidering eller ved indregning og måling til regnskabsmæssig indre værdi i modervirksomhedens koncernregnskab,
- 5) alle virksomhedsdeltagerne har erklæret sig indforstået med fremgangsmåden for det pågældende regnskabsår,
- 6) modervirksomheden har erklæret, at den indestår for virksomhedens forpligtelser, indtil tilbagekaldelse af indeståelsen er offentliggjort med en frist på mindst 3 måneder eller filialens afmeldelse eller slettelse af styrelsens register er offentliggjort med en tilsvarende frist og
- 7) modervirksomheden i sin årsrapport oplyser, at dattervirksomheden har undladt at udarbejde egen årsrapport med angivelse af den anvendte undtagelsesbestemmelse.

Stk. 2. Enhører den udenlandske virksomhed ikke under en i stk. 1 omhandlet lovgivning, kan filialbestyrerne i stedet for den udenlandske virksomheds årsrapport til Erhvervs- og Selskabsstyrelsen indsende modervirksomhedens koncernregnskab i henhold til § 146, stk. 5, hvis

- 1) koncernregnskabet er udarbejdet i overensstemmelse med det i stk. 1, nr. 2, omhandlede direktiv eller efter regler, der i det mindste er ligeværdige med reglerne i det nævnte direktiv, og som er revideret af personer, der er autoriseret i medfør af den nationale lovgivning, hvorunder modervirksomheden henhører, og
- 2) betingelserne i stk. 1, nr. 3-7, er opfyldt.

Indsendelse af undtagelseserklæring m.v. for virksomheder som udnytter undtagelserne i §§ 4-6, 112 og 144

§ 145. Virksomheder, som udnytter undtagelsen i § 4, skal indsende en undtagelseserklæring, hvori ledelsen

- 1) oplyser, at den pågældende undtagelse er taget i anvendelse, og
- 2) indestår for, at betingelserne for at anvende undtagelsen er opfyldt.

Stk. 2. Der skal indsendes undtagelseserklæring for hvert regnskabsår. Erklæringen skal være modtaget i Erhvervs- og Selskabsstyrelsen inden udløbet af fristen i § 138, stk. 1, 2. pkt. Overskrides denne frist, finder §§ 150-152 tilsvarende anvendelse.

§ 146. Virksomheder, som udnytter undtagelsen i § 5, stk. 1, skal til Erhvervs- og Selskabsstyrelsen indsende undtagelseserklæring i henhold til § 145 suppleret med

- 1) det i § 5, stk. 1, nævnte koncernregnskab,
- 2) henvisning til koncernregnskabet, der er indeholdt i en årsrapport, som styrelsen har modtaget til offentliggørelse, eller
- 3) officielt bekræftet dokumentation for, at koncernregnskabet er offentliggjort i overensstemmelse med den lovgivning, der gælder for den udenlandske virksomhed.

Stk. 2. Virksomheder, som udnytter undtagelsen i § 5, stk. 2, skal til styrelsen indsende undtagelseserklæring i henhold til § 145 suppleret med

- 1) den i § 5, stk. 2, nævnte årsrapport eller
- 2) henvisning til den årsrapport, i hvilken virksomhedens regnskab indgår, og som styrelsen har modtaget til offentliggørelse.

Stk. 3. Virksomheder, som udnytter undtagelsen i § 5, stk. 3, skal til styrelsen indsende undtagelseserklæring i henhold til § 145 ledsaget af

- 1) den i § 5, stk. 3, nævnte årsrapport eller
- 2) officielt bekræftet dokumentation for, at årsrapporten er offentliggjort i overensstemmelse med den lovgivning, der gælder for den udenlandske virksomhed.

Stk. 4. Virksomheder, der udnytter undtagelsen i § 6, stk. 1, skal til styrelsen indsende undtagelseserklæring i henhold til § 145 suppleret med

- 1) det i § 6, stk. 1, nævnte koncernregnskab eller
- 2) henvisning til koncernregnskabet, der er indeholdt i en årsrapport, som styrelsen har modtaget til offentliggørelse.

Herudover skal indsendes de erklæringer, der er nævnt i § 6, stk. 1, nr. 4 og 5. Sidstnævnte erklæring skal blot indsendes for det første regnskabsår, undtagelsen tages i anvendelse.

Stk. 5. Udnyttes undtagelserne i § 144, skal filialbestyrerne til Erhvervs- og Selskabsstyrelsen indsende undtagelseserklæring i henhold til § 145 suppleret med

- 1) det i § 144, stk. 1 eller 2, nævnte koncernregnskab og
- 2) de erklæringer, der er nævnt i § 144, stk. 1, nr. 5 og 6, idet sidstnævnte erklæring blot skal indsendes for det første regnskabsår, undtagelsen tages i anvendelse.

§ 147. En virksomhed, der indsender et koncernregnskab for en højere modervirksomhed i koncernen i henhold til § 112, skal indsende de yderligere oplysninger, som styrelsen måtte kræve med henblik på offentliggørelse, idet der ikke kan kræves oplysninger ud over, hvad der skulle have været indeholdt i et koncernregnskab efter denne lov, jf. dog § 160.

Statslige aktieselskabers indsendelse af halvårsrapport

§ 148. Statslige aktieselskaber skal indsende selskabets halvårsrapport, så den er modtaget i Erhvervs- og Selskabsstyrelsen senest 2 måneder efter udløbet af den pågældende 6-måneders-periode.

Stk. 2. Ved manglende indsendelse af halvårsrapport kan styrelsen iværksætte tvangs bøder i henhold til § 162, stk. 1, nr. 1.

Indsendelse af delårsrapport for virksomheder, som har verdipapirer optaget til handel på et reguleret marked i et EU/EØS-land

§ 148 a. Erhvervs- og Selskabsstyrelsen kan fastsætte regler om indsendelse til samt offentliggørelse af halvårsrapporter for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, i Erhvervs- og Selskabsstyrelsen. Det samme gælder for delårsrapporter, som frivilligt udarbejdes for en kortere periode end 6 måneder, jf. § 134 a, stk. 1. Styrelsen kan herunder bestemme, at medlemmerne af virksomhedens bestyrelse og direktion kan pålægges tvangsbøder ved manglende indsendelse af delårsrapport efter 1. eller 2. pkt.

Virksomhedens egen offentliggørelse af årsrapport

§ 149. Offentliggør virksomheden selv årsrapporten i sin helhed, skal dette ske i den form og affattelse, som har været genstand for lovpligtig eller frivillig revision.

Stk. 2. Offentliggør virksomheden en årsrapport, der ikke er fuldstændig, skal det klart fremgå af det offentliggjorte, at årsrapporten er forkortet, og at den fuldstændige årsrapport er tilgængelig i Erhvervs- og Selskabsstyrelsen, eller, hvis dette ikke er tilfældet, at årsrapporten ikke er indsendt til styrelsen. Revisionspåtegningen behøver ikke at indgå i en forkortet offentliggørelse, men det skal klart fremgå af offentliggørelsen, hvis revisor har taget forbehold eller har forsynet revisionspåtegningen med supplerende oplysninger.

§ 149 a. Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsrapporten, alternativt kan placeres i andre dokumenter m.v. end årsrapporten, skal disse dokumenter m.v. være tilgængelige for regnskabsbrugerne på samme tidspunkt som årsrapporten.

Manglende eller for sen modtagelse af årsrapport eller undtagelseserklæring

§ 150. Er årsrapport eller undtagelseserklæring ikke modtaget i Erhvervs- og Selskabsstyrelsen, når fristen i § 138, stk. 1, 2. pkt., er udløbet, sender styrelsen et brev med påkrav til virksomhedens ledelse på virksomhedens adresse med anmodning om at indsende virksomhedens årsrapport eller undtagelseserklæring. Tilsvarende påkravsbrev sendes til filialbestyrerne, hvis årsrapport eller undtagelseserklæring for en udenlandsk virksomhed med registreret filial her i landet ikke er modtaget, når fristen i § 143, stk. 1, er udløbet.

Stk. 2. I påkravsbrevet angives en frist på 8 hverdage fra brevetts datering til indsendelse af årsrapport. Modtages årsrapporten eller undtagelseserklæringen i styrelsen inden udløbet af denne frist, foretager styrelsen ikke yderligere som følge af forsinkelsen.

Stk. 3. I påkravsbrevet anføres endvidere en frist på 4 uger fra brevetts datering. Herefter kan styrelsen, hvis årsrapport eller undtagelseserklæring ikke er modtaget inden udløbet af denne frist, beslutte at anmode skifteretten om at opløse virksomheden i overensstemmelse med den for virksomheden gældende lovgivning herom. Vedrører påkravsbrevet en filial af en udenlandsk virksomhed, kan styrelsen, hvis årsrapport ikke er modtaget inden udløbet af den i 1. pkt. omhandlede frist, beslutte at slette filialen af registeret i overensstemmelse med den for filialen gældende lovgivning herom.

§ 151. Modtages årsrapporten eller undtagelseserklæringen efter udløbet af fristen på 8 hverdage fra påkravsbrevets datering, jf. § 150, stk. 2, pålægger Erhvervs- og Selskabsstyrelsen hvert medlem af virksomhedens øverste ansvarlige ledelse henholdsvis hver filialbestyrer en afgift.

Stk. 2. Afgiften beregnes fra udløbet af fristen i § 138, stk. 1, 2. pkt.

Stk. 3. Afgiften udgør 500 kr. pr. ledelsesmedlem henholdsvis filialbestyrer for 1. påbegyndte måned, i alt 2.000 kr. for 2. påbegyndte måned og i alt 3.000 kr. for 3. påbegyndte måned. Afgiften kan højst udgøre 3.000 kr. pr. ledelsesmedlem henholdsvis filialbestyrer.

Stk. 4. Den samlede afgift nedsættes, i det omfang det pågældende ledelsesmedlem henholdsvis filialbestyrer for samme periode har indbetalt tvangsbøder i henhold til § 162, stk. 1, nr. 1, for manglende indsendelse af årsrapport eller undtagelseserklæring.

Stk. 5. Afgifter efter stk. 3 tilfalder statskassen.

Stk. 6. (Ophævet).

§ 152. Under ganske særlige omstændigheder kan Erhvervs- og Selskabsstyrelsen helt eller delvis fritage et ledelsesmedlem eller en filialbestyrer for betaling af afgift efter § 151, hvis den pågældende kan godtgøre over for styrelsen, at han eller hun har søgt at fremme indsendelsen m.v., og at forsinkelsen derfor ikke kan lægges ham eller hende til last.

Stk. 2. Det fritager ikke i sig selv et ledelsesmedlem for ansvar, at det ansvarspådragende forhold er begået af virksomhedens ansatte, rådgivere eller lignende.

Beregning af frister

§ 153. De frister, der er fastsat i eller i henhold til denne lov, begynder at løbe fra og med dagen efter den dag, hvor den begivenhed, som udløser fristen, finder sted. Dette gælder ved beregning af såvel dage- som uge-, måneds- og årsfrister.

Stk. 2. Er fristen angivet i uger, udløber fristen, jf. stk. 1, på ugedagen for den dag, hvor den begivenhed, som udløste fristen, fandt sted.

Stk. 3. Er fristen angivet i måneder, udløber fristen, jf. stk. 1, på månedsdatoen for den dag, hvor den begivenhed, som udløste fristen, fandt sted. Hvis den dag, hvor den begivenhed, som udløste fristen, er den sidste dag i en måned, eller hvis fristen udløber på en månedsdato, som ikke findes, udløber fristen altid på den sidste dag i måneden uanset dens længde.

Stk. 4. Er fristen angivet i år, udløber fristen, jf. stk. 1, på årsdagen for den dag, hvor den begivenhed, som udløste fristen, fandt sted.

Stk. 5. Udløber en frist i en weekend, på en helligdag, grundlovsdag, juleaftensdag eller nytårsaftensdag, udstrækkes fristen til den førstkommande hverdag.

Kapitel 20

Offentliggørelse.

Nærmere regler om indsendelse og offentliggørelse m.v.

Udvidet offentlighed for statslige aktieselskaber

Offentliggørelse

§ 154. Erhvervs- og Selskabsstyrelsen bekendtgør straks modtagelse af årsrapporter, undtagelseserklæringer m.v., som indsendes i stedet herfor, indledende og afsluttende likvidationsregnskaber samt halvårsrapporter for statslige aktieselskaber.

Stk. 2. Dokumenterne er offentligt tilgængelige.

Nærmere regler om indsendelse og offentliggørelse m.v.

§ 155. Breve, udskrifter og andre dokumenter, som Erhvervs- og Selskabsstyrelsen udsteder, kan være i såvel papirbaseret som elektronisk form. Dokumenterne er ligestillede i retlig henseende uanset formen. Dokumenterne kan være med eller uden underskrift, kan forsynes med maskinel gengivet underskrift, digital signatur eller tilsvarende efter styrelsens valg.

Stk. 2. Årsrapporter og andre dokumenter, som styrelsen modtager i henhold til denne lov, kan være i såvel papirbaseret som elektronisk form. Dokumenterne er ligestillede i retlig henseende uanset formen. Dokumenterne kan være med personlig underskrift, med maskinel gengivet underskrift, med digital signatur eller tilsvarende efter styrelsens nærmere bestemmelse. Styrelsen fastsætter regler om elektronisk indsendelse af de omhandlede dokumenter, herunder at indsendelse skal ske i en af styrelsen fastsat struktureret form. Styrelsen kan endvidere stille nærmere krav til de anvendte elektroniske systemer.

Stk. 3. Styrelsen fastsætter regler om indsendelse og offentliggørelse af årsrapporter og undtagelseserklæringer m.v., som indsendes i stedet herfor, samt halvårsrapporter for statslige aktieselskaber. Styrelsen kan herunder fastsætte regler om regnskabsbrugeres adgang til de af styrelsen offentliggjorte dokumenter via elektroniske medier. Styrelsen fastsætter endvidere regler om omgørelse af offentliggjorte årsrapporter og konsekvenserne heraf.

§ 156. Erhvervs- og Selskabsstyrelsen kan fastsætte regler om betaling for kopier af dokumenter m.v., som er offentligt tilgængelige i henhold til denne lov, for brugen af styrelsens edb-system, for visse ikke særligt prissatte ydelser samt for rykkerskrivelser m.v. ved for sen betaling.

Stk. 2. Styrelsen kan fastsætte regler om betaling af et årligt gebyr for administration af denne lov og den hermed forbundne undersøgelsesaktivitet, for administrationen af de selskabsretlige regler om kapitaltab og lån til virksomhedsdeltagere og andre lovovertrædelser i forbindelse med undersøgelse af årsrapporter samt for administrationen af udstedelse af regnskabsstandarder og godkendelse af internationale standarder, jf. § 136.

Stk. 3. Erhvervs- og Selskabsstyrelsen opkræver hos hver virksomhed, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, en årlig afgift for den med loven forbundne kontrolaktivitet, jf. § 159 a. Virksomheder, hvis markedsværdi af de noterede eller handlede værdipapirer er på 1 mia. kr. eller derover på balancedagen, betaler 45.000 kr. årligt. Virksomheder med en markedsværdi af de noterede eller handlede værdipapirer på 250 mio. kr. eller derover, men under 1 mia. kr. på balancedagen, betaler 30.000 kr. årligt, mens virksomheder med en markedsværdi af de noterede eller handlede værdipapirer på under 250 mio. kr. på balancedagen betaler 15.000 kr. årligt. Erhvervs- og Selskabsstyrelsen fastsætter nærmere regler om opkrævning af sådanne afgifter. Det kan herunder bestemmes, at der kan fastsættes gebyr for rykkerbreve ved for sen betaling. Afgifterne kan inddrives ved udpantning.

§ 157. Erhvervs- og Selskabsstyrelsen kan bestemme, at visse dokumenter skal undtages fra kravet om affattelse på dansk. Endvidere kan styrelsen efter et skøn over, hvorvidt offentliggørelsen kan opfylde sit formål, konkret undtage fra kravet om affattelse på dansk og betinge sig, at virksomheden indsender bekræftet oversættelse af dokumenter på et senere tidspunkt, hvis styrelsen skønner det nødvendigt.

Stk. 2. Erhvervs- og Selskabsstyrelsen kan fastsætte regler om, på hvilke sprog virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal indsende årsrapporter og delårsrapporter samt andre dokumenter, der er omfattet af denne lov, til Erhvervs- og Selskabsstyrelsen.

Stk. 3. Hvis et søgsmål angående indholdet af en årsrapport eller andre dokumenter, som skal indsendes til Erhvervs- og Selskabsstyrelsen i henhold til denne lov, indbringes for en domstol her i landet, afgøres ansvaret for at afholde omkostninger til oversættelse af årsrapporten eller andre dokumenter med henblik på retssagen i overensstemmelse med dansk lovgivning.

Udvidet offentlighed for statslige aktieselskaber

§ 158. Statslige aktieselskaber skal senest 14 dage før generalforsamlingens afholdelse sende et eksemplar af selskabets årsrapport til de af pressens repræsentanter, der anmoder herom, samt på forlangende af enhver udlevere denne på selskabets hovedkontor.

Kapitel 21

Undersøgelse af årsrapporter m.v.

Udtagelse til undersøgelse

§ 159. Erhvervs- og Selskabsstyrelsen skal stikprøvevis udtage og undersøge modtagne årsrapporter og eventuelle hertil hørende erklæringer fra en revisor, undtagelseserklæringer m.v., som indsendes i stedet for årsrapporter, halvårsrapporter for statslige aktieselskaber samt delårsrapporter for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, for at konstatere åbenbare overtrædelser af bestemmelser i eller i henhold til denne lov, bogføringsloven, aktieselskabsloven, SE-loven, Rådets forordning om statut for det europæiske selskab (SE), anpartsselskabsloven, lov om visse erhvervsdrivende virksomheder, SCE-loven, Rådets forordning om statut for det europæiske andelselskab (SCE), lov om erhvervsdrivende fonde samt lov om statsautoriserede og registrerede revisorer. Er årsrapporten aflagt efter de internationale regnskabsstandarder, jf. § 137, skal Erhvervs- og Selskabsstyrelsen endvidere undersøge, om årsrapporten er aflagt i overensstemmelse med standarderne. For virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, varetages kontrollen med overholdelse af standarder og regler for finansiell information i årsrapporter og delårsrapporter dog af Fondsrådet, jf. § 159 a.

Stk. 2. Styrelsen kan tillige anvende andre kriterier ved udvælgelsen af årsrapporter m.v. til undersøgelse.

Fondsrådets kontrol med årsrapporter og delårsrapporter for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land

§ 159 a. For virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, påser Fondsrådet overholdelsen af de i stk. 2 og 3 nævnte standarder og regler for finansiell information i årsrapporter og delårsrapporter. I den forbindelse virker Erhvervs- og Selskabsstyrelsen som sekretariat for Fondsrådet og optræder på dets vegne, jf. § 83, stk. 2 og 3, i lov om værdipapirhandel m.v.

Stk. 2. Fondsrådet påser, at årsrapporter og delårsrapporter aflagt af virksomheder omfattet af regnskabsklasse D, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, overholder reglerne for finansiell information i de internationale regnskabsstandarder, jf. Rådets forordning om anvendelse af internationale regnskabsstandarder og denne lovs § 137 samt regler i eller fastsat i henhold til denne lov.

Stk. 3. Fondsrådets kontrol omfatter ligeledes årsrapporter og delårsrapporter udarbejdet af virksomheder omfattet af regnskabsklasse A, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, når årsrapporten eller delårsrapporten ikke udelukkende anvendes til virksomhedens eget brug, jf. § 3, stk. 2.

Stk. 4. Fondsrådets kontrol omfatter ikke overholdelse af indsendelsesfrister m.v. med henblik på offentliggørelse i Erhvervs- og Selskabsstyrelsen.

Stk. 5. I forbindelse med kontrollen efter stk. 2 og 3 udøver Fondsrådet de beføjelser, der er tillagt Erhvervs- og Selskabsstyrelsen i §§ 160 og 161 og § 162, stk. 1, nr. 2 og 3, samt stk. 2, jf. § 83, stk. 2, i lov om værdipapirhandel m.v. Endvidere udøver Fondsrådet de beføjelser, der er tillagt rådet i § 83, stk. 3, i lov om værdipapirhandel m.v.

Stk. 6. Hvis en virksomhed, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, ikke overholder sine forpligtelser efter denne lov, kan Fondsrådet give den pågældende virksomhed påbud om at ændre forholdet, herunder påbud om at offentliggøre ændrede eller supplerende oplysninger. Skønnes det hensigtsmæssigt, kan Fondsrådet selv offentliggøre de pågældende oplysninger eller offentliggøre påbuddet.

Fondsrådet kan endvidere suspendere eller slette de berørte værdipapirer fra optagelse til handel på et reguleret marked her i landet. Undlader virksomheden at opfylde et påbud efter 1. pkt., kan virksomhedens bestyrelse, direktion eller lignende ansvarligt organ af Fondsrådet som tvangsmiddel pålægges daglige eller ugentlige tvangsbøder.

Stk. 7. Tvangsbøderne, der tilfalder statskassen, kan inddrives af restanceinddrivelsesmyndigheden ved udpantning og ved indeholdelse i løn m.v. efter reglerne for inddrivelse af personlige skatter i kildeskatteloven.

Stk. 8. Restanceinddrivelsesmyndigheden kan eftergive krav efter stk. 6 efter reglerne i opkrævningsloven.

Anmodning om oplysninger

§ 160. Erhvervs- og Selskabsstyrelsen kan af virksomheden, dens ledelse eller dens revisor forlange de oplysninger, som er nødvendige for, at der kan tages stilling til, om der er sket overtrædelse af den i § 159, stk. 1, nævnte lovgivning og virksomhedens vedtægter, eller om en overtrædelse er bragt til ophør. Endvidere kan Erhvervs- og Selskabsstyrelsen af virksomheden, dens ledelse eller dens revisor forlange de oplysninger, der er nødvendige for at konstatere, om årsrapporter, som er aflagt efter de internationale regnskabsstandarder, er aflagt i overensstemmelse med standarderne, jf. § 137.

Reaktioner på lovovertrædelser

§ 161. Med henblik på at sikre, at den i § 159, stk. 1, nævnte lovgivning overholdes, kan Erhvervs- og Selskabsstyrelsen

- 1) yde vejledning,
- 2) påtale overtrædelser og
- 3) påbyde, at fejl skal rettes, og at overtrædelser skal bringes til ophør samt træffe afgørelser som nævnt i § 135, stk. 6, 3. pkt., og stk. 7.

Afsnit XI

Tvangsbøder. Klageadgang. Straf. Ikrafttræden

Kapitel 22

Tvangsbøder

§ 162. Medlemmerne af virksomhedens bestyrelse, direktion eller lignende ansvarligt organ kan af Erhvervs- og Selskabsstyrelsen som tvangsmiddel pålægges daglige eller ugentlige bøder, hvis de undlader at

- 1) indsende dokumenter rettidigt og i behørig stand i overensstemmelse med §§ 138-148 eller bestemmelser fastsat i medfør af denne lov,
- 2) efterkomme en anmodning om oplysning i henhold til § 160 eller
- 3) efterkomme et påbud givet af styrelsen i henhold til § 161, nr. 3.

Stk. 2. Virksomhedens revisor kan ligeledes pålægges tvangsbøder, hvis han eller hun undlader at give oplysning i henhold til § 160.

Stk. 3. Tvangsbøder tilfalder statskassen.

Stk. 4. (Ophævet).

Kapitel 23

Klageadgang

§ 163. Afgørelser truffet af Erhvervs- og Selskabsstyrelsen i henhold til loven, bekendtgørelser udstedt i medfør af loven, regnskabsstandarder i henhold til §§ 136 og 137 samt Rådets forordning om anvendelse af internationale regnskabsstandarder kan indbringes for Erhvervsankenævnet senest 4 uger efter, at afgørelsen er meddelt den pågældende.

Stk. 2. Afgørelser truffet efter § 150, stk. 3, og §§ 159 og 160 samt afslag på anmodning om forlængelse af frister kan dog ikke indbringes for højere administrativ myndighed.

Stk. 3. Afgørelser truffet af Fondsrådet efter denne lov kan med undtagelse af afgørelser efter § 160 indbringes for Erhvervsankenævnet senest 4 uger efter, at afgørelsen er meddelt den pågældende, jf. § 88, stk. 1, i lov om værdipapirhandel m.v.

Kapitel 24

Straf

§ 164. Overtrædelse af §§ 4-6, 8-16 og 18-134, § 137, stk. 2 og 3, og § 158 samt artikel 4 i Rådets forordning om anvendelse af internationale regnskabsstandarder straffes med bøde, medmindre højere straf er forskyldt efter straffeloven. Det samme gælder, hvis en virksomhed, som har valgt at anvende internationale regnskabsstandarder i henhold til § 137, stk. 1, overtræder forskrifter i standarderne eller § 137, stk. 3.

Stk. 2. Medmindre højere straf er forskyldt efter straffeloven, straffes medlemmerne af virksomhedens ansvarlige ledelsesorgan, jf. § 8, med bøde, hvis de har undladt at lade årsregnskabet og et eventuelt koncernregnskab revidere, uden at betingelserne herfor i § 135, stk. 1, 2. pkt., er opfyldt, eller hvis de har ladet årsregnskabet og et eventuelt koncernregnskab forsyne med en erklæring fra en person, som ikke opfylder betingelserne for afgivelse af erklæringer i § 135 a. Med samme straf straffes en person, som har afgivet en erklæring til en årsrapport uden at opfylde betingelserne herfor i § 135 a.

Stk. 3. Der kan pålægges selskaber m.v. (juridiske personer) strafansvar efter reglerne i straffelovens 5. kapitel.

Stk. 4. I forskrifter, der udstedes efter loven, kan der fastsættes straf af bøder for overtrædelse af bestemmelser i forskrifterne.

Stk. 5. Erhvervs- og Selskabsstyrelsen kan ved bekendtgørelse fastsætte straf af bøder for overtrædelse af forskrifter i regnskabsstandarder, der er udstedt i medfør af § 136, stk. 1.

Stk. 6. Den, der ikke efterlever et påbud fra Fondsrådet eller afgiver urigtige eller vildledende oplysninger til Fondsrådet, straffes med bøde, for så vidt højere straf ikke er forskyldt efter anden lovgivning.

Kapitel 25

Ikrafttræden og overgang

§ 165. Denne lov træder i kraft den 1. januar 2002 med virkning for regnskabsår, der begynder den 1. januar 2002 eller senere, jf. dog stk. 3-6.

Stk. 2. Samtidig ophæves lov om visse selskabers aflæggelse af årsregnskab m.v., jf. lovbekendtgørelse nr. 526 af 17. juni 1996, jf. dog stk. 3 og 6.

Stk. 3-6. (Udeladt).

§ 166. *Stk. 1-4.* (Udeladt).

Stk. 5. Erhvervs- og Selskabsstyrelsen kan fravige overgangsbestemmelserne i denne lov og fastsætte yderligere overgangsbestemmelser, i det omfang det er nødvendigt for at lette administrative byrder i forbindelse med overgangen til anvendelse af reglerne efter denne lov.

§ 167. Første gang virksomheden ændrer den anvendte monetære enhed, jf. § 16, kan dette gøres uden at iagttage betingelserne i § 13, stk. 2. Virksomheden skal dog opfylde oplysningskravene i § 11, stk. 3, 2. pkt., jf. § 13, stk. 3.

§§ 168 og 169. (Udeladt).

§ 170. Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for disse landsdele med de afvigelser, som de særlige færøske eller grønlandske forhold tilsiger.

Lov nr. 302 af 30. april 2003 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelser:

§ 30

Stk. 1. Tidspunktet for lovens ikrafttræden fastsættes af økonomi- og erhvervsministeren.

Stk. 2-4. (Udeladt).

§ 33

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning sættes i kraft for Grønland med de afvigelser, som landsdelens særlige forhold tilsiger.

Lov nr. 99 af 18. februar 2004 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelser:

§ 2

Stk. 1. Loven træder i kraft den 1. april 2004 og har virkning for regnskabsår, der begynder den 1. april 2004 eller senere, jf. dog stk. 2-4.

Stk. 2-4. (Udeladt).

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for disse landsdele med de afvigelser, som de særlige færøske eller grønlandske forhold tilsiger.

Lov nr. 364 af 19. maj 2004 indeholder følgende ikrafttrædelsesbestemmelse:

§ 4

Stk. 1. Loven træder i kraft den 8. oktober 2004.

Stk. 2. Loven gælder ikke for Færøerne og Grønland.

Lov nr. 491 af 9. juni 2004 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelser:

§ 6

Stk. 1. Loven træder i kraft den 1. januar 2005, jf. dog stk. 2 og 3.

Stk. 2-3. (Udeladt).

Stk. 4. Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning sættes i kraft for disse landsdele med de afvigelser, som de særlige færøske og grønlandske forhold tilsiger.

Lov nr. 430 af 6. juni 2005 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelser:

§ 70

Stk. 1. Loven træder i kraft dagen efter bekendtgørelsen i Lovtidende.

Stk. 2. Loven har virkning fra den 1. november 2005, jf. dog stk. 3.

Stk. 3. (Udeladt).

Lov nr. 431 af 6. juni 2005 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelse:

§ 85

Stk. 1. Loven træder i kraft den 1. november 2005, (udeladt).

Stk. 2. (Udeladt).

Lov nr. 604 af 24. juni 2005 indeholder bl.a. følgende ikrafttrædelses- og overgangsbestemmelser:

§ 5

Stk. 1. Loven træder i kraft dagen efter bekendtgørelsen i Lovtidende, jf. dog stk. 2.
Stk. 2. (Udeladt).

§ 6

Stk. 1. §§ 1-3 gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning sættes i kraft for disse landsdele med de afvigelser, som de særlige færøske og grønlandske forhold tilsiger.
Stk. 2. (Udeladt).

Lov nr. 245 af 27. marts 2006 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 4

Stk. 1. Loven træder i kraft den 1. april 2006, jf. dog stk. 2 og 3.
Stk. 2. (Udeladt).

§ 5

Stk. 1. § 1 gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning sættes i kraft for disse landsdele med de afvigelser, som de særlige færøske og grønlandske forhold tilsiger.
Stk. 2. (Udeladt).

§ 6

Økonomi- og Erhvervsministeren fremsætter forslag om revision af bestemmelsen i årsregnskabslovens § 135. Dette skal tidligst ske i folketingsåret 2009-10.

Lov nr. 454 af 22. maj 2006 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 22

Loven træder i kraft den 18. august 2006.

§ 25

Loven gælder ikke for Færøerne og Grønland.

Lov nr. 108 af 7. februar 2007 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 21

Stk. 1-6. (Udeladt)
Stk. 7. § 5 træder i kraft for regnskabsår, der starter den 1. juni 2007 eller senere.

§ 23

Stk. 1. Loven gælder ikke for Færøerne og Grønland, jf. dog stk. 2 og 3.
Stk. 2. §§ 1-6, 13 og 14 kan ved kongelig anordning helt eller delvis sættes i kraft for Færøerne og Grønland med de afvigelser, de særlige færøske og grønlandske forhold tilsiger.
Stk. 3-4. (Udeladt)

Lov nr. 468 af 17. juni 2008 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 55

Stk. 1. Loven træder i kraft den 1. juli 2008, jf. dog stk. 2-5.
Stk. 2-5. (Udeladt)

§ 64

Stk. 1. Loven gælder ikke for Færøerne og Grønland.
Stk. 2. Loven kan ved kongelig anordning sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Lov nr. 516 af 17. juni 2008 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 2

Stk. 1. Loven træder i kraft den 1. september 2008 og har virkning for regnskabsår, der begynder den 1. september 2008 eller senere, jf. dog stk. 2 og 3.
Stk. 2. Uanset stk. 1 kan virksomhederne ved udarbejdelse af årsrapport anvende denne lovs bestemmelser for et regnskabsår, der er begyndt før den 1. september 2008, bortset fra ændringerne i § 1, nr. 22, 48-53, 55 og 56.
Stk. 3. § 1, nr. 54, 66 og 67, træder i kraft den 1. januar 2009.

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Lov nr. 1336 af 19. december 2008 indeholder følgende ikrafttrædelsesbestemmelse:

§ 167

Stk. 1. Loven træder i kraft den 1. januar 2009, jf. dog stk. 2. § 11 finder alene anvendelse på afgørelser om lønindeholdelse, der træffes efter lovens ikrafttræden.

Stk. 2. (Udeladt).

Lov nr. 1403 af 27. december 2008 indeholder følgende ikrafttrædelsesbestemmelser m.v.:

§ 2

Loven træder i kraft den 1. januar 2009 og har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Økonomi- og Erhvervsministeriet, den 25. maj 2009

Lene Espersen

/ Ole Blöndal

Bilag 1

Definitioner

I denne lov skal nedenstående forstås som

A. Generelt

1. Kapitalandele:

Andele i aktieselskaber (aktier), i anpartsselskaber (anparter) samt i andre virksomheders egenkapital.

2. Minoritetsinteresser:

Kapitalandele i konsoliderede virksomheder, der ejes af andre end koncernvirksomhederne.

3. Monetære poster:

Likvider samt aktiver og forpligtelser, herunder hensatte forpligtelser, der afregnes i fastlagte eller bestemmelige beløb.

4. Statslige aktieselskaber:

Aktieselskaber omfattet af aktieselskabslovens § 2 a, hvorefter et aktieselskab er et statsligt aktieselskab, når den danske stat har samme forbindelse til selskabet, som et moderselskab har til et datterselskab.

5. Virksomhedsdeltager:

En aktionær, anpartshaver eller andre, der ejer kapitalandele i en virksomhed.

6. Virksomhedskapital:

Kapital, som virksomhedsdeltagerne har indskudt i virksomheden. I aktie- og anpartsselskaber består virksomhedskapitalen af aktiekapitalen henholdsvis anpartskapitalen.

B. Koncerner

1. Associeret virksomhed:

En virksomhed, som ikke er en dattervirksomhed, men i hvilken en anden virksomhed og dennes dattervirksomheder besidder kapitalandele og udøver en betydelig indflydelse på virksomhedens driftsmæssige og finansielle ledelse. En virksomhed formodes at udøve betydelig indflydelse, hvis virksomheden og dens dattervirksomheder tilsammen besidder 20 pct. eller mere af stemmerettighederne.

2. Dattervirksomhed:

En virksomhed med hvilken en modervirksomhed direkte eller indirekte har en af de i nr. 4 nævnte forbindelser.

3. Koncernvirksomhed:

En modervirksomhed og dens dattervirksomheder.

4. Modervirksomhed:

En virksomhed, som

1) besidder flertallet af stemmerettighederne i en anden virksomhed,

2) er virksomhedsdeltager og har ret til at udnævne eller afsætte et flertal af medlemmerne i den anden virksomheds øverste ledelsesorgan,

3) er virksomhedsdeltager og har ret til at udøve en bestemmende indflydelse over en anden virksomheds driftsmæssige og finansielle ledelse på grundlag af vedtægter eller aftale med denne,

4) er virksomhedsdeltager og på grundlag af aftale med andre deltagere råder over flertallet af stemmerettighederne i en anden virksomhed eller

5) besidder kapitalandele i en anden virksomhed og udøver en bestemmende indflydelse over dennes driftsmæssige og finansielle ledelse.

5. Tilknyttet virksomhed:

En virksomheds dattervirksomhed, dens modervirksomhed og dennes dattervirksomhed.

6. Beregning af stemmerettigheder i datter- og associerede virksomheder:

Ved beregning af stemmerettigheder i B, nr. 1 og 4, i dette bilag skal

- 1) modervirksomhedens stemmerettigheder tillægges de stemmerettigheder i den pågældende virksomhed, der besiddes af modervirksomhedens dattervirksomheder,
- 2) fra det samlede antal stemmerettigheder i den pågældende virksomhed trækkes de stemmerettigheder, der besiddes af denne selv eller dennes dattervirksomheder, og
- 3) fra modervirksomhedens stemmerettigheder i den pågældende virksomhed trækkes de stemmerettigheder, der besiddes til sikkerhed, hvis virksomheden kun udøver stemmeretten i overensstemmelse med instrukser i sikkerhedsstillerens interesse, eller hvis besiddelsen er et led i virksomhedens erhvervsmæssige låneaktiviteter og stemmeretten kun udøves i sikkerhedsstillerens interesse.

7. Beregning af andre rettigheder end stemmerettigheder:

Ved beregning af rettigheder til at udnævne eller afsætte et flertal af medlemmerne i virksomhedens øverste ledelsesorgan i B, nr. 4, medregnes de rettigheder, som besiddes af virksomheden selv og af dens dattervirksomheder tilsammen.

C. Årsrapportens elementer

1. Aktiver:

Ressourcer, som er under virksomhedens kontrol som et resultat af tidligere begivenheder, og hvorfra fremtidige økonomiske fordele forventes at tilflyde virksomheden.

2. Anlægsaktiver:

Aktiver, der er bestemt til vedvarende eje eller brug for virksomheden.

3. Omsætningsaktiver:

Aktiver, der ikke er anlægsaktiver.

4. Finansielle aktiver:

Aktiver i form af

- 1) likvider,
- 2) aftalt ret til at modtage likvider eller andre finansielle aktiver fra tredjemand,
- 3) aftalt ret til at udveksle finansielle aktiver eller forpligtelser med tredjemand på vilkår, der kan være gunstige, eller
- 4) ret over egenkapital i en anden virksomhed.

5. Forpligtelser:

Eksisterende pligter for virksomheden opstået som resultat af tidligere begivenheder, og hvis indfrielse forventes at medføre afståelse af fremtidige økonomiske fordele.

6. Finansielle forpligtelser:

Forpligtelser i form af

- 1) aftalt pligt til at afgive likvider eller andre finansielle aktiver til tredjemand eller
- 2) aftalt pligt til at udveksle finansielle aktiver eller forpligtelser med tredjemand på vilkår, der kan være ugunstige.

7. Hensatte forpligtelser:

Forpligtelser, der er visse med hensyn til størrelse eller forfaldstid, og som vedrører regnskabsåret eller tidligere regnskabsår.

8. Eventualaktiver:

Forhold, der eksisterer på balancedagen som resultat af tidligere begivenheder, og som kan medføre fremtidige økonomiske fordele, men hvor aktiverens eksistens først kan bekræftes af en eller flere usikre fremtidige begivenheder, som er uden for virksomhedens kontrol.

9. Eventualforpligtelser:

- 1) Forhold, der eksisterer på balancedagen som resultat af tidligere begivenheder, og som kan medføre afståelse af fremtidige økonomiske fordele, men hvor forpligtelsernes eksistens først kan bekræftes af en eller flere usikre fremtidige begivenheder, som er uden for virksomhedens kontrol, eller
- 2) forpligtelser, der eksisterer på balancedagen som resultat af tidligere begivenheder, men hvor det ikke er sandsynligt, at afviklingen vil medføre afståelse af fremtidige økonomiske fordele, eller
- 3) forpligtelser, hvis beløbsmæssige størrelse ikke kan måles med tilstrækkelig pålidelighed.

10. Indtægter:

Stigninger i økonomiske fordele i regnskabsperioden i form af tilgang eller værdistigning af aktiver eller fald i forpligtelser, som medfører stigninger i egenkapitalen. I indtægter indgår dog ikke indskud fra ejere.

11. Nettoomsætning:

Salgsværdien af produkter og tjenesteydelser m.v., der henhører under selskabets ordinære aktiviteter med fradrag af prisnedslag, merværdiafgift og anden skat, der er direkte forbundet med salgsbeløbet.

12. Omkostninger:

Fald i økonomiske fordele i regnskabsperioden i form af afgang eller værdiforringelse af aktiver eller stigning i forpligtelser, som medfører fald i egenkapitalen. I omkostninger indgår dog ikke udlodning eller uddelinger til ejere.

D. Målegrundlag m.v.

1. Amortiseret kostpris:

Amortiseret kostpris er den værdi, til hvilken et finansielt aktiv eller en finansiell forpligtelse blev målt ved første indregning med

- 1) fradrag af afdrag,
- 2) tillæg eller fradrag af den samlede afskrivning på forskellen mellem det oprindeligt indregnede beløb og det beløb, der forfalder ved udløb, og
- 3) fradrag af nedskrivninger.

2. Dagsværdien:

Dagsværdien er det beløb, hvormed et aktiv kan udveksles eller en forpligtelse kan udlignes ved transaktioner mellem af hinanden uafhængige parter.

3. Genanskaffelsesværdien:

For et aktiv er genanskaffelsesværdien den pris, der skal betales for at erhverve et tilsvarende aktiv på balancedagen.

4. Genindvindingsværdien:

For et aktiv er genindvindingsværdien den højeste værdi af kapitalværdien og salgsværdien fratrukket forventede omkostninger ved et salg.

5. Kapitalværdien:

For et aktiv er kapitalværdien den tilbagediskonterede værdi (nutidsværdien) af de fremtidige nettoindbetalinger, som aktivet på balancedagen forventes at indbringe ved fortsat benyttelse i den nuværende funktion. Kapitalværdien for en forpligtelse er den tilbagediskonterede værdi (nutidsværdien) af de fremtidige nettoudbetalinger, der skal ydes i forpligtelsens levetid.

6. Kostprisen:

For et aktiv er kostprisen det beløb, der er ydet som vederlag for aktivet, uanset dette er anskaffet fra en ekstern part eller internt fremstillet. Kostprisen for en forpligtelse er det beløb, der er modtaget som vederlag for forpligtelsen.

7. Nettorealisationsværdien:

For et aktiv er nettorealisationsværdien summen af de fremtidige nettoindbetalinger, som aktivet på balancedagen forventes at indbringe som led i normal drift. Nettorealisationsværdien for en forpligtelse er summen af de fremtidige nettoudbetalinger, der skal ydes i forpligtelsens levetid.

8. Produktionsmetoden:

Produktionsmetoden er en indtægtsmetode, ifølge hvilken indtægter og omkostninger indregnes i resultatopgørelsen i takt med, at arbejdet bliver udført. Når produktionsmetoden anvendes, måles det igangværende arbejde i balancen til den opgjorte salgsværdi af den udførte del af arbejdet.

Salgsværdien for et igangværende arbejde udgør den forholdsmæssige andel af den kontraktfastsatte pris henholdsvis kalkulerede salgspris, der er indtjent for den på balancedagen udførte andel af det samlede entreprisarbejde.

9. Salgsværdien:

For et aktiv er salgsværdien den pris, aktivet kan sælges til på balancedagen. Salgsværdien for en forpligtelse er den pris, der skal betales for at frigøre sig af forpligtelsen på balancedagen.

Bilag 2

Skemaer for balancer og resultatopgørelser

1. Skema for balance i kontoform (regnskabsklasse B, C og D)

AKTIVER

ANLÆGSAKTIVER

I. Immaterielle anlægsaktiver

1. Færdiggjorte udviklingsprojekter, herunder koncessioner, patenter, varemærker og lignende rettigheder, der stammer fra udviklingsprojekter
2. Erhvervede koncessioner, patenter, licenser, varemærker samt lignende rettigheder
3. Goodwill
4. Udviklingsprojekter under udførelse og forudbetalinger for immaterielle anlægsaktiver

II. Materielle anlægsaktiver

1. Grunde og bygninger
2. Produktionsanlæg og maskiner
3. Andre anlæg, driftsmateriel og inventar
4. Materielle anlægsaktiver under udførelse og forudbetalinger for materielle anlægsaktiver

III. Finansielle anlægsaktiver

1. Kapitalandele i tilknyttede virksomheder
2. Tilgodehavender hos tilknyttede virksomheder
3. Kapitalandele i associerede virksomheder
4. Tilgodehavender hos associerede virksomheder
5. Andre værdipapirer og kapitalandele
6. Andre tilgodehavender
7. Egne kapitalandele
8. Tilgodehavender hos virksomhedsdeltagere og ledelse

OMSÆTNINGSAKTIVER

I. Varebeholdninger

1. Råvarer og hjælpematerialer
2. Varer under fremstilling
3. Fremstillede varer og handelsvarer
4. Forudbetalinger for varer

II. Tilgodehavender

1. Tilgodehavender fra salg og tjenesteydelser
2. Igangværende arbejder for fremmed regning
3. Tilgodehavender hos tilknyttede virksomheder
4. Tilgodehavender hos associerede virksomheder
5. Andre tilgodehavender
6. Krav på indbetaling af virksomhedskapital
7. Tilgodehavender hos virksomhedsdeltagere og ledelse
8. Periodeafgrænsningsposter

III. Værdipapirer og kapitalandele

1. Kapitalandele i tilknyttede virksomheder
2. Egne kapitalandele
3. Andre værdipapirer og kapitalandele

IV. Likvide beholdninger

*PASSIVER**EGENKAPITAL*

I. Virksomhedskapital

II. Overkurs ved emission

III. Reserve for opskrivninger

IV. Andre reserver

1. Reserve for nettoopskrivning efter den indre værdis metode
2. Reserve for egne kapitalandele
3. Øvrige lovpligtige reserver
4. Vedtægtsmæssige reserver
5. Øvrige reserver

V. Overført overskud eller underskud

HENSATTE FORPLIGTELSE

1. Hensættelser til pensioner og lignende forpligtelser
2. Hensættelser til udskudt skat
3. Andre hensatte forpligtelser

GÆLDSFORPLIGTELSE (KORT- OG LANGFRISTEDE)

1. Gæld til realkreditinstitutter
2. Anden gæld, der er optaget ved udstedelse af obligationer
3. Kreditinstitutter i øvrigt
4. Konvertible og udbyttegivende gældsbreve
5. Modtagne forudbetalinger fra kunder
6. Leverandører af varer og tjenesteydelser
7. Gæld til tilknyttede virksomheder
8. Gæld til associerede virksomheder
9. Selskabsskat
10. Anden gæld
11. Periodeafgrænsningsposter
12. Forslag til udbytte for regnskabsåret

2. Skema for balance i beretningsform (regnskabsklasse B, C og D)*ANLÆGSAKTIVER*

I. Immaterielle anlægsaktiver

1. Færdiggjorte udviklingsprojekter, herunder koncessioner, patenter, varemærker og lignende rettigheder, der stammer fra udviklingsprojekter
2. Erhvervede koncessioner, patenter, licenser, varemærker samt lignende rettigheder
3. Goodwill
4. Udviklingsprojekter under udførelse og forudbetalinger for immaterielle anlægsaktiver

II. Materielle anlægsaktiver

1. Grunde og bygninger
2. Produktionsanlæg og maskiner
3. Andre anlæg, driftsmateriel og inventar
4. Materielle anlægsaktiver under udførelse og forudbetalinger for materielle anlægsaktiver

III. Finansielle anlægsaktiver

1. Kapitalandele i tilknyttede virksomheder
2. Tilgodehavender hos tilknyttede virksomheder
3. Kapitalandele i associerede virksomheder
4. Tilgodehavender hos associerede virksomheder
5. Andre værdipapirer og kapitalandele
6. Andre tilgodehavender
7. Egne kapitalandele
8. Tilgodehavender hos virksomhedsdeltagere og ledelse

OMSÆTNINGSAKTIVER

I. Varebeholdninger

1. Råvarer og hjælpemateriale
2. Varer under fremstilling
3. Fremstillede varer og handelsvarer
4. Forudbetalinger for varer

II. Tilgodehavender

1. Tilgodehavender fra salg og tjenesteydelser
2. Igangværende arbejder for fremmed regning
3. Tilgodehavender hos tilknyttede virksomheder
4. Tilgodehavender hos associerede virksomheder
5. Andre tilgodehavender
6. Krav på indbetaling af virksomhedskapital
7. Tilgodehavender hos virksomhedsdeltagere og ledelse
8. Periodeafgrænsningsposter

III. Værdipapirer og kapitalandele

1. Kapitalandele i tilknyttede virksomheder
2. Egne kapitalandele
3. Andre værdipapirer og kapitalandele

IV. Likvide beholdninger

KORTFRISTEDE GÆLDSFORPLIGTELSE

1. Gæld til realkreditinstitutter
2. Anden gæld, der er optaget ved udstedelse af obligationer
3. Kreditinstitutter i øvrigt
4. Konvertible og udbyttegivende gældsbreve
5. Modtagne forudbetalinger fra kunder
6. Leverandører af varer og tjenesteydelser
7. Gæld til tilknyttede virksomheder
8. Gæld til associerede virksomheder
9. Selskabsskat
10. Anden gæld
11. Periodeafgrænsningsposter
12. Forslag til udbytte for regnskabsåret

*OMSÆTNINGSAKTIVER MED FRADRAG AF KORTFRISTEDE GÆLDSFORPLIGTELSE**AKTIVER I ALT MED FRADRAG AF KORTFRISTEDE GÆLDSFORPLIGTELSE**LANGFRISTEDE GÆLDSFORPLIGTELSE*

1. Gæld til realkreditinstitutter
2. Anden gæld, der er optaget ved udstedelse af obligationer
3. Kreditinstitutter i øvrigt
4. Konvertible og udbyttegivende gældsbreve
5. Modtagne forudbetalinger fra kunder
6. Leverandører af varer og tjenesteydelser
7. Gæld til tilknyttede virksomheder
8. Gæld til associerede virksomheder
9. Selskabsskat
10. Anden gæld
11. Periodeafgrænsningsposter

HENSATTE FORPLIGTELSE

1. Hensættelser til pensioner og lignende forpligtelser
2. Hensættelser til udskudt skat
3. Andre hensatte forpligtelser

EGENKAPITAL

I. Virksomhedskapital

II. Overkurs ved emission

III. Reserve for opskrivninger

IV. Andre reserver

1. Reserve for nettoopskrivning efter den indre værdis metode
2. Reserve for egne kapitalandele
3. Øvrige lovpligtige reserver
4. Vedtægtsmæssige reserver
5. Øvrige reserver

V. Overført overskud eller underskud

3. Skema for resultatopgørelse i beretningsform, artsopdelt (regnskabsklasse B)

(* ud for posten indikerer, at posten kan sammendrages, jf. § 32. Bruttofortjeneste/Bruttotab i parentes skal i så fald placeres i stedet)

1. Nettoomsætning *
2. Ændring i lagre af færdigvarer og varer under fremstilling *
3. Arbejde udført for egen regning og opført under aktiver *
4. Andre driftsindtægter *
5. Eksterne omkostninger *
 - a) Omkostninger til råvarer og hjælpematerialer *
 - b) Andre eksterne omkostninger *
(Bruttofortjeneste/Bruttotab)
6. Personaleomkostninger
 - a) Lønninger

- b) Pensioner
- c) Andre omkostninger til social sikring
- 7. Af- og nedskrivninger af materielle og immaterielle anlægsaktiver
- 8. Nedskrivninger af omsætningsaktiver, bortset fra finansielle omsætningsaktiver
- 9. Andre driftsomkostninger
- 10. Indtægter af kapitalandele i tilknyttede og associerede virksomheder
 - a) Indtægter af kapitalandele i tilknyttede virksomheder
 - b) Indtægter af kapitalandele i associerede virksomheder
- 11. Indtægter af andre kapitalandele, værdipapirer og tilgodehavender, der er anlægsaktiver
- 12. Andre finansielle indtægter fra tilknyttede virksomheder
- 13. Andre finansielle indtægter
- 14. Nedskrivning af finansielle aktiver
- 15. Øvrige finansielle omkostninger
 - a) Finansielle omkostninger, der hidrører fra tilknyttede virksomheder
 - b) Andre finansielle omkostninger
- 16. Ordinært resultat før skat
- 17. Ekstraordinære indtægter
- 18. Ekstraordinære omkostninger
- 19. Ekstraordinært resultat før skat
- 20. Skat af årets resultat
- 21. Andre skatter
- 22. Årets resultat

4. Skema for resultatopgørelse i beretningsform, funktionsopdelt (regnskabsklasse B)

(* ud for posten indikerer, at posten kan sammendrages, jf. § 32. Bruttofortjeneste/Bruttotab i parentes skal i så fald placeres i stedet)

- 1. Nettoomsætning *
- 2. Produktionsomkostninger *
- 3. Bruttoresultat *
(Bruttofortjeneste/Bruttotab)
- 4. Distributionsomkostninger
- 5. Administrationsomkostninger
- 6. Andre driftsindtægter *
- 7. Andre driftsomkostninger
- 8. Indtægter af kapitalandele i tilknyttede og associerede virksomheder
 - a) Indtægter af kapitalandele i tilknyttede virksomheder
 - b) Indtægter af kapitalandele i associerede virksomheder
- 9. Indtægter af andre kapitalandele, værdipapirer og tilgodehavender, der er anlægsaktiver
- 10. Andre finansielle indtægter fra tilknyttede virksomheder
- 11. Andre finansielle indtægter
- 12. Nedskrivning af finansielle aktiver
- 13. Øvrige finansielle omkostninger
 - a) Finansielle omkostninger, der hidrører fra tilknyttede virksomheder
 - b) Andre finansielle omkostninger
- 14. Ordinært resultat før skat
- 15. Ekstraordinære indtægter
- 16. Ekstraordinære omkostninger
- 17. Ekstraordinært resultat før skat
- 18. Skat af årets resultat
- 19. Andre skatter
- 20. Årets resultat

5. Skema for resultatopgørelse i beretningsform, artsopdelt (regnskabsklasse C og D)

(* ud for posten indikerer, at mellemstore virksomheder kan sammendrage posten, jf. § 32. Bruttofortjeneste/Bruttotab i parentes skal i så fald placeres i stedet)

- 1. Nettoomsætning *
- 2. Ændring i lagre af færdigvarer og varer under fremstilling *
- 3. Arbejde udført for egen regning og opført under aktiver *
- 4. Andre driftsindtægter *
- 5. Eksterne omkostninger *
 - a) Omkostninger til råvarer og hjælpematerialer *
 - b) Andre eksterne omkostninger *
(Bruttofortjeneste/Bruttotab)
- 6. Personaleomkostninger
 - a) Lønninger
 - b) Pensioner
 - c) Andre omkostninger til social sikring
- 7. Af- og nedskrivninger af materielle og immaterielle anlægsaktiver
- 8. Nedskrivninger af omsætningsaktiver, bortset fra finansielle omsætningsaktiver
- 9. Andre driftsomkostninger
- 10. Indtægter af kapitalandele i tilknyttede og associerede virksomheder
 - a) Indtægter af kapitalandele i tilknyttede virksomheder
 - b) Indtægter af kapitalandele i associerede virksomheder
- 11. Indtægter af andre kapitalandele, værdipapirer og tilgodehavender, der er anlægsaktiver
- 12. Andre finansielle indtægter fra tilknyttede virksomheder
- 13. Andre finansielle indtægter
- 14. Nedskrivning af finansielle aktiver
- 15. Øvrige finansielle omkostninger
 - a) Finansielle omkostninger, der hidrører fra tilknyttede virksomheder
 - b) Andre finansielle omkostninger
- 16. Resultat før skat og ekstraordinære poster
- 17. Skat af ordinært resultat
- 18. Ordinært resultat efter skat

19. Ekstraordinære indtægter
20. Ekstraordinære omkostninger
21. Ekstraordinært resultat før skat
22. Skat af ekstraordinært resultat
23. Ekstraordinært resultat efter skat
24. Andre skatter
25. Årets resultat

6. Skema for resultatopgørelse i beretningsform, funktionsopdelt (regnskabsklasse C og D)

* ud for posten indikerer, at mellemstore virksomheder kan sammendrage posten, jf. § 32. Bruttofortjeneste/Bruttotab i parentes skal i så fald placeres i stedet)

1. Nettoomsætning *
2. Produktionsomkostninger *
3. Bruttoresultat *
(Bruttofortjeneste/Bruttotab)
4. Distributionsomkostninger
5. Administrationsomkostninger
6. Andre driftsindtægter *
7. Andre driftsomkostninger
8. Indtægter af kapitalandele i tilknyttede og associerede virksomheder
 - a) Indtægter af kapitalandele i tilknyttede virksomheder
 - b) Indtægter af kapitalandele i associerede virksomheder
9. Indtægter af andre kapitalandele, værdipapirer og tilgodehavender, der er anlægsaktiver
10. Andre finansielle indtægter fra tilknyttede virksomheder
11. Andre finansielle indtægter
12. Nedskrivning af finansielle aktiver
13. Øvrige finansielle omkostninger
 - a) Finansielle omkostninger, der hidrører fra tilknyttede virksomheder
 - b) Andre finansielle omkostninger
14. Resultat før skat og ekstraordinære poster
15. Skat af ordinært resultat
16. Ordinært resultat efter skat
17. Ekstraordinære indtægter
18. Ekstraordinære omkostninger
19. Ekstraordinært resultat før skat
20. Skat af ekstraordinært resultat
21. Ekstraordinært resultat efter skat
22. Andre skatter
23. Årets resultat

Officielle noter

¹⁾ Loven indeholder bestemmelser, der gennemfører dele af Rådets direktiv 1977/91/EØF af 13. december 1976, for så vidt angår stiftelsen af aktieselskabet samt bevarelsen af og ændringer i dets kapital, (EF-Tidende 1977 nr. L 26, side 1), som ændret senest ved Rådets direktiv 1992/101/EØF af 23. november 1992, (EF-Tidende 1992 nr. L 347, side 64), dele af Rådets direktiv 1978/660/EØF af 25. juli 1978 om årsregnskaberne for visse selskabsformer, (EF-Tidende 1978 nr. L 222, side 11) som ændret senest ved Rådets direktiv 2006/99/EF af 20. november 2006, (EU-Tidende 2006 nr. L 363, side 137), dele af Rådets direktiv 1978/855/EØF af 9. oktober 1978 om fusioner af aktieselskaber, (EF-Tidende 1978 nr. L 295, side 36), dele af Rådets direktiv 1982/891/EØF af 17. december 1982 om spaltning af aktieselskaber, (EF-Tidende 1982 nr. L 378, side 47), dele af Rådets direktiv 1983/349/EØF af 13. juni 1983 om konsoliderede regnskaber, (EF-Tidende 1983 nr. L 193, side 1), som ændret senest ved Rådets direktiv 2006/99/EF af 20. november 2006, (EU-Tidende 2006 nr. L 363, side 137), dele af Rådets direktiv 1989/666/EØF af 21. december 1989 om offentlighed vedrørende filialer oprettet i en medlemsstat af visse former for selskaber henhørende under en anden stats retsregler, (EF-Tidende 1989 nr. L 395, side 36), dele af Europa-Parlamentets og Rådets direktiv 2004/25/EF af 21. april 2004 om overtagelsestilbud, (EU-Tidende 2004 nr. L 142, side 12), dele af Europa-Parlamentets og Rådets direktiv 2004/109/EF af 15. december 2004 om harmonisering af gennemsigtskrav i forbindelse med oplysninger om udstedere, hvis værdipapirer er optaget til handel på et reguleret marked, og om ændring af direktiv 2001/34/EF, (EU-tidende 2004 nr. L 390, side 38) (gennemsigtskrivningsdirektivet) og dele af Europa-Parlamentets og Rådets direktiv 2006/43/EF af 17. maj 2006 om lovpligtig revision af årsregnskaber og konsoliderede regnskaber, om ændring af Rådets direktiv 1978/660/EØF og om ophævelse af Rådets direktiv 1984/253/EØF, (EU-Tidende 2006 nr. L 157, side 87)

Dokumentet er Historisk**LOV nr 1403 af 27/12/2008 Historisk**

Offentliggørelsesdato: 30-12-2008

Økonomi- og Erhvervsministeriet

Senere ændringer til forskriften

- LBK nr 395 af 25/05/2009

Den fulde tekst

Lov om ændring af årsregnskabsloven

(Redegørelse for samfundsansvar i større virksomheder)

VI MARGRETHE DEN ANDEN, af Guds Nåde Danmarks Dronning, gør vitterligt:

Folketinget har vedtaget og Vi ved Vort samtykke stadfæstet følgende lov:

§ 1

I årsregnskabsloven, jf. lovbekendtgørelse nr. 647 af 15. juni 2006, som ændret ved § 5 i lov nr. 108 af 7. februar 2007, § 63 i lov nr. 468 af 17. juni 2008 og lov nr. 516 af 17. juni 2008, foretages følgende ændringer:

1. Efter § 99 indsættes:

»§ 99 a. Store virksomheder skal supplere ledelsesberetningen med en redegørelse for samfundsansvar, jf. stk. 2-7. Ved virksomheders samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og forretningsaktiviteter. Har virksomheden ikke politikker for samfundsansvar, skal dette oplyses i ledelsesberetningen.

Stk. 2. Redegørelsen skal indeholde oplysning om:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Stk. 3. Redegørelsen skal gives i tilknytning til ledelsesberetningen. Virksomheden kan dog i stedet vælge at give redegørelsen

- 1) i en supplerende beretning til årsrapporten, jf. § 14, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 1. pkt., eller
- 2) på virksomhedens hjemmeside, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 2. pkt.

Stk. 4. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten og revisors pligter i forhold til de oplysninger, som offentliggøres heri, jf. stk. 3, nr. 1. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar på virksomhedens hjemmeside, herunder regler om virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden, jf. stk. 3, nr. 2.

Stk. 5. For virksomheder, som udarbejder koncernregnskab, er det tilstrækkeligt, at oplysningerne efter stk. 1 og 2 gives for koncernen som helhed.

Stk. 6. En dattervirksomhed, som indgår i en koncern, kan undlade at medtage oplysningerne i sin egen ledelsesberetning, hvis

- 1) modervirksomheden opfylder oplysningskravene efter stk. 1 og 2 for den samlede koncern eller
- 2) modervirksomheden har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer.

Stk. 7. En virksomhed, som har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer, kan undlade at give de oplysninger, som er anført i stk. 1 og 2. Virksomheden skal oplyse i ledelsesberetningen, at den anvender denne undtagelse, og angive, hvor rapporten er offentligt tilgængelig.«

2. I § 135, stk. 5, indsættes før 1. pkt.:

»Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsregnskabet eller koncernregnskabet, alternativt kan placeres i andre dokumenter m.v., hvortil der henvises i årsregnskabet eller koncernregnskabet, omfatter revisionspligten efter stk. 1, 1. pkt., de pågældende oplysninger i disse dokumenter m.v.«

3. I § 135, stk. 5, indsættes efter 2. pkt., der bliver 3. pkt.:

»2. og 3. pkt. finder anvendelse på oplysninger, der placeres i ledelsesberetningen, og på oplysninger, der efter denne lov eller regler, som er udstedt efter denne lov, alternativt offentliggøres andre steder, hvortil der henvises i ledelsesberetningen.«

Dokumentet er Historisk

4. I § 135 a, stk. 1, 1. pkt., ændres »ledelsesberetningen, jf. § 135, stk. 5, 2. pkt.« til: »ledelsesberetningen m.v., jf. § 135, stk. 5, 3. og 4. pkt.«

5. Efter § 149 indsættes før overskriften »Manglende eller for sen modtagelse af årsrapport eller undtagelseserklæring«:

»§ 149 a. Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsrapporten, alternativt kan placeres i andre dokumenter m.v. end årsrapporten, skal disse dokumenter m.v. være tilgængelige for regnskabsbrugerne på samme tidspunkt som årsrapporten.«

§ 2

Loven træder i kraft den 1. januar 2009 og har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Givet på Marselisborg Slot, den 27. december 2008

MARGRETHE R.

/ Lene Espersen

NOTAT

16. december 2008
/ksh

Sag

Faktaark - lov om redegørelse for samfundsansvar

Den 16. december 2008 vedtog Folketinget "Forslag til lov om ændring af årsregnskabsloven (Redegørelse for samfundsansvar i større virksomheder)".

Lovændringen betyder, at større virksomheder frem over skal redegøre for deres arbejde med samfundsansvar i deres årsrapport. Formålet er at inspirere virksomheder til at forholde sig aktivt til samfundsansvar og kommunikere dette til omverdenen. Det skal være med til at styrke dansk erhvervsliv i den internationale konkurrence.

Loven er et initiativ i regeringens handlingsplan for virksomheders samfundsansvar (maj 2008). Med denne handlingsplan ønsker regeringen at styrke danske virksomheders arbejde med forretningsdrevet samfundsansvar og gøre Danmark internationalt kendt for ansvarlig vækst.

2. Hvem er omfattet af lovændringen?

Loven omfatter store virksomheder i regnskabsklasse C samt børsnoterede virksomheder og statslige aktieselskaber i regnskabsklasse D.

Store virksomheder i regnskabsklasse C er virksomheder, som overskrider mindst to af nedenstående tre størrelsesgrænser:

- En balancesum på 143 mio. kr.
- En nettoomsætning på 286 mio. kr.
- Et gennemsnit antal heltidsbeskæftigede på 250

Datterselskaber er fritaget fra at oplyse om samfundsansvar, hvis moder-selskabet oplyser om samfundsansvar for hele koncernen.

Endelig indføres samme oplysningskrav for institutionelle investorer, investeringsforeninger og børsnoterede finansielle virksomheder i øvrigt (pengeinstitutter og forsikringselskaber m.v.), som ikke er omfattet af årsregnskabsloven. Oplysningskravet for disse virksomheder fastsættes af Finanstilsynet i bekendtgørelser.

ERHVERVS- OG SELSKABSSTYRELSEN

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ØKONOMI- OG ERHVERVSMINISTERIET

3. Hvad skal oplyses om samfundsansvar?

De omfattede virksomheder skal oplyse om:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Hvis virksomheden ikke har formuleret politikker for samfundsansvar, skal dette oplyses.

4. Hvordan skal oplysningerne gives?

Redegørelsen for samfundsansvar skal placeres i ledelsesberetningen i årsrapporten. Alternativt kan virksomheden placere redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten eller på virksomhedens hjemmeside. Dog skal det fremgå af ledelsesberetningen, hvor redegørelsen er placeret.

Hvis en virksomhed har tilsluttet sig FN's Global Compact eller FN's Principper for ansvarlige investeringer, er det tilstrækkeligt at henvise til den fremskridtsrapport, som skal udarbejdes i forbindelse med medlemskabet.

Virksomheder, som udarbejder en bæredygtighedsrapport eller lignende om deres arbejde med samfundsansvar kan henvise til denne i ledelsesberetningen. Dette dog forudsat, at denne rapport opfylder kravene til redegørelsen (jf. afsnit 3).

5. Ikrafttrædelse

Loven træder i kraft den 1. januar 2009 og har virkning for det regnskabsår, der begynder den 1. januar 2009 eller senere.

Erhvervs- og Selskabsstyrelsen vil udarbejde en vejledning om opfyldelsen af lovkravet.

Lovforslaget kan downloades fra:

<http://www.ft.dk/doc.aspx/?samling/20081/MENU/00000002.htm>

BEK nr 761 af 20/07/2009 Gældende

Offentliggørelsesdato: 22-07-2009

Økonomi- og Erhvervsministeriet

Oversigt (indholdsfortegnelse)

- Kapitel 1 Anvendelsesområde
- Kapitel 2 Offentliggørelse af oplysninger om virksomhedsledelse på virksomhedens hjemmeside
- Kapitel 3 Offentliggørelse af oplysninger om samfundsansvar på virksomhedens hjemmeside
- Kapitel 4 Offentliggørelse af oplysninger om samfundsansvar i en supplerende beretning til årsrapporten
- Kapitel 5 Straf
- Kapitel 6 Ikrafttræden

Den fulde tekst

Bekendtgørelse om offentliggørelse af redegørelse for virksomhedsledelse og redegørelse for samfundsansvar på virksomhedens hjemmeside mv.

I medfør af § 99 a, stk. 4, § 107 b, stk. 4, § 107 c, stk. 2, og § 164, stk. 4, i årsregnskabsloven, jf. lovbekendtgørelse nr. 395 af 25. maj 2009, fastsættes:

Kapitel 1

Anvendelsesområde

§ 1. Bekendtgørelsens kapitel 2 finder anvendelse på virksomheder omfattet af regnskabsklasse D, som har valgt at offentliggøre den lovpligtige redegørelse for virksomhedsledelse, som skal offentliggøres efter årsregnskabslovens § 107 b eller § 107 c, på virksomhedens hjemmeside i stedet for i ledelsesberetningen i årsrapporten, jf. dog § 107 b, stk. 2, og § 107 c, stk. 3.

Stk. 2. Bekendtgørelsens kapitel 3 finder anvendelse på store virksomheder omfattet af regnskabsklasse C og virksomheder omfattet af regnskabsklasse D, som har valgt at offentliggøre den lovpligtige redegørelse for samfundsansvar, der skal offentliggøres efter årsregnskabslovens § 99 a og § 102, stk. 1, 3. pkt., hvis virksomheden har principper for samfundsansvar, på virksomhedens hjemmeside i stedet for i ledelsesberetningen i årsrapporten, jf. dog § 99 a, stk. 5-7.

Stk. 3. Bekendtgørelsens kapitel 4 finder anvendelse på store virksomheder omfattet af regnskabsklasse C og virksomheder omfattet af regnskabsklasse D, som har valgt at offentliggøre den lovpligtige redegørelse for samfundsansvar, der skal offentliggøres efter årsregnskabslovens § 99 a og § 102, stk. 1, 3. pkt., hvis virksomheden har principper for samfundsansvar, i en supplerende beretning til årsrapporten i stedet for i ledelsesberetningen i årsrapporten, jf. dog § 99 a, stk. 5-7.

Kapitel 2

Offentliggørelse af oplysninger om virksomhedsledelse på virksomhedens hjemmeside

Den lovpligtige redegørelse for virksomhedsledelse

§ 2. Det skal oplyses i ledelsesberetningen i årsrapporten, at virksomheden har valgt at offentliggøre den lovpligtige redegørelse for virksomhedsledelse, jf. årsregnskabslovens § 107 b eller § 107 c, på virksomhedens hjemmeside.

Stk. 2. URL-adressen, hvor redegørelsen er offentliggjort, skal oplyses i tilknytning til oplysningen efter stk. 1. Med URL-adressen menes den internetadresse, der skal benyttes for at komme direkte til redegørelsen.

§ 3. For virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal redegørelsen offentliggøres under betegnelsen »Lovpligtig redegørelse for virksomhedsledelse, jf. årsregnskabslovens § 107 b«.

Stk. 2. For statslige aktieselskaber, som ikke har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, skal redegørelsen betegnes »Lovpligtig redegørelse for virksomhedsledelse, jf. årsregnskabslovens § 107 c«.

Stk. 3. Det skal oplyses i redegørelsen, at denne udgør en bestanddel af ledelsesberetningen i virksomhedens årsrapport. Regnskabsperioden for den pågældende årsrapport skal angives. Redegørelsen skal dække samme periode som årsrapportens regnskabsperiode.

Stk. 4. Det skal oplyses i redegørelsen, hvilke dele af redegørelsen der ikke er omfattet af revisionspåtegningen på virksomhedens årsrapport. Oplysningerne om kodeks for virksomhedsledelse, jf. årsregnskabslovens § 107 b, stk. 1, nr. 1-5, eller § 107 c, stk. 1, er ikke omfattet af revisionspåtegningen på virksomhedens årsrapport, medmindre virksomheden og revisor har aftalt andet.

§ 4. Den lovpligtige redegørelse for virksomhedsledelse skal offentliggøres som en samlet redegørelse, jf. årsregnskabslovens § 107 b, stk. 1, eller § 107 c, stk. 1 og 2.

Stk. 2. Den lovpligtige redegørelse for virksomhedsledelse skal holdes tydeligt adskilt fra eventuelle frivillige supplerende oplysninger om virksomhedsledelse på virksomhedens hjemmeside.

§ 5. Den lovpligtige redegørelse for virksomhedsledelse skal være tilgængelig for aktionærene mv. fra det tidspunkt, hvor årsrapporten er tilgængelig for aktionærene mv. forud for den generalforsamling, hvor årsrapporten skal godkendes.

Stk. 2. Redegørelsen skal være tilgængelig for offentligheden på virksomhedens hjemmeside fra det tidspunkt, hvor årsrapporten er tilgængelig for offentligheden.

§ 6. Den offentliggjorte lovpligtige redegørelse for virksomhedsledelse skal være tilgængelig på virksomhedens hjemmeside i sin helhed i uændret form i mindst fem år på den URL-adresse, som er anført i ledelsesberetningen i den årsrapport, redegørelsen knytter sig til, jf. § 2.

Stk. 2. Hvis URL-adressen ændres i løbet af perioden, skal der være direkte viderestilling fra den oprindelige URL-adresse til den nye URL-adresse.

Frivillig opdatering af oplysninger om virksomhedsledelse

§ 7. Ønsker virksomheden at opdatere oplysningerne i den offentliggjorte lovpligtige redegørelse for virksomhedsledelse, jf. § 3, kan virksomheden offentliggøre opdateringer hertil som frivillige supplerende oplysninger om virksomhedsledelse.

Stk. 2. Oplysningerne efter stk. 1 skal holdes tydeligt adskilt fra den lovpligtige redegørelse for virksomhedsledelse, for eksempel under betegnelsen »Frivillige supplerende oplysninger om virksomhedsledelse«.

Revisors særlige pligter i forbindelse med offentliggørelse af den lovpligtige redegørelse for virksomhedsledelse på virksomhedens hjemmeside

§ 8. Revisor skal påse, at ledelsesberetningen indeholder de oplysninger, som følger af § 2.

§ 9. Revisor skal påse, at den lovpligtige redegørelse for virksomhedsledelse, der offentliggøres på virksomhedens hjemmeside, er betegnet som anført i § 3, stk. 1 eller 2, og at redegørelsen indeholder de oplysninger, som følger af § 3, stk. 3 og 4.

Kapitel 3

Offentliggørelse af oplysninger om samfundsansvar på virksomhedens hjemmeside

Den lovpligtige redegørelse for samfundsansvar

§ 10. Det skal oplyses i ledelsesberetningen i årsrapporten, at virksomheden har valgt at offentliggøre den lovpligtige redegørelse for samfundsansvar, jf. årsregnskabslovens § 99 a, på virksomhedens hjemmeside.

Stk. 2. URL-adressen, hvor redegørelsen er offentliggjort, skal oplyses i tilknytning til oplysningen efter stk. 1. Med URL-adressen menes den internetadresse, der skal benyttes for at komme direkte til redegørelsen.

§ 11. Redegørelsen skal offentliggøres under betegnelsen »Lovpligtig redegørelse for samfundsansvar, jf. årsregnskabslovens § 99 a«.

Stk. 2. Det skal oplyses i redegørelsen, at denne udgør en bestanddel af ledelsesberetningen i virksomhedens årsrapport. Regnskabsperioden for den pågældende årsrapport skal angives. Redegørelsen skal dække samme periode som årsrapportens regnskabsperiode.

§ 12. Den lovpligtige redegørelse for samfundsansvar skal offentliggøres som en samlet redegørelse, jf. årsregnskabslovens § 99 a, stk. 2, jf. stk. 1.

Stk. 2. Den lovpligtige redegørelse for samfundsansvar skal holdes tydeligt adskilt fra eventuelle frivillige supplerende oplysninger om samfundsansvar på virksomhedens hjemmeside.

§ 13. Den lovpligtige redegørelse for samfundsansvar skal være tilgængelig for aktionærene mv. fra det tidspunkt, hvor årsrapporten er tilgængelig for aktionærene mv. forud for den generalforsamling, hvor årsrapporten skal godkendes.

Stk. 2. Redegørelsen skal være tilgængelig for offentligheden på virksomhedens hjemmeside fra det tidspunkt, hvor årsrapporten er tilgængelig for offentligheden.

§ 14. Den offentliggjorte lovpligtige redegørelse for samfundsansvar skal være tilgængelig på virksomhedens hjemmeside i sin helhed i uændret form i mindst fem år på den URL-adresse, som er anført i ledelsesberetningen i den årsrapport, redegørelsen knytter sig til, jf. § 10.

Stk. 2. Hvis URL-adressen ændres i løbet af perioden, skal der være direkte viderestilling fra den oprindelige URL-adresse til den nye URL-adresse.

Frivillig opdatering af oplysninger om samfundsansvar

§ 15. Ønsker virksomheden at opdatere oplysningerne i den offentliggjorte lovpligtige redegørelse for samfundsansvar, jf. § 11, kan virksomheden offentliggøre opdateringer hertil som frivillige supplerende oplysninger om virksomhedens samfundsansvar.

Stk. 2. Oplysningerne efter stk. 1 skal holdes tydeligt adskilt fra den lovpligtige redegørelse for samfundsansvar, for eksempel under betegnelsen »Frivillige supplerende oplysninger om samfundsansvar«.

Revisors særlige pligter i forbindelse med offentliggørelse af den lovpligtige redegørelse for samfundsansvar på virksomhedens hjemmeside

§ 16. Revisor skal påse, at ledelsesberetningen indeholder de oplysninger, som følger af § 10.

§ 17. Revisor skal påse, at den lovpligtige redegørelse for samfundsansvar, der offentliggøres på virksomhedens hjemmeside, er betegnet som anført i § 11, stk. 1, og at redegørelsen indeholder de oplysninger, som følger af § 11, stk. 2.

Kapitel 4

Offentliggørelse af oplysninger om samfundsansvar i en supplerende beretning til årsrapporten

§ 18. Det skal oplyses i ledelsesberetningen i årsrapporten, at virksomheden har valgt at offentliggøre den lovpligtige redegørelse for samfundsansvar, jf. årsregnskabslovens § 99 a, i en supplerende beretning til årsrapporten.

Stk. 2. Redegørelsen skal betegnes »Lovpligtig redegørelse for samfundsansvar, jf. årsregnskabslovens § 99 a«.

Stk. 3. Det skal oplyses i redegørelsen, at denne udgør en bestanddel af ledelsesberetningen i årsrapporten. Redegørelsen skal dække samme periode som årsrapportens regnskabsperiode.

Kapitel 5

Straf

§ 19. Overtrædelse af §§ 2-6, § 7, stk. 2, §§ 10-14, § 15, stk. 2, og § 18 straffes med bøde, medmindre højere straf er forskyldt efter anden lovgivning.

Kapitel 6

Ikrafttræden

§ 20. Bekendtgørelsen træder i kraft den 1. august 2009.

Stk. 2. Kapitel 2 har virkning for regnskabsår, der begynder den 1. september 2008 eller senere.

Stk. 3. Kapitel 3 og 4 har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

Erhvervs- og Selskabsstyrelsen, den 20. juli 2009

Niels Henrik Englev

/ Grethe Krogh Jensen

2008/1 LF 5

Offentliggørelsesdato: 09-10-2008

Økonomi- og Erhvervsministeriet

Den fulde tekst

L 5

Forslag til lov om ændring af årsregnskabsloven. (Redegørelse for samfundsansvar i større virksomheder).

Af økonomi- og erhvervsministeren (Lene Espersen (KF)).

Fremsat skr 8/10 08 Tillæg A 46

Lovf som fremsat 8/10 08 Tillæg A 29

1.beh 21/10 08 FF 260

Betænkning 27/11 08 Tillæg B 126

2.beh 4/12 08 FF 1774

3.beh 16/12 08 FF 2227

Lovf som vedt 16/12 08 Tillæg C 41

Lov nr 1403 af 27. december 2008

Ordførere: (1.beh) Jacob Jensen (V), Jens Christian Lund (S), Colette L. Brix (DF), Steen Gade (SF), Mike Legarth (KF), Frank Aaen (EL), Villum Christensen (LA).

Ministre: (1.beh) økonomi- og erhvervsministeren.

Efter 1.beh henvist til Erhvervsudvalget (ERU).

Efter 2.beh direkte overgang til 3.beh.

Formålet med lovforslaget er at tilskynde de største danske virksomheder, børsnoterede selskaber og statslige aktieselskaber til at forholde sig aktivt til deres samfundsansvar. Ved samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til bl.a. menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korrupsion i deres forretningsstrategi. Lovforslaget er et initiativ i regeringens handlingsplan for virksomheders samfundsansvar og skal understøtte, at samfundsansvar bliver en international konkurrencefordel for dansk erhvervsliv, og at danske virksomheder og Danmark internationalt forbindes med ansvarlig vækst.

Ved udformningen af lovforslaget har der været lagt vægt på at begrænse de administrative byrder. Der er tilstræbt størst mulig fleksibilitet for virksomhederne mht. offentliggørelsesmåde.

Oplysningskravet omfatter store virksomheder i regnskabsklasse C og børsnoterede selskaber og statslige aktieselskaber i regnskabsklasse D, i alt ca. 1.100 virksomheder. Samme oplysningskrav indføres for institutionelle investorer, investeringsforeninger og finansielle virksomheder gennem bekendtgørelsesændringer.

Afstemning:

Lovforslaget vedtaget med 98 stemmer (V, S, SF, KF, RV, EL, LA og SIU) mod 17 (DF).

2008/1 SF.L L 5

Offentliggørelsesdato: 09-10-2008

Økonomi- og Erhvervsministeriet

Den fulde tekst

Skriftlig fremsættelse (8. oktober 2008)

Økonomi- og Erhvervsministeren (Lene Espersen):

Herved tillader jeg mig for Folketinget at fremsætte:

Forslag til lov om ændring af årsregnskabsloven (Redegørelse for samfundsansvar i større virksomheder)
(Lovforslag nr. L 5).

Formålet med lovforslaget er at tilskynde de største danske virksomheder, børsnoterede selskaber og statslige aktieselskaber til at forholde sig aktivt til deres samfundsansvar. Ved samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til bl.a. menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi. Lovforslaget er et initiativ i regeringens handlingsplan for virksomheders samfundsansvar og skal understøtte, at samfundsansvar bliver en international konkurrencefordel for dansk erhvervsliv, og at danske virksomheder og Danmark internationalt forbindes med ansvarlig vækst.

Ifølge lovforslaget skal virksomheden enten oplyse om sine politikker for samfundsansvar eller oplyse, at den ikke har sådanne politikker. Det vil fortsat være frivilligt, om virksomheden ønsker at arbejde med samfundsansvar. Hvis virksomheden oplyser om sine politikker for samfundsansvar, skal den oplyse, hvordan politikkerne bliver omsat til handling, og hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar, samt evt. forventninger til arbejdet fremover. Virksomheden kan give oplysningerne i ledelsesberetningen, i en supplerende beretning til årsrapporten eller på virksomhedens hjemmeside. For virksomheder, der har tilsluttet sig FN's Global Compact eller FN's Principper for ansvarlige investeringer, er det tilstrækkeligt at henvise til en fremskridtsrapport udarbejdet i den forbindelse. Bæredygtighedsrapporter, grønne regnskaber o.l., kan ligeledes indgå i redegørelsen.

Ved udformningen af lovforslaget har der været lagt vægt på at begrænse de administrative byrder. Der er tilstræbt størst mulig fleksibilitet for virksomhederne mht. offentliggørelsesmåde.

Oplysningskravet omfatter store virksomheder i regnskabsklasse C og børsnoterede selskaber og statslige aktieselskaber i regnskabsklasse D, i alt ca. 1.100 virksomheder. Samme oplysningskrav indføres for institutionelle investorer, investeringsforeninger og finansielle virksomheder gennem bekendtgørelsesændringer.

Det foreslås, at lovforslaget træder i kraft den 1. januar 2009.

Idet jeg i øvrigt henviser til lovforslaget og bemærkningerne til dette, skal jeg anbefale forslaget til Folketingets velvillige behandling.

2008/1 LSF 5

Offentliggørelsesdato: 09-10-2008

Økonomi- og Erhvervsministeriet

Den fulde tekst

Fremsat den 8. oktober 2008 af økonomi- og erhvervsministeren (Lene Espersen)

Forslag

til

Lov om ændring af årsregnskabsloven

(Redegørelse for samfundsansvar i større virksomheder)

§ 1

I årsregnskabsloven, jf. lovbekendtgørelse nr. 647 af 15. juni 2006, som ændret ved § 5 i lov nr. 108 af 7. februar 2007, § 63 i lov nr. 468 af 17. juni 2008 og lov nr. 516 af 17. juni 2008, foretages følgende ændringer:

1. Efter § 99 indsættes:

»§ 99 a. Store virksomheder skal supplere ledelsesberetningen med en redegørelse for samfundsansvar, jf. stk. 2-7. Ved virksomheders samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og forretningsaktiviteter. Har virksomheden ikke politikker for samfundsansvar, skal dette oplyses i ledelsesberetningen.

Stk. 2. Redegørelsen skal indeholde oplysning om:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Stk. 3. Redegørelsen skal gives i tilknytning til ledelsesberetningen. Virksomheden kan dog i stedet vælge at give redegørelsen

- 1) i en supplerende beretning til årsrapporten, jf. § 14, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 1. pkt., eller
- 2) på virksomhedens hjemmeside, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 2. pkt.

Stk. 4. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten og revisors pligter i forhold til de oplysninger, som offentliggøres heri, jf. stk. 3, nr. 1. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar på virksomhedens hjemmeside, herunder regler om virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden, jf. stk. 3, nr. 2.

Stk. 5. For virksomheder, som udarbejder koncernregnskab, er det tilstrækkeligt, at oplysningerne efter stk. 1 og 2 gives for koncernen som helhed.

Stk. 6. En dattervirksomhed, som indgår i en koncern, kan undlade at medtage oplysningerne i sin egen ledelsesberetning, hvis

- 1) modervirksomheden opfylder oplysningskravene efter stk. 1 og 2 for den samlede koncern, eller
- 2) modervirksomheden har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer.

Stk. 7. En virksomhed, som har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer, kan undlade at give de oplysninger, som er anført i stk. 1 og 2. Virksomheden skal oplyse i ledelsesberetningen, at den anvender denne undtagelse, og angive, hvor rapporten er offentlig tilgængelig.«

2. I § 135, stk. 5, indsættes som 1. pkt. :

»Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsregnskabet eller koncernregnskabet, alternativt kan placeres i andre dokumenter m.v., hvortil der henvises i årsregnskabet eller koncernregnskabet, omfatter revisionspligten efter stk. 1, 1. pkt., de pågældende oplysninger i disse dokumenter m.v.«

3. I § 135, stk. 5, indsættes efter 2. pkt., som bliver 3. pkt.:

»2. og 3. pkt. finder anvendelse på oplysninger, der placeres i ledelsesberetningen, og på oplysninger, der efter denne lov eller regler, som er udstedt efter denne lov, alternativt offentliggøres andre steder, hvortil der henvises i ledelsesberetningen.«

4. I § 135 a, stk. 1, 1. pkt., ændres »ledelsesberetningen, jf. § 135, stk. 5, 2. pkt.« til: »ledelsesberetningen m.v., jf. § 135, stk. 5, 3. og 4. pkt.«

5. Efter § 149 indsættes før overskriften »Manglende eller for sen modtagelse af årsrapport eller undtagelseserklæring«:

»§ 149 a. Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsrapporten, alternativt kan placeres i andre dokumenter m.v. end årsrapporten, skal disse dokumenter m.v. være tilgængelige for regnskabsbrugerne på samme tidspunkt som årsrapporten.«

§ 2

Loven træder i kraft den 1. januar 2009 og har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Bemærkninger til lovforslaget

Almindelige bemærkninger

1. Indledning 1.
2. Lovforslagets baggrund og formål
 - 2.1. Lovforslagets baggrund
 - 2.2. Formålet med lovforslaget
 - 2.3. Lovgivning i andre lande
3. Lovforslagets indhold
 - 3.1. Hvilke virksomheder omfattes af lovforslaget
 - 3.2. Virksomheders samfundsansvar – Corporate Social Responsibility (CSR)
 - 3.3. Redegørelsens indhold
 - 3.4. Offentliggørelse af redegørelsen for samfundsansvar og revisors pligter i forbindelse med redegørelsen
 - 3.5. Anvendelse af FN's principper for samfundsansvar
4. Økonomiske og administrative konsekvenser for det offentlige
5. Økonomiske og administrative konsekvenser for erhvervslivet
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7. Miljømæssige konsekvenser
8. Forholdet til EU-retten
9. Hørte myndigheder og organisationer
10. Sammenfattende skema

Indledning

Lovforslaget er en udmøntning af et initiativ i regeringens handlingsplan for virksomheders samfundsansvar. Lovforslaget har til formål at tilskynde de ca. 1.000 største danske virksomheder, børsnoterede virksomheder og statslige aktieselskaber, som er omfattet af årsregnskabsloven, til at forholde sig aktivt til, hvordan de kan bidrage til at løse samfundsmæssige udfordringer.

Ved samfundsansvar forstås, at virksomheden frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i sin forretningsstrategi og sine aktiviteter. Det vil sige, uden at virksomheden er forpligtet hertil efter lovgivningen i det land, hvor virksomheden opererer.

Det foreslås derfor, at disse virksomheder forpligtes til, som led i deres regnskabsrapportering, at redegøre for, hvordan de forholder sig til deres samfundsansvar.

Med lovforslaget indføres alene et krav om, at de omfattede virksomheder skal oplyse om deres politikker for samfundsansvar, hvordan virksomheden omsætter disse politikker til praksis, og virksomhedens vurdering af, hvad der er opnået som følge af arbejdet med samfundsansvar i regnskabsåret, samt eventuelle forventninger til arbejdet fremover. Har virksomheden ikke politikker for samfundsansvar, skal virksomheden oplyse dette.

Lovforslaget ændrer ikke ved, at virksomheders samfundsansvar er et frivilligt anliggende. Virksomheden vælger selv, om og hvordan den ønsker at integrere ovennævnte hensyn i sin forretningsstrategi og sine aktiviteter. Oplysningskravet forpligter således ikke de omfattede virksomheder til at have en politik for samfundsansvar, ligesom der ikke stilles krav til, hvordan den enkelte virksomhed arbejder med samfundsansvar.

For at understøtte målsætningen om at gøre Danmark kendt for ansvarlig vækst, bør danske virksomheders arbejde med samfundsansvar tage udgangspunkt i en internationalt anerkendt referenceramme. Derfor vil det være en fordel, hvis virksomheder og investorer tager udgangspunkt i FN's principper for samfundsansvar. Det drejer sig om FN's Global Compact og FN's Principper for ansvarlige investeringer (UN PRI). Disse er omtalt i afsnit 3.5.

Der vil blive indført samme oplysningskrav som i dette lovforslag for institutionelle investorer, investeringsforeninger og børsnoterede finansielle virksomheder i øvrigt (pengeinstitutter og forsikringselskaber m.v.), som ikke omfattes af årsregnskabsloven. Regnskabsreglerne for disse virksomheder er i vidt omfang fastsat i bekendtgørelser udstedt af Finanstilsynet. Oplysningspligten vedrørende samfundsansvar vil derfor for disse virksomheders vedkommende blive fastsat af Finanstilsynet i bekendtgørelser. Dette kan ske på baggrund af de eksisterende bemyndigelser til at fastsætte regnskabsregler i lovene for disse virksomheder.

2. Lovforslagets baggrund og formål

2.1. Lovforslagets baggrund

Globaliseringen betyder, at de økonomiske, kulturelle og politiske forbindelser på tværs af landegrænser bliver stadig tættere. Globaliseringen indebærer øget samhandel og en stigende grad af international arbejdsdeling af for eksempel vareproduktionen. Dermed synliggøres en række udfordringer i forhold til for eksempel sociale vilkår, arbejdsforhold, miljø og klima, som kræver et aktivt samarbejde landene imellem og mellem forskellige aktører i samfundet.

I en situation med stadig hårdere international konkurrence, globale sociale og miljømæssige udfordringer samt stadig mere åbne globale informationsstrømme bliver virksomheder og investorer nødt til aktivt at tage stilling til den internationale dagsorden. Det er således et krav for virksomheder, der ønsker at gøre sig gældende på de globale markeder, at de er åbne omkring deres samfundsansvar. Det kan for eksempel ske i form af krav til en udenlandsk leverandør om at overholde grundlæggende miljøkrav eller arbejdstager- og menneskerettigheder.

2.2. Formålet med lovforslaget

Formålet med lovforslaget er at tilskynde virksomheder og investorer til at forholde sig aktivt til samfundsansvar. Gennem forretningsdrevet samfundsansvar kan virksomhederne bidrage til at løse samfundsmæssige udfordringer og samtidig skabe bedre forretningsmuligheder for sig selv. Med forretningsdrevet samfundsansvar menes, at virksomhedens samfundsansvar skal kombineres med virksomhedens kerneforretning.

Danmark vil stå stærkere internationalt i takt med, at flere virksomheder og investorer forholder sig aktivt til samfundsansvar og kommunikerer dette til offentligheden. Det kan bidrage til at gøre danske virksomheder og Danmark kendt for ansvarlig vækst. Det bliver lettere for danske virksomheder at differentiere sig fra konkurrenter på globale markeder, hvis danske produkter og ydelser som udgangspunkt opfattes som ansvarlige og bæredygtige. Det foreslåede oplysningskrav vil skabe større åbenhed og dermed styrke blandt andre kunders, lokalsamfundets, investoreres, medarbejderes og mediernes muligheder for at forholde sig til virksomhedernes og investorenes arbejde med samfundsansvar.

Det foreslåede oplysningskrav ændrer ikke ved, at det også fremover vil være op til den enkelte virksomhed og investor at vælge, om og hvordan den vil arbejde med samfundsansvar. Ligeledes er det fortsat virksomhedernes egen beslutning, hvordan de konkret vælger at imødegå de udfordringer, og hvilke specifikke oplysninger, der bedst beskriver virksomhedens arbejde med samfundsansvar.

2.3. Lovgivning i andre lande

En række lande har indført lovgivning, der skal tilskynde virksomheder og investorer til at arbejde mere aktivt med samfundsansvar. Nedenstående omhandler kun lovgivning, der er mere omfattende end de nuværende rapporteringskrav om ikke-finansielle forhold i den danske årsregnskabslov.

I Frankrig har alle børsnoterede selskaber skulle oplyse om sociale og miljømæssige forhold i deres årsrapporter siden 2001. Formålet er at tilskynde virksomhederne til at måle de sociale og miljømæssige konsekvenser af deres forretning på en strategisk måde. Yderligere skal det fremgå, hvordan virksomheden er i dialog med interessenter.

I Storbritannien har alle større børsnoterede virksomheder skulle rapportere om sociale, samfundsmæssige og miljømæssige forhold siden oktober 2007, herunder om alle eksisterende politikker og effekten af disse politikker. Hvis årsrapporten ikke indeholder information på ovenstående områder, skal det fremgå på hvilke områder, der ikke er information.

3. Lovforslagets indhold

3.1. Hvilke virksomheder omfattes af lovforslaget

Ifølge regeringens handlingsplan for samfundsansvar skal omkring de 1.000 største danske virksomheder omfattes af oplysningskravet om virksomhedens samfundsansvar i årsregnskabsloven.

Årsregnskabsloven af 2001 er opbygget efter den såkaldte byggeklodsmode, hvorefter det regelsæt, den enkelte virksomhed er forpligtet til at følge ved udarbejdelsen af sin årsrapport (årsregnskab m.v.), primært afhænger af virksomhedens størrelse. Princippet i modellen er, at små virksomheder skal følge relativt få, generelle krav, mens store virksomheder skal følge flere og mere detaljerede krav. Baggrunden for dette er, at små virksomheder sædvanligvis har få regnskabsbrugere, hvorimod store virksomheder og virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, har en bred kreds af regnskabsbrugere med forskelligartede behov, herunder en større offentlig bevågenhed. Modellen består af fire byggeklodser – regnskabsklasser, som kaldes A, B, C, D.

Regnskabsklasse A gælder for enkeltmandsvirksomheder m.v., som ikke er forpligtet til at aflægge årsrapport. Regnskabsklasse B gælder for små aktie- og anpartsselskaber m.v. Regnskabsklasse C gælder for mellemstore og store aktie- og anpartsselskaber m.v. og indeholder mere detaljerede regler. Endelig gælder regnskabsklasse D for virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land og statslige aktieselskaber. Uanset størrelse er disse virksomheder altid omfattet af de strengere regler i regnskabsklasse D.

Det foreslås, at oplysningskravet kommer til at gælde for store virksomheder i regnskabsklasse C og virksomheder i regnskabsklasse D, fordi disse virksomheder har en særlig samfundsøkonomisk betydning ifølge Økonomi- og Erhvervsministeriets Vækstregulering fra 2005, s. 53. Store virksomheder i regnskabsklasse C er virksomheder, som overskrider to af årsregnskabslovens størrelsesgrænser for mellemstore virksomheder, det vil sige en balancesum på 143 mio. kr., en nettoomsætning på 286 mio. kr. og et gennemsnitligt antal heltidsbeskæftigede på 250. Dog undtages virksomheder, hvor oplysningerne allerede er givet på koncernniveau, fra oplysningskravet.

Beregninger fra Erhvervs- og Selskabsstyrelsen viser, at oplysningskravet herved vil omfatte ca. 1.100 virksomheder. Hertil kommer, at institutionelle investorer, investeringsforeninger og børsnoterede finansielle virksomheder også vil blive omfattet af oplysningskravet gennem bekendtgørelsesændringer.

Små virksomheder i regnskabsklasse B og mellemstore virksomheder i regnskabsklasse C har således efter forslaget ikke pligt til at redegøre for deres politikker og praksis for samfundsansvar. Dette er naturligvis ikke til hinder for, at disse virksomheder frivilligt giver oplysninger herom, idet det kan være en fordel for alle danske virksomheder at arbejde med samfundsansvar.

En omfattet virksomhed skal – hvis den er en modervirksomhed – give oplysningerne for koncernen i koncernregnskabet, men kan undlade at give oplysningerne i sit eget årsregnskab. Yderligere kan en dattervirksomhed, der indgår i en koncern, hvor modervirksomheden udarbejder koncernregnskab og heri opfylder oplysningskravene for koncernen som helhed, undlade at medtage oplysningerne i sin egen ledelsesberetning.

Endvidere foreslås det, at en virksomhed, der har tilsluttet sig FN's Global Compact eller FN's Principper for ansvarlige investeringer, og som offentliggør en fremskridtsrapport i forbindelse hermed, fritages for pligten til at udarbejde en redegørelse for samfundsansvar efter dette lovforslag. Virksomheden skal i så fald oplyse i ledelsesberetningen, at den anvender denne undtagelse, og oplyse, hvor rapporten er offentlig tilgængelig. De nævnte principper er omtalt i afsnit 3.5.

3.2. Virksomheders samfundsansvar - Corporate Social Responsibility (CSR)

Ved virksomheders samfundsansvar – også kaldet Corporate Social Responsibility, CSR – forstås i lovforslaget, at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og -aktiviteter. Ved frivilligt forstås aktiviteter m.v., der ikke er pålagt gennem dansk lovgivning eller gennem den lovgivning i udlandet, hvorunder virksomheden virker.

Sociale hensyn kan blandt andet bestå i at arbejde for overholdelse af menneskerettigheder og arbejdstagerrettigheder hos udenlandske leverandører. Sociale hensyn kan også rette sig mod arbejdsmiljø, medarbejdertrivsel og medarbejderudvikling, eller bestå i, at virksomheder gør en særlig indsats for at fastholde eller integrere handicappede, seniorer, personer med dårligt helbred eller personer med anden etnisk baggrund på arbejdsmarkedet.

Hensyn til miljø og klima kan blandt andet handle om at forebygge forurening, nedsætte forbrug af energi og andre ressourcer, udvikle eller anvende miljøeffektive teknologier eller miljømærke produkter.

Således kan virksomhedens samfundsansvar udfolde sig i mange forskellige aktiviteter, og ovenstående er blot eksempler. Den enkelte virksomhed må vælge, hvilke aktiviteter der har størst værdi for virksomheden og for samfundet.

Erhvervs- og Selskabsstyrelsen vil udarbejde en vejledning, der skal rådgive virksomheder om, hvordan virksomhederne kan udforme deres redegørelse for samfundsansvar, så den bliver fyldestgørende og troværdig samtidig med, at de administrative byrder begrænses. Vejledningen vil også beskrive, hvilke aktiviteter virksomhedernes samfundsansvar kan udmøntes i.

3.3. Redegørelsens indhold

Det foreslås, at redegørelsen for samfundsansvar skal indeholde en omtale af:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Ovenstående tre punkter svarer til FN's anbefalinger for, hvilke emner der bør indgå i en virksomheds redegørelse for samfundsansvar. FN's principper for samfundsansvar er nærmere omtalt i afsnit 3.5. Er virksomheden tilsluttet FN's Global Compact eller FN's Principper for ansvarlige investeringer (UN PRI), og offentliggør virksomheden en fremskridtsrapport som led i tilslutningen hertil, er virksomheden dog fritaget for at udarbejde en redegørelse for samfundsansvar efter dette lovforslag.

Der fastsættes ikke detaljerede krav til redegørelsen, fordi det stadig skal være den enkelte virksomhed, der individuelt og frivilligt beslutter, på hvilke områder og hvordan man arbejder med samfundsansvar. Dette er netop grundtanken bag forretningsdrevet samfundsansvar, som ønskes fremmet.

Det er ikke et krav, at virksomheden skal vurdere, hvilke målbare økonomiske resultater arbejdet med samfundsansvar har medført.

Hvis virksomheden ikke har formuleret politikker, interne retningslinjer, målsætninger, strategier eller andet, der beskriver, hvordan virksomheden ønsker at arbejde med samfundsansvar, skal dette oplyses.

Selv for store virksomheder kan håndteringen af samfundsansvar være en udfordring med vanskelige dilemmaer. Det er derfor helt sædvanligt selv hos de virksomheder, der både nationalt og internationalt repræsenterer best practice, at realisering af virksomhedens politikker for samfundsansvar er en løbende flerårig proces, og at der undervejs viser sig vanskeligheder og tilbageslag, hvilket også anerkendes af FN.

3.4. Offentliggørelse af redegørelsen for samfundsansvar og revisors pligter i forbindelse med redegørelsen

Efter forslaget skal de omfattede virksomheder medtage en redegørelse for samfundsansvar i deres ledelsesberetning. Alternativt kan virksomheden placere redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten eller på virksomhedens hjemmeside.

Vælger virksomheden at benytte en af de offentliggørelsesmåder, der er anført som alternativ til ledelsesberetningen, skal det fremgå af ledelsesberetningen, hvor redegørelsen er placeret, og hvordan interessenterne finder frem til redegørelsen. Redegørelsen skal være offentlig tilgængelig.

Virksomheders ledelsesberetning er underlagt et såkaldt konsistentstjek fra revisors side. Det betyder, at revisor skal påse, at oplysninger i ledelsesberetningen er i overensstemmelse med oplysninger i årsregnskabet og, hvis der er udarbejdet koncernregnskab, koncernregnskabet. Revisor skal afgive en udtalelse herom. Revisors udtalelse vil også omfatte sammenhæng mellem ledelsesberetningens oplysninger og forhold, som revisor er blevet opmærksom på i forbindelse med sin revision. Det

forudsætter ikke, at revisor foretager særlige handlinger for at fremskaffe sådanne oplysninger. Der er alene tale om oplysninger, som revisor i forvejen er kommet i besiddelse af i forbindelse med revisionen af årsregnskabet.

Det vil imidlertid være uhensigtsmæssigt, hvis det forhold, at virksomheden vælger at placere oplysningerne et andet sted end i ledelsesberetningen, kan føre til, at oplysningerne ikke undergives revisors konsistentstjek på samme måde, som hvis oplysningerne placeres i ledelsesberetningen. Det foreslås derfor, at de foreslåede offentliggørelsesmåder medfører samme pligt til konsistentstjek af de afgivne oplysningers rigtighed, som kræves af ledelsesberetningen. Der henvises til forslaget § 1, nr. 3.

Det er således ikke tiltænkt hverken at indskrænke eller udvide de pligter, revisor har i forhold til oplysninger i ledelsesberetningen, blot fordi oplysningerne i stedet gives på hjemmesiden eller i en supplerende beretning.

3.5. Anvendelse af FN's principper for samfundsansvar

Ved udformningen af redegørelsen for samfundsansvar kan mange virksomheder med fordel tage udgangspunkt i, hvordan virksomheden efterlever FN's principper for samfundsansvar. Dette skyldes, at de foreslåede krav til indholdet af redegørelsen for samfundsansvar, som fremgår af § 99 a, stk. 2, nr. 1-3, i forslaget § 1, nr. 1, følger FN's anbefalinger til indholdet af fremskridtsrapporter, som medlemmer af FN's Global Compact skal udarbejde.

FN's Global Compact (www.unglobalcompact.org) er verdens største frivillige netværk for virksomheder, som arbejder med samfundsansvar. Kernen i Global Compact er følgende ti principper i dansk oversættelse:

»Menneskerettigheder

- 1) Virksomheden bør støtte og respektere beskyttelsen af internationalt erklærede menneskerettigheder og
- 2) sikre, at den ikke medvirker til krænkelse af menneskerettighederne.

Arbejdstagerrettigheder

- 3) Virksomheden bør opretholde foreningsfriheden og effektivt anerkende retten til kollektiv forhandling,
- 4) støtte udryddelsen af alle former for tvangsarbejde,
- 5) støtte effektiv afskaffelse af børnearbejde og
- 6) afskaffe diskrimination i relation til arbejds- og ansættelsesforhold.

Miljø

- 7) Virksomheden bør støtte en forsigtighedstilgang til miljømæssige udfordringer,
- 8) tage initiativ til at fremme større miljømæssig ansvarlighed og
- 9) opfordre til udvikling og spredning af miljøvenlige teknologier.

Anti-korruption

- 10) Virksomheden bør modarbejde alle former for korruption, herunder afpresning og bestikkelse.«

FN's principper for samfundsansvar er ikke ment som en tjekliste, som virksomhederne skal opfylde. Derimod er det op til den enkelte virksomhed at vælge de områder og den indsats, der er relevant i forhold til virksomhedens kerneforretning. Dermed understøtter principperne en forretningsdrevet tilgang til samfundsansvar.

Principperne om menneskerettigheder, arbejdstagerrettigheder og anti-korruption er allerede gældende i dansk ret gennem tiltrædelse af de internationale konventioner, som principperne er baseret på. Det drejer sig om FN's universelle menneskerettighedsdeklaration, ILO's deklaration om fundamentale principper og rettigheder i arbejdslivet, Rio-deklarationen om miljø og udvikling og FN's konvention mod korruption.

Ligeledes er forsigtighedstilgangen et bærende princip i den danske miljølovgivning. I administrationen af miljøbeskyttelsesloven lægges der vægt på, at virksomheder benytter den bedst tilgængelige teknik, og der lægges særlig vægt på at fremme forebyggende indsatser.

Danske virksomheder er derfor allerede forpligtiget til at overholde Global Compact's ti principper i forhold til deres virksomhed i Danmark. Dette er derimod ikke tilfældet, når danske virksomheder opererer i udlandet, hvor sociale og miljømæssige forhold ofte ikke lever op til danske standarder.

FN har endvidere udarbejdet seks principper for samfundsansvar, der særligt retter sig mod investorer – FN's Principper for ansvarlige investeringer (www.unpri.org). Principperne er følgende i dansk oversættelse:

- »1) Vi vil indarbejde miljø, sociale forhold samt aktivt ejerskab i investeringsanalysen og beslutningsprocessen.
- 2) Vi vil være aktive ejere og indarbejde miljø og sociale forhold i vores politikker vedrørende ejerskab og i den praktiske håndtering af investeringerne.
- 3) Vi vil søge at opnå åbenhed om miljø, sociale forhold og aktivt ejerskab fra de enheder, vi investerer i.
- 4) Vi vil fremme accept og implementering af principperne inden for den finansielle industri.
- 5) Vi vil samarbejde med henblik på at øge effektiviteten i implementeringen af principperne.
- 6) Vi vil rapportere om vores aktiviteter og fremskridt omkring implementeringen af principperne.«

Foruden FN's Global Compact og FN's Principper for ansvarlige investeringer findes der en række andre retningslinjer og principper for samfundsansvar, som virksomhederne kan tage udgangspunkt i. Eksempelvis har OECD udarbejdet »Retningslinjer for Multinationale Virksomheder«, der bygger på samme internationale konventioner som FN's Global Compact. Retningslinjerne er anbefalinger fra regeringerne til de multinationale virksomheder. De udgør en frivillig ramme for god forretningskik. Derudover kan nævnes The Global Reporting Initiative (GRI), som er et multistakeholder netværk, der udsteder globale retningslinjer for rapportering om bæredygtighed. Retningslinjerne anvendes af virksomheder, der ønsker at dokumentere deres bæredygtighed.

4. Økonomiske og administrative konsekvenser for det offentlige

Lovforslaget har ikke økonomiske eller administrative konsekvenser for det offentlige.

5. Økonomiske og administrative konsekvenser for erhvervslivet

Regeringen lægger vægt på, at de administrative byrder ved lovforslaget begrænses mest muligt. Derfor tilstræbes det at sikre størst mulig fleksibilitet for virksomhederne i forhold til at anvende netop den offentliggørelsesmåde, som passer bedst til den enkelte virksomhed.

Forslaget har været sendt til Erhvervs- og Selskabsstyrelsens Center for Kvalitet i ErhvervsRegulering (CKR) med henblik på en vurdering af forslagets erhvervsøkonomiske og administrative konsekvenser. I den forbindelse har CKR følgende bemærkninger:

Erhvervsøkonomiske konsekvenser

CKR vurderer, at forslaget kan medføre positive strukturelle erhvervsøkonomiske konsekvenser for de virksomheder, som vælger at arbejde med samfundsansvar. Disse virksomheder kan få en konkurrencemæssig fordel, idet forbrugere, leverandører, investorer mv. i stadig større grad stiller krav om, at virksomheder arbejder med samfundsansvar. Dette er dog ikke entydigt, idet der kan være store forskelle fra branche til branche og fra produkt til produkt.

Administrative konsekvenser

Lovforslaget omfatter omkring 1.100 virksomheder. De administrative byrder, der er forbundet med lovforslaget, er blevet undersøgt gennem Økonomi- og Erhvervsministeriets virksomhedspanel. Forelæggelsen for virksomhedspanelet blev foretaget af CKR i juli 2008.

Lovforslaget giver mulighed for, at redegørelsen for samfundsansvar kan have vidt forskelligt omfang. Som følge heraf er de kvantitative resultater fra virksomhedspanelet behæftet med nogen usikkerhed. CKR har derfor foretaget den samlede vurdering af de administrative konsekvenser på baggrund af kvalitative interview med tre virksomheder, der arbejder med samfundsansvar i et forventet maksimalt omfang. Dette giver et overblik over de maksimale potentielle administrative konsekvenser som følge af lovforslaget.

Omstillingsbyrder

På baggrund af forelæggelsen for virksomhedspanelet vurderer CKR, at lovforslaget alene vil medføre omstillingsbyrder for omkring 180 virksomheder, som ikke allerede har nedskrevne politikker for virksomhedens samfundsansvar. Hvis disse virksomheder vælger at udarbejde politikker for samfundsansvar og implementere dem, vil omstillingsbyrderne variere alt efter omfanget af virksomhedens politikker for samfundsansvar.

CKR har spurgt de store virksomheder om tidsforbruget forbundet med udarbejdelsen af deres politikker for samfundsansvar. Virksomhederne vurderer, at det tager mellem 2.000 og 6.000 timer at udarbejde relativt brede og omfattende politikker for samfundsansvar, hvis virksomheden ikke tidligere har beskæftiget sig med samfundsansvar. Hvis en virksomhed også vælger at rapportere om samfundsansvar, er det vurderingen, at det vil tage hver virksomhed omkring det dobbelte antal timer. Det er dog fortsat op til den enkelte virksomhed, om den ønsker at udarbejde politikker for samfundsansvar, og hvor mange timer den i så fald vil bruge på at nedskrive disse politikker.

Løbende byrder

CKR vurderer på baggrund af forelæggelsen for virksomhedspanelet, at forslaget vil medføre et begrænset omfang af løbende byrder for de omfattede virksomheder.

Ud af de omkring 1.100 omfattede virksomheder vurderer CKR, at ca. 1.030 virksomheder arbejder med samfundsansvar. Det kan virksomhederne redegøre for i deres ledelsesberetning eller ved at udarbejde en henvisningstekst. Det vurderes af CKR, at omkring 340 virksomheder vil redegøre for deres samfundsansvar i deres ledelsesberetning, som for hver virksomhed vil medføre løbende administrative byrder på mellem 1 og 7,5 timer.

Tilsvarende vurderes det, at de resterende omkring 690 virksomheder, der forventes at benytte sig af de mindre byrdefulde henvisningsmuligheder, hver vil bruge 40 minutter på at udarbejde en sådan henvisning. På samfundsniveau forventes dette krav således maksimalt at medføre løbende byrder på omkring 3.000 timer årligt.

For de omkring 70 virksomheder ud af de 1.100 virksomheder, der ikke arbejder med samfundsansvar, vurderer CKR, at det maksimalt vil tage hver virksomhed 40 minutter at redegøre for, at de ikke arbejder med samfundsansvar. På samfundsniveau er der således maksimalt tale om løbende byrder på ca. 50 timer årligt.

Samlet set vurderes lovforslaget maksimalt at medføre løbende byrder på ca. 3.000 timer årligt på samfundsniveau, fordelt på de omkring 1.100 virksomheder, lovforslaget omfatter.

6. Administrative konsekvenser for borgerne

Der er ingen administrative konsekvenser for borgerne.

7. Miljømæssige konsekvenser

Lovforslaget vil, i det omfang rapporteringsforpligtelsen tilskynder flere af de omfattede virksomheder til at arbejde med samfundsansvar, kunne medføre konsekvenser for miljøet i form af de positive effekter, der kommer som resultat af virksomhedernes arbejde med for eksempel klima- og miljøledelse eller investeringer i miljø- og energieffektiv teknologi. Dette kan reducere virksomhedernes energiforbrug og udledning af kemikalier og CO₂.

8. Forholdet til EU-retten

Forslaget indeholder ingen EU-retlige aspekter.

9. Hørte myndigheder og organisationer

Lovforslaget har inden fremsættelsen været sendt i høring hos:

Amnesty International, Beskæftigelsesministeriet, Bryggerforeningen, Copenhagen Business School, CSR Forum, Danmarks Rederiforening, Dansk Arbejdsgiverforening, Dansk Byggeri, Dansk Erhverv, Dansk Initiativ for Etisk Handel, Dansk Standard, Den Danske Finansanalytikerforening, Det Nationale Netværk af Virksomhedsledere, DI, Finansministeriet, Finansrådet, Finanssektorens Arbejdsgiverforening, First North, FN Global Compact, Folkekirkens Nødhjælp, Forbrugerrådet, Foreningen af Statsautoriserede Revisorer, Foreningen Danske Revisorer, Foreningen Registrerede Revisorer, Forsikring & Pension, Handelshøjskolen, Aarhus, HK, Håndværksrådet, International Commission of Jurists, Investeringsforeningsrådet, Klima- og Energiministeriet, Komiteen for god Selskabsledelse, Kommunernes Landsforening, Københavns Universitet, Landbrugsrådet, Landbrugets Rådgivningscenter, Landscentret, Ledernes Hovedorganisation, LO, Lønmodtagernes Dyrtidsfond, Miljøministeriet, Ministeriet for Flygtninge, Indvandrere og Integration, Ministeriet for Fødevarer, Landbrug og Fiskeri, Ministeriet for Sundhed og Forebyggelse, Ministeriet for Videnskab, Teknologi og Udvikling, OMX Den Nordiske Børs i København, Realkreditforeningen, Realkreditrådet, Red Barnet, Regnskabsrådet, Roskilde Universitetscenter, Rådet for Bæredygtig Erhvervsudvikling, Skatteministeriet, Statsministeriet, Syddansk Universitet, Transportministeriet, Udenrigsministeriet, Undervisningsministeriet, Velfærdsministeriet, WWF Verdensnaturfonden, Aalborg Universitet, Aarhus Universitet.

10. Sammenfattende skema

	Positive konsekvenser/ Mindre udgifter	Negative konsekvenser/ Merudgifter
Økonomiske og administrative konsekvenser for det offentlige	Ingen	Ingen
Økonomiske og administrative konsekvenser for erhvervslivet	Ingen	Samlet set vurderes lovforslaget maksimalt at medføre løbende byrder på ca. 3.000 timer årligt på samfundsniveau, fordelt på de ca. 1.100 virksomheder, lovforslaget omfatter.
Administrative konsekvenser for borgerne	Ingen	Ingen
Miljømæssige konsekvenser	Ingen	Ingen
Forholdet til EU-retten	Lovforslaget indeholder ingen EU-retlige aspekter	

Bemærkninger til lovforslagets enkelte bestemmelser

Til § 1

Til nr. 1

Det foreslås, at der i årsregnskabsloven indsættes et nyt oplysningskrav i § 99 a vedrørende redegørelse for samfundsansvar. Oplysningskravet indebærer, at de omfattede virksomheder skal redegøre for deres politikker og praksis for samfundsansvar. Har virksomheden ikke politikker for samfundsansvar, skal virksomheden oplyse dette.

Kravet om redegørelse for samfundsansvar har ikke direktivmæssig baggrund.

Efter forslagets § 99 a, stk. 1, 1. pkt., er store virksomheder i regnskabsklasse C omfattet af kravet. Hermed menes virksomheder, som i to på hinanden følgende år overskrider to af de tre størrelsesgrænser for mellemstore virksomheder. Det vil sige en balancesum på 143 mio. kr., en nettoomsætning på 286 mio. kr. og et gennemsnitligt antal heltidsbeskæftigede i løbet af regnskabsåret på 250, jf. årsregnskabslovens § 7, stk. 2, nr. 2. og 3.

Kravet omfatter endvidere virksomheder i regnskabsklasse D. Det vil sige virksomheder, som har værdipapirer optaget til handel på et reguleret marked i et EU/EØS-land, og statslige aktieselskaber, jf. årsregnskabslovens § 7, stk. 1, nr. 4, og § 102. Sidstnævnte bestemmelse angiver, hvilke regler i årsregnskabsloven, der gælder for virksomheder, som er omfattet af regnskabsklasse D.

For virksomheder, der indgår i en koncern, foreslås nogle lempelser i § 99 a, stk. 5 og 6. Lempelserne kan anvendes såvel af store virksomheder i regnskabsklasse C som af virksomheder i regnskabsklasse D.

Bestemmelserne om redegørelse for samfundsansvar gælder desuden for koncernregnskabet, jf. henvisningen i § 128, stk. 2. Den nævnte bestemmelse angiver, hvilke regler om ledelsesberetningen, der finder tilsvarende anvendelse på koncernens ledelsesberetning.

Ved virksomheders samfundsansvar forstås efter § 99 a, stk. 1, 2. pkt., at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og forretningsaktiviteter. Det er således frivilligt for virksomheder, om de vil arbejde med samfundsansvar på et eller flere af de ovennævnte områder, udover hvad de er forpligtet til efter lovgivningen.

Har virksomheden ikke politikker for samfundsansvar, skal dette oplyses, jf. forslagets § 99 a, stk. 1, 3. pkt. Der stilles ikke krav om, at virksomheden skal begrunde dette.

Har virksomheden politikker for samfundsansvar, skal redegørelsen indeholde de oplysninger, som fremgår af § 99 a, stk. 2, nr. 1-3, der angiver de overordnede krav til indholdet af redegørelsen for samfundsansvar. Af de grunde, som er anført i afsnit 3.3. under almindelige bemærkninger, indeholder forslaget ikke detaljerede krav til indholdet af redegørelsen.

Ved udformningen af redegørelsen kan virksomhederne eksempelvis tage udgangspunkt i FN's principper for samfundsansvar i Global Compact. Der henvises til afsnit 3.5. under almindelige bemærkninger.

Efter § 99 a, stk. 2, nr. 1, skal redegørelsen indeholde en omtale af virksomhedens politikker for samfundsansvar, hvis virksomheden har politikker for samfundsansvar. Politikkerne kan som nævnt blandt andet omhandle virksomhedens indsats for at fremme menneskerettigheder og arbejdstagerrettigheder, forbedre miljøet, mindske virksomhedens klimapåvirkning og modvirke korruption.

Ved politikker forstås i denne forbindelse bredt virksomhedens interne retningslinjer, målsætninger, strategier eller andre dokumenter, der beskriver, hvordan virksomheden arbejder med samfundsansvar.

Ligeledes skal virksomheden oplyse om eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.

Efter § 99 a, stk. 2, nr. 2, skal virksomheden redegøre for, hvordan den omsætter sine politikker for samfundsansvar til handling. Virksomheden skal herunder redegøre for eventuelle systemer eller procedurer herfor. Det kan eksempelvis være ledelsessystemer, kontrolsystemer, evalueringer eller andre procedurer, der systematisk gennemgår implementeringen af politikkerne. Dette omfatter også, at virksomheden skal oplyse, hvis den er certificeret i henhold til en certificeringsordning for enten processer eller produkter (mærkningsordninger).

Endelig skal virksomheden efter § 99 a, stk. 2, nr. 3, vurdere, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt oplyse om eventuelle forventninger til arbejdet fremover. Det er ikke et krav, at virksomheden skal vurdere, hvilke målbare økonomiske resultater arbejdet med samfundsansvar har medført.

Efter forslaget § 99 a, stk. 3, 1. pkt., skal redegørelsen for samfundsansvar placeres i ledelsesberetningen i virksomhedens årsrapport - eller eventuelt i et bilag hertil. I 2. pkt. foreslås yderligere to alternative offentliggørelsesmåder.

Hvis redegørelsen placeres i et bilag, skal der være en henvisning hertil i ledelsesberetningen, og det skal tydeligt fremgå af bilaget, at det udgør en del af ledelsesberetningen, jf. årsregnskabslovens § 2, stk. 1, nr. 2.

Hvis redegørelsen for samfundsansvar placeres i ledelsesberetningen eller i et bilag til ledelsesberetningen, vil redegørelsen blive omfattet af den udtalelse, revisor skal afgive vedrørende ledelsesberetningen efter årsregnskabslovens § 135, stk. 5. I forbindelse med revisionen af årsregnskabet og et eventuelt koncernregnskab skal revisor påse, at oplysninger i ledelsesberetningen er i overensstemmelse med oplysninger i årsregnskabet og et eventuelt koncernregnskab. Revisor skal afgive en udtalelse herom.

I § 99 a, stk. 3, 2. pkt., foreslås det, at virksomhederne – i stedet for at medtage redegørelsen for samfundsansvar i ledelsesberetningen – får mulighed for at vælge mellem yderligere to alternative offentliggørelsesmåder

- 1) i en supplerende beretning til årsrapporten eller
- 2) på virksomhedens hjemmeside

hvortil der henvises i ledelsesberetningen.

Virksomheder, som udarbejder en selvstændig rapport om deres arbejde med samfundsansvar, der opfylder kravene til redegørelsen, jf. stk. 2, kan eksempelvis bruge denne og derfor enten tilføje denne som en supplerende beretning til årsrapporten eller offentliggøre denne på virksomhedens hjemmeside med henvisning hertil i ledelsesberetningen.

Hvis virksomheden udarbejder et grønt regnskab efter miljøbeskyttelseslovens regler herom eller en EMAS-miljøredegørelse, kan virksomheden ligeledes henvise hertil i sin redegørelse for samfundsansvar. Da reglerne om det grønne regnskab foreslås ændret, således at der kun skal afgives en ledelsesberetning hvert tredje år, skal virksomheden i sin redegørelse for samfundsansvar beskrive eventuelle opdateringer eller ændringer af det grønne regnskab eller i EMAS-miljøredegørelsen, der er foretaget i det pågældende regnskabsår. Hvis virksomheden derudover har politikker eller aktiviteter, der falder inden for samfundsansvar, og som ikke er omfattet af virksomhedens grønne regnskab eller EMAS-miljøredegørelse, skal der redegøres for disse på normal vis som følge af lovforslaget.

Det er op til den enkelte virksomhed at afgøre, hvilken af offentliggørelsesmåderne, der ønskes anvendt. Derved sikres der størst mulig fleksibilitet for virksomhederne, som kan anvende netop den offentliggørelsesmåde, som passer bedst til den enkelte virksomheds dialog med interessenterne.

Uanset hvilken offentliggørelsesmåde, virksomheden vælger, har ledelsen ansvaret for oplysningerne og offentliggørelsen heraf i overensstemmelse med lovgivningens krav, jf. årsregnskabslovens §§ 8-10, der også vil omfatte de oplysninger efter forslaget § 99 a, som virksomheden vælger at give i en supplerende beretning til årsrapporten eller på hjemmesiden.

Vælger virksomheden at benytte en af de offentliggørelsesmåder, der er anført som alternativ til ledelsesberetningen, skal det fremgå af ledelsesberetningen, hvor redegørelsen er placeret, og hvordan interessenterne finder frem til redegørelsen, som skal være offentlig tilgængelig.

Er redegørelsen offentliggjort på en hjemmeside, jf. nr. 2, skal der oplyses et link til redegørelsen, så det er let for interessenterne at finde frem til redegørelsen via virksomhedens egen hjemmeside. Redegørelsen skal være tilgængelig på hjemmesiden på det tidspunkt, hvor årsrapporten er tilgængelig for regnskabsbrugere, jf. den foreslåede nye bestemmelse i § 149 a i forslaget § 1, nr. 5.

I § 99 a, stk. 4, foreslås der indsat hjemmel til, at Erhvervs- og Selskabsstyrelsen kan fastsætte regler om offentliggørelse af redegørelsen for samfundsansvar i henholdsvis en supplerende beretning og på virksomhedens hjemmeside via en henvisning hertil i ledelsesberetningen. Reglerne vil blandt andet omfatte virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden, herunder at revisor skal kontrollere, at redegørelsen er offentlig tilgængelig på virksomhedens hjemmeside.

Det er ikke tiltænkt hverken at indskrænke eller udvide de pligter, revisor har i forhold til indholdet af oplysninger i ledelsesberetningen, blot fordi oplysningerne placeres et andet sted end i ledelsesberetningen.

Efter de gældende regler er supplerende beretninger ikke underlagt krav om revision og er heller ikke omfattet af krav om udtalelse fra revisor efter årsregnskabslovens § 135, stk. 5. Det vil imidlertid være u hensigtsmæssigt, hvis det forhold, at

virksomheden vælger at placere oplysningerne et andet sted end i ledelsesberetningen, kan føre til, at oplysningerne ikke undergives revisors gennemgang og udtalelse på samme måde, som hvis oplysningerne placeres i ledelsesberetningen.

Som en konsekvens heraf foreslås det, at der i § 135, stk. 5, indsættes en bestemmelse, som indebærer, at kravene til revisors gennemgang af indholdet af oplysningerne er de samme, uanset om oplysningerne placeres i ledelsesberetningen, i en supplerende beretning eller på virksomhedens hjemmeside. Der henvises til forslaget § 1, nr. 3.

I forslaget § 99 a, stk. 5 og 6, foreslås nogle lempelser for virksomheder, der indgår i en koncern.

Efter § 99 a, stk. 5, kan virksomheden undlade at give oplysningerne efter stk. 1 og 2 i sit eget årsregnskab, hvis virksomheden er en modervirksomhed, der udarbejder koncernregnskab og heri opfylder kravene for koncernen som helhed.

Virksomheden kan også undlade at give oplysningerne, både for virksomheden og for koncernen, hvis virksomheden opfylder betingelserne i stk. 7 om udarbejdelse af en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer. Disse principper er omtalt i afsnit 3.5. under almindelige bemærkninger.

Efter § 99 a, stk. 6, kan en dattervirksomhed, der indgår i en koncern, hvor modervirksomheden udarbejder koncernregnskab og heri opfylder oplysningskravene for koncernen som helhed, undlade at medtage oplysningerne i sin egen ledelsesberetning. Der kan være tale om såvel den ultimative modervirksomhed for den samlede koncern som en umiddelbart overliggende modervirksomhed.

En dansk dattervirksomhed i en udenlandsk koncern er kun fritaget for oplysningskravet, hvis modervirksomheden giver disse oplysninger i et offentligt tilgængeligt koncernregnskab. Hvis dette ikke er tilfældet, skal dattervirksomheden medtage redegørelsen for samfundsansvar i sin ledelsesberetning, i en supplerende beretning eller på virksomhedens hjemmeside.

Virksomheden kan også undlade at give oplysningerne i sin egen årsrapport, hvis modervirksomheden opfylder betingelserne i stk. 7 om udarbejdelse af en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer. Disse principper er omtalt i afsnit 3.5. under almindelige bemærkninger.

Undtagelserne er blandt andet begrundet i, at det er den øverste modervirksomhed i koncernen, som tilslutter sig Global Compact på vegne af den samlede koncern. Det er således almindelig praksis i Global Compact, at koncernen rapporterer på vegne af dattervirksomheder.

Efter forslaget gælder lempelserne i § 99 a, stk. 5 og 6, såvel for store virksomheder i regnskabsklasse C som for virksomheder i regnskabsklasse D.

I forslaget § 99 a, stk. 7, foreslås det, at virksomheder, der har tilsluttet sig FN's Global Compact eller FN's Principper for ansvarlige investeringer, fritages for at udarbejde en redegørelse for samfundsansvar efter dette lovforslag. Det foreslås således, at virksomheden kan undlade at give oplysningerne efter stk. 1 og 2, hvis virksomheden rapporterer som led i sin tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer.

For at kunne anvende undtagelsen skal virksomheden have offentliggjort en fremskridtsrapport for det pågældende år, som er udarbejdet i forbindelse med tilslutningen. Fremskridtsrapporten skal være i overensstemmelse med FN's anbefalinger til fremskridtsrapportens indhold.

Den offentliggjorte fremskridtsrapport træder i stedet for pligten til at give oplysninger efter forslaget § 1 og 2. Der stilles således ikke krav om, at virksomheden skal redegøre for indholdet af fremskridtsrapporten.

I ledelsesberetningen skal virksomheden oplyse, at den anvender denne undtagelse. Desuden skal virksomheden oplyse, hvor fremskridtsrapporten er offentlig tilgængelig. Dette skal fremgå tydeligt af ledelsesberetningen. I ledelsesberetningen kan der eksempelvis henvises til virksomhedens egen hjemmeside, hvor der er anført et link til en offentliggjort fremskridtsrapport på Global Compact's hjemmeside, så det er let for interessenterne at finde frem til fremskridtsrapporten.

Revisor skal påse, at virksomheden opfylder betingelsen for at anvende undtagelsen i § 99 a, stk. 7. Det vil sige, at revisor skal kontrollere, at der er udarbejdet en fremskridtsrapport, som er offentlig tilgængelig på Global Compact's hjemmeside, hvis virksomheden har tilsluttet sig Global Compact. For virksomheder, der har tilsluttet sig FN's Principper for ansvarlige investeringer, skal revisor kontrollere, at virksomheden har udarbejdet en rapport om sine aktiviteter og fremskridt med at implementere principperne, som er offentlig tilgængelig for eksempel på virksomhedens hjemmeside. Endvidere skal revisor påse, at ledelsesberetningen indeholder korrekt oplysning om, hvor den pågældende rapport er offentlig tilgængelig for regnskabsbrugere. Revisor har ikke yderligere opgaver i forhold til den pågældende rapport.

Til nr. 2

Den foreslåede nye bestemmelse i årsregnskabslovens § 135, stk. 5, 1. pkt., skal sikre, at oplysninger, som skal medtages i årsregnskabet eller koncernregnskabet, omfattes af revision, uanset om de er medtaget i disse elementer af årsrapporten, eller om de i stedet er givet andre steder, hvor dette er tilladt efter lovgivningen.

Forslaget skal ses i sammenhæng med den foreslåede nye bestemmelse i § 135, stk. 5, 4. pkt. (forslaget § 1, nr. 3), vedrørende revisors opgaver i forbindelse med oplysninger i ledelsesberetningen, som alternativt offentliggøres andre steder end i ledelsesberetningen efter regler, som er fastsat i lovgivningen.

Oplysninger, som efter årsregnskabsloven skal gives i årsregnskabet eller koncernregnskabet, kan alene gives andre steder end i årsregnskabet eller koncernregnskabet, hvis dette følger af loven.

Det samme er tilfældet for virksomheder, som anvender de af Kommissionen vedtagne internationale regnskabsstandarder, IFRS. Her kan oplysningerne kun gives andre steder end i årsregnskabet eller koncernregnskabet, hvis dette er hjemlet direkte i IFRS. Disse regnskabsstandarder anvendes af virksomheder, som er forpligtet hertil efter artikel 4 i forordningen om anvendelse af internationale regnskabsstandarder eller årsregnskabslovens § 137, stk. 2, eller som frivilligt anvender disse standarder efter årsregnskabslovens § 137, stk. 1.

Efterhånden som årsrapporterne bliver stadig mere omfangsrige, er der opstået et behov for at tillade, at visse oplysninger kan gives uden for årsrapporten. Dette kendes f.eks. fra IFRS 7, »Finansielle instrumenter: Oplysninger«.

I henhold til appendiks B, nr. B6 til IFRS 7, kan de oplysninger, som kræves efter afsnit 31-42, enten gives i årsregnskabet eller indarbejdes med krydshenvisning fra årsregnskabet til en anden opgørelse, f.eks. en kommentar eller risikoredegørelse fra ledelsen, som er tilgængelig for regnskabsbrugere på samme vilkår og tidspunkt som årsregnskabet.

Begrebet »samme vilkår« har i forhold til IFRS 7 været forstået således, at oplysningerne også skal være omfattet af revision. Dette bliver nu helt klart med den foreslåede bestemmelse.

De nuværende 1. og 2. pkt. i § 135, stk. 1, som herefter bliver 2. og 3. pkt., videreføres uændret.

Til nr. 3

Den foreslåede nye bestemmelse i årsregnskabslovens § 135, stk. 5, 4. pkt., skal ses i sammenhæng med forslagens § 1, nr. 1, vedrørende den nye bestemmelse i § 99 a om redegørelse for samfundsansvar.

I § 99 a, stk. 3, foreslås det, at redegørelsen skal placeres i ledelsesberetningen - eller alternativt i en supplerende beretning, hvortil der henvises i ledelsesberetningen, eller på virksomhedens hjemmeside, ligeledes via henvisning hertil i ledelsesberetningen.

Som anført i bemærkningerne til § 99 a, stk. 3, er supplerende beretninger efter de gældende regler ikke underlagt krav om revision og er heller ikke omfattet af krav om udtalelse fra revisor efter årsregnskabslovens § 135, stk. 5. Det vil imidlertid være uhensigtsmæssigt, hvis det forhold, at virksomheden vælger at placere oplysningerne et andet sted end i ledelsesberetningen, kan føre til, at oplysningerne ikke undergives revisors gennemgang og udtalelse på samme måde, som hvis oplysningerne placeres i ledelsesberetningen.

På denne baggrund foreslås det, at der i § 135, stk. 5, 4. pkt., indsættes en bestemmelse, som indebærer, at uanset om oplysningerne placeres i en supplerende beretning eller på virksomhedens hjemmeside, er kravene til revisors gennemgang af indholdet af oplysningerne de samme, som hvis oplysningerne placeres i ledelsesberetningen.

Den foreslåede bestemmelse vil gælde for redegørelsen for samfundsansvar efter § 99 a og for kommende bestemmelser om oplysninger i ledelsesberetningen, som alternativt kan placeres andre steder end i ledelsesberetningen, medmindre andet bestemmes i loven.

Den foreslåede bestemmelse i § 135, stk. 5, 4. pkt., vil derimod ikke berøre revisors opgaver i forbindelse med oplysninger om virksomhedsledelse efter de gældende §§ 107 b og 107 c, som offentliggøres på virksomhedens hjemmeside efter regler, der udstedes af Erhvervs- og Selskabsstyrelsen efter § 107 b, stk. 4. Reglerne om oplysninger om virksomhedsledelse, som blev indført ved lov nr. 516 af 17. juni 2008, trådte i kraft den 1. september 2008 med virkning for regnskabsår, der begynder den 1. september 2008 eller senere.

Det nuværende 3. pkt. i stk. 5 bliver herefter 5. pkt.

Til nr. 4

Den foreslåede ændring af § 135 a, stk. 1, 1. pkt., er en konsekvens af forslagens § 1, nr. 2 og 3.

Til nr. 5

Den foreslåede nye bestemmelse i årsregnskabslovens § 149 a har til formål at præcisere, at oplysninger, som efter årsregnskabsloven eller de af Kommissionen vedtagne internationale regnskabsstandarder IFRS, skal gives i årsrapporten, men som det efter loven eller IFRS tillades virksomheden at offentliggøre andre steder som alternativ til offentliggørelse i årsrapporten, skal være tilgængelige for regnskabsbrugere senest samtidig med årsrapporten.

Dette anses også for at være gældende i dag, men af hensyn til retstilstandens klarhed foreslås det, at der i loven indsættes en udtrykkelig bestemmelse herom.

Bestemmelsen vil eksempelvis gælde for en redegørelse for samfundsansvar, som offentliggøres på virksomhedens hjemmeside, efter den foreslåede nye § 99 a (forslagets § 1, nr. 1).

Til § 2

Det foreslås, at lovforslaget træder i kraft den 1. januar 2009 og har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

Til § 3

Det er hensigten snarest at søge de grønlandske myndigheders tilslutning til, at loven sættes i kraft for Grønland, således at den regnskabsretlige retsenhed kan bevares.

Loven kan ikke sættes i kraft for Færøerne, da de færøske myndigheder har overtaget sagsområdet vedrørende årsregnskab pr. 1. januar 2008 i medfør af lov nr. 578 af 24. juni 2005 om de færøske myndigheders overtagelse af sagsområder.

Bilag 1

Lovforslaget sammenholdt med gældende lov

Gældende formulering

Lovforslaget

§ 1

1. Efter § 99 indsættes:

»§ 99 a. Store virksomheder skal supplere ledelsesberetningen med en redegørelse for samfundsansvar, jf. stk. 2-7. Ved virksomheders samfundsansvar forstås, at virksomheder frivilligt integrerer hensyn til blandt andet menneskerettigheder, sociale forhold, miljø- og klimamæssige forhold samt bekæmpelse af korruption i deres forretningsstrategi og forretningsaktiviteter. Har virksomheden ikke politikker for samfundsansvar, skal dette oplyses i ledelsesberetningen.

Stk. 2. Redegørelsen skal indeholde oplysning om:

- 1) Virksomhedens politikker for samfundsansvar, herunder eventuelle standarder, retningslinjer eller principper for samfundsansvar, som virksomheden anvender.
- 2) Hvordan virksomheden omsætter sine politikker for samfundsansvar til handling, herunder eventuelle systemer eller procedurer herfor.
- 3) Virksomhedens vurdering af, hvad der er opnået som følge af virksomhedens arbejde med samfundsansvar i regnskabsåret, samt virksomhedens eventuelle forventninger til arbejdet fremover.

Stk. 3. Redegørelsen skal gives i tilknytning til ledelsesberetningen. Virksomheden kan i stedet vælge at give redegørelsen

- 1) i en supplerende beretning til årsrapporten, jf. § 14, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 1. pkt., eller
- 2) på virksomhedens hjemmeside, hvortil der henvises i ledelsesberetningen, jf. stk. 4, 2. pkt.

Stk. 4. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar i en supplerende beretning til årsrapporten og revisors pligter i forhold til de oplysninger, som offentliggøres heri, jf. stk. 3, nr. 1. Erhvervs- og Selskabsstyrelsen fastsætter regler om offentliggørelse af redegørelsen for samfundsansvar på virksomhedens hjemmeside, herunder regler om virksomhedens opdatering af oplysningerne på hjemmesiden og revisors pligter i forbindelse med de oplysninger, som offentliggøres på hjemmesiden, jf. stk. 3, nr. 2.

Stk. 5. For virksomheder, som udarbejder koncernregnskab, er det tilstrækkeligt, at oplysningerne efter stk. 1 og 2 gives for koncernen som helhed.

Stk. 6. En dattervirksomhed, som indgår i en koncern, kan undlade at medtage oplysningerne i sin egen ledelsesberetning, hvis

- 1) modervirksomheden opfylder oplysningskravene efter stk. 1 og 2 for den samlede koncern, eller
- 2) modervirksomheden har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer.

Stk. 7. En virksomhed, som har udarbejdet en fremskridtsrapport i forbindelse med tilslutning til FN's Global Compact eller FN's Principper for ansvarlige investeringer, kan undlade at give de oplysninger, som er anført i stk. 1 og 2. Virksomheden skal oplyse i ledelsesberetningen, at den anvender denne undtagelse, og angive, hvor rapporten er offentlig tilgængelig.«

§ 135, stk. 5

Revisionspligten efter stk. 1, 1. pkt., omfatter ikke ledelsesberetningen og de supplerende beretninger, som indgår i årsrapporten, jf. § 2, stk. 1 og 2. Revisor skal dog afgive en udtalelse om, hvorvidt oplysningerne i ledelsesberetningen er i overensstemmelse med årsregnskabet og et eventuelt koncernregnskab. Erhvervs- og Selskabsstyrelsen kan fastsætte krav om revision af supplerende beretninger, som indgår i årsrapporten for alle eller nogle af de virksomheder, som er omfattet af regnskabsklasse C og D.

2. I § 135, stk. 5, indsættes som 1. pkt.:

»Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsregnskabet eller koncernregnskabet, alternativt kan placeres i andre dokumenter m.v., hvortil der henvises i årsregnskabet eller koncernregnskabet, omfatter revisionspligten efter stk. 1, 1. pkt., de pågældende oplysninger i disse dokumenter m.v.«

3. I § 135, stk. 5, indsættes efter 2. pkt., som bliver 3. pkt.:

»2. og 3. pkt. finder anvendelse på oplysninger, der placeres i ledelsesberetningen, og på oplysninger, der efter

denne lov eller regler, som er udstedt efter denne lov, alternativt offentliggøres andre steder, hvortil der henvises i ledelsesberetningen.«

§ 135 a. Kun statsautoriserede eller registrerede revisorer kan revidere årsregnskaber og koncernregnskaber, som er omfattet af revisionspligten i § 135, stk. 1, 1. pkt., og afgive en udtalelse om ledelsesberetningen, jf. § 135, stk. 5, 2. pkt.

4. I § 135 a, stk. 1, 1. pkt., ændres »ledelsesberetningen, jf. § 135, stk. 5, 2. pkt.« til: »ledelsesberetningen m.v., jf. § 135, stk. 5, 3. og 4. pkt.«

5. Efter § 149 indsættes før overskriften »Manglende eller for sen modtagelse af årsrapport eller undtagelseserklæring«:

»§ 149 a. Hvor det i lovgivningen er tilladt, at oplysninger, som skal gives i årsrapporten, alternativt kan placeres i andre dokumenter m.v. end årsrapporten, skal disse dokumenter m.v. være tilgængelige for regnskabsbrugerne på samme tidspunkt som årsrapporten.«

§ 2

Loven træder i kraft den 1. januar 2009 og har virkning for regnskabsår, der begynder den 1. januar 2009 eller senere.

§ 3

Loven gælder ikke for Færøerne og Grønland, men kan ved kongelig anordning helt eller delvis sættes i kraft for Grønland med de afvigelser, som de særlige grønlandske forhold tilsiger.

Betænkning afgivet af Erhvervsudvalget den 27. november 2008

Betænkning

over

Forslag til lov om ændring af årsregnskabsloven

(Redegørelse for samfundsansvar i større virksomheder)

[af økonomi- og erhvervsministeren (Lene Espersen)]

1. Ændringsforslag

Dansk Folkepartis medlemmer af udvalget har stillet 2 ændringsforslag til lovforslaget.

2. Udvalgsarbejdet

Lovforslaget blev fremsat den 8. oktober 2008 og var til 1. behandling den 21. oktober 2008. Lovforslaget blev efter 1. behandling henvist til behandling i Erhvervsudvalget.

Møder

Udvalget har behandlet lovforslaget i 3 møder.

Høring

Et udkast til lovforslaget har inden fremsættelsen været sendt i høring, og økonomi- og erhvervsministeren sendte den 18. september 2008 dette udkast til udvalget, jf. (folketingsåret 2007-08, 2. samling) alm. del – bilag 289. Den 8. oktober 2008 sendte økonomi- og erhvervsministeren de indkomne høringssvar samt et notat herom til udvalget.

Skriftlige henvendelser

Udvalget har i forbindelse med udvalgsarbejdet modtaget en skriftlig henvendelse fra 92-gruppen. Økonomi- og erhvervsministeren har over for udvalget kommenteret den skriftlige henvendelse.

Spørgsmål

Udvalget har stillet 45 spørgsmål til økonomi- og erhvervsministeren til skriftlig besvarelse, som denne har besvaret.

To af udvalgets spørgsmål til økonomi- og erhvervsministeren og dennes svar herpå er optrykt som bilag 2 til betænkningen.

3. Indstillinger og politiske bemærkninger

Et *flertal* i udvalget (udvalget med undtagelse af DF) indstiller lovforslaget til *vedtagelse uændret*. Flertallet vil stemme imod de stillede ændringsforslag.

Venstres, Socialdemokraternes, Socialistisk Folkepartis, Det Konservative Folkepartis og Det Radikale Venstres medlemmer af udvalget støtter fuldt ud lovforslaget, der vil bidrage til at placere Danmark i front, når det gælder lovgivning om rapportering om samfundsansvar. I en globaliseret

økonomi handler det om at markere, at danske virksomheder tager et bredt samfundsansvar, både når det gælder menneskerettigheder, sociale forhold, arbejdstagerrettigheder, arbejdsmiljø og klimaforhold. Dermed markerer Danmark en politisk vilje til at fremme denne udvikling i dansk erhvervsliv, og dermed forbedres forholdene for arbejdere og miljø i især udviklingslande, der producerer til danske forbrugere. Det vil samtidig styrke dansk erhvervslivs konkurrenceevne på de globale markeder og vise omverdenen, at vi er dygtige til at skabe ansvarlig vækst.

Mange danske virksomheder arbejder seriøst med samfundsansvar allerede i dag. Næsten 7 ud af 10 danske virksomheder har en eller flere aktiviteter inden for samfundsansvar. Og det gælder ikke kun de største virksomheder – over 70 pct. af de små virksomheder arbejder med samfundsansvar.

Denne styrkeposition skal vi fastholde og udvikle, så danske virksomheder høster gevinsterne af deres samfundsansvar – også på de globale markeder, hvor mange både store og små virksomheder driver forretning.

Dansk erhvervsliv kan blive endnu bedre til at fortælle omverdenen, hvordan vi kan kombinere vækst og ansvarlighed, og det skal lovforslaget bidrage til.

Lovforslaget vil kunne medvirke til at gøre Danmark kendt for ansvarlig vækst, hvilket styrker Danmarks position i den globale konkurrence om markedsandele, investeringer og kvalificeret arbejdskraft. Ved at understøtte danske virksomheders kommunikation om samfundsansvar vil lovforslaget gøre det synligt for omverdenen, at dansk erhvervsliv er i front på dette område.

Det understøtter, at danske virksomheder i højere grad kan drage fordel af at være i en global førerposition, når det kommer til samfundsansvar.

Kombinationen af vækst og ansvarlighed er central for den forretningsdrevne tilgang til samfundsansvar, som ligger til grund for lovforslaget. Hermed menes, at virksomhederne lægger kræfterne der, hvor det gavner forretningen mest. Hvis arbejdet med samfundsansvar tager udgangspunkt i virksomhedens udfordringer, kompetencer og kerneforretning, får både virksomheden og samfundet det største udbytte.

Samtidig gør globaliseringen, at en international tilgang er nødvendig. Hvis danske virksomheder skal kunne kommunikere deres indsats ud, må det ske med udgangspunkt i internationale principper for samfundsansvar.

Kræfter bør sættes ind på, at flere og flere virksomheder erkender deres ansvar for menneskerettigheder, sociale forhold, miljø, klimaforhold m.m. – også hos de samarbejdspartnere, som virksomhederne opererer med. Vi finder derfor behov for en nærmere drøftelse af, hvordan vi kan motivere virksomhederne til også at rapportere om andre elementer i produktionskæden.

V, S, SF, KF og RV opfordrer til, at der tages udgangspunkt i FN's principper for samfundsansvar, FN's Global Compact: menneskerettigheder, arbejdstagerrettigheder, miljø, og anti-korruption, ligesom det bør anbefales, at virksomhederne som minimum rapporterer ifølge Global Reporting Initiatives (GRI's) principper – helst GRI niveau A+.

Det er generelle, konventionsbårne principper, som giver den enkelte virksomhed stor frihed til selv at tilrettelægge sine aktiviteter inden for samfundsansvar. Det gør det muligt for virksomheden at arbejde strategisk med forretningsdrevet samfundsansvar på en måde, som passer til netop dens kerneforretning.

Sammen med de øvrige initiativer i regeringens handlingsplan for virksomheders samfundsansvar vil lovforslaget kunne bringe Danmark i front til gavn for såvel virksomhederne som samfundet, og derfor bakker vi op om lovforslaget.

V, S, SF, KF og RV er tilfredse med, at der allerede i 2010 udarbejdes en rapport, der gør bred status over danske virksomheders arbejde med FN's principper for samfundsansvar og om deres arbejde med samfundsansvar. Rapporten vil kunne danne grundlag for en drøftelse i udvalget af lovgivningens betydning og fremdriften i regeringens handlingsplan. Denne rapport bør omfatte erfaringer med forskellige former for rapportering, brug af andre revisionsinstrumenter end konsistentstjek (review og egentlig revision) samt certificering af tredjepart og oversendes til Folketinget.

V, S, SF, KF og RV forventer, at ministeren vil orientere om og være villig til at drøfte det endelige indhold i bekendtgørelse og vejledninger om virksomhedernes redegørelse for samfundsansvar, inden disse færdiggøres.

Socialdemokraternes medlemmer af udvalget mener desuden, at der er behov for snarest at få vurderet revisionen af de danske virksomheder. Vi er utrygge ved de mange fejl ved regnskaber og SKAT's manglende muligheder for reelt at afsløre fejl. Der er også behov for at se på de administrative lettelser: Hvem har fået disse, er det de rigtige, og har vi muligheder for både at lette administrationen og samtidig øge sikkerheden for retvisende regnskaber?

Socialistisk Folkepartis medlemmer af udvalget ønsker desuden at markere, at vi ønsker en mere vidtgående lovgivning, der bl.a. omfatter mere detaljeret rapportering, krav om Global Compact's principper i rapporteringen samt omfatter flere virksomheder. Det ville for alvor have bragt Danmark i front. I det mindste burde regeringen allerede nu forpligte sig til at gennemføre en ordning, hvor de statslige virksomheder forpligtes både til at tilslutte sig Global Compact og tilslutte sig Global Reporting Initiative A+, gerne udformet på samme måde som den svenske ordning.

Et *mindretal* i udvalget (DF) indstiller lovforslaget til *forkastelse* ved 3. behandling. Mindretallet vil stemme for de stillede ændringsforslag.

Liberal Alliance, Inuit Ataqatigiit, Siumut, Tjóðveldisflokkurin og Sambandsflokkurin var på tidspunktet for betænkningens afgivelse ikke repræsenteret med medlemmer i udvalget og havde dermed ikke adgang til at komme med indstillinger eller politiske udtalelser i betænkningen.

En oversigt over Folketingets sammensætning er optrykt i betænkningen.

4. Ændringsforslag med bemærkninger

Æ n d r i n g s f o r s l a g

Af et *mindretal* (DF):

Til § 1

1) Det under *nr. 1* foreslåede § 99 a, *stk. 1, 3. pkt.*, udgår.

2) I det under *nr. 1* foreslåede § 99 a, *stk. 4*, indsættes efter 2. pkt. som nyt punktum:

»Der skal ikke foretages revision eller konsistentstjek, hvis virksomhedens redegørelse om samfundsansvar gives i en supplerende årsrapport eller på virksomhedens hjemmeside.«

B e m æ r k n i n g e r

Til nr. 1

Det findes ikke relevant, at virksomheden skal oplyse, hvis den ikke har udarbejdet en politik for samfundsansvar. Virksomhederne må gerne frivilligt oplyse om dette, men det skal ikke være et krav i årsrapporten. Kernen i afrapporteringen i en årsrapport er de aktiviteter af økonomisk og finansiel karakter, som er relevante for brugerne af årsrapporten. Disse oplysninger kan også omfatte aktiviteter af ledelsesmæssig karakter og andre oplysninger, som er relevante i bedømmelsen af virksomhedens økonomiske resultat. Det er en uskik og svækker årsrapporten som instrument, hvis årsrapporten også skal indeholde oplysninger, som ikke er relevante for bedømmelsen af økonomisk aktivitet og resultat. Det lukker op for en ladeport af andre irrelevante oplysningskrav, som beslutningstagerne i virksomhederne har bestemt ikke har noget at gøre med virksomhedens daglige drift.

Til nr. 2

Det vil føre til en usund udvikling i revisionshandlingen, hvis revisionen/konsistenstjekket også skal foretages uden for årsrapporten. Dels er der ikke udviklet ordentlige standarder for revision uden for årsrapporten, dels vil det lukke op for en uhensigtsmæssig udvikling, hvor andre områder også kan underkastes tvungen revision, der ligger uden for den egentlige årsrapport. Virksomhederne kan stadigvæk afgive erklæringer om forhold, der ligger uden for årsrapporten, herunder CSR-aktiviteter. Disse afgivelser af erklæringer er frivillige og kan derfor bedre tilpasses virksomhedernes behov vedrørende konkrete forhold.

Hans Christian Schmidt (V) fmd. Jacob Jensen (V) Jens Vibjerg (V)

Lars Christian Lilleholt (V) Tina Nedergaard (V) Colette L. Brix (DF) nfmd.

Pia Adelsteen (DF) Mike Legarth (KF) Per Ørum Jørgensen (KF) Orla Hav (S)

Benny Engelbrecht (S) Henrik Dam Kristensen (S) Niels Sindal (S) Karsten Hønge (SF)

Flemming Bonne (SF) Morten Helveg Petersen (RV) Frank Aaen (EL)

Liberal Alliance, Inuit Ataqatigiit, Siumut, Tjóðveldisflokkurin og Sambandsflokkurin havde ikke medlemmer i udvalget.

Folketingets sammensætning

Venstre, Danmarks Liberale Parti (V)	47	Liberal Alliance (LA)	3
Socialdemokratiet (S)	45	Inuit Ataqatigiit (IA)	1
Dansk Folkeparti (DF)	25	Siumut (SIU)	1
Socialistisk Folkeparti (SF)	23	Tjóðveldisflokkurin (TF)	1
Det Konservative Folkeparti (KF)	17	Sambandsflokkurin (SP)	1
Det Radikale Venstre (RV)	9	Uden for folketingsgrupperne	2
Enhedslisten (EL)	4	(UFG)	

Oversigt over bilag vedrørende L 5

Bilagsnr. Titel

1	Høringsvar og høringsnotat, fra økonomi- og erhvervsministeren
2	Udkast til tidsplan for udvalgets behandling af lovforslaget
3	Henvendelse af 7/10-08 fra 92-gruppen vedrørende behovet for konkretisering og klare kriterier i forbindelse med regeringens »Strategi for virksomhedernes samfundsansvar«
4	Tidsplan for udvalgets behandling af lovforslaget
5	Udkast til betækning
6	2. udkast til betækning
7	3. udkast til betækning

Oversigt over spørgsmål og svar vedrørende L 5

Spm.nr. Titel

1	Spm. om, hvilke konsekvenser lovforslaget har for revisionen, til økonomi- og erhvervsministeren, og ministerens svar herpå
2	Spm. om, hvordan der i andre lande lovgives med hensyn til virksomhedernes samfundsansvar (CSR), til økonomi- og erhvervsministeren, og ministerens svar herpå
3	Spm. om oversendelse af et notat om FN's Global Impact, til økonomi- og erhvervsministeren, og ministerens svar herpå
4	Spm. om oversendelse af et notat om FN's Global Reporting Initiative, til økonomi- og erhvervsministeren, og ministerens svar herpå
5	Spm. om, hvordan regeringen agter at give små og mellemstore virksomheder rådgivning om udarbejdelse af CSR, til økonomi- og erhvervsministeren, og ministerens svar herpå
6	Spm., om regeringen er villig til inden for handlingsplanens rammer om CSR at støtte DanWatch, til økonomi- og erhvervsministeren, og ministerens svar herpå
7	Spørgsmål tilbagetaget
8	Spm., om fremskridtsrapport ifølge lovforslaget vil være omfattet af revisors udtalelse om ledelsesberetningen, til økonomi- og erhvervsministeren, og ministerens svar herpå
9	Spm. om kommentarer til FSR's forslag om præcisering i ÅRL § 9, til økonomi- og erhvervsministeren, og ministerens svar herpå
10	Spm. om at kommentere forslaget fra International Commission of Jurists (ICJ) om at slette »frivilligt« i § 99, stk. 1, 2. pkt., til økonomi- og erhvervsministeren, og ministerens svar herpå
11	Spm. om at kommentere ICJs anbefaling om at genoverveje § 99 a,

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- stk. 7, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 12 Spm. om at kommentere Red Barnets synspunkter om, at dansk lovgivning vedrørende CSR-lovgivningen indtil nu har haltet bagud, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 13 Spm. om de tiltag, der blev gennemført i 2006 med vedtagelsen af L 50 og L 51, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 14 Spm. om, hvor mange ureviderede regnskaber der har været underkastet skattekontrol m.v., til økonomi- og erhvervsministeren, og ministerens svar herpå
- 15 Spm. om redegørelse for resultaterne af Erhvervs- og Selskabsstyrelsens kontroller af de virksomheder, der har fravalgt revision eller fravalgt brug af revisor, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 16 Spm., om det er rimeligt at revidere en lille virksomhed med en omsætning på 5 mio. kr. efter de samme standarder, som landets største virksomheder revideres efter, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 17 Spm. om, hvilke administrative lettelser de mindre virksomheder har fået ved fritagelsen for at give oplysninger om det gennemsnitlige antal beskæftigede, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 18 Spm. om, hvorfor afrapporteringspligt ikke er på frivillig basis i lovforslaget, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 19 Spm. om, hvorfor der i lovforslagets bemærkninger står, at ca. 1.100 virksomheder vil være omfattet af lovforslaget, hvoraf det for 180 virksomheder vil medføre omstillingsbyrder, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 20 Spm., om ministeren kan bekræfte, at de 3.000 timer i administrative byrder, som følger af lovforslaget, er løbende årlige byrder, der ikke medtager éngangsbyrder/omstillingsbyrder, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 21 Spm., om ministeren kan bekræfte, at éngangsbyrderne/omstillingsbyrderne ved at skulle formulere en CSR-politik for første gang kan opgøres til mellem 2.000 og 6.000 timer, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 22 Spm., om ministeren kan bekræfte, at lovforslaget vil medføre éngangsbyrder/omstillingsbyrder for 180 virksomheder, som ikke i dag har en CSR-politik, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 23 Spm. om, hvad de samlede éngangsbyrder/omstillingsbyrder vil være for de 180 virksomheder, som ikke i dag har en CSR-politik, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 24 Spm. om, hvad den samlede omkostning vil være, hvis alle 1.100 virksomheder før eller siden udarbejder og afrapporterer CSR-politik,

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- til økonomi- og erhvervsministeren, og ministerens svar herpå
- 25 Spm., om ministeren kan bekræfte, at når der regnes på administrative lettelser i AMVAB-metoden som f.eks. lempelse af revisionspligt for virksomheder med under 3 mio. kr. i omsætning og fjernelse af kapitalforklaring, så regnes de administrative lettelser ud for alle selskaber/virksomheder, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 26 Spm., om samme metode ikke bør anvendes i lovforslaget, når de løbende administrative byrder skal udregnes, så der også medtages virksomheder, der ikke udarbejder eller afrapporterer en CSR-politik, men som kan komme til det på et senere tidspunkt, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 27 Spm., om ministeren finder, at SAS, Danisco, DONG og Danfoss alle lever op til ånden i lovforslaget om CSR-rapportering, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 28 Spm. om ministerens vurdering af en certificering af CSR-rapporten i forhold til lovforslagets krav om revisors gennemgang, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 29 Spm., om SAS' review af CSR-rapporten og en revisors gennemgang af det korte afsnit i ledelsesberetningen fortsat vil kunne anvendes efter en vedtagelse af lovforslaget, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 30 Spm. om ministerens kommentarer til pkt. 6 og pkt. 7 i høringsvaret fra FSR, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 31 Spm., om ministeren kan bekræfte, at det nordiske Global Compact-netværk mister en del af sine midler og derfor ikke kan give den samme hjælp og vejledning til virksomheder, der vil tage et socialt ansvar, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 32 Spm. om, hvilke tiltag regeringen vil tage, så de tilbud, som det nordiske Global Compact-netværk tilbød, stadig kan tilbydes danske virksomheder, som f.eks. CSR-mentor-ordningen, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 33 Spm., om ministeren kan tilslutte sig, at der er brug for, at rapportering om samfundsansvar følger internationale standarder, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 34 Spm. om, hvilke initiativer regeringen vil tage for at sørge for, at det er muligt at sammenligne danske virksomheders arbejde med samfundsansvar, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 35 Spm. om, hvad regeringen vil gøre for at fremme udbredelsen af den internationale rapporteringsstandard Global Reporting Initiative (GRI) i danske virksomheder, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 36 Spm. om, hvad regeringen vil gøre for at fremme udbredelsen af en kommende ISO-standard for CSR i danske virksomheder, til økono-

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- mi- og erhvervsministeren, og ministerens svar herpå
- 37 Spm. om kommentar til henvendelse af 7/10-08 fra 92-gruppen, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 38 Spm. om en uddybning af ministerens besvarelse af spørgsmål 22, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 39 Spm. om en uddybning af ministerens besvarelse af spørgsmål 23, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 40 Spm. om en uddybning af ministerens besvarelse af spørgsmål 24, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 41 Spm., om ministeren vil forpligte sig til, at Danmark skal være i front med hensyn til statslige virksomheders sociale ansvar, således at de statslige virksomheder, der er omfattet af lovforslaget, rapporterer efter GRI's niveau A+, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 42 Spm. om oversendelse af en oversigt over, hvilke statslige aktieselskaber der ifølge lovforslaget ikke forpligtes til at rapportere om samfundsansvar, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 43 Spm., om regeringen kan tilslutte sig, at selv om visse statslige aktieselskaber fortrinsvis opererer i Danmark, så skal de stadig tage et samfundsansvar, idet en vigtig del af dette består i at sikre samfundsansvar i hele varekæden, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 44 Spm., om regeringen er enig i, at alle statsejede virksomheder med mere end 10 ansatte skal forpligtes til at tilslutte sig Global Compact og rapportere efter GRI, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 45 Spm., om ministeren vil tilkendegive, at hun er villig til at oversende bekendtgørelsesudkastet og udkastet til vejledning til udvalget, inden bekendtgørelsen og vejledningen udsendes, samt være villig til at drøfte det endelige indhold inden færdiggørelsen, til økonomi- og erhvervsministeren, og ministerens svar herpå
- 46 Spm., om ministeren er indstillet på, at når der gøres status over virksomhedernes arbejde med samfundsansvar i 2010, skal denne rapport omfatte erfaringer med forskellige former for rapportering, brug af andre revisionsinstrumenter end konsistentstjek, certificering af tredjepart, samt at rapporten oversendes til Folketinget, til økonomi- og erhvervsministeren, og ministerens svar herpå

To af udvalgets spørgsmål til økonomi- og erhvervsministeren og dennes svar herpå

Spørgsmålene og svarene er optrykt efter ønske fra SF.

Spørgsmål 45:

Vil ministeren tilkendegive, at hun er villig til at oversende bekendtgørelsesudkastet og udkastet til vejledning til Erhvervsudvalget, inden bekendtgørelsen og vejledningen udsendes samt være villig til at drøfte det endelige indhold inden færdiggørelsen?

Svar:

Både vejledningen til lovforslaget og udkastet til bekendtgørelsen, der fastsætter de nærmere regler for offentliggørelse af redegørelsen for samfundsansvar i en supplerende beretning og på virksomhedens hjemmeside, vil blive sendt til Erhvervsudvalget. Jeg er naturligvis parat til at drøfte både vejledningen og bekendtgørelsen i Erhvervsudvalget, hvis udvalget skulle ønske det.

Spørgsmål 46:

Er ministeren indstillet på, at når der gøres status over virksomhedernes arbejde med samfundsansvar i 2010, så skal denne rapport omfatte erfaringer med forskellige former for rapportering, brug af andre revisionsinstrumenter end konsistentstjek, certificering af tredjepart, samt at rapporten oversendes til Folketinget?

Svar:

Rapporten i 2010 vil bredt set gøre status over danske virksomheders arbejde med FN's principper for samfundsansvar og også virksomhedernes rapportering om deres arbejde med samfundsansvar. Målet er, at rapportens konklusioner skal bidrage til at forbedre danske virksomheders arbejde med samfundsansvar, herunder rapportering og kommunikation om samfundsansvar. Rapporten vil derfor også belyse virksomhedernes erfaringer med forskellige former for rapportering, revision og certificeringer fra tredjepart.

Jeg oversender naturligvis gerne rapporten til Folketinget.

European Commission

European Commission Enterprise and Industry Policies ... Sustainable and responsible business Corporate social responsibility
Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) can make a significant contribution towards sustainability and competitiveness, both in Europe and globally.

The European Commission's definition of CSR is:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

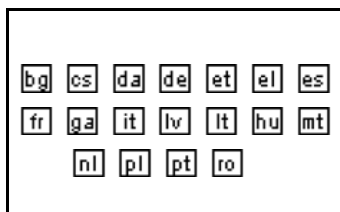
The Commission has recognised the role of CSR as a contributing factor to the Lisbon Strategy for growth and jobs. CSR can help to shape the kind of competitiveness model that Europe wants.

CSR and the economic crisis

CSR is more relevant than ever in the context economic crisis. It can help to build (and rebuild) trust in business, which is vital for the health of Europe's social market economy. It can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis.

European policy

The Commission's most recent [Communication on CSR](#)  



[158 KB] was published in 2006. It emphasises the importance of CSR and challenges business to take leadership in this field. It also outlines ways in which the Commission intends to continue to promote CSR as a voluntary concept, with an emphasis on dialogue between stakeholders.

[Speech of Vice-President Verheugen to the European Multistakeholder Forum on CSR, February 2009](#)  [72 KB]

European Commission

European Commission Enterprise and Industry Policies Sustainable and responsible business

Sustainable and responsible business

Sustainable development has economic, environmental and social dimensions, and is an overarching goal of the European Union. Competitiveness and sustainability are mutually reinforcing concepts. DG Enterprise and Industry aims to create the conditions in which European enterprises can thrive, so helping to maximise their contribution to sustainable development.

Corporate Social Responsibility (CSR) is a necessary and natural counterpart to the drive for a more competitive Europe. Responsible business behaviour is crucial for building trust towards the market economy, trade openness and globalisation.



Sustainable consumption and production and sustainable industrial policy action plan

The Sustainable Consumption and Production and Sustainable Industrial Policy [Action Plan](#) aims at turning current environmental challenge into economic opportunities for the EU. A concrete set of actions is proposed to improve EU industry's competitiveness while raising its overall environmental performance. Where possible, the Commission encourages voluntary approaches to develop Environmental Agreements between parties which want to tackle specific environmental problems.

More information:

- [Sustainable Development Website](#)
- [Directorate General for the Environment Website](#)

Corporate Social Responsibility (CSR)

Do you think companies should be more responsible in the way they do business? Are you more and more aware of social and environmental influences products you buy, and do you feel you need quality assurance? Do you think that workers need a more rewarding and inspiring work environment?

Corporate social responsibility is companies acting voluntarily and beyond the law to achieve social and environmental objectives during the course of their daily business activities. The European Commission is promoting inclusive and good quality employment practices within enterprises, particularly within the supply chain and down to the respect for human rights in the international context. Flexicurity and diversity management are emerging issues that companies are needing to address. Innovations in employee health management, business education and lifelong learning, and environmental issues are equally part of the CSR agenda, discussions about which are undertaken on a multi-stakeholder basis.

The Commission hosts meetings between Member State CSR specialists and with many different stakeholders. Regular calls for proposals are opened for projects to promote exchanges and sharing of good practice.

Related Documents

[Study on the incorporation of Social Considerations in Public Procurement in the EU-Proposed Elements](#)



[Corporate social responsibility - useful links](#)



[MEMO - What is Corporate Social Responsibility \(CSR\)?](#)



Related Links

[Making Europe a pole of excellence on corporate social responsibility](#)

[Corporate Social Responsibility - DG for Enterprise & Industry](#)



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.3.2006
COM(2006) 136 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
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**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
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ON CORPORATE SOCIAL RESPONSIBILITY**

1. INTRODUCTION

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis¹. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions. As such, CSR has become an increasingly important concept both globally and within the EU, and is part of the debate about globalisation, competitiveness and sustainability. In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion.

Since the end of the Cold War the market economy has prevailed throughout most of the world. While this has opened up new opportunities for business, it also creates a corresponding need for self-limitation and mobilisation on the part of the business community, in the interest of social stability and the well-being of modern democratic societies. Moreover, within the EU, better regulation and the promotion of entrepreneurial culture are now high on the European agenda, as confirmed by the Commission's 2006 Annual Progress Report on Growth and Jobs². The Commission is committed to promoting the competitiveness of the European economy in the context of the relaunched Lisbon Partnership for Growth and Jobs. In turn it calls on the European business community to publicly demonstrate its commitment to sustainable development, economic growth and more and better jobs, and to step up its commitment to CSR, including cooperation with other stakeholders. More than ever Europe needs active entrepreneurs, positive attitudes towards entrepreneurship, and confidence and trust in business. Europe needs a public climate in which entrepreneurs are appreciated not just for making a good profit but also for making a fair contribution to addressing certain societal challenges.

The Commission therefore wishes to give greater political visibility to CSR, to acknowledge what European enterprises already do in this field and to encourage them to do more. Because CSR is fundamentally about voluntary business behaviour, an approach involving additional obligations and administrative requirements for business risks being counter-productive and would be contrary to the principles of better regulation. Acknowledging that enterprises are the primary actors in CSR, the Commission has decided that it can best achieve its objectives by working more closely with European business, and therefore announces backing for the

¹ COM(2001) 366.

² COM(2006) 30.

launch of a European Alliance on CSR, a concept drawn up on the basis of contributions from business active in the promotion of CSR. The Alliance is an open alliance of European enterprises, for which enterprises of all sizes are invited to express their support. It is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. It is a political process to increase the uptake of CSR amongst European enterprises.

Backing for the new Alliance should be understood as a key component of a wider partnership that the Commission wishes to pursue with all stakeholders involved in CSR. In presenting this Communication, the Commission draws on several years of public debate and consultation with all stakeholders, most particularly in the context of the European Multistakeholder Forum on CSR, which presented its final report in 2004. The Commission continues to attach utmost importance to dialogue with and between all stakeholders, and proposes to re-convene meetings of the Multistakeholder Forum at regular intervals with a view to continually reviewing progress on CSR in the EU.

2. CSR IN SUPPORT OF SUSTAINABLE GROWTH AND MORE AND BETTER JOBS

Sustainable growth and more and better jobs are the twin challenges the EU must now address in the face of global competition and an ageing population to safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005 and renewing its Sustainable Development Strategy in December 2005. This is also why the informal meeting of Heads of State and Government at Hampton Court in October 2005 called for innovative answers to address the competitive challenge while defending European values.

The revised Lisbon strategy promotes growth and jobs in a manner that is fully consistent with sustainable development, which remains an overarching long term goal for the European Union. Enterprises, as the motor for economic growth, job creation, and innovation, are key actors in delivering the Lisbon and sustainable development objectives.

Europe needs business to do what it does best: to provide products and services that add value for society and to deploy entrepreneurial spirit and creativity towards value and employment creation. However Europe does not need just business but socially responsible business that takes its share of responsibility for the state of European affairs. In its contribution to the March 2005 Spring Council, the Commission recognised that CSR *“can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness”*³. In the Social Agenda⁴, the Commission announced that it would, in co-operation with Member States and stakeholders, present initiatives to further enhance the development and transparency of CSR. In the revised Sustainable Development Strategy⁵, the Commission called *“on the business leaders and other key stakeholders of Europe to engage in urgent reflection with political leaders on the medium- and long-term policies needed for sustainability and propose ambitious business responses which go beyond existing minimum legal requirements”*.

³ COM(2005) 24.

⁴ COM(2005) 33.

⁵ COM(2005) 658.

In March 2005, the European Council underlined that *“in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility”*. In the Integrated Guidelines for Growth and Jobs (2005-2008), the Council recommended that Member States should *“encourage enterprises in developing their corporate social responsibility”*. The European Parliament has made valuable contributions to the debate on CSR, notably in its resolutions of 2002⁶ and 2003⁷.

Against this backdrop, the Commission has reviewed the work accomplished on CSR at EU level, in order to align its approach with the priorities and working methods of the Growth and Jobs strategy. The Commission believes that the potential of enterprises can and should be better harnessed in support of sustainable development and the Growth and Jobs strategy. In keeping with the spirit and priority areas of its 2006 Annual Progress Report on Growth and Jobs, the Commission invites European enterprises to “move up a gear” and to strengthen their commitment to CSR. In doing so the Commission wishes to create a more favourable environment for all actors in CSR and to explore with all stakeholders the potential of CSR to contribute to the development of European societies.

CSR practices are not a panacea and can not on their own be expected to deliver these outcomes. They are not a substitute for public policy, but they can contribute to a number of public policy objectives, such as:

- more integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;
- investment in skills development, life-long learning and employability, which are needed to remain competitive in the global knowledge economy and to cope with the ageing of the working population in Europe;
- improvements in public health, as a result of voluntary initiatives by enterprises in areas such as the marketing and labelling of food and non-toxic chemicals;
- better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation;
- a more rational use of natural resources and reduced levels of pollution, notably thanks to investments in eco-innovation and to the voluntary adoption of environmental management systems and labelling;
- a more positive image of business and entrepreneurs in society, potentially helping to cultivate more favourable attitudes towards entrepreneurship;
- greater respect for human rights, environmental protection and core labour standards, especially in developing countries;
- poverty reduction and progress towards the Millennium Development Goals.

⁶ P5_TA(2002)0278.

⁷ P5_TA(2003)0200.

3. MAKING EUROPE A POLE OF EXCELLENCE ON CSR

Much progress has been made on CSR since the Lisbon Council made its appeal to companies' sense of social responsibility in March 2000. A Green Paper (2001)⁸, a Communication (2002)⁹, and the setting up of an EU Multi-Stakeholder Forum on CSR (CSR Forum) marked important steps in this process.

The CSR Forum brought together representatives of business, trade unions and civil society, with the Commission in a facilitating role. The Commission welcomes the Forum's work and final report of June 2004, and agrees with stakeholders that the report's recommendations, if fully implemented by the relevant actors, would help advance CSR in Europe and globally. The Forum succeeded in achieving a measure of consensus among participants, but is also revealed the significant differences of opinion between business and non-business stakeholders. A common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR as *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*. The CSR Forum confirmed this definition while further exploring its scope and boundaries. The Forum also reached consensus on the need for further awareness-raising and competency-building activities. There was no consensus, however, on topics such as company reporting requirements or the need for European standards on CSR.

Awareness, understanding and uptake of CSR have improved over the past few years, partly as a consequence of the CSR Forum and other actions supported by the Commission. At the same time, initiatives by business and other stakeholders have moved forward the development of CSR in Europe and globally. Social dialogue, especially at the sectoral level, has been an effective means for promoting CSR initiatives, and European Works Councils have also played a constructive role in the development of best practice on CSR.

Nevertheless, the uptake, implementation and strategic integration of CSR by European enterprises should be further improved. The role of employees, their representatives and their trade unions in the development and implementation of CSR practices should be further enhanced. External stakeholders, including NGOs, consumers and investors, should play a stronger role in encouraging and rewarding responsible business conduct. Public authorities at all levels should further improve the consistency of their policies in support of sustainable development, economic growth and job creation.

The EU's vision of long-term prosperity, solidarity and security also extends to the international sphere. The Commission recognises the linkages between the uptake of CSR in the EU and internationally, and believes that European companies should behave responsibly wherever they operate, in accordance with European values and internationally agreed norms and standards.

The Commission has reflected on how best to give a new impulse to make Europe a pole of excellence on CSR. It has considered the final report of the CSR Forum, as well as the views of stakeholders that are not reflected in that report. The challenge has been to find a new approach that inspires more enterprises to engage in CSR, since they are the primary actors in this field.

⁸ COM(2001) 366.

⁹ COM(2002) 347.

4. A EUROPEAN ALLIANCE FOR CSR

The Commission therefore backs the launching of the European Alliance for CSR, described in the document attached to this Communication. The Alliance is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders.

The Alliance has an open nature and European enterprises of all sizes are invited to voluntarily express their support. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. There are no formal requirements for declaring support for the Alliance, and the European Commission will not keep a list of companies that support it. The Commission's contribution to the Alliance will be the further promotion of CSR in line with the points mentioned under chapter 5 of this Communication. This does not imply any new financial obligations for the Commission.

The Commission expects the Alliance to have a significant impact on the attitude of European enterprises to CSR and on their positive engagement with social and environmental issues. It should create new partnerships with and new opportunities for stakeholders in their efforts to promote CSR, and is therefore a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders. The voluntary commitment of European business to the Alliance and the supportive role of the Commission within its policies and instruments where appropriate will strengthen the development of CSR within the EU and abroad. The results of the Alliance should be understood as a voluntary business contribution to achieving the goals of the relaunched Lisbon Strategy and the revised Sustainable Development Strategy. However these results will also depend on the engagement of stakeholders, who are invited to make full use of the opportunities the Alliance offers.

To enhance the transparency, visibility and credibility of CSR practices, the Commission encourages enterprises that support the Alliance to make CSR information available to all stakeholders, including to consumers, investors and the wider public. Large companies in particular should seek to present CSR strategies, initiatives and their results or best practices in a way that is easily accessible to the public. In addition, the Commission will continue to support stakeholders in developing their capacity to assess and evaluate CSR practices.

The Commission recognises that without the active support and constructive criticism of non-business stakeholders, CSR will not flourish. The Commission's backing of the Alliance is not a substitute for further dialogue with all stakeholders. The Commission remains committed to facilitating such dialogue, including through regular review meetings of the Multistakeholder Forum.

5. PROPOSED ACTIONS TO PROMOTE FURTHER TAKE-UP OF CSR PRACTICES

In further promoting CSR, the Commission will emphasise the following aspects:

- **Awareness-raising and best practice exchange.** The Commission will further raise awareness about CSR and promote the exchange of best practice as CSR continues to evolve, with an emphasis on SMEs and on Member States where CSR is a less well-known concept, as well as in acceding and candidate countries. It will do this in a strengthened partnership with business and all relevant stakeholders, including national and regional authorities. The Commission will further promote voluntary environmental instruments, such as environmental management systems and the

Ecolabel scheme. Other initiatives to make citizens aware of social and environmental issues and the impact of their consumption and investment choices will also be promoted.

- **Support to multi-stakeholder initiatives.** Involving stakeholders enhances the effectiveness of CSR initiatives, which is why the Commission will organise regular review meetings of the Multistakeholder Forum. To foster greater awareness of CSR and further enhance its credibility, the Commission will continue to promote and support CSR initiatives by stakeholders, including social partners and NGOs, and in particular at sectoral level The European Platform for Nutrition is a good example of such initiative. The sectoral social dialogue committees are also an important mechanism in this regard.
- **Cooperation with Member States.** There is a broad consensus in Europe about the definition of CSR, although its precise nature and characteristics vary between different national and cultural contexts. Moreover, Member States have at their disposal a broad range of instruments to encourage CSR. Cooperation with Member States and acceding countries, in particular through the Group of High-Level National Representatives on CSR, is therefore an important aspect of Commission policy on CSR. Within Member States, the regional level can be an appropriate level for actions in support of CSR, especially as far as SMEs are concerned.
- **Consumer information and transparency.** Consumers play an important role in providing incentives for responsible production and responsible business behaviour. They are expected to exercise critical choice and encourage good products and good companies. At the moment consumers lack clear information on the social and environmental performance of goods and services, including information on the supply chain. The Commission will examine, in consultation with all relevant stakeholders, the need for further voluntary actions to achieve the objectives of transparency and information for consumers including on issues of public health.
- **Research.** There is a need for more interdisciplinary research on CSR, in particular on: links at the macro- and meso-levels between CSR, competitiveness and sustainable development; the effectiveness of CSR in reaching social and environmental objectives; and issues such as innovation, corporate governance, industrial relations, and the supply chain. CSR as practiced by SMEs is an important research topic in its own right, but should also be adequately reflected in other areas of CSR research. Additionally, the Life Cycle Social Impacts of processes, products, and services deserve more investigation. Building on the four CSR research projects financed under the 6th Research Framework programme, the Commission will explore possibilities to support further research into CSR as part of the forthcoming 7th Framework Programme.
- **Education.** For CSR to become a mainstream business practice, the right knowledge and skills need to be developed among future entrepreneurs, business leaders, company managers and employees. CSR is also a lifelong learning issue. The Commission invites business schools, universities and other education institutions to incorporate CSR into education, as a cross-cutting issue, in particular into the curricula of future managers and graduate students.

- **SMEs.** The collective impact of CSR as practiced by SMEs is critical if the potential of CSR to contribute to growth and jobs and sustainable development in Europe is to be fully harnessed. The Commission recognises that a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR. It also requires the active cooperation of mainstream SME intermediary organisations and support providers. The Commission will facilitate the exchange of experience about how best to encourage CSR amongst SMEs in Europe.
- **The international dimension of CSR.** The Commission will continue to promote CSR globally with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals. The ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, the OECD Guidelines for MNEs and the UN Global Compact, as well as other reference instruments and initiatives, provide international benchmarks for responsible business conduct. The Commission is committed to promoting awareness and implementation of these instruments and will work together with other governments and stakeholders to enhance their effectiveness.

The Commission will continue its leadership role in promoting high environmental standards internationally. The Commission aims to strengthen the sustainable development dimension of bilateral trade negotiations and to pursue the promotion of core labour standards in bilateral agreements. The Commission will encourage the inclusion of provisions to support internationally agreed CSR instruments and will seek to address CSR issues in bilateral dialogue between the parties. The Commission is also committed to using trade incentives as a means of encouraging respect for the main international human/labour rights, environmental protection and governance principles, in particular through the new EU “Generalised System of Preferences Plus” that entered into force on 1 January 2006. The Commission will strengthen its co-operation with the ILO to promote decent work, including through a pilot project on trade and decent work indicators in developing countries. The Commission will also present a communication on decent work in the course of 2006.

The Commission will discuss with partner countries and relevant stakeholders how to promote CSR in the framework of the Cotonou Agreement and the New Strategy for Africa¹⁰, and will propose that this issue be discussed during the EU-Africa Business Forum to be held in autumn 2006.

The Commission will follow other relevant international processes, such as the work of the UN Special Representative on Human Rights and Transnational Corporations and Other Business Enterprises, the possible development of an ISO guidance standard on social responsibility, and sectoral initiatives like the Kimberley Process Certification Scheme for rough diamonds.

¹⁰ COM(2005) 489.

6. CONCLUSION: THE NEED FOR A PARTNERSHIP AMONG ALL STAKEHOLDERS

The Commission strongly believes that CSR matters to each and every European, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. Further promoting CSR is central to the new partnership for "growth and jobs" as well as for implementing sustainable development objectives. The Commission calls on all parties involved to contribute to the implementation of this ambitious new initiative. The Commission offers close partnership, with Member States, with business (through the Alliance described in annex) and with all stakeholders involved to make Europe a pole of excellence on CSR since CSR mirrors the core values of the EU itself. The Commission will reassess the evolution of CSR in Europe in a year's time following the discussion within the Multistakeholder Forum.

ANNEX

MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY:

THE EUROPEAN ALLIANCE FOR CSR

CSR MATTERS TO ALL OF US

Corporate Social Responsibility (CSR) matters because it mirrors the core values of the society in which we wish to live. It matters to individual companies, big or small, who through innovative products and services, new skills and stakeholder engagement can improve their economic, environmental and social performance in the short and long term. It matters to those who work in and for companies, for whom it can help to create a more rewarding and inspiring working environment. It matters to those who buy from companies, to consumers who are paying more and more attention to the social and environmental credentials of the products and services they buy. It matters to the local communities where companies operate, who want to know that they are living amongst organisations that share their values and concerns. It matters to investors who feel that responsible business behaviour needs to be encouraged. It matters to people in other parts of the world who expect European based companies to behave in accordance with European and international values and principles. And it matters to our children and future generations who expect to live in a world which respects people and nature.

STRIVING FOR A SUSTAINABLE MARKET ECONOMY

A strong business commitment to CSR as well as an overall supportive role of public authorities towards CSR has become particularly important over the last 15 years as regard its contribution to the respect for human rights and the rule of law as well as the sustainable functioning of democracy and market economy, be it on a local, national, European or global scale. In order to be a successful economic model, the market economy needs to build on some essential prerequisites: on the one hand an effective and coherent legislative and regulatory framework; on the other hand, self limitation and self control as much as a proactive climate of innovation and entrepreneurship, fairness and trust: all these are necessary elements to combine high levels of economic success, environmental protection, social cohesion and welfare. To this end, leading enterprises in Europe are more than ever undergoing a process of searching, learning and innovating as regards their governance, management, stakeholder dialogue and product development, thereby making corporate and product responsibility a natural part of their everyday business practice and competitiveness. Small companies, as a key driver for growth and jobs in Europe, have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CSR. Against the background of globalisation and the associated structural changes, companies are making these shifts in the expectation that the other stakeholders also commit and shoulder their share of the risks and opportunities of responsibility and innovation. Dialogue with stakeholders helps companies to anticipate and deal with social and environmental issues which may affect future competitiveness.

A EUROPEAN ALLIANCE FOR CSR

In this context, the European Commission backs members of the business community that are laying the foundations of a European Alliance for CSR. This is an open Alliance for enterprises sharing the same ambition: to make Europe a Pole of Excellence on CSR in support of a competitive and sustainable enterprise and market economy. The essence of this initiative is partnership. This partnership is based on agreement that the priorities of the European Strategy for Growth and Jobs fully respond to the challenges of increasing global competition, demographic trends and a sustainable future.

The delivery of this strategy is crucial for securing Europe's sustainable growth as much as the European way of life. The Alliance is built on the understanding that CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. The Alliance seeks to promote CSR as a business opportunity creating win-win situations for companies and society and recognises that CSR is a voluntary business approach which reflects the diversity of European business. While enterprises are the primary actors in CSR, public authorities at local, national and European level have a supportive role to play in promoting it. The Alliance initiative builds on previous discussions with business and stakeholders. In particular, it draws the lessons from the European Multi-Stakeholder Forum on CSR, a major initiative facilitated by the European Commission. The Forum provided a platform for European representatives of business, employers, trade unions and civil society organisations to engage in an innovative process of learning and dialogue and to agree recommendations for more and effective CSR practice. It will also capitalise on the European Campaign to promote CSR among SMEs and the multitude of other business and employer driven initiatives. Another key driver for this Alliance is the European Roadmap for Businesses on CSR - 2010, whereby leading companies and business networks have set out their vision and priorities for a competitive and sustainable enterprise from a European perspective.

The Alliance lays the foundations for the partners to promote CSR in the future. It evolves around the following three areas of activities:

- Raising awareness and improving knowledge on CSR and reporting on its achievements
- Helping to mainstream and develop open coalitions of cooperation
- Ensuring an enabling environment for CSR

Raising awareness and improving knowledge on CSR and reporting on its achievements

The Alliance will explore and support creative ways to exchange and disseminate CSR best practice, initiatives and tools with a view to making them relevant to business practitioners, policy leaders, consumers, investors and the wider public at all appropriate levels across Europe and abroad. Special attention will be paid to promoting CSR amongst enterprises of all sizes in a way that is better in tune with today's and tomorrow's realities and challenges.

The Alliance reaffirms that, building on existing initiatives, there is a need to further promote multi-disciplinary research on CSR at European level, in particular on its impact on competitiveness and sustainable development. Closer integration with universities and

scientific experts as well as continuous dialogue and cooperation with civil society are essential in this respect.

An important contribution to Europe's future competitiveness and sustainability will depend on education taking a leading role in the CSR agenda. The Alliance will encourage the integration of CSR and sustainable development related topics in traditional courses, in the curricula of future managers and graduate students, in executive education and in other educational institutions.

Helping to mainstream CSR and develop open coalitions of cooperation

Considering the wide-ranging nature of CSR and the diversity of the European and international business landscape, the partners of the Alliance have identified several priority areas for action:

- Fostering innovation and entrepreneurship in sustainable technologies, products and services which address societal needs
- Helping SMEs to flourish and grow
- Assisting enterprises to integrate social and environmental considerations in their business operations, especially those in the supply chain
- Improving and developing skills for employability
- Better responding to diversity and the challenge of equal opportunities taking into account the demographic changes alongside the rapid aging of the European population
- Improving working conditions, also in cooperation with the supply chain
- Innovating in the environment field with a special focus on integrating eco efficiency and energy savings in the product and service creation process
- Enhancing pro-active dialogue and engagement with all relevant stakeholders
- Further addressing the transparency and communication challenge to make the non-financial performance of companies and organisations more understandable for all stakeholders and better integrated with their financial performance
- Operating outside the borders of the European Union in a socially and environmentally responsible way as companies do inside the European Union

These priority areas will be addressed by “open coalitions of cooperation” bringing together interested companies ready to tackle these issues in the form of “laboratory meetings” in order to explore and to develop joint operational projects, in partnership with relevant experts and stakeholders and with the backing of the European Commission.

Ensuring an enabling environment for CSR

With the new European Strategy for Growth and Jobs and through its initiative on better regulation, the European Commission and EU Member States have committed themselves to set up and strengthen a business-friendly environment in which entrepreneurs and enterprises can flourish and grow.

In addition, the European Commission will step up its policy of promoting the voluntary and innovative efforts of companies on CSR, by encouraging good practices and their dissemination in a strengthened partnership with business and all relevant stakeholders as well as the national authorities. It will do this also by being consistent across the policy areas and integrating the promotion of CSR where appropriate. To succeed in their joint mission, the partners of the Alliance will capitalise on equivalent alliances developed at national level and will inspire and support similar initiatives in countries where there is interest in doing so. The Alliance supports the organisation of review meetings with all stakeholders, starting in 2006, to take stock of progress made in relation to the recommendations of the European Multi-stakeholder Forum on CSR and of other trends, developments and innovations in CSR.

CONCLUSION AND NEXT STEP

Commitment, mutual trust and dialogue are vital for the success of this Alliance. The Alliance will be what its partners will deliver on the agreed initiatives and priority areas. The partners agree that for coordination and communication purposes, the Alliance will rely on existing business driven structures actively involved in the CSR domain. The partners of the Alliance agree to take stock through high level meetings and to also communicate the Alliance results in the context of the European Strategy for Growth and Jobs.

Time has come to make Europe a Pole of Excellence on CSR. The Alliance is formed to make it happen.



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GREEN PAPER

Promoting a European framework for Corporate Social Responsibility

(presented by the Commission)

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EXECUTIVE SUMMARY

1. An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental and economic pressures. They aim to send a signal to the various stakeholders with whom they interact: employees, shareholders, investors, consumers, public authorities and NGOs. In doing so, companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability.
2. As early as 1993, the appeal to European business of President Delors to take part in the fight against social exclusion resulted in a strong mobilisation and in the development of European business networks. More recently in March 2000, the European Council in Lisbon made a special appeal to companies' sense of social responsibility regarding best practices for lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.
3. By stating their social responsibility and voluntarily taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case, companies endeavour to raise the standards of social development, environmental protection and respect of fundamental rights and embrace an open governance, reconciling interests of various stakeholders in an overall approach of quality and sustainability. While recognising the importance of all these aspects, this paper focuses mainly on companies' responsibilities in the social field.
4. This action leads to the development of new partnerships and new spheres for existing relationships within the company regarding social dialogue, skills acquisition, equal opportunities, anticipation and management of change, at the local or national level with reference to the reinforcement of economic and social cohesion and health protection, and more generally on a global level, concerning environmental protection and respect of fundamental rights.
5. The corporate social responsibility concept is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives.
6. The European Union is concerned with corporate social responsibility as it can be a positive contribution to the strategic goal decided in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".
7. This Green Paper aims to launch a wide debate on how the European Union could promote corporate social responsibility at both the European and international level, in particular on how to make the most of existing experiences, to encourage the development of innovative practices, to bring greater transparency and to increase the reliability of evaluation and validation. It suggests an approach based on the deepening of partnerships in which all actors have an active role to play.

1. INTRODUCTION

8. Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. At a time when the European Union endeavours to identify its common values by adopting a Charter of Fundamental Rights, an increasing number of European companies recognise their social responsibility more and more clearly and consider it as part of their identity. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success.
9. These developments reflect the growing expectations that European citizens and stakeholders have of the evolving role of companies in the new and changing society of today. This is in line with the basic message of the Sustainable Development Strategy for Europe agreed at the Göteborg European Council of June 2001, that in the long-term, economic growth, social cohesion and environmental protection go hand in hand.
10. Many factors are driving this move towards corporate social responsibility:
 - new concerns and expectations from citizens, consumers, public authorities and investors in the context of globalisation and large scale industrial change,
 - social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors,
 - increased concern about the damage caused by economic activity to the environment,
 - transparency of business activities brought about by the media and modern information and communication technologies.

Business and CSR

11. As companies themselves face the challenges of a changing environment in the context of globalisation and in particular the Internal Market, they are increasingly aware that corporate social responsibility can be of direct economic value. Although the prime responsibility of a company is generating profits, companies can at the same time contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations.
12. Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their licence to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost, much like quality management. They can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy minimizing risks linked to uncertainty. Companies should pursue social responsibility internationally as well as in Europe, including through their whole supply chain.

In its position paper "[Releasing Europe's employment potential: Companies' views on European Social Policy beyond 2000](#)" UNICE (Union of Industrial and Employers'

Confederations of Europe) has stressed that European companies see themselves as an integral part of society, as they act in a socially responsible way; consider profits to be the main goal of the company but not its only "raison d'être", and opt for long-term thinking on strategic decisions and investment.

The political context

13. At the European level the challenge is about how corporate social responsibility can contribute to the Lisbon goal of building a dynamic, competitive and cohesive knowledge-based economy. The Lisbon European Council made a special appeal to companies' sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.
14. The Commission's European Social Agenda, subsequently supported by the European Council in Nice, emphasised the role of corporate social responsibility in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. In addition the European Summit in Nice invited the Commission to involve companies in a partnership with the social partners, NGOs, local authorities and bodies that manage social services, so as to strengthen their social responsibility. The European Council in Stockholm welcomed the initiatives taken by businesses to promote corporate social responsibility and made reference to this Green Paper as a means to encourage a wide exchange of ideas in order to promote further initiatives in this area.
15. The Commission's Communication on sustainable development, supported at the Göteborg European Council, emphasised the importance of Corporate Social Responsibility: *"Public policy also has a key role in encouraging a greater sense of corporate social responsibility and in establishing a framework to ensure that businesses integrate environmental and social considerations into their activities ... Business should be encouraged to take a pro-active approach to sustainable development in their operations both within the EU and elsewhere."*
16. This debate is also linked with the reflection of the Commission on the White Paper on governance in the European Union. As corporate social responsibility contributes significantly to a favourable climate towards entrepreneurship, it is also linked to the Commission's objective of creating an entrepreneurial, innovative and open Europe – "Enterprise Europe".

Corporate social responsibility has important implications for all economic and social actors as well as for the public authorities, who should take them into account in determining their own actions. Several Member States have recognised its importance and have taken active steps to promote it. As they are all facing similar challenges, Member States could learn from each other's experience. Overall, the European Commission could promote corporate social responsibility through its programmes and activities. Furthermore, it is necessary to ensure that approaches to corporate social responsibility are coherent and compliant with Community policies and with international obligations. In Denmark, the Minister for Social Affairs launched the campaign "[Our Common Concern - the social responsibility of the corporate sector](#)" in 1994 and set up the Copenhagen Centre in 1998.

In the UK, a Minister for Corporate Social Responsibility has been appointed in March 2000. An Interdepartmental Group has been established to improve co-ordination of activity to promote corporate social responsibility across the government.

17. At the international level, through policies such as trade and development co-operation, the European Union is directly involved in issues concerning market behaviour. A European approach to corporate social responsibility must thus reflect and be integrated in the broader context of various international initiatives, such as the [UN Global Compact](#) (2000), the [ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) (1977/2000), the [OECD Guidelines for Multinational Enterprises](#) (2000). While these initiatives are not legally binding, in the case of the OECD guidelines they benefit from the commitment of adhering governments to promote their actual observance by business. The European Commission is committed to the active promotion of the OECD guidelines¹. Observance of the core ILO labour standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour) is central to corporate social responsibility; their monitoring and compliance should be strengthened.²
18. The main contribution of a European approach will be to complement and add value to existing activities by:
- providing an overall European framework, aiming at promoting quality and coherence of corporate social responsibility practices, through developing broad principles, approaches and tools, and promoting best practice and innovative ideas,
 - supporting best practice approaches to cost-effective evaluation and independent verification of corporate social responsibility practices, ensuring thereby their effectiveness and credibility.
19. This Green Paper aims to launch a wide debate and seek views on corporate social responsibility at national, European and international level. The Commission hopes that the outcome of this initiative will be a new framework for the promotion of corporate social responsibility.

2. WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

20. Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
21. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company’s competitiveness. Going beyond basic legal obligations in the social area, e.g. training, working conditions,

¹ The OECD guidelines also encompass an implementation mechanism involving governments and social partners in National Contact Points. Furthermore, their content covers various areas of corporate social responsibility, namely child labour and forced labour, social relations, environmental protection, consumer protection, transparency and disclosure, fight against bribery, transfers of technology, competition and taxation.

² The Commission will issue a communication regarding Promoting of Core Labour Standards and Improving Social Governance in the Context of Globalisation.

management-employee relations, can also have a direct impact on productivity. It opens a way of managing change and of reconciling social development with improved competitiveness.

22. Corporate social responsibility should nevertheless not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation. In countries where such regulations do not exist, efforts should focus on putting the proper regulatory or legislative framework in place in order to define a level playing field on the basis of which socially responsible practices can be developed.
23. Whilst so far corporate social responsibility is mainly promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational enterprises (MNEs). Its wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness raising and support to disseminate good practice could help promote corporate social responsibility among them. Worker co-operatives and participation schemes, as well as other forms of co-operative, mutual and associative enterprises structurally integrate other stakeholder interests and take up spontaneous social and civil responsibilities.
24. A number of companies with good social and environmental records indicate that these activities can result in better performance and can generate more profits and growth. For many companies, this is a new activity and longer term evaluation remains to be done. The economic impact of corporate social responsibility can be broken down into direct and indirect effects. Positive direct results may for example derive from a better working environment, which leads to a more committed and productive workforce or from efficient use of natural resources. In addition, indirect effects result from the growing attention of consumers and investors, which will increase their opportunities on the markets. Inversely there can sometimes be a negative impact on a company's reputation due to criticism of business practices. This can affect the core assets of a company, such as its brands and image.
25. Financial institutions are making increasing use of social and environmental checklists to evaluate the risks of loans to, and investments in companies. Similarly, being recognised as a socially responsible enterprise, for example through listing in an ethical stock market index, can support the rating of a company and therefore entails concrete financial advantages.

Stock market social indexes are useful benchmarks for demonstrating the positive impact of social screening on financial performance: the Domini 400 Social Index (DSI) has outperformed the S&P 500 by more than 1% on a annualised total return basis and on a risk-adjusted basis since its inception in May 1990 while the Dow Jones Sustainable Index has grown by 180% since 1993 compared to 125% for the Dow Jones Global Index over the same period.

Assessing precisely what determines financial return of a socially responsible company is difficult. Research (Industry Week, January 15 2001) has shown that about one-half of the above-average performance of socially responsible companies can be attributed to their social responsibility while the other half is explained by the performance of their sector. Socially responsible companies are expected to deliver above-average financial returns, as a company's

ability to deal successfully with environmental and social issues can be a credible measure of management quality.

26. There is a need for a better knowledge and further studies on the impact of corporate social responsibility on business performance. This could be a field for further research between companies, public authorities and academic institutions. These efforts could be supported by the Framework programmes for research and technology development.

2.1. Corporate social responsibility: the internal dimension

27. Within the company, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production. They open a way of managing change and reconciling social development with improved competitiveness.

2.1.1. Human resources management

28. A major challenge for enterprises today is to attract and retain skilled workers. In this context, relevant measures could include life long learning, empowerment of employees, better information throughout the company, better balance between work, family, and leisure, greater work force diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for employability as well as job security. Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost saving.
29. Responsible recruitment practices, involving in particular non-discriminatory practices, could facilitate the recruitment of people from ethnic minorities, older workers, women and the long-term unemployed and people at disadvantage. Such practices are essential in relation to achieving the European Employment Strategy objectives of reducing unemployment, raising the employment rate, and fighting against social exclusion.
30. In relation to life-long learning, businesses have a key role to play at several levels: contributing to a better definition of training needs through close partnership with local actors who design education and training programmes; supporting the transition from school to work for young people, for example by providing apprenticeship places; valuing learning, in particular in the Accreditation of Prior and Experiential Learning (APEL); and providing an environment which encourages lifelong learning by all employees, particularly by the less educated, the less skilled and older workers.

2.1.2. Health and safety at work

31. Health and safety at work has traditionally been approached mainly by means of legislation and enforcement measures. However, the trend of outsourcing work to contractors and suppliers makes companies more dependent on the safety and health

performance of their contractors, especially those who are working within their own premises³.

32. Companies, governments and sector organisations are increasingly looking at additional ways of promoting health and safety, by using them as a criteria in procuring products and services from other companies and as a marketing element for promoting their products or services. These voluntary schemes can be seen as complementary to legislation and control activities by public authorities as they likewise aim at promoting a preventive culture, i.e. higher levels of occupational safety and health.

33. As the focus on occupational health and safety performance and qualities of products and services is increasing, there is also an increasing demand for measuring, documenting and communicating these qualities in the marketing material. Occupational safety and health criteria have been included to varying degrees into existing certification schemes and labelling schemes for products and equipment. Certification schemes of management systems and subcontractors focusing primarily on occupational safety and health have also been launched.

The Swedish [TCO Labelling Scheme](#) for office equipment is a voluntary label that intends to stimulate the manufacturers to develop more occupational and environmentally safe office equipment; assist purchasers to choose office equipment less problematic for the users and the external environment; and to provide purchasers and the vendor with a clearly defined label, thereby saving time, work and costs in the purchasing process.

34. In addition, the tendency of companies and organisations to include occupational safety and health criteria into their procurement schemes has supported the development of generic procurement schemes based on uniform requirements for contractor occupational safety and health training or management systems, which allow for a third party to carry out the “certification” or initial approval of the contractors as well as overseeing the continuous improvement of the scheme.

The Dutch Safety Contractors Checklist (SCC) aims at evaluating and certifying occupational safety and health management systems of contractor companies offering their services to the petrochemical and chemical industry.

The Danish IKA Procurement provides guidelines to define the requirements in tenders for cleaning agents.

2.1.3. *Adaptation to change*

35. The widespread restructuring taking place in Europe raises concerns for all of the employees and other stakeholders as the closure of a factory or a heavy cut in its workforce may involve a serious economic, social or political crisis in a community. Few companies escape the need to restructure, often through downsizing, with the year 2000 seeing more mergers and acquisitions than any other year in history. According to one study, fewer than one in four restructuring operations achieve their objectives of reducing costs, increasing productivity and improving quality and customer service as they often cause the motivation, loyalty, creativity and productivity of the employees to suffer.

³ For further details: European Agency for Safety and Health at Work (<http://agency.osha.eu.int/publications/factsheets/facts11/>)

36. Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. In practice the process is often as important as the substance to the success of restructuring. In particular this involves seeking the participation and involvement of those affected through open information and consultation. Furthermore, restructuring needs to be well prepared by identifying major risks, calculating all the costs, both direct and indirect, associated with alternative strategies and policies, and evaluating all of the alternatives which would reduce the need for redundancies.
37. Experience of the major restructuring operations carried out in Europe in the steel, coal and shipbuilding industries has shown that successful restructuring can be better achieved through joint efforts involving the public authorities, companies and employees' representatives. This process should seek to safeguard employees' rights and enable them to undergo vocational retraining where necessary, to modernise production tools and processes in order to develop on-site activities, to mobilise public and private financing and to establish procedures for information, dialogue, cooperation and partnership. Companies should take up their share of responsibility to ensure the employability of their staff.
38. By engaging in local development and active labour market strategies through involvement in local employment and/or social inclusion partnerships, companies can lessen the social and local impact of large scale restructuring.

The [Fundación Empresa y Sociedad \(FES\)](#) within the framework of the Article 6 of ESF pilot on Local Social Capital constitutes an interesting example of the involvement of private business in the promotion of social cohesion. It promotes the support to micro-projects, mostly micro-firms, in a run-down neighbourhood in Madrid. Apart from providing micro-grants, a system of tutoring is made available free by professionals from the private businesses. The FES has also mobilised additional support in the form of access to additional micro-credit funding and to private businesses donations of IT equipment.

2.1.4. *Management of environmental impacts and natural resources*

39. In general, reducing the consumption of resources or reducing polluting emissions and waste can reduce environmental impact. It can also be good for the business by reducing energy and waste disposal bills and lowering input and de-pollution costs. Individual companies have found that less use can lead to increased profitability and competitiveness.

In the environmental field, these environmental investments are normally referred to as "win-win" opportunities - good for business and good for the environment. This principle has been established for a number of years, and was most recently recognised in the Commission's 6th Environment Action Programme. It explains how the European Union and Member State governments can fulfil their role to help business to identify market opportunities and undertake "win-win" investments. It set out a number of other measures aimed at business: establishment of a compliance assistance programme to help business understand European Community environmental requirements; development of national, but harmonised, company environmental performance reward schemes that identify and reward good performers and encouraging voluntary commitments and agreements.

40. A good example of an approach that allows public authorities to work with business is Integrated Product Policy (IPP). IPP is founded on the consideration of products' impacts throughout their life cycle, and involves business and other stakeholders in dialogue to find the most cost-effective approach. In the environmental field, it can therefore be seen as a strong existing framework for promotion of corporate social responsibility.

Another approach that facilitates corporate social responsibility is the Community's Eco-Management and Audit Scheme (EMAS) ISO 19000. This encourages companies voluntarily to set up site or company-wide environmental management and audit systems that promote continuous environmental performance improvements. The environmental statement is public and is validated by accredited environmental verifiers.

41. Business is also aware of the opportunities associated with improved environmental performance, and is working to systematically take advantage of it:

The [European Eco-Efficiency Initiative \(EEEE\)](http://www.wbcds.ch/eurint/eeei.htm), an initiative of the World Business Council for Sustainable Development and the European Partners for the Environment in partnership with the European Commission, aims to integrate eco-efficiency throughout European business, and in European Union (EU) industrial and economic policies.
(<http://www.wbcds.ch/eurint/eeei.htm>)

2.2. Corporate social responsibility: the external dimension

42. Corporate social responsibility extends beyond the doors of the company into the local community and involves a wide range of stakeholders in addition to employees and shareholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. In a world of multinational investment and global supply chains, corporate social responsibility must also extend beyond the borders of Europe. Rapid globalisation has encouraged discussion of the role and development of global governance: the development of voluntary CSR practices can be seen as contributing to this.

2.2.1. Local communities

43. Corporate social responsibility is also about the integration of companies in their local setting, whether this be in Europe or world-wide. Companies contribute to their communities, especially to local communities, by providing jobs, wages and benefits, and tax revenues. On the other hand companies depend on the health, stability, and prosperity of the communities in which they operate. For example, they recruit the majority of their employees from the local labour markets, and therefore have a direct interest in the local availability of the skills they need. Furthermore, SMEs often also find most of their clients in the surrounding area. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness.
44. Companies also interact with the local physical environment. Some rely on a clean environment for their production or offering of services - either clean air or clean water or uncongested roads. There can also be a relationship between the local physical environment and the ability of business to attract workers to the region they are located in. On the other hand, business can also be responsible for a number of polluting activities: noise, light, water pollution, air emissions, contamination of soil, and the environmental problems associated with transport and waste disposal. The

most environmentally aware companies are, therefore, often involved in two ways in environmental education of the community.

45. Many companies become involved in community causes, notably by means of provision of additional vocational training places, assisting environmental charities, recruitment of socially excluded people, provision of child-care facilities for employees, partnerships with communities, sponsoring of local sports and cultural events or donations to charitable activities.
46. The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. Multinational companies increasingly use these relations to support the integration of their affiliates into various markets in which they are present. The familiarity of companies with the local actors, the local environment traditions and strengths is an asset from which they can capitalise.

Financial institutions can play a particular role through community investing, which consists of direct investments in projects benefiting specific communities or constituencies, especially in economically disadvantaged areas. These investments usually take the form of loans for low-cost housing ventures or deposits in community development banks either at or below market rates.

Similarly recognising that access to affordable prices for everyone to services of general economic interest is at the heart of the European model of society, some companies endeavour to ensure such access as part of their social responsibility where it is not guaranteed by legislation, for example regarding basic banking services. Furthermore, ETUC (European Trade Union Confederation) and CEEP (European Centre of Enterprises with public participation and of enterprises of general economic interest) made a joint proposal for a Charter for Services of General Interest in June 2000.

2.2.2. *Business partners, suppliers and consumers*

47. By working closely with business partners, companies can reduce complexity and costs and increase quality. Selection of suppliers is not always exclusively through competitive bidding. Relationships with alliance and joint venture partners and with franchisees are equally important. In the long run building relationships may result in fair prices, terms and expectations along with quality and reliable delivery. In adopting socially and environmentally responsible practices all companies however have to respect the relevant rules of EU and national competition laws.
48. Large companies are at the same time business partners of the smaller ones, be it as their customers, suppliers, subcontractors or competitors. Companies should be aware that their social performance can be affected as a result of the practices of their partners and suppliers throughout the whole supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners. This is particularly the case for large companies, which have outsourced part of their production or services and, therefore, may have acquired additional corporate social responsibility with regard to these suppliers and their staff, bearing in mind that sometimes economic welfare of these suppliers depend primarily or entirely on one large company.
49. Some large companies demonstrate corporate social responsibility by promoting entrepreneurial initiatives in the region of their location. Examples for such practices include mentoring schemes offered by large companies to start-ups and local SMEs,

or assistance to smaller firms on social reporting and communication of their corporate social responsibility activities.

50. Corporate venturing constitutes a further way for large companies to facilitate the development of new innovative enterprises. Corporate venturing means that the large enterprise takes a minority stake in a promising start-up and promotes its development. This offers various advantages to both partners, including a better grip on innovative developments for the large company and easier access to financial resources and to the market for the small company.
51. As part of their social responsibility companies are expected to provide products and services, which consumers need and want in an efficient, ethical and environmentally aware manner. Companies, which build lasting relationships with customers by focusing their whole organisation on understanding what the customers need and want and providing them with superior quality, safety, reliability and service are expected to be more profitable. Applying the principle of design for all (making products and services usable by as many people as possible including disabled consumers) is an important example of corporate social responsibility.

2.2.3. *Human rights*

52. Corporate social responsibility has a strong human rights dimension, particularly in relation to international operations and global supply chains. This is recognised in international instruments such as [the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) and the [OECD Guidelines for Multinational Enterprises](#). Human rights are a very complex issue presenting political, legal and moral dilemmas. Companies face challenging questions, including how to identify where their areas of responsibility lie as distinct from those of governments, how to monitor whether their business partners are complying with their core values, and how to approach and operate in countries where human rights violations are widespread. The European Union itself has an obligation in the framework of its Co-operation policy to ensure the respect of labour standards, environmental protection and human rights and is confronted with the challenge of ensuring a full coherence between its development policy, its trade policy and its strategy for the development of the private sector in the developing countries notably through the promotion of European investments.
53. A key innovation of the Cotonou Agreement is the recognition of the fight against corruption as a "fundamental element" and an explicit reference to corruption as a major development problem to be addressed. Serious cases of corruption "including of bribery leading to such corruption" could constitute grounds for suspension of cooperation. This inclusion of a corruption clause in the Agreement aims not only to give an unequivocal sign to aid recipients, but also to promote more transparent activities by European investors and other actors. The EU and the ACP have agreed on a specific procedure to deal with such cases of corruption (Art 9).
54. Under increasing pressure from NGOs and consumer groups, companies and sectors are increasingly adopting codes of conduct covering working conditions, human rights and environmental aspects, in particular those of their subcontractors and suppliers. They do so for various reasons, notably to improve their corporate image and reduce the risk of negative consumer reaction. Codes of conduct however are not an alternative to national, European Union and international laws and binding rules:

binding rules ensure minimum standards applicable to all, while codes of conduct and other voluntary initiatives can only complement these and promote higher standards for those who subscribe to them.

The Confederation of Danish Industries has launched a set of guidelines for industry on human rights, inviting companies to pursue the same level of social responsibility in their new host country as in their home country.

An increasing number of multinationals have explicitly committed themselves to human rights in their codes of conduct while a growing number of retailers in Europe apply ethical standards of production to the goods they import. In 1998 Eurocommerce adopted a Recommendation on Social Buying Conditions covering child, forced and prison labour.

There are also several examples of codes of conduct signed by the social partners at European level, particularly in the [textile, clothing](#) and [commerce](#) sectors, which the Commission welcomes.

55. It is also increasingly recognised that the impact of a company's activities on the human rights of its workers and local communities extends beyond issues of labour rights. This is the case, for example, in insecure situations where companies work with state security forces with a record of human rights abuses.

The UK government, in co-operation with the US, convened a working group of leading corporations in the oil, gas and mining industries, together with human rights NGOs. The result was the December 2000 adoption of Voluntary Principles on Security and Human Rights for companies in the Extractive and Energy Sectors.

56. While voluntary codes of conduct can contribute to promote international labour standards, their effectiveness however depends on proper implementation and verification. Codes of conduct may for instance face sub-contractors producing for a number of different multinational companies with the need to fulfil many different criteria regarding wages, working hours and other social conditions. Codes of conduct should therefore be based on the ILO fundamental Conventions, as identified in the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises, involving the social partners and those in developing countries covered by them.

57. Codes of conduct should be applied at every level of the organisation and production line. Full disclosure of information by companies is important, including to local communities, as part of an ongoing dialogue with them. Training for local management, workers and communities on implementation is equally important. Furthermore, the emphasis must be on a “developmental approach” - one which stresses continuing gradual improvements to standards, and to the code itself. In the case of child labour, companies should not just respect the letter of the ILO conventions by dismissing contractors who use child labour, but should also, for example, help to tackle child poverty by assisting children into education.

58. With respect to human rights there is a need for ongoing verification where the implementation and compliance with codes is concerned. The verification should be developed and performed following carefully defined standards and rules that should apply to the organisations and individuals undertaking the so-called “social auditing”. Monitoring, which should involve stakeholders such as public authorities, trade unions and NGOs, is important to secure the credibility of codes of conduct. A balance between internal and external verification schemes could improve their cost-

effectiveness, in particular for SMEs. As a result there is a need to ensure greater transparency and improved reporting mechanisms in codes of conduct.

On 15/1/1999 the European Parliament adopted a Resolution on “EU standards for European enterprises operating in developing countries: towards a European Code of Conduct” calling for a European code of conduct which would contribute to a greater standardisation of voluntary codes of conduct based on international standards and the establishment of a European Monitoring Platform, including provisions on complaint procedures and remedial action.

2.2.4. *Global Environmental concerns*

59. Through the transboundary effect of many business-related environmental problems, and their consumption of resources from across the world, companies are also actors in the global environment. They can therefore pursue social responsibility internationally as well as in Europe. For example, they can encourage better environmental performance throughout their supply chain within the IPP approach and make larger use of European and international management and product-related tools. Investment and activities of the companies on the ground in third countries can have a direct impact on social and economic development in these countries.
60. The debate on the role of business in achieving sustainable development is gaining importance on the global stage. The UN Secretary General has launched a “Global Compact” initiative which seeks to make business a partner in achieving social and environmental improvements globally. The OECD Guidelines for multinational enterprises also promote sustainable development. The Commission Communication “Ten years after Rio – Preparing for the World Summit on Sustainable Development” (COM 2001/53) contains further details on how business can contribute to global sustainable development.

3. **A HOLISTIC APPROACH TOWARDS CORPORATE SOCIAL RESPONSIBILITY**

61. While companies increasingly recognise their social responsibility, many of them have yet to adopt management practices that reflect it. Where they have to integrate it in their day-to-day management involving their whole supply chain, companies' employees and managers need training and retraining in order to acquire the necessary skills and competence. Pioneering companies can help to mainstream socially responsible practice by disseminating best practice.
62. While corporate social responsibility can only be taken on by the companies themselves, stakeholders, particularly employees, consumers and investors, can play a decisive role - in their own interest or on behalf of other stakeholders in areas such as working conditions, the environment or human rights - in prompting companies to adopt socially responsible practices. They require effective transparency about companies' social and environmental performance.

3.1. **Social responsibility integrated management**

63. Companies' approaches in dealing with their responsibilities and relationships with their stakeholders vary according to sectoral and cultural differences. At the start companies tend to adopt a mission statement, code of conduct, or credo where they state their purpose, core values, and responsibilities towards their stakeholders. These values then need to be translated into action across the organisation, from strategies

to day-to-day decisions. This involves practices such as adding a socially or environmental dimension in plans and budgets and evaluating corporate performance in these areas, creating “community advisory committees”, carrying out social or environmental audits and setting up continuing education programmes.

64. As issues of corporate social responsibility become an integral part of corporate strategic planning and routine operational performance, managers and employees are required to make business decisions based on additional criteria to those they were traditionally trained to expect. Traditional models of organisation behaviour, strategic management and even business ethics do not always give sufficient preparation for managing companies in this new environment.
65. In response to the need to integrate corporate social responsibility into the training of existing managers and employees and to anticipate the skills that will be required of the managers and employees of the future, courses or modules in business ethics become quite a common element of business degrees. They tend, however, to cover only a limited part of what is meant by corporate social responsibility.

CSR Europe and the Copenhagen Centre have launched a programme with the aim to bring the business and academic community together to identify and address the training needs of the business sector on Corporate Social Responsibility so as to introduce and diversify courses on corporate social responsibility at all levels of study.

http://www.csreurope.org/csr_europe/Activities/programmes/Universities/universities.htm

3.2. Social responsibility reporting and auditing

66. Many multinational companies are now issuing social responsibility reports. While environmental, health, and safety reports are common, reports tackling issues such as human rights and child labour are not. Moreover companies’ approaches to social reporting are as varied as their approaches to corporate social responsibility. In order for these reports to be useful, a global consensus needs to evolve on the type of information to be disclosed, the reporting format to be used, and the reliability of the evaluation and audit procedure.
67. Few of them provide much detail on their policies and performance on human resource management and on employment issues such as bargaining and recognition, staff consultation and training and board accountability. In 1998, the [High Level Group on Economic and Social Implications of Industrial Change](#) set-up at the invitation of the European Council, invited thus companies of more than 1000 employees to publish voluntarily a “Managing change report” i.e. an annual report on employment and working conditions. The Group indicated that the report should be developed in consultation with employees and their representatives in accordance with national traditions. The Group suggested a framework, which would deal with policies, practices and performance regarding employment and working conditions, particularly anticipation of structural change, communication, employee involvement and social dialogue, education and training, employee health & safety and equal opportunities.
68. Furthermore, as suggested by the High Level Group on Change the Commission proposed in its Social Policy Agenda the establishment of a Monitoring Centre on Change as a means to develop a proactive approach to anticipating and managing change. The Dublin Foundation has now included this initiative in its Four Year Rolling Programme, stressing its role in understanding and anticipating change so as

to make better decisions, as well as assisting key actors in their understanding, anticipation and management of industrial change through the provision of reliable and objective information.

69. Increasingly public initiatives are supporting the development of social and environmental reporting.

The Commission's Recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies, adopted on 30 May 2001, is expected to contribute significantly to the development of meaningful and comparable information with regard to environmental issues in the EU. (http://europa.eu.int/comm/internal_market/en/company/account/news/01-814.htm).

In the context of trade negotiations, the Commission has launched a Sustainability Impact Assessment of the proposed New round WTO negotiations, and committed itself to undertaking SIAs of other trade negotiations such as the ongoing EU-Chile/Mercosur negotiations.

The Danish [Social Index](#) is a self-assessment tool developed by the Ministry of Social Affairs for measuring the degree to which a company lives up to its social responsibilities. Where the Social Index is shown as a number between 0 and 100 it makes it easy to communicate to the employees and external stakeholders just how socially responsible the company is.

Article 64 of the French law concerning the new economic regulations requires companies to take into account the "social and environmental consequences" of their activity in their annual report. This text will apply to listed companies on the first market for their 2001 report and to the other companies for their 2002 report. The contents of the reports will be defined in the application decree.

70. In addition, a variety of organisations are developing standards for social accounting, reporting and auditing. These standards pursue varied approaches from process to performance standards, from voluntary to mandatory standards, from single-issue to multiple issues standards, and only a handful cover the full spectrum of corporate social responsibility issues.

71. Major international initiatives are focusing on the globalization of social standards, public disclosure of information and the development of social reports, i.e. the Social Accountability 8000 standard and the Global Reporting Initiative. The complexity of creating global standards applicable to any culture and country has, however, created a lot of controversy. Internationally agreed standards, such as the ILO fundamental conventions, as identified in the 1998 Declaration, constitute by their universal nature the most appropriate basis for such initiatives.

In response to the diversity of codes of conduct, SAI (Social Accountability International) has developed a standard for labour conditions and a system for independently verifying factories' compliance. The standard, [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/introduction.htm) (<http://www.cepaa.org/introduction.htm>), and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and add several elements that international human rights experts have identified as being essential to social auditing.

On the environmental side, the Global Reporting Initiative is currently seen as best practice. Its sustainability reporting guidelines is allowing for inter-company comparability. The Global reporting initiative sustainability reporting guidelines also includes ambitious guidelines on social reporting. The Commission's Communication on a sustainable development strategy stated that "*All publicly-quoted companies with at least 500 staff are invited to publish a "triple bottom line" in their annual reports to shareholders that measures their performance against economic, environmental and social criteria*".

72. Furthermore, there is a need to provide companies, and in particular SMEs, with guidance and tools that enable them to report on their corporate social responsibility policies, processes and performance in an effective manner. By sharing their expertise and offering capacity building skills large pioneering companies can support SMEs in this area.
73. Verification by independent third parties of the information published in social responsibility reports is also needed to avoid criticism that the reports are public relations schemes without substance. Indeed such services are already beginning to be offered by a variety of companies, which would need to perform them following agreed standards. The involvement of stakeholders, including trade-unions and NGOs, could improve the quality of verification.

3.3. Quality in work

74. Employees are major stakeholders of companies. In addition, implementing corporate social responsibility needs commitment from the top management, but also innovative thinking and, thus, new skills and closer involvement of the employees and their representatives in a two-way dialogue that can structure permanent feedback and adjustment. Social dialogue with workers' representatives, which is the main mechanism of definition of the relationship between a company and its workers, therefore plays a crucial part in the wider adoption of socially responsible practices.
75. Furthermore, as the issues related to corporate social responsibility are wide-ranging and affect practically all company activities, workers' representatives need to be consulted extensively on policies, plans and measures, as proposed in the Commission's draft Directive establishing a general framework for informing and consulting employees in the European Community (COM(98)612). In addition, social dialogue needs to be widened to cover issues and instruments for improving companies' social and environmental performance, e.g. through awareness raising among management and workers, training schemes, schemes aimed at guiding companies on their social and environmental performance, and strategic management systems integrating economic, social and environmental considerations.
76. Some companies are also recognising the link between environmental performance and better quality jobs. Increased environmental performance can come about through the adoption of clean technology. Clean technology is itself usually associated with more high-tech and rewarding jobs for employees. Thus, the adoption of clean technology can improve environmental performance and job satisfaction simultaneously, whilst increasing profitability.
77. At a time when skill shortages are becoming a problem in some sectors and when more candidates are asking about companies' employment policies, various instruments can help improve information and transparency about best practice in the area of human resources management. Some countries already contribute to promoting companies that are good workplaces by publishing lists of best employers.

The "[50 Best Companies to Work For in the UK](#)" survey, which is sponsored by both the Department of Trade and Industry (DTI) and Learndirect a unit of the University for Industry (UFI) shows that small family-run enterprises can be as socially responsible as hi-tech multinational companies.

Possible initiative at EU level: the annual publication of a list of Best European Employers could be an effective instrument to reward companies, which through the attitudes and actions of the management are seeking to become good workplaces.

78. At the invitation of the European Council in Lisbon, which stressed the importance of investing in people, the Commission is exploring ways to introduce a European award for particularly progressive companies, in order to give higher priority to lifelong learning as a basic component of the European social model. Similar prizes will recognise companies, which have developed good practice to promote gender equality or provide opportunities for people with disabilities.

3.4. Social and eco-labels

79. Surveys⁴ have shown that consumers do not only want good and safe products, but they also want to know if they are produced in a socially responsible manner. For a majority of European consumers a company's commitment to social responsibility is important when buying a product or service. This creates interesting market opportunities, as a significant number of consumers say they would be very willing to pay more for such products, although at present only a minority actually do so. The issues European consumers care about the most are protecting the health and safety of workers and respecting human rights throughout company operations and the chain of suppliers (for example not using child labour), safeguarding the environment in general, and the reduction in emissions of greenhouse gases in particular.
80. As a response to this trend, a growing number of social labels have originated from either individual manufacturers (self-declared labels or brands) or industrial sectors, NGOs and governments. These are a market-based (rather than regulatory) incentive, which can help to deliver positive social change among enterprises, retailers and consumers. Social and eco labelling initiatives are however limited in scope and potential impact, as they are generally restricted to particular niches within the retail market and, with regard to social labels, usually limited to imported products and only accessible to affluent consumers. Consequently, their market share is growing, but remains relatively low, indicating a need to improve their effectiveness.
81. Social and eco labels, implying a guarantee that the item was produced free of exploitation and abuse, tend to lack transparency and independent verification of their claims. Unlike product content or safety labels, such claims cannot be verified by testing the product itself. In order to be credible social and eco labels would require permanent verification of the workplace performed following agreed standards.

The European eco-label deals with the environmental performance of particular products. The number of companies with eco-labelled products is increasing rapidly. (<http://europa.eu.int/comm/environment/ecolabel/>)

82. In addition, the growing number of social labels schemes in Europe may be detrimental to their effectiveness as confusion may arise among consumers, from the conflicting diversity of criteria used and lack of clarity of meaning among various labels.

⁴ source: MORI (2000)

[Fairtrade Labelling Organizations International](#) is an umbrella organisation set up to co-ordinate national fair-trade initiatives, run the monitoring programmes more efficiently, and introduce a single international Fairtrade label.

83. There is also increasingly a need for a debate regarding the value and desirability - in the context of the Internal Market and international obligations - of public actions aimed at making social and eco labels more effective. Examples of such actions include support for education and awareness raising around labour conditions issues, promotion of best practice through sponsorship of company awards, facilitation of the development of multi-stakeholder partnerships, development of standards in social labelling, and use of public procurement and fiscal incentives in promoting labelled products.

3.5. Socially responsible investment

84. In recent years, socially responsible investing (SRI) has experienced a strong surge in popularity among mainstream investors. Socially and environmentally responsible policies provide investors with a good indication of sound internal and external management. They contribute to minimising risks by anticipating and preventing crises that can affect reputation and cause dramatic drops in share prices. As the demand for SRI funds in Europe increases rapidly, mainstream investment houses are responding by bringing out more of them, but there is little information published on their number, size, and performance except in the United Kingdom where socially responsible investing accounts for 5% of all funds invested.
85. SRI funds invest in companies complying with specific social and environmental criteria. Criteria can be negative, thus excluding tobacco, alcohol and armament industries. Criteria can also be positive, including socially and environmentally proactive companies. Another important option for investors is to engage in shareholder activism to induce company management to adopt socially responsible practices. Shareholder activism is expected to increase together with the importance of corporate governance issues and the development of pension funds.
86. For SRI to grow further however, financial markets need to improve their awareness of its potential returns. Following the Social Investment Forum established in 1991 in the UK Social Investment forums (SIF) have been recently set up in France, Germany, the Netherlands and Italy to provide information on corporate social responsibility policies and to promote and encourage the development of SRI. The planned European Social Investing Forum, a network of national SIF, is expected to support the further development of SRI.

In May 2000, the European Commission organised the First European Conference on Triple Bottom Line Investing in Europe in Lisbon.

http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_conf_lisbon.htm

In 2000 the [UK Social Investment Taskforce](#) was set-up to identify obstacles to the expansion of socially responsible investing and identify solutions to eliminate them.

Since July 2000, the UK “Trustee Act” requires all pension fund trustees to disclose their policies on socially responsible investing.

The French law on Employee Saving Plans requires mutual funds, which collect money from the Employee Saving Plans, the Inter-companies Saving Plans and the Voluntary Partnership Employee Saving Plans, to report on their policies on socially responsible investing.

87. SRI is an emerging market with many specialised screening agencies (non-financial analysts) using a number of different tools and metrics. As a consequence companies seem overloaded with excessive and divergent information requests. Thus a further expansion of SRI may encounter a growing aversion and non-co-operation from companies. A positive response to this can be found in preliminary standardisation efforts in social reporting, which are joined by major screening agencies. There is, however, a need for more convergence between indicators developed by companies and the criteria used by analysts to assess a company's social and environmental performance. Furthermore, the lack of transparency in evaluation methods used by screening agencies may also restrain large investors from making significant socially responsible investments. There is, therefore, a need for further standardisation, harmonisation and transparency in screening tools and metrics used by screening agencies.

In August 2000, 11 investment research groups combined their competencies in the [SIRI Group](#) to publish harmonised company profiles in comparable formats.

In September 2000 the "Global Partners for Corporate Responsibility Research" coalition announced "Ten requirements for higher standards of disclosure in the 21st century", advocating a mix of voluntary, regulatory and market approaches in order to improve significantly the access to data on companies, as well as information integrity and completeness thereby allowing proper auditing and benchmarking.

88. The European Council in Stockholm recognised the need to create a dynamic and efficient European Securities Market by the end of 2003. In this context European market indices identifying companies with the strongest social and environmental performance will become increasingly necessary as a basis for launching SRI funds and as a performance benchmark for SRI. To ensure the quality and objectivity of these indices the assessment of the social and environmental performance of companies listed in them should be done on the basis of the information submitted by the management but also by the stakeholders. Furthermore, external audit and internal quality assurance procedures should be used to monitor and maintain the accuracy of the input data, assessment procedures and results.

4. THE CONSULTATION PROCESS

89. The Green Paper invites public authorities at all levels, including international organisations, enterprises from SMEs to multinational enterprises (MNEs), social partners, NGOs, other stakeholders and all interested individuals to express their views on how to build a partnership for the development of a new framework for the promotion of corporate social responsibility, taking account of the interests of both business and stakeholders. Enterprises need to work together with public authorities to find innovative ways of developing corporate social responsibility. Such a partnership could make a significant contribution to achieving the objective of promoting a model of corporate social responsibility based on European values.
90. The word "framework" should be given a broad interpretation. Proposals should build on the voluntary nature of corporate social responsibility and identify ways in which it can contribute to achieving sustainable development and a more effective way of governance. The level and content of such a framework should be clarified through discussions during the consultation period of the Green Paper.

91. The European institutions - the Parliament, the Council of Ministers, the Commission - as well as the Economic and Social Committee and the Committee of Regions can stimulate the debate, give political support and organise an exchange of information and knowledge about corporate social responsibility.

92. The main questions are:

The Role for the EU

What could the European Union do to promote the development of corporate social responsibility at European and international level? In particular, should the EU add value and complement existing socially responsible activities by:

- Developing an overall European framework, in partnership with the main corporate social responsibility actors, aiming at promoting transparency, coherence and best practice in corporate social responsibility practices?
- Promoting consensus on, and supporting, best practice approaches to evaluation and verification of corporate social responsibility practices?
- and/or by which other means?

Companies and CSR

- What is the role of corporate social responsibility in corporate business strategies?
- What are the driving forces for companies to assume their social responsibility? What are the expectations behind such engagements? On which areas do these engagements focus? What is the benefit for companies?
-
- What are the most important best-practice ways to implement and manage corporate social responsibility? What best practice exists for SMEs?
- How best can we take forward the invitation to business in the Commission's proposal for a sustainable development strategy to publish a "triple bottom line" in their annual reports to shareholders that measures their performance against economic, environmental and social criteria?
- What are the best ways to build links between the social and environmental dimensions of corporate social responsibility?
- What are the best means to promote further knowledge about the business case for corporate social responsibility and its value-added?
-

Main Actors and Stakeholders

- What are the best ways to establish and develop a process of structured dialogue between companies and their various stakeholders on corporate social responsibility?

- What should be the respective roles of the main actors, i.e. companies, social partners, public authorities, NGOs in promoting corporate social responsibility?
- How can the European Union promote greater application of corporate social responsibility principles through its policies both within European and internationally, including its political dialogue and partnership agreements, as well as its programmes, and its presence in international fora?

Evaluation and Effectiveness

- What are the best means to develop, evaluate and ensure the effectiveness and reliability of corporate social responsibility instruments such as codes of conduct, social reporting and auditing, social and eco-labels, socially responsible investing?

Actions to Support CSR

- What actions are most appropriate to promote and support the development of corporate social responsibility? What levels (the firm, local, regional, sectoral, national, European and international) are most appropriate to implement such actions?

Such actions could include:

- support for training and retraining, to ensure managers have the skills and competences necessary to develop and promote corporate social responsibility;
- dissemination and exchange of information, in particular in relation to good corporate social responsibility practice, standard setting, benchmarking and monitoring, accounting, auditing and reporting;
- medium-term social policy analysis and research;
- analysis of the role of the legal framework.

93. As stated in the introduction, the main aim of this Green Paper is to raise awareness and stimulate debate on new ways of promoting corporate social responsibility. At this stage the Commission does not wish to pre-judge the outcome of that debate by making concrete proposals for action. The Green Paper is being given a wide circulation and it is hoped that it will be discussed at local and national level, as well as at European level.

94. Written comments should be sent by 31st December 2001, to

European Commission
 CSR Green Paper Consultation
 Rue de la Loi/Wetstraat 200
 B - 1049 Bruxelles/Brussel

CSR@CEC.EU.INT

ANNEX

CONCEPTS

- **Cause-based or community investing:** Supporting a particular cause or activity by financing it through investment. Unlike making a donation, cause-based investors require that the original investment can be returned by either repayment (for loans) or trading (for shares).
- **Code of conduct:** a formal statement of the values and business practices of a company and sometimes its suppliers. A code is a statement of minimum standards together with a pledge by the company to observe them and to require its contractors, subcontractors, suppliers and licensees to observe them. It may be a sophisticated document, which requires compliance with articulated standards and have a complicated enforcement mechanism.
- **Corporate citizenship:** the management of the totality of relationships between a company and its host communities, locally, nationally and globally.
- **Corporate governance:** a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (OECD Code - 1999).
- **Eco-efficiency:** the concept that improving the way in which it uses resources can reduce environmental damage and reduce costs.
- **Eco-audit:** the application of non-financial, environmental criteria to investment decision.
- **Environmental Impact Assessment :** analysis of the impact of a business project or operation on the environment.
- **Ethical audit:** The application of non-financial, ethical criteria to investment decision.
- **Ethical screening:** inclusion or exclusion of stocks and shares in investment portfolios on ethical, social or environmental grounds.
- **Ethical trade:** Aims to ensure that conditions within mainstream production chains meet basic minimum standards and to eradicate the most exploitative forms of labour such as child and forced labour and 'sweatshops'. Labelling criteria are generally based on core ILO conventions.
- **Fair trade:** Defines itself as an alternative approach to conventional international trade. It is a trading partnership that promotes a sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, awareness raising and campaigning. The criteria for Fair Trade marked products differ between products but cover issues such as guaranteed prices, pre-payment and direct payment to growers or their co-operatives.

- **Human rights:** Human Rights are based on the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world. They are defined in the Universal Declaration of Human Rights (1948). At the European level, Article 6 of the Treaty on European Union reaffirms that the European Union “is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States”. In addition the European Convention of Human Rights adopted by the Council of Europe is legally binding in all Member States. Moreover, the European Charter of Fundamental Rights adopted in Nice in December 2000 is the instrument inspiring respect for fundamental rights by the European institutions and the Member States where they act under Union law.
- **Monitoring:** the process of regularly collecting information to check performance against certain criteria.
- **Responsible entrepreneurship:** a concept put forward by the United Nations which recognises the business role for the accomplishment of sustainable development and that companies can manage their operations in such a way as to enhance and economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility.
- **Shareholder influence:** seeking to improve a company’s ethical, social and/or environmental behaviour as a shareholder by means of dialogue, pressure, support for responsible management and voting at Annual General Meetings.
- **Social audit:** the systematic evaluation of an organisation’s social impact in relation to standards and expectations.
- **Social capital:** the stock of shared meaning and trust in a given community. Social capital is a pre-requisite for co-operation and organised human behaviour, including business. Social capital can be transformed, consumed or replenished, just as financial capital.
- **Social Impact Assessment :** systematic analysis of the impact of a business project or operation on the social and cultural situation of affected communities.
- **Social label:** words and symbols on products which seek to influence the purchasing decisions of consumers by providing an assurance about the social and ethical impact of a business process on other stakeholders.
- **Social report:** a document communicating the findings of a social impact assessment.
- **Stakeholder:** an individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community).
- **Standard:** a widely agreed set of procedures, practices and specifications.

- **Triple bottom line:** the idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital.
- **Verification:** certification by an external auditor, of the validity, meaningfulness and completeness of an organisation's records, reports or statements.

USEFUL INTERNET LINKS

International organisations

- [United Nations Global Compact \(http://www.unglobalcompact.org/\)](http://www.unglobalcompact.org/): a code of conduct for large companies launched by Kofi Annan, the United Nations Secretary-General in 2000. The Nine UN' Principles for multinational and transnational companies recognise various forms of human rights, labour/worker rights, and environmental rights.
- [United Nations research programme on CSR \(http://www.unrisd.org/engindex/research/busrep.htm\)](http://www.unrisd.org/engindex/research/busrep.htm): a project aiming to promote research and policy dialogue on issues of corporate social and environmental responsibility in developing countries
- [ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(http://www.ilo.org/public/english/employment/multi/tridecl/index.htm\)](http://www.ilo.org/public/english/employment/multi/tridecl/index.htm)
- [ILO database on Business and Social Initiatives \(http://oracle02.ilo.org:6060/vpi/vpisearch.first\)](http://oracle02.ilo.org:6060/vpi/vpisearch.first): database on Business and Social Initiatives includes comprehensive information on private sector initiatives, which address labour and social conditions in the workplace and in the community where enterprises operate.
- [OECD Guidelines for Multinational Enterprises \(MNEs\) \(http://www.oecd.org/daf/investment/guidelines/\)](http://www.oecd.org/daf/investment/guidelines/): recommendations to enterprises, made by the Governments of OECD Member countries, as well as Argentina, Brazil and Chile, covering corporate social responsibility issues ranging from employment relations to competition, taxation, and bribery (2000).
- [OECD Principles for Corporate Governance \(http://www.oecd.org/daf/governance/principles.htm\)](http://www.oecd.org/daf/governance/principles.htm): standards and guidelines for shareholder rights and other governance issues (1999)

European Union Institutions

- [DG Employment and social Affairs webpage on CSR \(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm\)](http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm)
- [DG Trade webpage on CSR and OECD Guidelines for multinational enterprises \(http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm\)](http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm)

- Secretariat General's webpage on Sustainable Development (<http://www.europa.int/comm/environment/eussd/index.htm>)
- DG Environment webpage containing the 6th Environmental Action Programme of the Community 2001-2010 "Our Future, Our Choice" (<http://europa.eu.int/comm.environnement/newprogr/index.htm>)
- DG Environment website containing details on the Integrated Product Policy (IPP) (<http://europa.eu.int/comm/environment/ipp/home.htm>)

Multi-stakeholders organisations

- [Copenhagen Centre](http://www.copenhagencentre.org/) (<http://www.copenhagencentre.org/>): an international, autonomous institution established by the Danish Government in 1998 to encourage voluntary partnerships between government and business so as to promote social cohesion.
- [Business Partners for Development](http://www.bpdweb.org/) (<http://www.bpdweb.org/>): an informal global network of business, government and civil society that aims to promote good examples of tri-sector partnerships in social and economic development around the world.
- CERES (<http://www.ceres.org/>): non-profit coalition of investors, public pensions funds foundations, labour unions, and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide.
- The International Institute for Sustainable Development (www.iisd.ca), Business and Sustainable Development (BSD) site is a comprehensive source on sustainable development for the private sector.
- Tomorrow: The Sustainable Business Toolkit (www.tomorrow-web.com): contains the latest global business environmental news, links to corporate environmental reports and other information of interest to business.
- Sustainable Business.com (www.sustainablebusiness.com): comprehensive site that contains useful resources for those interested in sustainable business.

Product Design And Resource Efficiency

- The Centre for Sustainable Design (www.cfsd.org.uk): facilitates discussion and research on eco-design and broader sustainability considerations in product and service development.
- Working Group on Sustainable Product Design, UNEP <http://unep.frw.uva.nl/>: research into sustainable products and services, including a database of sustainable product and services.
- The Rocky Mountain Institute - (www.rmi.org) -The home of factor 4 and natural capitalism.

- Greening of Industry – (www.greeningofindustry.org): an international network, research and policy institute focusing on issues of industry, environment and society.

Business-driven organisations

- [WorldCSR \(http://www.worldcsr.com\)](http://www.worldcsr.com): shared portal linking the websites of major business-driven CSR organisations.
- [CSREurope \(http://www.csreurope.org/\)](http://www.csreurope.org/): a European business-driven membership network launched in 1996 as a result of the European Declaration of Business against Social Exclusion, initiated by former President of the European Commission, Jacques Delors and 20 business leaders
- national business-driven organisations promote Corporate Social Responsibility at national, regional and local level in [Belgium](#); [Finland](#); [France](#); [Greece](#); [Ireland](#); [Italy](#); the [Netherlands](#); [Portugal](#); [Sweden](#) and the [UK](#)
- [Social Venture Network \(SBN\) Europe](#): a network of socially and environmentally engaged entrepreneurs and business leaders
- European Foundation for Quality Management (EFQM) (<http://www.efqm.org/>): non-profit organisation, supported by the European Commission, aiming at assisting the development of quality improvement activities in customer satisfaction, employee satisfaction, impact on society and business results.
- [Business Impact Taskforce \(http://www.business-impact.org/\)](http://www.business-impact.org/): a taskforce set up in 1998 to provide a reference on the business case, best practice and measurement methodologies encompassing all aspects of corporate social responsibility.
- Conference Board (<http://www.conference-board.org/>): business membership and research network aiming at improving business enterprise and enhancing the contribution of business to society.
- [International Business Leaders Forum \(IBLF\) \(http://www.csrforum.com/\)](http://www.csrforum.com/): an international not-for-profit organisation set up in 1990 to promote responsible business practices that benefit business and society, and which help to achieve social, economic and environmentally sustainable development, particularly in new and emerging market economies.
- [The European Bahá'í Business Forum \(EBBF\) \(http://www.ebbf.org/framinfo.htm\)](http://www.ebbf.org/framinfo.htm): a global business network with a focus in Europe
- [The World Business Council for Sustainable Development \(WBCSD\) \(http://www.wbcds.ch/\)](http://www.wbcds.ch/): an international business network set up in 1995 with the aim to develop closer co-operation between business, government and all other organisations concerned with the environment and sustainable development.
- [Business for Social Responsibility \(BSR\) \(http://www.bsr.org/\)](http://www.bsr.org/): international business network set up in 1992 to provide members with innovative products and

services that help companies be commercially successful in ways that demonstrate respect for ethical values, people, communities and the environment.

- [Association of Chartered Certified Accountants \(ACCA\)](http://www.acca.co.uk/index.html) (<http://www.acca.co.uk/index.html>): a global professional accountancy body promoting ethical and governance standards in all aspects of financial, social and environmental accounting.
- [Society and Business](http://www.societyandbusiness.gov.uk) (<http://www.societyandbusiness.gov.uk>): guide - launched in March 2001 by the UK's Department of Trade and Industry - to the business case for CSR and resources available across business and the UK Government.
- International Chamber of Commerce : (www.iccwbo.org/home/menu_environment.asp) : Business Charter for Sustainable Development provides businesses a basis for sound environmental management.

NGO-driven organisations

- [Human Rights Watch](http://www.hrw.org/) (<http://www.hrw.org/>): an NGO dedicated to protecting the human rights of people around the world.
- [Transparency International](http://www.transparency.de/) (<http://www.transparency.de/>): an NGO dedicated to curbing both international and national corruption.
- [International Alert \(IA\)](http://www.international-alert.org/) (<http://www.international-alert.org/>): an NGO based in the UK seeking to strengthen the ability of people in conflict situations to make peace by facilitating dialogue at different levels.
- [International Corporate Governance Network](http://www.icgn.org/) (<http://www.icgn.org/>): a network for the exchange of views and information about corporate governance issues internationally and for the development of corporate governance guidelines.
- [European Corporate Governance Network](http://www.ecgn.ulb.ac.be/ecgn/) (<http://www.ecgn.ulb.ac.be/ecgn/>): a European non-profit research network involved in European and comparative corporate governance issues.

Codes of conduct

- [Codes of conduct](http://www.codesofconduct.org/) (<http://www.codesofconduct.org/>): a web site providing a useful resource for those interested in the full text of various codes of conduct, and their provisions, sponsors, and effects on business practices.
- [IEPCE \(European Initiative for Ethical Production and Consumption\)](http://www.iepce.org/) (<http://www.iepce.org/>): a European forum between the main social and economic players who wish to encourage ethical production and consumption (employers, trade unions, NGOs, public institutions).
- [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/sa8000.htm) (<http://www.cepaa.org/sa8000.htm>): a voluntary standard for corporate social responsibility launched in 1997 by the Council on Economic Priorities Accreditation Agency (CEPAA), recently renamed Social Accountability International (SAI). Focuses mainly on labour

practices, e.g. child labour, freedom of association, hours of work and wages. This global corporate responsibility code is modelled after ISO 9000 and includes accreditation of auditors and independent monitoring.

- [Caux Round Table Principles for Business \(http://www.cauxroundtable.org/\)](http://www.cauxroundtable.org/): a code of conduct focusing on global corporate responsibility adopted by a trilateral business organisation.
- [Global Sullivan Principles \(http://www.globalsullivanprinciples.org/\)](http://www.globalsullivanprinciples.org/): a set of principles drafted by the Rev. Leon H. Sullivan to guide corporate social, economic, political, and environmental policies.
- [ICFTU Basic Code of Labour Practice \(http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN\)](http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN): the International Confederation of Free Trade Unions' model code regarding worker rights (1997).
- [Investors in People \(http://www.iipuk.co.uk/\)](http://www.iipuk.co.uk/): a UK quality standard which sets a level of good practice for improving an organisation's performance through its people.
- [Ethical Trading Initiative \(ETI\) \(http://www.eti.org.uk/\)](http://www.eti.org.uk/): a UK code developed through partnership between retail and consumer goods companies, NGOs, Trade Unions and the UK Government.
- [Amnesty International's Human Rights Principles for Companies \(http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm\)](http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm): an international code requiring companies to protect human rights and abide by several labour standards in countries in which they have facilities.
- [Clean Clothes Campaign Code of Labor Practices for the Apparel Industry \(http://www.cleanclothes.org/codes/ccccode.htm\)](http://www.cleanclothes.org/codes/ccccode.htm): a model code for labour standards and a monitoring system for companies in the apparel industry.

Social labels

- [International Federation of Alternative Trade \(IFAT\) \(http://www.ifat.org/\)](http://www.ifat.org/): federation of producers and "alternative" trading organisations (ATOs).
- [European Fair Trade Association \(EFTA\) \(http://www.eftafairtrade.org/\)](http://www.eftafairtrade.org/): a European network of Fair Trade organisations which import Fair Trade products from economically disadvantaged producer groups in Africa, Asia and Latin America.
- [Network of European World Shops \(NEWS!\) \(http://www.shared-interest.com/cust/news.htm\)](http://www.shared-interest.com/cust/news.htm): a network dealing both with the commercial and the education aspect of Fair Trade.
- [Fairtrade Labelling Organizations International \(FLO\) \(http://www.fairtrade.net/\)](http://www.fairtrade.net/): an umbrella organisation aiming to co-ordinate the work of national fair-trade initiatives, more efficiently run the monitoring programmes and to introduce a

single international Fair-trade label. The national initiatives retain responsibility for marketing and promoting Fair-trade in their respective countries.

- [The Fairtrade Mark \(http://www.gn.apc.org/fairtrade/\)](http://www.gn.apc.org/fairtrade/): a fair trade label awarded by a foundation aiming at improving the terms of trade for third world producers, to products which meet internationally recognised standards of fair trade.
- [Max Havelaar \(http://www.maxhavelaar.nl/english/\)](http://www.maxhavelaar.nl/english/): a fair trade label awarded by a Dutch foundation aiming at offering access to international trade with good conditions for farmers and workers in disadvantaged parts of the Third World (1986).
- [Transfair International \(http://www.transfair.org/\)](http://www.transfair.org/): a fair trade labelling initiative of EFTA and Transfair Germany.
- [Rattvisemarkt \(http://www.raettvist.se/\)](http://www.raettvist.se/): a Swedish Fair Trade label.

Social Reporting

- [Social & Ethical Reporting Clearinghouse \(http://cei.sund.ac.uk/ethsocial/index.htm\)](http://cei.sund.ac.uk/ethsocial/index.htm): a website providing links to social and ethical reporting guidelines, organisations and surveys.
- [Global Reporting Initiative \(GRI\) \(http://www.globalreporting.org/\)](http://www.globalreporting.org/): an international, multi-stakeholder effort to create a common framework for voluntary reporting of a company's global economic, environmental, and social practices. CERES and the United Nations' Environment Program convened the GRI in 1997. In June 2000, the GRI released the new Sustainability Reporting Guidelines.
- [AccountAbility 1000 \(AA1000\) \(http://www.accountability.org.uk/\)](http://www.accountability.org.uk/): a standard for measuring the social and ethical achievements of companies against objective criteria issued by the U.K.-based Institute of Social and Ethical Accountability in November 1999.

Socially responsible investment

- [UK Social Investment Forum \(http://www.uksif.org/\)](http://www.uksif.org/): a UK membership network for socially responsible investment.
- [Dow Jones Sustainability Group Index \(DJSGI\) \(http://www.sustainability-index.com/\)](http://www.sustainability-index.com/): an index of sustainability-driven companies provided by Dow Jones in association with SAM Sustainable Asset Management.
- [FTSE4Good \(http://www.ftse4good.com/frm0101.asp\)](http://www.ftse4good.com/frm0101.asp): an index of ethically responsible companies launched by FTSE in association with the Ethical Investment Research Service (EIRIS) and the United Nations Children's Fund (Unicef).
- [Sustainable Investment Research International Group \(SIRI\) \(http://www.sirigroup.org/\)](http://www.sirigroup.org/): a coalition of 10 research organisations aiming to

provide and promote high quality social investment research products and services throughout the world.



EUROPEAN PARLIAMENT



bg	es	cs	da	de	et	el	en	fr	it	lv	lt	hu	mt	nl	pl	pt	ro	sk	sl	fi	sv
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LISBON EUROPEAN COUNCIL 23 AND 24 MARCH 2000

PRESIDENCY CONCLUSIONS

- I. PREPARING FOR ENLARGEMENT
 - A STRATEGIC GOAL FOR THE NEXT DECADE
 - PREPARING THE TRANSITION TO A COMPETITIVE, DYNAMIC AND KNOWLEDGE-BASED ECONOMY
 - MODERNISING THE EUROPEAN SOCIAL MODEL BY INVESTING IN PEOPLE AND BUILDING AN ACTIVE WELFARE STATE
 - PUTTING DECISIONS INTO PRACTICE: A MORE COHERENT AND SYSTEMATIC APPROACH
- II. COMMON EUROPEAN SECURITY AND DEFENCE POLICY
- III. WESTERN BALKANS
- IV. RUSSIA
- V. INTERGOVERNMENTAL CONFERENCE
- VI. OUTERMOST REGIONS
- ANNEX

The European Council held a special meeting on 23-24 March 2000 in Lisbon to agree a new strategic goal for the Union in order to strengthen employment, economic reform and social cohesion as part of a knowledge-based economy. At the start of proceedings, an exchange of views was conducted with the President of the European Parliament, Mrs Nicole Fontaine, on the main topics for discussion.



I. EMPLOYMENT, ECONOMIC REFORM AND SOCIAL COHESION

A STRATEGIC GOAL FOR THE NEXT DECADE

The new challenge

1. The European Union is confronted with a quantum shift resulting from globalisation and the challenges of a new knowledge-driven economy. These changes are affecting every aspect of people's lives and require a radical transformation of the European economy. The Union must shape these changes in a manner consistent with its values and concepts of society and also with a view to the forthcoming enlargement.
2. The rapid and accelerating pace of change means it is urgent for the Union to act now to harness the full benefits of the opportunities presented. Hence the need for the Union to set a clear strategic goal and agree a challenging programme for building knowledge infrastructures, enhancing innovation and economic reform, and modernising social welfare and education systems.

The Union's strengths and weaknesses

3. The Union is experiencing its best macro-economic outlook for a generation. As a result of stability-oriented monetary policy supported by sound fiscal policies in a context of wage moderation, inflation and interest rates are low, public sector deficits have been reduced remarkably and the EU's balance of payments is healthy. The euro has been successfully introduced and is delivering the expected benefits for the European economy. The internal market is largely complete and is yielding tangible benefits for consumers and businesses alike. The forthcoming enlargement will create new opportunities for growth and employment. The Union possesses a generally well-educated workforce as well as social protection systems able to provide, beyond their intrinsic value, the stable framework required for managing the structural changes involved in moving towards a knowledge-based society. Growth and job creation have resumed.

4. These strengths should not distract our attention from a number of weaknesses. More than 15 million Europeans are still out of work. The employment rate is too low and is characterised by insufficient participation in the labour market by women and older workers. Long-term structural unemployment and marked regional unemployment imbalances remain endemic in parts of the Union. The services sector is underdeveloped, particularly in the areas of telecommunications and the Internet. There is a widening skills gap, especially in information technology where increasing numbers of jobs remain unfilled. With the current improved economic situation, the time is right to undertake both economic and social reforms as part of a positive strategy which combines competitiveness and social cohesion.

The way forward

5. The Union has today set itself ***a new strategic goal*** for the next decade: *to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion*. Achieving this goal requires an ***overall strategy*** aimed at:

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- modernising the European social model, investing in people and combating social exclusion;
- sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

6. This strategy is designed to enable the Union to regain the conditions for full employment, and to strengthen regional cohesion in the European Union. The European Council needs to set a goal for full employment in Europe in an emerging new society which is more adapted to the personal choices of women and men. If the measures set out below are implemented against a sound macro-economic background, an average economic growth rate of around 3% should be a realistic prospect for the coming years.

7. Implementing this strategy will be achieved by improving the existing processes, introducing a ***new open method of coordination*** at all levels, coupled with a stronger guiding and coordinating role for the European Council to ensure more coherent strategic direction and effective monitoring of progress. A meeting of the European Council to be held every Spring will define the relevant mandates and ensure that they are followed up.



PREPARING THE TRANSITION TO A COMPETITIVE, DYNAMIC AND KNOWLEDGE-BASED ECONOMY

An information society for all

8. The shift to a digital, knowledge-based economy, prompted by new goods and services, will be a powerful engine for growth, competitiveness and jobs. In addition, it will be capable of improving citizens' quality of life and the environment. To make the most of this opportunity, the Council and the Commission are invited to draw up a comprehensive eEurope Action Plan to be presented to the European Council in June this year, using an open method of coordination based on the benchmarking of national initiatives, combined with the Commission's recent eEurope initiative as well as its communication "Strategies for jobs in the Information Society".

9. Businesses and citizens must have access to an inexpensive, world-class communications infrastructure and a wide range of services. Every citizen must be equipped with the skills needed to live and work in this new information society. Different means of access must prevent info-exclusion. The combat against illiteracy must be reinforced. Special attention must be given to disabled people. Information technologies can be used to renew urban and regional development and promote environmentally sound technologies. Content industries create added value by exploiting and networking European cultural diversity. Real efforts must be made by public administrations at all levels to exploit new technologies to make information as accessible as possible.

10. Realising Europe's full e-potential depends on creating the conditions for electronic commerce and the Internet to flourish, so that the Union can catch up with its competitors by hooking up many more businesses and homes to the Internet via fast connections. The rules for electronic commerce must be predictable and inspire business and consumer confidence. Steps must be taken to ensure that Europe maintains its lead in key technology areas such as mobile communications. The speed of technological change may require new and more flexible regulatory approaches in the future.

11. The European Council calls in particular on:

- the Council along with the European Parliament, where appropriate, to adopt as rapidly as possible during 2000 pending legislation on the legal framework for electronic commerce, on copyright and related rights, on e-money, on the distance selling of financial services, on jurisdiction and the enforcement of judgements, and the dual-use export control regime; the Commission and the Council to consider how to promote consumer confidence in electronic commerce, in particular through alternative dispute resolution systems;
- the Council and the European Parliament to conclude as early as possible in 2001 work on the legislative proposals announced by the Commission following its 1999 review of the telecoms regulatory framework; the Member States and, where appropriate, the Community to ensure that the frequency requirements for future mobile communications systems are met in a timely and efficient manner. Fully integrated and liberalised telecommunications markets should be completed by the end of 2001;
- the Member States, together with the Commission, to work towards introducing greater competition in local access networks before the end of 2000 and unbundling the local loop in order to help bring about a substantial

- reduction in the costs of using the Internet;
- o the Member States to ensure that all schools in the Union have access to the Internet and multimedia resources by the end of 2001, and that all the teachers needed are skilled in the use of the Internet and multimedia resources by the end of 2002;
- o the Member States to ensure generalised electronic access to main basic public services by 2003;
- o the Community and the Member States, with the support of the EIB, to make available in all European countries low cost, high-speed interconnected networks for Internet access and foster the development of state-of-the-art information technology and other telecom networks as well as the content for those networks. Specific targets should be defined in the eEurope Action Plan.

Establishing a European Area of Research and Innovation

12. Given the significant role played by research and development in generating economic growth, employment and social cohesion, the Union must work towards the objectives set out in the Commission's communication "Towards a European Research Area". Research activities at national and Union level must be better integrated and coordinated to make them as efficient and innovative as possible, and to ensure that Europe offers attractive prospects to its best brains. The instruments under the Treaty and all other appropriate means, including voluntary arrangements, must be fully exploited to achieve this objective in a flexible, decentralised and non-bureaucratic manner. At the same time, innovation and ideas must be adequately rewarded within the new knowledge-based economy, particularly through patent protection.

13. The European Council asks the Council and the Commission, together with the Member States where appropriate, to take the necessary steps as part of the establishment of a European Research Area to:

- o develop appropriate mechanisms for networking national and joint research programmes on a voluntary basis around freely chosen objectives, in order to take greater advantage of the concerted resources devoted to R&D in the Member States, and ensure regular reporting to the Council on the progress achieved; to map by 2001 research and development excellence in all Member States in order to foster the dissemination of excellence;
- o improve the environment for private research investment, R&D partnerships and high technology start-ups, by using tax policies, venture capital and EIB support;
- o encourage the development of an open method of coordination for benchmarking national research and development policies and identify, by June 2000, indicators for assessing performance in different fields, in particular with regard to the development of human resources; introduce by June 2001 a European innovation scoreboard;
- o facilitate the creation by the end of 2001 of a very high-speed transeuropean network for electronic scientific communications, with EIB support, linking research institutions and universities, as well as scientific libraries, scientific centres and, progressively, schools;
- o take steps to remove obstacles to the mobility of researchers in Europe by 2002 and to attract and retain high-quality research talent in Europe;
- o ensure that a Community patent is available by the end of 2001, including the utility model, so that Community-wide patent protection in the Union is as simple and inexpensive to obtain and as comprehensive in its scope as the protection granted by key competitors.

Creating a friendly environment for starting up and developing innovative businesses, especially SMEs

14. The competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship. Further efforts are required to lower the costs of doing business and remove unnecessary red tape, both of which are particularly burdensome for SMEs. The European institutions, national governments and regional and local authorities must continue to pay particular attention to the impact and compliance costs of proposed regulations, and should pursue their dialogue with business and citizens with this aim in mind. Specific action is also needed to encourage the key interfaces in innovation networks, i.e. interfaces between companies and financial markets, R&D and training institutions, advisory services and technological markets.

15. The European Council considers that an open method of coordination should be applied in this area and consequently asks:

- o the Council and the Commission to launch, by June 2000, a benchmarking exercise on issues such as the length of time and the costs involved in setting up a company, the amount of risk capital invested, the numbers of business and scientific graduates and training opportunities. The first results of this exercise should be presented by December 2000;
- o the Commission to present shortly a communication on an entrepreneurial, innovative and open Europe together with the Multiannual Programme in favour of Enterprise and Entrepreneurship for 2001-2005 which will play an important role as catalyst for this exercise;
- o the Council and the Commission to draw up a European Charter for small companies to be endorsed in June 2000 which should commit Member States to focus in the abovementioned instruments on small companies as the main engines for job-creation in Europe, and to respond specifically to their needs;
- o the Council and the Commission to report by the end of 2000 on the ongoing review of EIB and EIF financial instruments in order to redirect funding towards support for business start-ups, high-tech firms and micro-enterprises, as well as other risk-capital initiatives proposed by the EIB.

Economic reforms for a complete and fully operational internal market

16. Rapid work is required in order to complete the internal market in certain sectors and to improve under-performance in others in order to ensure the interests of business and consumers. An effective framework for ongoing review and improvement, based on the Internal Market Strategy endorsed by the Helsinki European Council, is also essential if the full benefits of market liberalisation are to be reaped. Moreover, fair and uniformly applied competition and state aid rules are essential for ensuring that businesses can thrive and operate effectively on a level playing field in the internal market.

17. The European Council accordingly asks the Commission, the Council and the Member States, each in accordance with their respective powers:

- o to set out by the end of 2000 a strategy for the removal of barriers to services;
- o to speed up liberalisation in areas such as gas, electricity, postal services and transport. Similarly, regarding the use and management of airspace, the Council asks the Commission to put forward its proposals as soon as possible. The aim is to achieve a fully operational internal market in these areas; the European Council will assess progress achieved when it meets next Spring on the basis of a Commission report and appropriate proposals;
- o to conclude work in good time on the forthcoming proposals to update public procurement rules, in particular to make them accessible to SMEs, in order to allow the new rules to enter into force by 2002; - to take the necessary

steps to ensure that it is possible by 2003 for Community and government procurement to take place on-line;

- o to set out by 2001 a strategy for further coordinated action to simplify the regulatory environment, including the performance of public administration, at both national and Community level. This should include identifying areas where further action is required by Member States to rationalise the transposition of Community legislation into national law;
- o to further their efforts to promote competition and reduce the general level of State aids, shifting the emphasis from supporting individual companies or sectors towards tackling horizontal objectives of Community interest, such as employment, regional development, environment and training or research.

18. Comprehensive structural improvements are essential to meet ambitious targets for growth, employment and social inclusion. Key areas have already been identified by the Council to be reinforced in the Cardiff process. The European Council accordingly invites the Council to step up work on structural performance indicators and to report by the end of 2000.

19. The European Council considers it essential that, in the framework of the internal market and of a knowledge-based economy, full account is taken of the Treaty provisions relating to services of general economic interest, and to the undertakings entrusted with operating such services. It asks the Commission to update its 1996 communication based on the Treaty.

Efficient and integrated financial markets

20. Efficient and transparent financial markets foster growth and employment by better allocation of capital and reducing its cost. They therefore play an essential role in fuelling new ideas, supporting entrepreneurial culture and promoting access to and use of new technologies. It is essential to exploit the potential of the euro to push forward the integration of EU financial markets. Furthermore, efficient risk capital markets play a major role in innovative high-growth SMEs and the creation of new and sustainable jobs.

21. To accelerate completion of the internal market for financial services, steps should be taken:

- o to set a tight timetable so that the Financial Services Action Plan is implemented by 2005, taking into account priority action areas such as: facilitating the widest possible access to investment capital on an EU-wide basis, including for SMEs, by means of a "single passport" for issuers; facilitating the successful participation of all investors in an integrated market eliminating barriers to investment in pension funds; promoting further integration and better functioning of government bond markets through greater consultation and transparency on debt issuing calendars, techniques and instruments, and improved functioning of cross-border sale and repurchase ("repo") markets; enhancing the comparability of companies' financial statements; and more intensive cooperation by EU financial market regulators;
- o to ensure full implementation of the Risk Capital Action Plan by 2003;
- o to make rapid progress on the long-standing proposals on takeover bids and on the restructuring and winding-up of credit institutions and insurance companies in order to improve the functioning and stability of the European financial market;
- o to conclude, in line with the Helsinki European Council conclusions, the pending tax package.

Coordinating macro-economic policies: fiscal consolidation, quality and

sustainability of public finances

22. As well as preserving macro-economic stability and stimulating growth and employment, macro-economic policies should foster the transition towards a knowledge-based economy, which implies an enhanced role for structural policies. The macro-economic dialogue under the Cologne process must create a relationship of trust between all the actors involved in order to have a proper understanding of each other's positions and constraints. The opportunity provided by growth must be used to pursue fiscal consolidation more actively and to improve the quality and sustainability of public finances.

23. The European Council requests the Council and the Commission, using the existing procedures, to present a report by Spring 2001 assessing the contribution of public finances to growth and employment, and assessing, on the basis of comparable data and indicators, whether adequate concrete measures are being taken in order to:

- alleviate the tax pressure on labour and especially on the relatively unskilled and low-paid, improve the employment and training incentive effects of tax and benefit systems;
- redirect public expenditure towards increasing the relative importance of capital accumulation - both physical and human - and support research and development, innovation and information technologies;
- ensure the long-term sustainability of public finances, examining the different dimensions involved, including the impact of ageing populations, in the light of the report to be prepared by the High Level Working Party on Social Protection.

**MODERNISING THE EUROPEAN SOCIAL MODEL BY INVESTING IN PEOPLE AND BUILDING AN ACTIVE WELFARE STATE**

24. People are Europe's main asset and should be the focal point of the Union's policies. Investing in people and developing an active and dynamic welfare state will be crucial both to Europe's place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion and poverty.

Education and training for living and working in the knowledge society

25. Europe's education and training systems need to adapt both to the demands of the knowledge society and to the need for an improved level and quality of employment. They will have to offer learning and training opportunities tailored to target groups at different stages of their lives: young people, unemployed adults and those in employment who are at risk of seeing their skills overtaken by rapid change. This new approach should have three main components: the development of local learning centres, the promotion of new basic skills, in particular in the information technologies, and increased transparency of qualifications.

26. The European Council accordingly calls upon the Member States, in line with their constitutional rules, the Council and the Commission to take the necessary steps within their areas of competence to meet the following targets:

- a substantial annual increase in per capita investment in human resources;
- the number of 18 to 24 year olds with only lower-secondary level education who are not in further education and training should be halved by 2010;

- schools and training centres, all linked to the Internet, should be developed into multi-purpose local learning centres accessible to all, using the most appropriate methods to address a wide range of target groups; learning partnerships should be established between schools, training centres, firms and research facilities for their mutual benefit;
- a European framework should define the new basic skills to be provided through lifelong learning: IT skills, foreign languages, technological culture, entrepreneurship and social skills; a European diploma for basic IT skills, with decentralised certification procedures, should be established in order to promote digital literacy throughout the Union;
- define, by the end of 2000, the means for fostering the mobility of students, teachers and training and research staff both through making the best use of existing Community programmes (Socrates, Leonardo, Youth), by removing obstacles and through greater transparency in the recognition of qualifications and periods of study and training; to take steps to remove obstacles to teachers' mobility by 2002 and to attract high-quality teachers.
- a common European format should be developed for curricula vitae, to be used on a voluntary basis in order to facilitate mobility by helping the assessment of knowledge acquired, both by education and training establishments and by employers.

27. The European Council asks the Council (Education) to undertake a general reflection on the concrete future objectives of education systems, focusing on common concerns and priorities while respecting national diversity, with a view to contributing to the Luxembourg and Cardiff processes and presenting a broader report to the European Council in the Spring of 2001.

More and better jobs for Europe: developing an active employment policy

28. The Luxembourg process, based on drawing up employment guidelines at Community level and translating them into National Employment Action Plans, has enabled Europe to substantially reduce unemployment. The mid-term review should give a new impetus to this process by enriching the guidelines and giving them more concrete targets by establishing closer links with other relevant policy areas and by defining more effective procedures for involving the different actors. The social partners need to be more closely involved in drawing up, implementing and following up the appropriate guidelines.

29. In this context, the Council and the Commission are invited to address the following four key areas:

- improving employability and reducing skills gaps, in particular by providing employment services with a Europe-wide data base on jobs and learning opportunities; promoting special programmes to enable unemployed people to fill skill gaps;
- giving higher priority to lifelong learning as a basic component of the European social model, including by encouraging agreements between the social partners on innovation and lifelong learning; by exploiting the complementarity between lifelong learning and adaptability through flexible management of working time and job rotation; and by introducing a European award for particularly progressive firms. Progress towards these goals should be benchmarked;
- increasing employment in services, including personal services, where there are major shortages; private, public or third sector initiatives may be involved, with appropriate solutions for the least-favoured categories;
- furthering all aspects of equal opportunities, including reducing occupational segregation, and making it easier to reconcile working life and family life, in particular by setting a new benchmark for improved childcare provision.

30. The European Council considers that the overall aim of these measures should be, on the basis of the available statistics, to raise the employment rate from an average of 61% today to as close as possible to 70% by 2010 and to increase the number of women in employment from an average of 51% today to more than 60% by 2010. Recognising their different starting points, Member States should consider setting national targets for an increased employment rate. This, by enlarging the labour force, will reinforce the sustainability of social protection systems.

Modernising social protection

31. The European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy. However, these systems need to be adapted as part of an active welfare state to ensure that work pays, to secure their long-term sustainability in the face of an ageing population, to promote social inclusion and gender equality, and to provide quality health services. Conscious that the challenge can be better addressed as part of a cooperative effort, the European Council invites the Council to:

- o strengthen cooperation between Member States by exchanging experiences and best practice on the basis of improved information networks which are the basic tools in this field;
- o mandate the High Level Working Party on Social Protection, taking into consideration the work being done by the Economic Policy Committee, to support this cooperation and, as its first priority, to prepare, on the basis of a Commission communication, a study on the future evolution of social protection from a long-term point of view, giving particular attention to the sustainability of pensions systems in different time frameworks up to 2020 and beyond, where necessary. A progress report should be available by December 2000.

Promoting social inclusion

32. The number of people living below the poverty line and in social exclusion in the Union is unacceptable. Steps must be taken to make a decisive impact on the eradication of poverty by setting adequate targets to be agreed by the Council by the end of the year. The High Level Working Party on Social Protection will be involved in this work. The new knowledge-based society offers tremendous potential for reducing social exclusion, both by creating the economic conditions for greater prosperity through higher levels of growth and employment, and by opening up new ways of participating in society. At the same time, it brings a risk of an ever-widening gap between those who have access to the new knowledge, and those who are excluded. To avoid this risk and maximise this new potential, efforts must be made to improve skills, promote wider access to knowledge and opportunity and fight unemployment: the best safeguard against social exclusion is a job. Policies for combating social exclusion should be based on an open method of coordination combining national action plans and a Commission initiative for cooperation in this field to be presented by June 2000.

In particular, the European Council invites the Council and the Commission to:

- o promote a better understanding of social exclusion through continued dialogue and exchanges of information and best practice, on the basis of commonly agreed indicators; the High Level Working Party on Social Protection will be involved in establishing these indicators;
- o mainstream the promotion of inclusion in Member States' employment, education and training, health and housing policies, this being complemented at Community level by action under the Structural Funds within the present budgetary framework;

- develop priority actions addressed to specific target groups (for example minority groups, children, the elderly and the disabled), with Member States choosing amongst those actions according to their particular situations and reporting subsequently on their implementation.

34. Taking account of the present conclusions, the Council will pursue its reflection on the future direction of social policy on the basis of a Commission communication, with a view to reaching agreement on a European Social Agenda at the Nice European Council in December, including the initiatives of the different partners involved.



PUTTING DECISIONS INTO PRACTICE: A MORE COHERENT AND SYSTEMATIC APPROACH

Improving the existing processes

35. No new process is needed. The existing Broad Economy Policy Guidelines and the Luxembourg, Cardiff and Cologne processes offer the necessary instruments, provided they are simplified and better coordinated, in particular through other Council formations contributing to the preparation by the ECOFIN Council of the Broad Economic Policy Guidelines. Moreover, the Broad Economic Policy Guidelines should focus increasingly on the medium- and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as on the transition towards a knowledge-based economy. The Cardiff and Luxembourg processes will make it possible to deal with their respective subject matters in greater detail.

36. These improvements will be underpinned by the European Council taking on a pre-eminent guiding and coordinating role to ensure overall coherence and the effective monitoring of progress towards the new strategic goal. The European Council will accordingly hold a meeting every Spring devoted to economic and social questions. Work should consequently be organised both upstream and downstream from that meeting. The European Council invites the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion.

Implementing a new open method of coordination

37. Implementation of the strategic goal will be facilitated by applying a new open method of coordination as the means of spreading best practice and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively develop their own policies, involves:

- fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practice;
- translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
- periodic monitoring, evaluation and peer review organised as mutual learning processes.

38. A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs.

39. The European Council makes a special appeal to companies' corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.

40. A High Level Forum, bringing together the Union institutions and bodies and the social partners, will be held in June to take stock of the Luxembourg, Cardiff and Cologne processes and of the contributions of the various actors to enhancing the content of the European Employment Pact.

Mobilising the necessary means

41. Achieving the new strategic goal will rely primarily on the private sector, as well as on public-private partnerships. It will depend on mobilising the resources available on the markets, as well as on efforts by Member States. The Union's role is to act as a catalyst in this process, by establishing an effective framework for mobilising all available resources for the transition to the knowledge-based economy and by adding its own contribution to this effort under existing Community policies while respecting Agenda 2000. Furthermore, the European Council welcomes the contribution that the EIB stands ready to make in the areas of human capital formation, SMEs and entrepreneurship, R&D, networks in the information technology and telecom sectors, and innovation. With the "Innovation 2000 Initiative", the EIB should go ahead with its plans to make another billion euro available for venture capital operations for SMEs and its dedicated lending programme of 12 to 15 billion euro over the next 3 years for the priority areas.



II. COMMON EUROPEAN SECURITY AND DEFENCE POLICY

42. The European Council has welcomed the Presidency's preliminary report on "Strengthening the Common European Security and Defence Policy" which reflects the work carried forward by the Presidency, together with the Secretary-General/High Representative, within the General Affairs Council in accordance with the remit from Helsinki.

43. The European Council welcomes in particular the fact that the interim bodies foreseen at Helsinki have now been established and are starting to function effectively and that the Council has identified a process for elaborating the headline goal and identifying national contributions so as to meet the military capability target set at Helsinki.

44. The European Council looks forward to the further work that the Presidency, together with the Secretary-General/High Representative, will pursue in the Council and to the Presidency's overall report to the Feira European Council, as called for at Helsinki, including proposals on the involvement of third countries in EU military crisis management and the further development of the EU's relationship with NATO in conformity with the Helsinki European Council conclusions.

45. The European Council furthermore appreciates what has so far been achieved

in the non-military crisis management track. It invites the Council to establish by or at Feira a Committee for Civilian Crisis Management.



III. WESTERN BALKANS

46. The European Council reaffirms that the peace, prosperity and stability of South East Europe are a strategic priority for the European Union. The European Council notes the progress achieved over the past year but also the serious challenges which the international community still faces in the Western Balkans. The European Council welcomes the report submitted by the Secretary-General/High Representative, together with the Commission, on the Western Balkans.

47. The European Council confirms that its overall objective remains the fullest possible integration of the countries of the region into the political and economic mainstream of Europe. The European Council confirms that the Stabilisation and Association Process is the centrepiece of its policy in the Balkans. Stabilisation and Association Agreements will include economic and financial assistance and cooperation, political dialogue, approximation with EU legislation, cooperation in other policy areas and free trade. Such agreements should be preceded by asymmetrical trade liberalisation. The European Council urges the countries of the region to work together and with the Union to make a success of the Stabilisation and Association Process.

48. The European Council, mindful of the Tampere European Council conclusions, recalls the upcoming Adriatic Conference, sponsored by Italy in cooperation with the European Union, which will be held in Ancona on May 19-20. It will enhance Adriatic cooperation in the fight against organised crime, smuggling and illegal immigration and will promote cross border cooperation.

49. The European Council urges the Commission to make proposals to ensure fast-track procedures and speedy and effective assistance.

50. The European Council emphasises that in the FRY a democratic, cooperative Serbia, living at peace with its neighbours, will be welcome to join the European family. With that perspective the Union will maintain its action for democratic change in Serbia. Selective sanctions aimed at the regime will remain a necessary element of EU policy as long as President Milosevic stays in power. The European Council appeals to the Serbian people to take their future into their own hands and to reclaim their place in the family of democratic nations. The EU for its part will not only continue to support the democratic opposition, but will also develop a comprehensive dialogue with civil society. Serb NGOs should be encouraged to engage with other NGOs on a regional basis in the framework of the Stability Pact.

51. The European Council urges the Commission and all parties involved, including the Danube Commission, to start immediately on the steps necessary to clear the Danube for navigation by the summer.

52. The European Council supports Montenegro's efforts to achieve democratic reform and economic prosperity. The European Council underlines the urgent need for substantial assistance to Montenegro in order to ensure the survival of democratic government and to avoid another serious crisis in the region. In addition to the EIB study on the possible expansion of its activities to Montenegro requested by the Council, the European Council asks the competent institutions to take without delay the necessary decisions on the funding, within the

appropriations available for 2000, of projects, programmes and other forms of assistance which would help to alleviate the immediate financial needs of Montenegro, if necessary by resorting to EU budgetary reserves, as well as macro-economic assistance. In this context, the European Council welcomes the official inauguration of the Reconstruction Agency in Thessaloniki today.

53. The European Council reaffirms its commitment to UNSCR 1244 as the framework for the international community's efforts in Kosovo. It commends the work of UNMIK and KFOR in pursuit of the Resolution's objectives as well as that of the OSCE. Achieving Serb participation in the interim administration and the municipal elections in autumn 2000 will be important steps towards the stabilisation of the situation in Kosovo. Lasting stability in the region can only be ensured taking into account the legitimate interests of the neighbouring countries of the FRY will full respect for territorial integrity and for existing borders.

54. The Union's special responsibility in the region means that it must play the central role in providing international support for Kosovo. It is determined to ensure the success of the international effort in Kosovo. To this end, it recognises the need to provide support in a much more co-ordinated, coherent fashion, and to ensure that the efforts of the Union and its Member States receive appropriate recognition. The EU has already taken the major role in contributing to reconstruction in Kosovo, providing 30,000 KFOR troops, 800 civilian police and 505 million euro funding, as well as leading the economic reconstruction pillar of UNMIK.

55. The international community needs a more coherent and action-oriented strategy for providing economic and political support to Kosovo and the region. The European Council reaffirms the vital contribution of the Stability Pact, under its Special Coordinator and EU Special Representative, in this respect. To strengthen the central role of the EU, the European Council invites the Secretary-General/High Representative, under the authority of the Presidency and the Council, and in full association with the Commission, to ensure the coherence of EU policies towards the Western Balkans, to strengthen the impact of its contribution and to enhance coordination with the Stability Pact and other efforts of the International Community. They should bring forward action-oriented proposals for this purpose at the next meeting of the General Affairs Council. The upcoming Regional Funding Conference is a key moment for the joint efforts of the international community in South Eastern Europe.



IV. RUSSIA

56. On the eve of the presidential election in Russia, the European Council reaffirms:

- the importance of the development of a genuinely effective and working strategic partnership in accordance with the PCA, the EU's common strategy and successive Presidency action plans, so that they can work together in the many areas of common concern, to bring peace, stability and prosperity to Europe on the basis of common values and shared objectives; -
- the need to this end for Russia, in regard to Chechnya, to abide by its commitments, in particular:
 - to put an end to the indiscriminate use of military force,
 - to allow independent investigations of human rights violations,
 - to allow the competent international organisations and observers to perform their mission freely,

- o to pursue without delay the search for a political solution.

57. The European Council sees the Cooperation Council with Russia on 11 April and the planned EU-Russia Summit as important occasions for the achievement of these objectives. To the same end the European Council mandates the Troika to travel to Moscow as soon as possible after the election of the new Russian President, to reaffirm to him and his Government the EU's approach to and concerns about a relationship which is so important to both sides.



V. INTERGOVERNMENTAL CONFERENCE

58. The European Council takes note of the progress of the Conference's work as well as the Presidency's intention to present under its own responsibility a comprehensive report to the Feira European Council.



VI. OUTERMOST REGIONS

72. The European Council welcomes devolution to Northern Ireland and the establishment of the British-Irish and North-South institutions under the Good Friday Agreement, recognising that these developments represent very significant progress towards full implementation of the Agreement. The European Council congratulates the political parties, the United Kingdom and the Irish Governments and Senator George Mitchell on achieving this progress. The European Council reaffirms its political and practical support for Northern Ireland and for cooperation between North and South.



ANNEX

DOCUMENTS SUBMITTED TO THE LISBON EUROPEAN COUNCIL ^[1]

- Presidency note on Employment, Economic Reforms and Social Cohesion Towards a Europe based on Innovation and Knowledge (5256/00 + ADD1 COR 1 (en))
- Commission report eEurope - An information society for all (6978/00)
- Commission contribution - An Agenda of economic and social renewal for Europe (6602/00)
- Commission communication on Community policies in support of employment (6714/00)
- Commission communication: Building an inclusive Europe (6715/00)
- Commission communication: Social trends: prospects and challenges (6716/00)
- Commission communication: Strategies for jobs in the information society (6193/00)

- Commission report on economic reform: Report on the functioning of product and capital markets (5795/00)
- Contribution of the Council (ECOFIN) (6631/1/00 REV 1)
- Contribution of the Council (Labour and Social Affairs) (6966/00)
- Contribution of the Council (Internal Market): Cardiff Economic Reform Process: internal market aspects (7130/00)
- Opinion of the Employment and Labour Market Committee (6557/00)
- Presidency report "Strengthening the common European Security and Defence policy" (6933/00)
- Report on the Western Balkans presented to the European Council by the Secretary General/High Representative together with the Commission (SN 2032/2/00 REV 2)
- Draft report from the European Council to the European Parliament on the progress achieved by the European Union in 1999 (6648/00 + COR 1 (gr))

(1) The preparatory documents concerning employment, economic reform and social cohesion can be found on the Presidency's internet site at:

<http://www.consilium.europa.eu/en/presid.htm>

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 [Text only](#)

Günter Verheugen

Vice-President of the European Commission responsible for
Enterprise and Industry

**Corporate Social Responsibility
Essential for Public Trust in Business**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

CSR Forum

Brussels 10th February 2009

Ladies and gentlemen, good afternoon,

Firstly, a sincere thank you to all for attending today. I am very gratified to see such a wide range of stakeholder interests represented in this Forum: employers' organisations, individual enterprises of all kinds and all sizes, chambers of commerce, investment funds, trade unions, academics, government representatives and non-governmental organisations.

I especially wish to acknowledge the presence of so many NGO representatives. Your written and oral contributions to today's discussion have been open and constructive. Your engagement, along with that of other stakeholders, has helped to make this Forum stronger.

We established this Forum with the support of the European Parliament some 6 years ago. Multi stakeholder dialogue has been a central pillar of the Commission's approach to CSR ever since then, and we have every intention that it should continue. I wish to be clear in view of some statements I have heard this afternoon. An open dialogue is essential in a democracy and as far as I will be in charge, nobody will be prevented from expressing his or her views.

It is nearly three years since Commissioner Špidla and I challenged the European business community to step up its commitment to CSR. I think the results have been rather encouraging. I was impressed by the initial results of the CSR Alliance laboratories in December. There certainly is room for improvement but clearly CSR is today considerably more mainstream than it was 3 years ago.

I wish to thank the European Parliament, especially Richard Howitt and Philip Bushill-Matthews who are present today, for their excellent cooperation in giving CSR the political profile it deserves. Without your commitment it is clear that the European concept of CSR would not have advanced as far and as fast as it has.

There can be no doubt that there has been progress in the practice and application of CSR by European enterprises. But the current economic and financial crisis puts everything into a different perspective - far from signalling the end of CSR, this crisis is the moment for CSR to prove its worth once and for all.

Let me offer some reasons why the crisis we are currently experiencing demands an ever more serious and strategic commitment to CSR.

The main one is trust. According to the 2008 Edelman Trust Barometer, about 70% of Europeans trust business less now than they did last year. No doubt this is true for some kinds of enterprises and some sectors more than others. I suspect that trust in SMEs remains relatively high. Nevertheless, this trend is worrying for us all.

I have argued for some time that Europe can only flourish, and can only meet its objectives of sustainable development in all three pillars – competitiveness, environmental protection and social inclusion – if enterprises are trusted and actually trustworthy and valued for their contribution to society. This argument has never been more relevant than it is today.

The task of rebuilding trust in business has to start now. It has to be a priority for the business community. And it has to include a deeper understanding of the purpose of business in society. Sometimes, I have the feeling that people consider that the fall of the communist regimes in 1989 meant that liberal capitalism has won the battle of ideologies once and for ever. Thinking that the market economy system is ever to be accepted no matter how it is actually working and whether it is regulated or not is a serious mistake. Many who have been saying for years that markets are best when left completely alone have been recently proven wrong. We all have to learn some lessons from what has happened in the financial markets and create rules which effectively enable markets to operate in the interest of society.

Clearly, in a market economy, business has to make profit. However, a genuinely European view holds that to achieve this objective in a sustainable way, the economic activities must ultimately serve the interests of society. Enterprises do this through the wealth they generate, the jobs they provide, and the goods and services they offer, while taking care of the environment and local communities where they operate.

But the issue goes a step further – it is a question of ethical behaviour, of ethical standards. The financial turmoil has revealed to us an unexpected degree of selfishness and greed existing in our society. This must be changed. Not by legislation, as ethical behaviour cannot be decreed by law. Instead, we must put in place an environment where such behaviour is not tolerated but punished.

Businesses should start with the way to approach the management of the economic crisis. I strongly believe that the companies to lead us out of the recession will be those which consider CSR as part of their core business strategy. They will be the companies that have developed innovative forms of cooperation with stakeholders in order to bring new products to new markets – think for example of those responsible banks that break new ground in micro-finance for the poor and financially excluded.

They will be the companies that see commercial opportunity in helping to resolve societal problems – such as the car companies that can offer radically more efficient transport or IT companies that help reduce the need for travel altogether.

This corresponds very closely to the conclusions of our 2008 Competitiveness Report. In it we argue that the competitiveness advantages of CSR are increasingly linked to innovation and to the creation of new value in a sustainable way.

Ladies and Gentlemen,

Rebuilding trust, managing the human dimension, and seeing sustainability as an opportunity for new business are key to to overcome the economic crisis. But beyond that - if we are really to build a more sustainable system in the medium term, then we will also need a shift in values, including amongst enterprises and those who lead them. President Obama was right to talk of the need for “a new era of responsibility”.

I call also on relevant education institutions to grasp the seriousness of this challenge. This may even provide the basis of an idea for a new Alliance laboratory.

Future managers and entrepreneurs not only need new skills to manage their companies in the best way, they also need teaching institutions that reflect the new set of values I am calling for. In this context we will launch a campaign on responsible entrepreneurship for young people, together with Junior Achievement Young Enterprise.

Before concluding, I want to pick up on some of the ideas put forward by different stakeholders in the context of today's meeting.

As you know, I believe that CSR should remain a voluntary concept, and I will not make any proposals that would risk undermining that principle. But this certainly does not exclude a role for the Commission in facilitating joint work between stakeholders in the field of CSR, whenever it can add value. And let me be clear – defining CSR as a voluntary concept does not mean that its boundaries are fixed once and for all – regulation and CSR while being mutually exclusive are dynamic and evolving. CSR in twenty years will certainly encompass some other commitments than it does today.

One issue that stands out for particular consideration in the context of the current crisis is that of transparency and the communication of non-financial performance by companies. The work of the Alliance laboratory on this topic has been timely and impressive. Investors who are able to value the role of CSR in the future prosperity and sustainability of a company can be hugely influential in creating the new economy to which we aspire. If companies expect a premium and reward from the market and from other stakeholders for their CSR performance, then they may wish to communicate their achievements in a transparent and credible manner. It is in their interest and I very much encourage the companies concerned to approach this issue very seriously. I also understand that quite a number feel the need to have a framework in which this can be done and I invite companies, investors and other stakeholders to work together on this issue.

CSR is important in the EU, but it also matters abroad. My services will examine how we and other stakeholders can further project the European point of view on CSR in our relations with third countries and in relevant international fora. We have already made first important steps to establish a dialogue with China. Next week, we will be addressing CSR in our annual industrial policy dialogue with Japan.

The international dimension of CSR does not stop with the engagement of third countries. Our citizens expect European companies operating abroad to represent their values and their identity as Europeans, starting with respect for human rights and for the laws of the countries in which they operate. This is what the European Alliance on CSR has itself committed to.

As I have learnt over the last year through fruitful contacts with the NGO community and others, this is not a trivial issue. It is not a purely CSR or enterprise issue either. I will therefore encourage my fellow Commissioners responsible for the different aspects of this matter to further deepen our knowledge about the nature and scope of the existing EU legal framework applicable to European companies operating in third countries, for example through an analytical report with multi-stakeholder involvement. It is in our interest and in the interest of obtaining a level-playing field for our businesses to remind each and everybody that human rights are universal and should be globally respected.

Finally, CSR should never be only associated with the most economically advanced countries in the EU or attributed only to large companies. It is important to spread the message all around the EU. We will try to contribute to this by launching in the coming weeks a new funding programme that supports multi stakeholder platforms for the development of CSR at national level. Our aim is to focus on countries where CSR is currently less well developed. We hope that such platforms will, amongst other things, play a strong role in further supporting the uptake of CSR amongst SMEs.

Ladies and gentlemen, this is my second and last meeting of the CSR Forum during my term in office. I am deeply convinced that these meetings have proved their worth and I will propose to my successor to continue to re-convene the forum at regular intervals.

In particular, as the economy swings back to recovery, and I sincerely hope it will, we will have an opportunity to assess the extent to which all stakeholders have risen to the challenges of today's crisis. We will by then know how successful we are in forging a new culture of responsible business. And we will be able to see to what extent the responsible practices of all stakeholders have contributed to limit the damage of this crisis and to provide new opportunities for sustainable growth and job creation.

I thank you all for your commitment to this process. And I call on you all to re-double your efforts to make the EU a global pole of excellence on CSR.

Secretary-General calls on leaders to attend Millennium Development Goals summit next September

"We must not fail the billions who look to the international community to fulfill the promise of the Millennium Declaration for a better world. Let us meet in September to keep the promise."

With only five years left until the 2015 deadline to achieve the Millennium Development Goals, UN Secretary-General Ban Ki-moon has called on world leaders to attend a summit in New York on 20-22 September 2010 to boost progress towards the MDGs.

Read the Secretary-General's report, "Keeping the Promise", which serves as the basis for Member States' deliberations on an action-oriented outcome document for the Summit. It identifies successes and gaps, and lays out an agenda for 2010-2015. "Our world possesses the knowledge and resources to achieve the MDGs," Mr. Ban says in the report. Falling short of the Goals "would be an unacceptable failure, moral and practical."

[Read more](#)

[Press materials](#)

What's Going On?

General Assembly Informal Sessions on the MDGs



To prepare delegations for the negotiations on the MDG Summit outcome document scheduled to begin in mid-April, the General Assembly is holding five informal interactive sessions providing participants with the latest information and best practices on the MDGs and related challenges as presented by the UN system, governments, academia, civil society, and the private sector. Read the statements and presentations made by senior UN officials at the first session, on [8 March](#).

Preparations for the September Summit kick off



On 4 March, the UN General Assembly President kicked off Government consultations in preparation for the September Summit on the Millennium Development Goals. "The task before us is to reach consensus on the ways and means that will allow all of us to achieve the MDGs by 2015," [President Ali Treki said](#). "The poor cannot wait. We must not use the economic crisis, the food crisis or other setbacks as an excuse for failing to live up to our commitments," Deputy Secretary-General [Asha-Rose Migiro](#) told the meeting.

What I Saw in Haiti



"... Haiti's plight is a reminder of our wider responsibilities. A decade ago, the international community began a new century by agreeing to act to eliminate extreme poverty by 2015. Great strides have been made toward some of these ambitious "millennium goals," variously targeting core sources of global poverty and obstacles to development -- from maternal health and education to managing infectious disease. Yet progress in other critical areas lags badly. We are very far from delivering on our promises of a better future for the world's poor."

MDG Gap Task Force Report 2009:

**MDG Gap Task Force
Report 2009**

Although development assistance rose to record levels in 2008, donors are falling short by \$35 billion per year on the 2005 pledge on annual aid flows made by the Group of Eight in Gleneagles, and by \$20 billion a year on aid to Africa, according to the 2009 Report of the MDG Gap Task Force. The Task Force brings together more than

20 UN agencies, the IMF, World Bank, WTO and OECD to track progress on the development partnership called for in the eighth Millennium Development Goal. | [Press Release](#) | [Fact Sheet](#)

The Millennium Development Goals Report 2009:

The Millennium Development Goals Report

More than halfway to the 2015 deadline to achieve the Millennium Development Goals (MDGs), major advances in the fight against poverty and hunger have begun to slow or even reverse as a result of the global economic and food crises, a progress report by the United Nations has found. The assessment, launched by UN Secretary-General Ban Ki-moon in Geneva, warns that, despite many successes, overall progress has been too slow for most of the targets to be met by 2015.

European Commission


European Commission Enterprise and Industry Policies ... Corporate social responsibility
CSR and SMEs

Corporate Social Responsibility and Small & Medium Enterprises (SMEs)

Small and medium-sized enterprises (SMEs) are the predominant form of enterprise in the European Union. If Europe and its enterprises are to reap the full benefits of Corporate Social Responsibility (CSR), it is vital to make sure that SMEs are fully engaged and that what they do is fully recognised. This is a particular challenge because CSR as a term and as a definable business concept has been created mainly by and for larger companies. The support and encouragement of CSR amongst small businesses is one of the priority areas of the European Commission's policy on CSR.

Small businesses are typically not less responsible than large enterprises. They may not know and use the term "CSR", but their close relations with employees, the local community and business partners often mean they have a naturally responsible approach to business.

Pioneering role of the European Commission

The Commission has played a leading role in thought and action on CSR as it relates to small business. It has co-financed a [number of projects](#)  [105 KB] in this field and has worked with a group of European experts to capture lessons on how best to support and encourage more SMEs to engage in CSR.

The expert group report, published in 2007, is available here:


- [Full report](#)  [684 KB]
- [Summary of the key messages of the report](#)  [101 KB] 

Newsletter on CSR and SMEs

Subscribe to the [European Responsible Entrepreneurship Bulletin](#), a bi-monthly electronic newsletter on CSR and small businesses, by sending an email with "subscribe" in the subject line to entr-csr@ec.europa.eu

Other resources :

[Questionnaire to raise SME awareness of CSR](#)  [162 KB] 

[CSR in small businesses: good practice examples](#)  [2 MB] 

[Report from SME Round-table of the Multi-stakeholder Forum on CSR](#)  [132 KB]



Results of the European funding programme “Mainstreaming CSR among SMEs”

From 2006-8 the European Commission co-financed 14 successful projects that in different ways supported the uptake of corporate social responsibility (CSR) amongst small and medium-sized enterprises. Besides the immediate impact on the 3000 or so SMEs that participated directly, these projects have significantly increased the capacity and motivation of many organisations across the EU to work with small businesses on CSR issues.

Key numbers at a glance:

- 14 successful projects
- 75 organisations as formal project partners
- 450 other organisations involved
- 300 seminars and other events organised
- 3000 SMEs directly assisted
- 11 surveys and country analyses
- 2 curricula on CSR for further education
- 3 training modules for business advisors
- 5 CSR guides for SMEs, in 12 languages
- 370 case studies of CSR in SMEs
- €3 million total EU budget

“SMEs are the beating heart of Europe, both economically and socially... Although the terminology of CSR may be new to many SMEs, the concept of behaving responsibly and contributing to society is not. But more can and should be done.”

*Gunter Verheugen,
Vice-President of the European Commission,
Address to the closing conference of the
project run by the European Association of
Craft, Small and Medium-sized Enterprises
(UEAPME), July 2008.*

Highlights

✓ TRAINING BUSINESS ADVISORS

Mainstream business advisors have huge potential to support CSR in small business – provided they have the necessary knowledge and skills. [EUROCHAMBRES](#) trained 50 advisors from Chambers of Commerce across the EU, who then tested their learning by advising at least 4 SMEs each. The [Institute of Business Consulting \(UK\)](#) and the [Maribor Chamber of Commerce \(Slovenia\)](#) also developed and tested training modules on CSR for SME advisors.

For **more information** about any of these projects, see the links in this document, or send an email to entr-csr@ec.europa.eu

✓ SMEs IN THE SUPPLY CHAIN

Large company buyers can also help support CSR amongst their SME suppliers, but this needs to be done in an intelligent and sensitive

way. The [Danish Commerce and Companies Agency](#) facilitated buyer-supplier partnerships for sustainable competitiveness between Hewlett-Packard and 15 of its SME suppliers in Poland, Hungary and the Czech Republic. A key outcome was a set of guidelines for multinational companies showing how best to manage CSR supply chain requirements in a way that maximises the benefits for buyers and SME suppliers alike.

✓ CSR AND INNOVATION IN SMEs

Can CSR be a route to innovation for SMEs? The [University of Girona \(Spain\)](#) studied the experience of 60 innovative SMEs in Scotland, Spain and Italy, and concluded that CSR can indeed be a route to innovation and value creation. The project partners developed a CSR-Innovation model that allows SMEs to implement CSR practices as value adding activities, as well as a series of case studies, teaching materials and academic papers.



✓ CSR AND COMPETITIVENESS IN SMES

Based on 35 in depth case studies, the [Austrian Institute for SME Research](#) and partners from Finland, Germany, Norway, Poland, Romania, and Spain have published comprehensive reports on the links between CSR and competitiveness in SMEs. The project partners also published a shorter version of their findings specifically for SMEs themselves.

“

Better company image, higher customer loyalty and an improved employer-employee relationship seem to be the most important intermediate effects of CSR contributing to an increased competitiveness.

Austrian Institute for SME Research

✓ CSR IN INDUSTRIAL CLUSTERS

Industrial clusters, combining geographical proximity and a common sector focus, should provide good conditions for supporting the uptake of CSR in small business. This assumption has been tested by the [Scuola Superiore Sant' Anna](#) in a project that worked with clothing, tanning and paper clusters in northern Italy. Key outputs include agreed CSR policies and sustainability reports for each of the 3 clusters involved.

✓ INTEGRATING CSR IN EDUCATION

For CSR to become mainstream business practice, it needs to be integrated into relevant educational courses. Two projects, [GILDE](#) (a German economic development agency) and [UEAPME](#) (the European Association of Craft, Small and Medium-sized Enterprises), developed and tested teaching modules on CSR for further education.

✓ INSPIRATIONAL EXAMPLES

The single most important influence on SMEs comes from their peers, other similar SMEs. Many projects published descriptions of good CSR practices in small businesses, including [UPJ](#) and [GILDE](#) in Germany, the [Institute of Business Consulting](#) in the UK, the [Irish Exporters Association](#), and the [Latvian Chamber of Commerce](#).

“

We took a slightly new approach towards good practice examples, providing practical easy to copy single activities, which have already been implemented by SMEs, instead of describing the full range of CSR-related activities of a single business, which is generally difficult to reproduce.

UPJ, Germany

✓ BETTER BASELINE DATA

Policy-makers and organisations seeking to support CSR amongst SMEs need good baseline about CSR in SMEs in different European countries. Some projects carried out new surveys in countries where information has previously been lacking, for example Latvia, Lithuania and Estonia ([Latvian Chamber of Commerce](#) project), and in Greece by the [Hellenic Network for CSR](#). The project coordinated by the [Euro-Info Centre Viborg](#) (Denmark) analysed the status of CSR in SMEs in six European regions in Denmark, UK, Ireland, Hungary, Lithuania and Poland.

“

CSR is perceived as a strong tool to resolve the problem number 1 of Baltic enterprises: the attraction and retention of qualified workforce.

PWP Partners, Estonia

✓ HOW-TO MANUALS FOR SMES

A number of projects reported the need to move from simple awareness-raising to practical advice for SMEs on how to improve their CSR performance. Some project beneficiaries developed new CSR guides for small businesses, such as the [Hellenic Network for CSR](#), [UEAPME](#) (in 7 countries including Lithuania, Portugal, Bulgaria and Romania), the [Irish Exporters Association](#), and [UPJ](#) in Germany.



Project websites

CSR and competitiveness – European SMEs good practice

KMU Forschung Austria (Austrian Research Institute for SME research)

<http://www.csr-in-smes.eu/index.php?tab=1>

CSR in Estonia, Latvia and Lithuania: measurement, dissemination, awareness

Latvian Chamber of Commerce and Industry

www.formanagement.eu (Note: website currently unavailable – for information contact entr-csr@ec.europa.eu)

CEASAR: CSR relays in Chambers of Commerce

EUROCHAMBRES

eurochambres.eu/activities/CAESAR.htm

CO-OPERATE – Companies OPERating in a Responsible Area and with Transparent Ethics

Scuola Superiore Sant’Anna, Italy

www.cooperateproject.sssup.it/index.htm

Mainstreaming CSR among SMEs

Institute of Business Consulting, UK

www.buildingbusinessresponsibly.org.uk/

Small suppliers in global supply chains – Partnerships for sustainable competitiveness

Danish Companies and Commerce Agency

www.eogs.dk/graphics/publikationer/CSR/Small%20Suppliers%20in%20Global%20Supply%20Chains.pdf

Supporting enterprises in their CSR orientation through business development and qualification

GILDE, Germany

<http://www.csr-mittelstand.de/welcome>

Responsible and sustainable innovation for European SMEs: RESPONSE

University of Girona

www3.udg.edu/cid/response/#

Responsible business management in German SMEs – Raising awareness, technical training and practical support of SMEs in respect of CSR

Bundesinitiative “Unternehmen : Partner der Jugend” (UPJ), Germany

www.verantwortliche-unternehmensfuehrung.de/index/110560.0

Integration of social responsibility principles and practices in SMEs

Hellenic network for CSR

www.csrhellas.org/csr_last2/portal/en.php

Corporate Social Responsibility – Communicating to SMEs

The Irish Exporters Organisation

<http://www.csr4u.org/>

Responsible Entrepreneurship in SMEs

European Association of Craft, Small and Medium-sized Enterprises (UEAPME)

www.csr-for-smes.eu/



For a full description of each project, with details of funding, objectives and activities, see:
http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm

Direct links to key outputs by category

1. Case studies and descriptions of CSR good practice in SMEs

➤ **UPJ, Germany**

www.verantwortliche-unternehmensfuehrung.de/index/110185

➤ **Institute of Business Consulting, UK**

www.buildingbusinessresponsibly.org.uk/case.htm

➤ **GILDE, Germany**

Best practices Germany: www.csr-mittelstand.de/best_practices

Best practices International: www.csr-mittelstand.de/best_practices_international

➤ **The Irish Exporters Association**

www.csr4u.org/sh1102y.html

➤ **Hellenic network**

http://www.csrhellas.org/csr_last2/portal/images/stories/files/KATALOGOS_KALON_PRAKTIKON_MME.pdf
(in Greek)

2. Surveys and base-line data on CSR in SMEs

➤ **Austrian Institute for SME Research (includes good practice descriptions)**

European report: www.kmuforschung.ac.at/de/Projekte/CSR/European%20Report.pdf

Austria: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Austria.pdf

Finland: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Finland.pdf

Germany: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Germany.pdf

Norway: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Norway.pdf

Poland: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Poland.pdf

Romania: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Romania.pdf

Spain: www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Spain.pdf

➤ **Latvian Chamber of Commerce**

Latvia: currently unavailable online – contact entr-csr@ec.europa.eu for a copy

Lithuania: currently unavailable online – contact entr-csr@ec.europa.eu for a copy

Estonia: www.csr.ee/orb.aw/class=file/action=preview/id=4117/CSR+in+Estonian+SMEs+Quant_Research_Report.pdf

➤ **Hellenic Network for CSR**

Greece: www.csrhellas.org/csr_last2/portal/en/misc/108oz_20071101108.php3b

➤ **GILDE**

France, Poland and Germany: <http://www.csr-mittelstand.de/mittelstandsbefragung>



3. Training material on CSR for advisors of business advisors

➤ **IBA Development Services**

www.buildingbusinessresponsibly.org.uk/Adviser_Training.htm

4. CSR guides and manuals for SMEs

➤ **Irish Exporters Association**

www.csr4u.org/downloads/1202901665/Final_version

➤ **European Association of Craft, Small and Medium-sized Enterprises (UEAPME)**

Belgium (NL): http://csr.schnittsteller.de/uploads/media/EEN_MAATSCHAPPELIJK.pdf

Germany: http://csr.schnittsteller.de/uploads/media/Guide_CSR_Germany_01.pdf

Portugal: http://csr.schnittsteller.de/uploads/media/Guia_RSE_Portugal_02.pdf

Romania: http://csr.schnittsteller.de/uploads/media/CSR-Guide_Romania.pdf

Lithuania: http://csr.schnittsteller.de/uploads/media/CSR_Manual_LT_edition.pdf

Bulgaria: <http://csr.schnittsteller.de/uploads/media/pomagalo-2.pdf>

➤ **UPJ, Germany**

www.verantwortliche-unternehmensfuehrung.de/index/110230

➤ **Hellenic Network on CSR**

On-line self assessment (Greek):

http://www.csrhellas.org/csr_last2/portal/gr/deltia/711oz_20080605711.php3

Guide (Greek): www.csrhellas.org/csr_last2/portal/images/stories/files/CSR_SME_BROCHURE_gr.pdf

Guide (English): www.csrhellas.org/csr_last2/portal/images/stories/files/CSR_SME_BROCHURE_eng.pdf

➤ **Austrian Institute for SME Research**

English: www.csr-in-smes.eu/downloads/brochure_english.pdf

Finnish: www.csr-in-smes.eu/downloads/brochure_finnish.pdf

German (Austria): www.csr-in-smes.eu/downloads/brochure_austrian.pdf

German (Germany): www.csr-in-smes.eu/downloads/brochure_german.pdf

Norwegian: www.csr-in-smes.eu/downloads/brochure_norwegian.pdf

Polish: www.csr-in-smes.eu/downloads/brochure_poland.pdf

Romanian: www.csr-in-smes.eu/downloads/brochure_romanian.pdf

Spanish : www.csr-in-smes.eu/downloads/brochure_spanish.pdf

5. CSR in supply chain

➤ **Danish Companies and Commerce Agency**

www.eogs.dk/graphics/publikationer/CSR/Small%20Suppliers%20in%20Global%20Supply%20Chains.pdf

6. Promoting CSR amongst SMEs in industrial clusters

➤ **Scuola Superiore Sant' Anna**

www.cooperateproject.sssup.it/Report%20altre%20esperienze%20sulla%20RSI.pdf



7. CSR and innovation in SMEs

- **University of Girona**
www3.udg.edu/cid/response/#

8. Teaching material and education curricula on CSR

- **GILDE, Germany (3 teaching case studies)**
http://www.csr-mittelstand.de/projektangebote_hochschulen_und_weiterbildungseinrichtungen
- **European Association of Craft, Small and Medium-sized Enterprises (UEAPME)**
<http://www.csr-for-smes.eu>
- **University of Girona (case studies and other material)**
<http://www3.udg.edu/cid/response/#>



Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



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Disclaimer

This report is the work of the European Expert Group on Corporate Social Responsibility and Small and Medium-sized Enterprises. The contents of the report do not necessarily reflect the views of the European Commission.

Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



Foreword

By Vice-President Verheugen

The European Commission has placed growth and jobs at the centre of Europe's political agenda. Only if we rise to the challenges created by a more globalised and competitive economy, and only if we can generate more and better jobs for Europe's citizens, will Europe be in a position to achieve its goal of sustainable development. Economic growth and job creation are necessary conditions for us to be able to defend those values that are so important to us as Europeans, such as social cohesion, environmental protection and a better quality of life for all.

The business sector plays a decisive role in the fulfilment of the objectives of the growth and jobs strategy. The new employment opportunities, and the innovative products and services competitive on global markets that Europe needs, cannot be developed by policy but are created by business. But beyond that, the way in which businesses operate is an important factor in the kind of growth and jobs that are created. That is why the Commission sees corporate social responsibility (CSR) as an important element of the Strategy for Growth and Jobs.

Through their employment diversity policies, for example, enterprises can recruit more people from traditionally marginalised groups and so help to create more integrated labour markets. By investing in cleaner production processes and environmental management systems, enterprises can improve their own efficiency and minimise negative environmental effects. CSR is increasingly a source of innovation, as a focus on societal problems and interaction with external stakeholders lead companies to develop new products, services and business models.

In encouraging the uptake of CSR as part of the Growth and Jobs Strategy, the Commission is determined not to saddle enterprises with new obligations and administrative burdens. We have raised the profile of CSR and we are raising our expectations of what the business community can deliver in this field, but we are firmly committed to respecting the voluntary nature of CSR. Perhaps above all, we want CSR to be recognised as an opportunity: an opportunity for enterprises themselves, for their stakeholders and for society at large.

Small and medium-sized enterprises are a fundamental part of the growth and jobs equation. The figures are well known, but are nevertheless worth repeating: there are some 23 million SMEs in the European Union, providing around 75 million jobs and accounting for 99% of all enterprises. They contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture. They are a major source of entrepreneurial skills and innovation, and they contribute to economic and social cohesion.

Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do

Put simply, we cannot achieve the goals of the growth and jobs strategy without SMEs. That is why the European Commission has placed a new emphasis on its policy towards SMEs, with actions in areas such as the promotion of entrepreneurship and skills, improving SMEs' access to markets, cutting red tape and improving SMEs' growth potential.

SMEs have always been very close to what we call today "CSR". Through their typically local anchoring, they are well placed to make a strong contribution to socio-economic development at a local level and act as responsible members of a community. As this report rightly points out, policy-makers and others would do well to give more recognition to what many SMEs already do in this regard.

But it is possible to help and encourage SMEs to go further down the road of CSR. This report draws attention to ways in which that can best be done. It has the virtue of addressing this question from the viewpoint of SMEs themselves and it rightly stresses the need to make CSR relevant and practical.

The work of the European Expert Group on CSR and SMEs is another milestone in the evolution of European policy on corporate social responsibility. If we are serious about our ambition to make Europe a pole of excellence in CSR, then we must pay more attention to the efforts and potential of SMEs in this field. I invite all readers of this report to get inspired and to join in with actions dedicated to the benefit of all of us.

Günter Verheugen

Vice-President of the European Commission



Introduction

What is the aim of this report?

The report aims to increase the quality and quantity of initiatives taken to support the uptake of CSR amongst SMEs. It captures the state-of-the-art in Europe at the present time and should provide ideas and inspiration for new and better initiatives. It is a contribution to the debate on CSR in Europe and it should help to advance understanding and recognition of the particular role of SMEs in the development of CSR.

To whom is the report addressed?

This report is addressed in the first place to persons and organisations that work with and for SMEs: business support organisations, SME or sector representative organisations, trade unions, networks and non-governmental organisations. It is also addressed to policy-makers that deal with SME policy issues, CSR or other policies such as competitiveness, social inclusion, regional development, research and education. Last but by no means least, it should also be of interest to persons and organisations that are specialised in the area of CSR.

A note on definition and terminology

This report uses the European Commission's working definition of Corporate Social Responsibility as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

Corporate Social Responsibility (CSR) is a term that was created primarily by and for larger companies. It is used in this report with caution, since it is not necessarily a term that is well adapted to the world of SMEs. Alternatives were considered, including "responsible entrepreneurship", but for the purposes of this report it was decided to keep the term CSR because it is widely used and recognised.

What is the background to the report?

This report is the work of the European Expert Group on CSR and SMEs, established by the European Commission in September 2005. The group comprised experts appointed by EU Member States, from a variety of backgrounds: SME and employers' organisations, non-governmental organisations, CSR networks, academics and civil servants. The group was assisted by a number of observers and by additional persons with expertise in particular areas. A full list of all persons involved can be found at the end of the report.

The Expert Group on CSR and SMEs built on a number of previous European initiatives, especially:

- The "SME Round-table" report of the European Multistakeholder Forum on CSR, published in July 2004:
http://ec.europa.eu/enterprise/csr/documents/smes_rt_final_report.pdf
- The collection of CSR good practices in SMEs, published by the European Commission in 2003 :
http://ec.europa.eu/enterprise/entrepreneurship/support_measures/responsible_entrepreneurship/index.htm
- An awareness-raising campaign run by EUROCHAMBRES and UEAPME (European Association of Craft, Small and Medium-sized Enterprises) in 2004-5:
<http://ec.europa.eu/enterprise/csr/campaign/index.htm>

The European Commission is currently co-financing 16 projects in different EU Member States, using a variety of different approaches to increase the uptake of CSR amongst SMEs. Detailed descriptions of these projects can be found here: http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm

How to help SMEs with CSR: some case studies

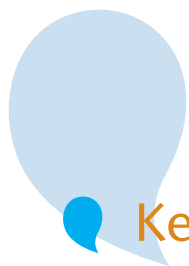
In conjunction with this report, an illustrative collection of good practices is also being published, describing the critical success factors of different initiatives taken to encourage and support CSR amongst SMEs.

What will I find in the report?

The report starts with a **summary of the key messages**.

There are then 6 chapters addressing the following questions:

- 1. Awareness-raising and communicating with SMEs about CSR:** what techniques work best when communicating with SMEs about CSR, and what should be avoided?
- 2. Capacity-building for SME intermediaries and business support organisations:** what competences do business support organisations need to advise SMEs on CSR, and how can they be acquired?
- 3. CSR tools for SMEs:** what kinds of toolkits, guides, certification systems, and reporting/communication techniques are most appropriate for SMEs?
- 4. CSR in the supply chain:** what is the influence of the CSR requirements that larger companies make on their suppliers, and how should the ideal buyer behave?
- 5. The business case of CSR for SMEs:** what advantages can CSR bring for SMEs, and how important are such advantages as a motivation for SMES to engage in CSR?
- 6. CSR, SMEs and regional competitiveness:** can CSR be part of a regional development strategy and contribute to socio-economic development at a regional level?



Key messages

1. CSR is not a new concept for SMEs. A large proportion of SMEs have always done things that could today be called “corporate social responsibility”, even if they do not know or use the term themselves. What is new is the growing attention given to CSR by policy-makers, consumers, trade unions and non-governmental organisations. These actors should all give more recognition to what SMEs already do in this field. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR.

2. CSR can bring advantages to SMEs... CSR is not a short-cut to business success, but an investment that can pay off in the longer term. It can bring advantages, for example in terms of staff retention and recruitment, staff development and motivation, customer loyalty and reduced expenditure on energy. In the knowledge economy it can increasingly be a source of innovation and it can facilitate access to and sharing of information. By managing CSR in a more strategic and conscious manner, enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as part of the modern model of business excellence.

3. ...but personal and ethical values are important too. The personal and ethical values of SME owners, managers and employees are a strong motivation for an enterprise to pay more attention to social and environmental issues. Support for CSR in SMEs should seek to build on and respond to these value-based motivations, not to replace or ignore them.

4. CSR is an opportunity to resolve real problems. CSR needs to be kept practical and results-oriented, providing solutions to real problems faced for example by an enterprise, a locality or a sector. All stakeholders should be encouraged to see the opportunities that can arise from engaging SMEs on social and environmental issues. Policy-makers and others actors should not treat CSR in isolation, but rather link support for the uptake of CSR more explicitly with policies such as fighting social exclusion, promoting entrepreneurial mindsets or reducing CO2 emissions.

5. It makes sense to work with SMEs at regional and local level... SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local and regional in nature. It is at the local and regional level that the positive impact of having a greater uptake of CSR can best be felt, whether it be in economic, social or environmental terms.

6. ...and through industrial clusters and sectors. SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and result in improvements that an individual SME acting alone cannot achieve.

- 7. Partnerships between stakeholders are crucial.** Most successful examples of supporting CSR amongst SMEs, especially those focused on relations with stakeholders outside the enterprise, involve a combination of different actors, each bringing their own networks and expertise. The importance of a social dialogue approach involving employers and workers' representatives is particularly relevant to the encouragement of CSR in any given industrial sector. Cooperation across different industrial sectors is often important for addressing local and regional issues. Non-governmental and non-profit organisations should be encouraged to further step up their cooperation on CSR with SMEs and their representative bodies.
- 8. Organisations that work with SMEs have a central role to play.** Existing business support organisations and SME intermediaries need to be encouraged and helped to better integrate CSR into the advice and support that they give to SMEs. Such organisations are key channels of communication with SMEs and are qualified to communicate about CSR in a way that is relevant and understandable to them.
- 9. Language and terminology must be appropriate.** The term "corporate social responsibility" is confusing and off-putting to most SMEs. While the term remains useful in policy-making circles, in most languages alternative terms need to be found for the purposes of communicating with SMEs. In some languages the term "responsible entrepreneurship" is a viable alternative.
- 10. We need to better integrate CSR into education.** To convince future managers, entrepreneurs and workers that CSR is an investment in society that pays off in the long term, the social and environmental role and responsibilities of enterprises need to be better integrated into all levels of education. Particular attention should be given to the integration of CSR into education for entrepreneurship and into relevant training for SME managers and staff.
- 11. Not all SMEs are the same...** The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage the uptake of CSR. Adapting the message and the nature of support to the different kinds of SME will be key to success. Amongst other things, tailor-made approaches are needed for small and micro-enterprises in comparison to medium-sized enterprises.
- 12. ...and CSR looks different in different EU countries.** CSR is culturally specific: it varies according to political traditions, the nature of social dialogue, and the degree to which certain social and environmental issues are regulated by law. It is useful to have a common understanding at EU level about the definition and importance of CSR, but ultimately the practice of CSR has to be adapted to the particular circumstances of different nations and regions.
- 13. There needs to be a greater demand for CSR.** An appropriate enabling environment should exist to reward SMEs for more socially and environmentally responsible behaviour. Amongst other things, this means addressing the role of consumers, of public procurement and of large company buyers in the supply-chain. In all cases, the capacities of SMEs need to be considered and care is required to avoid unintentionally discriminating against them.

14. Governments must act responsibly too. One cannot call for a greater uptake of CSR amongst SMEs without also drawing attention to government responsibility in terms of creating the right framework conditions to allow enterprises to grow and to create more and better jobs.


15. We need more academic research on CSR and SMEs. The recent growth of academic interest in CSR and SMEs is to be welcomed. Further research should be encouraged on action-oriented questions such as: the success or otherwise of different policies and techniques to increase the uptake of CSR amongst SMEs; the economic, social and environmental impact of CSR at regional and local level; the usage and utility of CSR tools for SMEs; and a typology of SMEs with regard to their engagement in CSR.

16. The challenge is big and the rewards are great. There are some 24 million SMEs in the European Union. The ultimate aim must be to positively affect the behaviour of a significant proportion of those enterprises. The guiding principle should be to foster small but significant steps by a very large number of enterprises, rather than striving for formal and sophisticated CSR policies amongst a small elite. This will contribute to the positive evolution of European business culture in a way that will enhance Europe's competitiveness and its ability to deliver sustainable development and a better quality life of for its citizens.




Chapter 1: Awareness-raising and communicating with SMEs about CSR

What is at stake?

 Raising the awareness of small and medium-sized enterprises on any issue can be difficult. Their sheer number and diversity, combined with the fact that their owners and managers are often very busy and intensely focused on ensuring the short-term survival of the enterprise, make SMEs a “hard-to-reach” group. On top of this, raising the awareness of SMEs about corporate social responsibility comes with the additional challenge that many SMEs may not see social and environmental issues as immediately relevant to their business.

Key questions addressed in this chapter are: By what means can one reach SMEs in order to talk to them about CSR? What means and channels of communication work best? What terminology is most appropriate? And what aspects of CSR should be emphasised most?

What do we know?

 Awareness-raising needs to take place at all levels: European, national, regional and local. SMEs themselves can usually best be reached at a regional and local level, that is to say through awareness-raising, communication and advice coming from organisations that are as close to the end recipient as possible.

The European, national and regional levels are also important, however, in terms of drawing attention to the importance CSR amongst SMEs. Organisations that work closely with SMEs are more likely to integrate CSR in their work if there is some political consensus on the need to encourage a greater take-up of CSR amongst SMEs. By addressing this issue in public and in private, politicians at all levels can provide the necessary legitimacy and incentive for those organisations, often working at a more local level, that wish to promote CSR amongst SMEs. Public authorities will also often need to provide funding for relevant initiatives. The role of the European Union is important in this regard.

Developing a national consensus to promote CSR

Taking advantage of the small size of the country and the support of the government and the trade unions, measures are underway in Luxemburg to raise awareness on CSR, and to promote convergence and transparency of CSR practices and tools, with a special focus on SMEs.

Luxemburg's small size is an advantage in terms of awareness-raising, and enterprises can be more easily influenced and inspired by their peers.

Trusted SME intermediary organisations provide a vital means of communication with SMEs. Such intermediary organisations include: chambers of commerce; sector and trade associations; business clubs and SME associations at local, regional and national level; business advisors (private and publicly funded); business incubators; banks; accountants; and lawyers. To the extent that these intermediary organisations are or can be convinced of the benefits of supporting CSR amongst SMEs, they have the necessary legitimacy and contact networks to play a very positive role.

Large company buyers can also have a strong influence on their SME suppliers in terms of awareness about CSR. This particular issue is discussed in more detail in chapter 4, which addresses the promotion of CSR through the supply-chain.

Integrating messages and advice about CSR in the work of existing intermediary organisations is likely to prove more successful than creating new organisations just for the purpose of advising SMEs about CSR. Organisations that already exist to provide a service to SMEs are likely to have access to a significant number of companies, to be trusted by their clients and therefore be better able to influence their behaviour.

The ease or difficulty of reaching a large number of SMEs will depend on the national and cultural context. For example, in countries where a high proportion of enterprises are members of chambers, this provides at least one reasonably effective channel of communication with the national SME community as a whole. However, in countries with a lower level of membership of chambers or SME associations, there will be a greater proportion of "hard-to-reach" SMEs. In such contexts, networking and close cooperation between different kinds of existing intermediary organisations take on added significance.

Sector-based organisations and organisations with a strong local or regional focus both have distinct advantages in raising the awareness of SMEs about CSR. Sector-based organisations are well qualified to identify those aspects of CSR which are most important to their particular sector and are therefore able to make CSR relevant to their member companies. This is a major advantage considering that CSR covers a wide variety of issues and can, for that very reason, appear overwhelming or excessively complicated, especially for small businesses. Sector-based organisations may also see possible benefits in encouraging CSR amongst their members with the aim of enhancing the image and competitive situation of the sector as a whole.

Local or regional organisations, such as chambers of commerce or other business associations, should be able to make CSR relevant to particular local and regional issues. They can and often do encourage groups of companies to work together to address social or environmental issues affecting their particular geographical area.

Tailoring CSR to different sectors

respACT Austria has developed a guide to CSR for SMEs that is differentiated between 10 different sectors, making the content as relevant as possible to the needs of different SMEs. Similarly, the organisation MVO Nederland (CSR Netherlands) is advising several Dutch trade organisations on how to stimulate the uptake of CSR among their member companies. One of the first experiences is with Uneto-Vni, the Dutch association of installation contractors and technical retailers, which is also one of the largest employers' organisations in the Netherlands. CSR Netherlands assisted members of this trade organisation to establish their own CSR advisory committee.

Mainstream business advisors are an obvious channel for raising the awareness of small businesses. Many SMEs, however, will have little or no contact with business advisors as such, although they will have frequent and often close relations with banks, lawyers, and accountants. Ideally intermediaries such as these should be encouraged and if necessary trained to integrate relevant aspects of CSR into the advice that they give to SMEs.

Besides the influence of traditional intermediary organisations such as chambers of commerce or small business advisors, consideration should also be given to other, newer forms of networking between enterprises. Web-based communities and small enterprise blogs provide potential channels of communication with SMEs and entrepreneurs that have not been fully explored from the point of view of encouraging CSR.

Also, in some countries there has been a growth in new, more flexible business networking practices, which do not require formal, long term membership of a club or chamber. A good example of this is enterprise "speed-dating" events. If such models become more widespread, then some imaginative thinking will be required to see how messages regarding CSR can best be brought into such fora.

Education (primary, secondary and tertiary) inevitably has a strong effect on the social and environmental awareness of SME staff and managers, as it does on all citizens. The more that ethics, personal responsibility towards society, and awareness of social and environmental issues, are all imparted through the education system, the more one will probably find responsible business behaviour amongst enterprises. Many business schools now incorporate teaching on CSR into their curricula for MBA and other students. This welcome development will have proportionately more influence on large companies than on SMEs, since relatively few entrepreneurs or SME managers study for MBAs.

To reach more people who manage, own or work in SMEs, considerations about CSR need to be integrated into entrepreneurship education and into teaching about enterprises at all levels, including at school level. For this to happen, the “CSR movement” needs to engage more closely with relevant educational establishments and to have a better understanding of what kind of training and education establishments are used by staff and managers of SMEs before and during their professional lives. Business representative organisations should also be encouraged to raise education on CSR when discussing educational needs with public authorities.



What can be done?

For those organisations that decide to encourage CSR amongst SMEs, the following principles will probably increase the chances of success:¹

- Use appropriate language and terminology. It is important to consider whether the term “corporate social responsibility”, “CSR” or the equivalent in the local language is accessible and understandable to SMEs. Often it will not be, in which case alternatives should be sought.

What term should we use for “CSR” when talking to SMEs?

The British website smallbusinessjourney.com provides advice to SMEs on how to better integrate CSR into their work, but avoids using the term “CSR” or “corporate social responsibility” altogether. Instead it talks about how to “realise more value by behaving responsibly.” A paper commissioned by the Spanish government on CSR and SMEs suggests using the term “competividad responsable” or “responsible competitiveness”, as a way of describing how SMEs try to “square a pragmatic goal – to gain competitiveness – with an eminently social one.” The European Commission often uses the term “responsible entrepreneurship” when referring to CSR in SMEs.

- Use examples of what other SMEs have done. CSR often only begins to make sense when looking at the experience of an individual enterprise. An SME manager will probably be most influenced by examples from enterprises that are similar in some way to his or her own enterprise: similar size and maybe the same region or sector of operation. Many SMEs are, however, reluctant to seek publicity and it can be hard to find SMEs that are willing to share their experiences in an open manner. There is a need to encourage more SMEs to better publicise and communicate their actions in the field of CSR.
- Encourage SMEs to start with small steps. Because CSR covers such a potentially wide number of issues, it can appear overwhelming. There is no need, however, for a company to try to address all aspects of CSR from the beginning. For example, an initial focus just on simple measures to reduce costs and environmental impact or on involving the enterprise in local schools and education, could be good ways to start.

Starting with small steps

CSR does not have to be complicated and there are simple steps that almost any enterprise can take. To illustrate this, EUROCHAMBRES and UEAPME (the European Association of Craft, Small and Medium-sized Enterprises) produced a questionnaire as part of an awareness-raising campaign financed by the European Commission. Each of the 26 questions hints at a relatively easy and cheap action that an SME could take. The questionnaire is available in most European languages.

See:

http://ec.europa.eu/enterprise/csr/campaign/documentation/index_en.htm

- Try to integrate CSR into advice and training that is given on related subjects, for example health and safety, personnel management or environmental issues. Managers and other staff from SMEs are unlikely to have the time to participate in long discussions or training sessions focused exclusively on CSR.
- Be aware of potential business advantages and opportunity. It is important to be able to cite some possible business advantages of CSR, preferably with reference to real case studies. It may often help to consider CSR as one way to address a particular that the SME faces, for example staff retention and motivation.
- But don't just focus on the business advantages of CSR. It would be misleading to suggest that CSR can and will bring immediate financial benefits to every company. It is in any case important to be sensitive to the other motivations that owners and managers of SMEs may have for engaging in CSR, especially their own personal values. Where ethics or personal values are a significant motivating factor, which they often will be, dealing explicitly with CSR might help the company to identify new measures that it has not previously considered.
- Recognise what SMEs already do in the field of CSR. Although they probably do not use the term CSR or see it as a strategic business concept, the fact is that many SMEs already do many things that could be called CSR. By identifying things a company already does, you are more credible when suggesting other things that they could do.

Various techniques can be used to communicate with SMEs about CSR and to raise their awareness about the concept, including:

- Awards and prizes: giving public recognition to pioneering companies in the field of CSR, perhaps as one category in an award scheme that covers various aspects of business practice.
- Use of media: positive news coverage of CSR-related activities at local, regional or national level, and also specific articles on CSR in specialist publications for SMEs, especially trade magazines. Experience suggests, however, that most media have a strong preference for news about bad rather than good company behaviour. Greater dialogue with the media industry and training for journalists on CSR might bring positive results.

¹ This list draws on "Do's and Don'ts for helping smaller businesses to run their business for people, profit and planet", David Grayson.



See http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic4_grayson.pdf

Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do

- Printed publications: short and practical brochures or guides, either for SMEs generally or for particular kinds of SME (for example, for start-ups or for individual sectors). In spite of the availability of web-based documents, it is still often beneficial to have “something to touch.”
- Websites: either websites developed with the purpose of assisting SMEs on CSR (which could help those SMEs already convinced that CSR is worthwhile), or the integration of messages and advice about CSR into online sources of more general advice for SMEs (which has the potential to raise the awareness of a larger number of SMEs).
- Clubs and associations: by coming together in “responsible business clubs” or equivalent associations, like-minded SMEs convinced of the value of CSR can help and inspire each other, and also function as “peer advisors”, inspiring other companies to follow their example.

More information

-  Material from EUROCHAMBRES training session on how to advise SMEs about CSR (September 2006):
<http://www.eurochambres.eu/activities/CAESAR.htm>
-  “Do’s and Don’ts for helping smaller businesses to run their business for people, profit and planet”,
David Grayson
http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic4_grayson.pdf



Chapter 2: Capacity-building on CSR for SME intermediaries and business support organisations

What is at stake?

Experience from many EU countries suggests that organisations working with and for SMEs (so-called “SME intermediary organisations”, or “intermediaries”) can play an important role in mainstreaming CSR amongst SMEs. That being the case, there is need to know more about how intermediaries can develop the skills and competences necessary to fulfil this role. Amongst the key issues addressed in this chapter are:

- What experience do we have of capacity-building for SME intermediaries in the area of CSR, and what can we learn from those experiences?
- What skills and competences might an intermediary organisation and its personnel need in order to play a constructive role in mainstreaming amongst SMEs?
- How can the capacity of relevant intermediaries best be strengthened?
- How can CSR be integrated into relevant education or training for entrepreneurs and SME staff?

For the purposes of this report, the definition of intermediaries is as wide and as inclusive as possible, covering all persons and organisations that work with or for SMEs, such as: chambers of commerce; SME associations and federations; trade and sector associations; trade unions; support and advice centres for SMEs and start-ups; business advisors (public and private); relevant training and education institutions for SMEs; potentially also, banks, accountants and legal firms.

What do we know?

To date only a very limited number of initiatives have explicitly sought to build the capacity of mainstream SME intermediary organisations to promote CSR amongst small businesses. This therefore appears to be an issue that would justify considerably more attention from those with an interest in increasing the uptake of CSR amongst SMEs.

Amongst the **skills and competencies that staff of an intermediary organisation might need** in order to support CSR amongst SMEs are:

1. An **understanding of what CSR is** and what it looks like when practised by SMEs. This implies at least a basic knowledge of the main dimensions of CSR, such as employees, community relations, environment, market-place issues, and ethics. It would be useful to have a mental list of real-life examples illustrating different CSR issues.
2. Credibility in the eyes of SMEs, meaning above all an **ability to communicate about CSR** in a concrete, down-to-earth manner that makes sense to SMEs. This also means demonstrating an awareness of the obstacles SMEs may face when dealing with CSR. (Communicating with SMEs in an appropriate manner, awareness of the constraints under which they operate, and a minimum knowledge of business management and of issues relevant to different sectors, should in any case all be core competences of staff from intermediary organisations).
3. An awareness of the possible **business advantages of CSR** for SMEs, backed up with some real-life examples. This might also mean being aware of the risks that an SME may run by not considering certain CSR-related issues.
4. A sensitivity to the **different motivations** that SME managers and employees might have for engaging in CSR. Many will be as motivated by personal or ethical considerations (“doing the right thing”) as they will be by business or profit motivations.
5. A knowledge of some simple, **relatively inexpensive measures** that almost any SME could take in order to engage in CSR for the first time.
6. A knowledge of the **social and environmental legislation relevant** to an SME in the given national or regional context.
7. An ability to **identify and use appropriate opportunities** for raising CSR considerations in the course of giving advice to SMEs on other issues (e.g. cost savings, staff recruitment, winning new customers, health and safety, environmental management).
8. An ability to **direct SMEs to other sources of advice and support** available in the particular regional or national context.
9. An ability to **accompany an SME over time**, helping to identify priorities and to assess progress towards the achievement of goals. This may also imply an ability to guide SMEs in the use of relevant guides, management tools, certification systems etc, as well as being aware of the strengths and weakness of such guides and tools, and being able to adapt them as necessary.

10. An ability to **facilitate local and regional level networking** between enterprises and other stakeholders with a view to developing partnerships that address relevant economic, social or environmental issues.

This could be considered as a useful checklist of issues to be included in possible training modules on CSR for SME intermediaries.

Training staff from chambers of commerce

In September 2006 EUROCHAMBRES (the European Association of Chambers Commerce) ran an intensive two-day training course on CSR for staff from chambers in different European countries. The course included sessions on the business benefits of CSR for SMEs, communicating with SMEs about CSR, and top tips to help socially responsible entrepreneurs. Course participants are then expected to test out what they have learned by visiting and advising at least four SMEs each. Using that experience, EUROCHAMBRES will produce a manual of practical guidelines for chambers staff. See <http://www.eurochambres.be/activities/CAESAR.htm>

Factors likely to influence the success of capacity-building initiatives include:

The commitment of intermediary organisations themselves, especially of the board and management. Different kinds of intermediary might be motivated by different aspects of CSR, for example: a trade association might have an interest in improving the image of its particular sector; a chamber of commerce might have interest in exploring how CSR can better contribute to local social and economic development; an independent small business adviser might see CSR as an innovative aspect of modern business practice, on which he/she wants to be able to advise SME clients; and a bank might want to explore whether and how discussions about CSR with SME clients can strengthen bank-client relationships and reduce credit risk. Motivations may vary especially between “profit-driven” intermediaries (such as banks and private consultants), and non-profit intermediaries (such as chambers of commerce or government-funded advice centres).

Cooperation and communication between organisations. Capacity-building for SME intermediaries is likely to be most successful when it brings together the combined knowledge and interests of mainstream SME intermediaries with organisations more specifically dedicated to the promotion of CSR. This will also help to identify persons with the right mix of experience to provide appropriate training and advice. The involvement of professional training bodies is also likely to be beneficial. Cooperation between organisations can create economies of scale, reducing the costs of capacity-building. Because this area is still relatively new, there is much to be gained from communication and sharing of experience between different organisations.

🔊 Tailoring capacity-building to the needs of different intermediaries. The particular competencies needed will vary according to the kind of intermediary and the national or regional context in which it operates. In Member States where CSR is well known, it may be more important to start with awareness-raising for intermediaries, before moving on to capacity-building per se. In any case, messages concerning CSR need to be relevant to the specific cultural, social and economic characteristics of any given state or region.

🔊 Integrating CSR into relevant professional qualifications. The integration of CSR competences into relevant professional qualifications, for instance for business advisers, would be a significant advance. The group was only able to identify one (still incomplete) example of this, from the Institute of Business Advisers in the UK. Other examples may exist, however.

🔊 Support and cooperation from public authorities. Public authorities at all levels (EU, national, regional, local) can play an important role in articulating the need to encourage CSR amongst SMEs and thereby helping to shape the agenda of intermediary organisations. And some public funding will often be necessary to finance capacity-building in intermediary organisations. The EU may be able to play a significant role, both in regard to funding and in encouraging national authorities to address the issue of CSR in SMEs. The role of the EU is potentially most important in those Member States where the CSR agenda is less developed and where national authorities have to date shown less interest.

When addressing SMEs themselves, it is probably best to integrate CSR into other topics (such as health and safety or human resource management), rather than to deal with it as a separate topic on its own. This raises the question of whether capacity-building for intermediaries is also best integrated into other training courses, or alternatively, whether it should be dealt with as a stand-alone topic. It would certainly seem appropriate to try to integrate the question of CSR into existing capacity-building programmes for intermediaries on issues such as the environment and health and safety.

A CSR training manual for trainers

The Portuguese Vocational Training Centre for Trade (CECOA) has developed a manual with the objective of guiding professional training organisations in the development and delivery of training activities focused on CSR. CECOA works in particular with SME clients. The manual contains 6 modules: Introduction to CSR, Business Ethics, Workplace, Environment, Marketplace and Community. CECOA and its project partners have also sought to share this tool through national and European professional training networks, including REFERNET (European Network of Reference and Expertise).

The integration of CSR into education and training programmes for SMEs is an issue that requires further attention. It implies identifying those training and education establishments that are used by SME managers and other employees, and exploring in more detail the opportunities for integrating CSR considerations into such courses. There has been significant progress along these lines with regard to business education generally, but comparatively little work with regard to education and training specifically for SMEs and entrepreneurs.

What can be done?

- The exchange of experiences between organisations involved in capacity-building should be promoted. This could be done using the internet, and ideally should also include staff exchanges between EU countries. A particular effort should be made to involve persons and organisations from countries where the CSR agenda is less advanced. The European Commission may be able to play a role in this regard.
- The basic checklist of issues to be included in CSR training modules for SME intermediaries and the list of critical success factors should be further developed in the light of experience.
- Capacity-building initiatives should be carefully adapted to the cultural, social and economic environment, and to the interests and motivations of the SME intermediary concerned.
- Political and financial support from public authorities (including the European Commission) may be necessary if a significant number of capacity-building initiatives are to be undertaken.
- There should be more dialogue and cooperation with mainstream training institutions used by SMEs, in order to explore possibilities for the integration of CSR into the courses they offer.

More information

-  “Building the capacity of intermediary organisations: experience from Scotland”, presentation by John Leitch, Scottish Business in the Community:
http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic3_leitch.pdf
-  “Presentation of a Leonardo da Vinci project: CSR/SME - Promoting social responsibility in small and medium sized enterprises”, Cristina Dimas, Vocational Training Centre for Trade (CECOA), Portugal:
http://ec.europa.eu/enterprise/csr/ms_sme_topic3.htm
-  “Building the capacity of intermediary organisations: experience from the UK”, Sara Williams, Liverpool Chamber of Commerce, UK:
http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic3_williams.pdf
-  Some of the projects selected for co-financing by the European Commission under the “Mainstreaming CSR for SMEs” programme directly address the issue of capacity-building for intermediaries, notably those implemented by EUROCHAMBRES, Maribor Chamber of Commerce and Industry (Slovenia), EIC Viborg (Denmark), Scuola Sant’Anna (Italy), Institute of Business Advisers (UK), GILDE GmbH (Germany), Sustainability North West (UK), Hellenic Network for CSR (Greece), and the Irish Exporters Association. See http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm for more details of each project.



Chapter 3: CSR tools for SMEs

What is at stake?

SMEs that make a conscious decision to engage in CSR may have a need for formal tools to assist them. Such tools might consist of simple introductory guides, or more ambitious management systems. Some SMEs may also seek to formalise their commitment to CSR through certification, or may wish to report on, or communicate about, their CSR activity in some way. This chapter examines the importance and relevance of such tools in the case of SMEs, and identifies key factors in their success.

This analysis is not based on a complete survey of all European or other CSR tools. Rather it is based on lessons drawn a number of different tools that were examined by way of example. The term “CSR tool” is taken to cover the following: awareness-raising documents and simple introductory guides; self-assessment toolkits; management systems; certification schemes and standards; labels; codes of practice; and reporting systems.

What do we know?

Simple guides and awareness-raising tools

CSR in SMEs is usually informal and intuitive. As a result, contrary to what happens in large companies, CSR in SMEs rarely finds expression in terms of formal tools, management systems, certifications and reports.

The kind of CSR tool that has the potential to be used by the largest number of SMEs, therefore, is the relatively simple guide that also serves an awareness-raising function. This kind of guide is aimed primarily at SMEs that have not previously considered CSR to be a relevant and strategic business concept. Although the level and content of such guides will vary, this is not a management system as such, and would not usually require or result in any kind of certification. While often first and foremost a tool for awareness-raising, ideally such guides should also serve as a more long term point of reference for those companies that are keen to take conscious steps towards the greater integration of CSR in to their business.

Successful guides of this kind may have some or all of the following characteristics: short; SME-friendly language, without complex terminology; specific to a particular sector of business; specific to a particular size of enterprise (e.g. micro-enterprise, small enterprise, and medium-sized enterprise); drafted in full knowledge of the day-to-day reality of life and work in an SME; suggest relatively simple actions as first steps, encouraging an incremental approach; cite examples of SMEs that have successfully engaged in CSR; break CSR down into more concrete issues (e.g. energy use, diversity policy, community relations etc.) that can be addressed individually; suggest further source of help and advice. They may also include simple tests for self-assessment.


Not many SMEs use formal CSR tools

In France there are four quite well established CSR tools for SMEs: Performance Globale, Bilan Sociétale, the French version of the SME-Key, and SD21000, a sustainable development standard produced by the French Association for Standardisation (Association Française de Normalisation - AFNOR). It is estimated that a total of about 1000 SMEs use these tools, out of about 2.4 million SMEs in France. This is not to suggest that French SMEs are more or less responsible than SMEs in other countries. However it does illustrate the fact the vast majority of SMEs do not use formal and sophisticated CSR tools, even when they are available

The success of such guides will also depend crucially on what organisations are involved in their development, and on which and how many organisations are committed to disseminating it. The content and format needs to be strongly informed by persons and organisations that work closely with SMEs on a range of different issues, not just CSR. And mainstream SME representative organisations, as well as business advisors, are likely to be important channels for distribution and dissemination.

Only a small minority of SMEs will seek to use CSR tools that are more sophisticated than a relatively simple introductory guide. Therefore, if the aim is to influence the maximum number of SMEs, including those in the small and micro-enterprise categories, then the main focus should be on this kind of tool.

Management systems and certification

 Nevertheless, it is important that those SMEs that seek to formalise their commitment to CSR should have access to the necessary tools if they want them, such as management systems or certification schemes. Generally speaking, the kinds of SMEs most likely to be interested in these more ambitious tools are: larger SMEs (medium-sized enterprises as opposed to small and micro-enterprises); SMEs that already use quality management or other formal and verifiable management systems; growth oriented SMEs that actively seek improvements in processes and more cost-efficient resource allocation; and SMEs in a supply-chain that receive CSR-related requirements from buyers.

The success of CSR management systems for SMEs will be influenced in particular by:

- **Cost.** Management systems that are expensive to buy or to implement are likely to see a lower uptake. Medium-sized enterprises are more likely than small and micro-enterprises to pay for a CSR management systems, but even for medium-sized enterprises this will be rare and, in reality, the question of public subsidies for participating enterprises may arise.
- **Simplicity.** The best CSR management systems for SMEs will be those that are simple and not excessively time-consuming to operate.
- **Degree of integration into other existing systems.** Ideally a CSR management system for SMEs should be linked to or even integrated into other existing management systems, for example for quality or environmental management.

Linking CSR and quality management tools

The Xertatu:Adi CSR management system has been developed to help Basque SMEs. It is based on and fully compatible with the European Foundation for Quality Management excellence model, which is very popular among SMEs in the Basque Country (adopted by around 700 SMEs with less than 50 employees).

Some SMEs may seek to formalise their commitment to CSR through certification. Sometimes this will be linked to a management system, for example in the case of the environmental management certifications ISO 9000 or the European Eco-Management and Audit Scheme (EMAS). In many cases, relevant certification schemes in fact cover one particular issue, such as community involvement or gender equality, rather than the complete spectrum of CSR issues. For the great majority of enterprises, this is in any case a more realistic and more appealing approach than an attempt to achieve comprehensive certification on all CSR issues at the same time.

Making certification attractive and useful to SMEs

The MPS certification scheme, based in the Netherlands, has been developed specifically for the cut flower sector. Most participating companies are SMEs. It is not a comprehensive CSR certification, but rather offers different options (environmental and social), and also different levels, allowing enterprises to progress. MPS is also used by SMEs in the Belgian cut flower cluster, where peer group pressure has been a significant factor in its uptake. Examples of SME friendly certification schemes that address individual aspects of CSR include the French Equality Label, which focuses on gender equality, and Community Mark, a British scheme which recognises enterprise engagement with local communities. See:


www.femmes-egalite.gouv.fr/grands_dossiers/dossiers/egalite_en_entreprise/label_egalite.htm

and

www.bitc.org.uk/take_action/in_the_community/community_investment/measuring_and_reporting/communitymark.html

Motivations for achieving certification will vary. For some SMEs it will be a commercial question, for example when it is known that buyers (typically large companies or public authorities) require assurance of performance on certain environmental and/or social issues. However, certification can also be driven by the peer group (within the sector and/or within the region or locality), or it can be seen as a way of motivating employees and better acknowledging their commitment to a particular issue.

Reporting / communication

 For many larger companies, the production of a publicly available CSR or sustainability report has become an important aspect of their CSR policy. A very small number of SMEs have followed the same path, but it is unlikely that CSR reporting will become general practice amongst SMEs as a whole. The reasons for this include the perceived costs, the limited demand from stakeholders (compared to larger companies), and, in some cases, a fear of attracting negative or unwanted attention from the press and others. At least one EU country has in fact witnessed a decrease in the number of SMEs willing to make a formal report on their CSR performance.

There may, however, be more scope for SMEs to participate in reporting if it can be done collectively at a cluster or sector level. There is a potential for economies of scale, in terms of the cost of reporting and the improved image of the sector or cluster as a whole, that cannot be realised by one SME on its own.

SMEs reporting together

The Global Reporting Initiative is exploring different ways of engaging SMEs in the process of sustainability reporting. One approach is to work with clusters, such as the wine and fruit growers in Chile, helping them to report jointly on sustainability. This offers them the opportunity to reduce potential burdens linked to reporting and to improve the international competitiveness of the cluster. A similar logic is driving a joint initiative by employers and trade unions to develop a CSR reporting guide for SMEs in the Italian leather goods sector.

For individual SMEs it will usually make more sense to talk in terms of “communication” about CSR rather than about “reporting” as such. Communication within SMEs and between SMEs and their stakeholders is in any case often informal. SMEs are likely to be more receptive to the idea of communicating their values or aspects of their CSR performance by simpler means than a written report, such as: letters to clients, internal emails and meetings with employees, newsletters, brochures or meetings with local NGOs.

International instruments

It is not realistic to expect a significant number of SMEs to read and study major international instruments and reference texts on CSR, such as the ILO declarations, the UN Declaration of Human Rights or the UN Global Compact. CSR tools produced specifically for SMEs can help to bridge this gap by incorporating relevant aspects of such instruments, even if they are not mentioned by name. Care must in any case be taken not to undermine the basic standards established in relevant international instruments.

There is an ongoing debate about the desirability of developing a set of common standards for CSR tools, potentially allowing such tools themselves to be certified in some way. There may be a risk that the existence of too many tools and standards is confusing for enterprises and for other stakeholders. On the other hand, the development of a set of common standards could restrict the development of tools that are created for specific groups of SMEs (defined by sector, size, location or other characteristics).

What can be done?

- Consider the development of CSR tools for geographical and industry-specific clusters of companies.
- Ensure better dissemination of information about existing tools, within countries and sectors, and also on a European-wide basis. This would be particularly welcomed by countries with less developed CSR support programmes in place.
- CSR tools for SMEs are not an end in themselves and should not be imposed on enterprises. Rather, they should be developed and judged according to the added value they bring to the enterprise and its stakeholders in terms of being better able to integrate CSR into business practice.
- Explore possibilities to better integrate CSR into existing quality management systems, such as the European Foundation for Quality Management (EFQM).


More information

- Overview of German and international CSR tools and instruments for SMEs, drafted by Bundesinitiative "Unternehmen: Partner der Jugend" (UPJ) (in German):
http://www.verantwortliche-unternehmensfuehrung.de/am_download.php?assetId=110882
- Discussion of and links to some relevant CSR tools for SMEs, by Novethic (in French):
<http://www.novethic.fr/novethic/site/article/index.jsp?id=87418>
- Guide for SMEs on communicating about CSR, produced as part of an awareness-raising campaign on CSR for SMEs implemented by EUROCHAMBRES and UEAPME:
http://ec.europa.eu/enterprise/csr/campaign/documentation/download/guide_en.pdf




Chapter 4: CSR in the supply chain

What is at stake?

 An increasing number of large companies and public authorities make environmental and social requirements on their suppliers. Attention to social and environmental issues in the supply chain has become an important aspect of the CSR of many large companies, and a means by which public authorities can further pursue policy goals, in particular the goal of sustainable development.

Buyer requirements in the social and environmental fields are a possible way of promoting a greater uptake of CSR amongst SME suppliers. This chapter explores ways in which that potential can best be realised. Part of the answer lies simply in more buyers making social and environmental requirements on their suppliers. The focus of this chapter, however, is on the qualitative aspects: how can such requirements be managed in a way that is sensitive to the capacities of SMEs and that is most likely to have a positive influence on SME behaviour?

What do we know?

 Buyer requirements relating to social and environmental issues are increasingly common. A recent study of Danish enterprises found that 60% of SMEs reported receiving such requirements². Some buyers take a holistic approach to CSR requirements. However it is more common to find requirements just on certain specific issues, especially environmental issues and others such as health and safety.

For many SME suppliers, CSR-related buyer requirements are first and foremost an increased administrative burden. In order not to lose out on contracts SMEs will often state that they meet buyer requirements, but in reality such requirements may have little or no real effect on the actual practices and policies of the SME concerned. The lack of resources is often cited by SMEs as the biggest barrier to a more thorough implementation of buyer requirements. Many SME suppliers also remark that more stringent social and environmental requirements are often in contradiction with other buyer requirements regarding price and delivery times.

² "Sustainable Competitiveness in Global Value Chains: How do Danish Small Firms Behave?" The Copenhagen Centre, 2006. Many of the points made in the following paragraphs draw on the conclusions of that report.

Although buyer requirements are generally not contractual or subject to verification, the degree of formalisation does have a large influence on how SMEs manage these requirements. In particular, if SMEs receive requirements that are contractual and/or verified, they are more likely to pass on such requirements to their own suppliers.

The aforementioned study of Danish SMEs suggests, however, that the influence of buyer requirements on the uptake of CSR amongst SMEs should not be overestimated. For Danish SMEs, buyer requirements are only of secondary importance as a motivating factor for their social and environmental commitment. What is more, CSR buyer requirements can only directly affect SMEs that supply large companies and public authorities, which is not the majority of SMEs.


Helping suppliers to learn from one another

The steel making company Arcelor Mittal works closely with its suppliers and contractors on health and safety issues. The group created a tool for progress called REX ("returns of experience"), which consists of collecting about 200 experiences of incidents per year and sharing them with all sub-contractors in the different countries. The initiative also puts a strong emphasis on coordination, through common actions of "shared vigilance", implying a two-way relationship between the group and its sub-contractors. Recognition is given to SMEs through the "Arcelor contractor health and safety award".

The CSR of large company buyers should not be judged simply on the basis of whether they seek to pass on social and environmental requirements to their suppliers. Attention should also be paid to how this is done. If buyers are simply outsourcing their own responsibility and liability, then it could even be inconsistent with what many observers would consider good CSR practices.

There is already quite a large body of experience showing how buyers can work constructively with their SME suppliers and support them on CSR issues. This has often taken the form of "mentoring" of SME suppliers by large company buyers, including training programmes and the encouragement of good practice exchange between suppliers.

What would the "ideal" buyer do?

 Below are a series of points that an "ideal buyer" should address if it wishes to have a greater impact on the actual behaviour of its SME suppliers. This list has been drafted from the point of view of SMEs. It aims to challenge and inspire buyers to adapt some of their practices or adopt new ones.

This list is conceived mainly with European SME suppliers in mind, but many points will also be relevant to suppliers in developing countries. Some of the points apply to public authorities in their role as buyers, as well as to large company buyers. However, private companies have reasonable freedom to develop deeper and longer lasting relations with suppliers. Public authorities are constrained in this respect by public procurement rules.

1. **Explain to the SME supplier how CSR buyer requirements can represent a long term opportunity for both parties.** CSR may bring direct advantages to the SME supplier, for example by leading to improvements in its own management systems. Dialogue between suppliers and buyers on CSR issues can lead to longer lasting and deeper commercial relationships.
2. **Establish an open dialogue with SME suppliers about all aspects of CSR buyer requirements:** the reason for them, the opportunity they represent, the capacity of the SME to meet them, and, importantly, whether and how such requirements may contradict other requirements, especially those regarding cost and delivery time.
3. **Ensure that all aspects of purchasing policy and practices are consistent with the principles and aim of CSR policy.** This will require training and awareness-raising for purchasing managers, and part of such training should address the specificity of CSR as it is practiced by SMEs. Purchasing managers should also be rewarded on achievements with regard to the CSR performance of suppliers, not just on cost and other measures of efficiency.
4. **Help to provide adequate awareness-raising and training on CSR in SME suppliers.** As far as possible this should involve all workers in the supplier, not just managers, and it should be done in a way that is sensitive to the needs of SMEs (for example, by carrying out training at the SME place of work).

The importance of partnership and communication

Within the framework of the EICC (Electronic Industry Code of Conduct), Hewlett-Packard Company has developed a supplier engagement model based on continuous improvement. When partnering with SME suppliers on CSR, the company puts an emphasis on several key elements: the imperative of explaining the business case for CSR to SMEs, the importance of building awareness and capacity among SME managers, the commitment of time and resources by HP and its larger first tier suppliers, the importance of practical and effective communications with workers and the adoption of a partnership approach.


5. **Recognise that both SME suppliers and large company buyers can learn from each other** in the field of CSR. It is a two-way process, not simply a question of the large company teaching smaller companies.
6. **Focus on a limited number of relevant and well-defined issues** when establishing requirements. Consider being flexible in the definition of requirements, maybe even tailoring requirements to suit the size and circumstances of individual suppliers.
7. **Give more recognition to the kind of CSR practices that are common amongst SMEs,** such as their role in the local community. Allow the SME supplier a certain freedom to express its own CSR practices, rather than simply having to meet a list of criteria predetermined by the buyer. Remember that personal values and pride in their own enterprise are often the main motivations for SMEs to engage in CSR.

8. **Give SMEs the opportunity to progress and improve over time**, rather than demanding immediate compliance with a fixed set of criteria. Progressive incentives could be used to reward the achievement of certain objectives.
9. **Consider whether and how the SME supplier passes on requirements to its suppliers**, and provide some guidance in this process. To the extent that buyer requirements are contractual and/or verified, there is an additional responsibility on the buyer to assist SMEs to pass on such requirements through its supply chain.
10. **Ensure the timely payment of SME suppliers**. It is difficult to argue for responsible behaviour from suppliers and to build trust if the buyer itself does not pay on time. Buyers could even consider publishing statistics on the timeliness of their payments.
11. **Work with other large buyers in the same sector, and with other relevant stakeholders** (including SME representative bodies, as well as trade unions and non-governmental organisations), to develop some common CSR requirements and verification methodologies. This should reduce the administrative burden on SME suppliers. There may also be scope for promoting a greater exchange of good practice and learning between both suppliers and buyers in the same sector.
12. **Sponsor and encourage sharing of good practice on CSR between SME suppliers**. This could take the form of awards for CSR performance, the creation of a supplier CSR network or club, or joint training of staff from various SME suppliers.

Do I meet customer CSR requirements?

The Danish Ministry of Economic and Business Affairs, in cooperation with the Confederation of Danish Industries and the Danish Institute for Human Rights, have developed a tool to guide companies on how to handle CSR demands from customers. The CSR Compass enables SMEs to generate an individual declaration to demonstrate their standards within 32 CSR topics – such as child labour, discrimination, corruption, pollution, and waste handling – by complying with Danish law. The declaration furthermore specifies the Danish legal standards within each field and how international conventions are ratified in Danish law. See www.csrkompasset.dk

What can be done?

 Besides the specific recommendations on how to best manage CSR buyer requirements in order to have the most positive effect on the CSR of SME suppliers (see above), a number of other more general recommendations can be made:

- There is a need for more research across different EU countries regarding the nature, extent and real impact of CSR buyer requirements on SME suppliers. There is also a need for more research into when and how SMEs themselves make CSR requirements on their suppliers, and how this can best be encouraged bearing in mind the capacities of SMEs.

- Public authorities should give greater consideration to the specific nature of CSR in SMEs when introducing social and environmental requirements into their procurement policies.
- Public authorities could help to facilitate greater dialogue on these issues at European, national and sector level between SME representative organisations, buyers and other stakeholders, including non-governmental organisations and trade unions. This could lead to public funding for the development of codes of practice for buyers that are sensitive to the capacities and limitations of SMEs and that are most likely to have a positive influence on SME behaviour.

More information

- “Sustainable Competitiveness in Global Value Chains: How do Danish Small Firms Behave?”
The Copenhagen Centre, 2006:
<http://www.copenhagencentre.org/sw12212.asp>
- “Very Large Enterprises and their support for SMEs in the context of sustainable development: Exploiting CSR best practice within the framework of relations between customers and suppliers”,
Observatoire sur le Responsabilité Sociétale des Entreprises (ORSE), September 2003
English: http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic6_orse_en.pdf
French: http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic6_or



Chapter 5: The business case of CSR for SMEs

What is at stake?

When talking about the “business case of CSR for SMEs”, we mean the ways in which corporate social responsibility practices can help small and medium-sized enterprises to become more competitive. Increased competitiveness is understood to mean doing something different to one’s competitors in order to produce a different product/service or to offer the same product/service at a lower cost.

This chapter examines the latest thinking on this issue, and explores the implications for the mainstreaming of CSR among SMEs. Some of the most important questions addressed are: how different aspects of CSR might effect the competitiveness of SMEs; how the business case of CSR might vary according to the characteristics of the SME; how the business case of CSR for SMEs is different to the business for larger companies; and the relative importance of the business case as a driver for CSR in SMEs.

What do we know?

The report of the “SME Roundtable” of the EU Multi-Stakeholder Forum on CSR contains a list of possible business-related motivations for CSR in SMEs. This is an expanded and edited version of that list:

- Attracting and retaining motivated and committed employees – especially because the speed of market and technology change increases the need for flexible and engaged staff. Good working conditions achieved by responsible business practices and a participatory management style usually have positive effects on staff morale and lead to a higher job satisfaction and commitment to the firm. CSR may become an increasingly important distinguishing factor for enterprises that face growing competition to attract the best, high-skilled workers.
- Developing and training staff. For instance, the staff or managers of an enterprise can acquire new skills and competences through voluntary engagement with the local community, and this can also result in knowledge transfer and access to new information that benefits the enterprise.

- Winning and retaining consumers and business customers (supply chain pressures and opportunities), especially because economic stagnation means SMEs need to find new markets / revenue streams.
- Being a good neighbour – maintaining a license to operate from the local community.
- Responding to new demands and requirements from banks, insurers and also investors. The strength of this as a motivation for SMEs to engage in CSR is crucially dependent on the extent to which the financial community takes real account of the risks and opportunities that CSR issues represent.
- Reputation – with internal and external stakeholders.
- Changing perceptions of the role of business in society (not only a source of profit), through the media, education, and actions by stakeholders.
- Cost and efficiencies savings e.g. reduced insurance and landfill costs.
- Networking opportunities.
- Product / market innovation, differentiation, and competitive edge; and the need for more sources of creativity and innovation in business.
- Anticipating future legislation, so getting practical experience and helping to ease the burden of compliance, although this motivation is more likely to apply to large companies than to SMEs.

This is a useful checklist of the ways in which CSR could help SMEs to become more competitive. Not all these issues will be relevant to all SMEs, however, and some are more likely than others to result in competitiveness gains.

What do SMEs say about the business advantages of CSR?

SMEs benefit from responsible behaviour in different ways. The European Commission has produced a collection of case studies of CSR in SMEs, taken from across Europe. Each case study includes a section entitled “business benefit”. Many cite increased staff morale and improved reputation. Båtsfjordbruket AS, an SME from the fishing sector in Norway, believes that development of the local community and the industry are intrinsically linked, and mentions the following business advantages: “Improved recruitment and less staff turnover; improved cooperation within industry on issues the companies lacked resources to solve on their own; improved training and worker development locally.” See http://ec.europa.eu/enterprise/entrepreneurship/support_measures/responsible_entrepreneurship/index.htm

Recent research from Denmark suggests that, taking into account the financial costs, two areas of CSR are more likely than others to bring measurable competitive gains in the short-term: environment (reduce costs for energy or waste disposal) and innovation (deriving business from socially beneficial innovations). The study also suggests that the competitiveness benefits of CSR actions related to workforce development were partially measurable and would emerge in the longer-term, and that voluntary social investments to shape the competitive context of an SME (for example by investing in public goods such as education) could bring competitive gains in the longer term, especially if such investments were made jointly with other enterprises on a sector basis. By contrast, CSR activities related to the supply chain, market place and stakeholder engagement seemed to provide no obvious measurable competitiveness benefit for individual SMEs.

Ideally these conclusions should be tested with more SMEs and in different cultural contexts. In particular, the idea that competitive gains from “voluntary social investments” might be greater if groups of SMEs were to make such investments jointly deserves further exploration. The business case of CSR for SMEs is likely to be strengthened by bringing SMEs together to take joint action on a local or sector basis.

SMEs addressing their problems by acting together

“Nørrebro Handelsforening is an association of 77 shop owners in Nørrebro, a section of Copenhagen. Recently, in response to increasing youth violence, the association worked with the Ministries of Education and Integration to design a new apprenticeship program that rebalanced the number of days apprentices are in school. The program [...] is expected to not only help keep youth off the streets and out of crime, but also address a longstanding shortage of apprentice sites in the city while reversing a trend over the past decade of declining availability of educated employees for the retail sector.”

Source: “Competitive Social Responsibility: uncovering the economic rationale for corporate social responsibility among Danish Small and Medium-sized Enterprises”, 2005, the Foundation Strategy Group and Harvard University.

The business case of CSR for SMEs will in any case evolve as markets evolve. Pressure on SMEs for CSR and sustainable practices is increasing from various sources: large company clients, public authorities, banks, competitors and consumers. Through their purchasing practices, public authorities have the opportunity to create a stronger business case for CSR, although great care is required to ensure that this does not in practice result in discrimination against SMEs.

Although downward pressure on costs remains more significant, pressure and expectations for CSR and sustainable practices are more than just a passing trend. They will have a growing impact on operating profit, and so justify SMEs taking a strategic approach to CSR and sustainability issues. One result is that innovation – developing new products and services that help to address societal problems – is likely to become an increasingly important feature of the business case of CSR for SMEs.


The nature of the knowledge economy means that social capital – the quality and quantity of relations developed by an enterprise – is becoming an important factor in competitiveness. Aspects of CSR that

can contribute to social capital, for instance through networking and building trust, loyalty and image, will therefore also become an increasingly important feature of the business case of CSR for SMEs.

Many large companies are at least initially motivated to engage in CSR as a means of managing risks to their corporate image and brand. Similarly, they are often under growing pressure to be transparent and to engage in dialogue with major external stakeholders. For most SMEs these particular risks and pressures do not have the same force as drivers for CSR. Stakeholder engagement or building a reputation for responsible business may, however, be relevant to SMEs in terms of generating opportunities for innovation and the development of niche markets.

Many factors will determine whether there is a business case for CSR for any given SME and what that business case might be. Some of the most important factors influencing the business case are: sector; size; age and history (including whether or not the enterprise is family owned); geographic and cultural context; position in the value/production chain and nature of client relationships. Ideally more research should be done into whether and how these factors affect the business case.

The interplay between these factors is complex, making it difficult to generalise or to provide a reliable methodology for predicting the possible business case of CSR for every SME. The business case, where it exists, will often be unique to an individual enterprise and influenced by the societal context in which the company is working. SMEs and their advisers would do best to be aware of the factors that might influence the business case, and to use these factors to look for the possible competitiveness benefits of CSR on a case-by-case basis, according to the specific characteristics and context of the enterprise in question.

 Most surveys tend to conclude that ethical and moral considerations are the main driver of CSR amongst SMEs.³ Some entrepreneurs and SME owner/managers may even be offended by the very suggestion that their responsible business behaviour is motivated by anything other than moral and ethical considerations. As a general rule, the smaller the enterprise, the greater the relative role of ethical and moral considerations as drivers for CSR.

Surveys also reveal, however, that SMEs are motivated by the perceived business benefits of CSR, even if in the majority of cases this is not the first or most important motivation. According to some surveys, the importance of the perceived business benefits as a motivating factor for engaging in CSR tends to increase with the size of the enterprise.

The possible business case of CSR is likely to make more sense to SMEs if it is discussed in terms of “risk and opportunity”. It may also make sense to identify and focus on just one area of potential competitive gain, rather than trying to address all CSR related issues immediately. A document produced for the Spanish government on this issue suggests that CSR “should be viewed as the opportunity to build on existing strengths and make viable improvements that may not have been sufficiently considered in the past.”

It is unrealistic to expect that the business case of CSR for SMEs will ever be definitely proven in way that applies to all SMEs in all contexts. The most advisable approach is rather to demonstrate the business advantages of CSR when and where they exist.

³ See for example: Observatory of European SMEs, 2002, “European SMEs and Social and Environmental SMEs”; Danish Commerce and Companies Agency, 2005, “Mapping of CSR activities among SMEs”; Camera di Commercio Milano e Formaper, 2002, “CSR among SMEs”.

What can be done?

- Look for and construct the business case according to the unique characteristics of each SME, rather than applying the same formula in all cases. Consider how the precise nature of the enterprise and the context in which it operates might affect the possible business case.
- Do not assume that the “business case” will always be the main motivation for an SME to engage in CSR. Be sensitive to motivations based on values: use the potential business case to reinforce and complement values-based motivations, not to replace them.
- Do not insist that CSR will always lead to short-term competitiveness gains. Explore and describe how it may make for a stronger and more sustainable enterprise in the longer term.
- Areas that seem especially worth focussing on when looking for possible competitive gains from CSR are: costs savings from environmental measures; opportunities from addressing societal problems with innovative products or services; making a product or service more attractive to public authorities or large company clients; attracting, retaining and motivating staff by offering a good and stimulating working environment; enhancing image, loyalty and trust amongst internal and external stakeholders; and networking and accessing new information.
- Consider whether there may be additional competitive gains from joint action with other enterprises (and other stakeholders) in the same sector, locality or cluster.

More information

- Report of the “SME Roundtable” of the EU Multi-Stakeholder Forum on CSR (2004), especially pp.7-8: http://europa.eu.int/comm/enterprise/csr/documents/smes_rt_final_report.pdf
- “Uncovering the economic rationale of CSR among Danish SMEs” (2005), study commissioned by Danish Companies and Commerce Agency: http://europa.eu.int/comm/enterprise/csr/documents/mainstreaming/ms_sme_topic2_people.pdf
- Materials from the seminar the European Commission seminar “The business case of CSR”, 2004: http://europa.eu.int/comm/enterprise/csr/business_case.htm
- “The role of Government in Fostering CSR among SMEs: Business Case” (2005), Ministry of Industry, Tourism and Commerce, Spain: http://europa.eu.int/comm/enterprise/csr/documents/mainstreaming/ms_sme_topic2_gobiernos_en.pdf
- “Corporate Responsibility and Competitiveness”, Corporate Governance Journal, Special Issue 2006 www.eabis.org/resources/journals/cgj2006/



Chapter 6: CSR, SMEs and regional competitiveness

What is at stake?

Competitiveness is dependent on the productivity that a country, region or group of businesses (“cluster”) active in any given territory draws from the human, financial and natural resources at its disposal. Productivity influences standard of living (salaries, return on capital, profits derived from the natural resources). Countries and regions are competitive insofar as they offer an optimal platform for business productivity. The setting up of a competitive regional economy depends amongst other things on a willingness on the part of the public authorities to cooperate with the private sector and other stakeholders in order to maintain and increase their region's competitiveness.

Regional competitiveness is about supporting economic growth in the medium and long term, not only in the short term dictated by economic circumstances. Investigating the link between regional competitiveness and CSR means asking whether regional development policies that include CSR promotion can contribute to a given region's competitiveness and, if so, in what ways and what are the lessons to be drawn from experiences in this field to date.

What do we know?

The links between CSR and regional competitiveness


Social and economic actors increasingly see potential for the promotion of CSR to make a positive contribution to regional competitiveness strategies. At EU level, the European Commission has identified CSR as an important part of the business contribution to the European Growth and Jobs Strategy. There are also a number of European regions (the focus of this chapter) that are trying to integrate CSR into their regional development strategies.

According to the information available, there does seem to be a correlation between a region's competitiveness and the “responsible” nature of its economy and of the businesses in that region.⁴ Although the direct causal link between CSR and regional competitiveness remains largely unexplored, the two can be said to be mutually beneficial, the former likely to attract the most dynamic businesses, the latter's strength being an ability to enhance these businesses' competitiveness.

⁴ See *Measuring Responsible Competitiveness: A regional index for Yorkshire and Humber*, by Alex MacGillivray and David Mackie 2005: http://ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic1_yorkshire.pdf

Among the various factors vitally important to competitiveness and which could be enhanced by CSR are: innovation, training and human resource development, and social capital. Social capital, broadly equivalent to “trust” and to the quality and quantity of relationships between different actors in society, has particularly important implications for regional competitiveness. It can reduce transaction costs, facilitate adaptation to change, and assist the acquirement and sharing of knowledge, thus contributing to economic growth and well-being. By concentrating on CSR, regions may be able to increase their attractiveness as an investment location and positively affect the risk analysis of a given investment.

Actually measuring the effects of CSR on regional competitiveness is important, but, like trying to measure the competitiveness effects of CSR on an individual company, it is a difficult task. The choice of indicators both for the uptake of CSR and regional competitiveness is a complex matter. Ideally, however, indicators should be developed to assess the correlation and potential causal links between regional competitiveness, social cohesion and the uptake of CSR among SMEs. In particular, common indicators should be clarified to enable a “relative performance” comparison that takes all performances into account and to focus on the progress that still has to be attained. This exercise promises to be long and complex. Some certain experiments have already been carried out, however, which could provide a basis for the development in the medium term of more standardised indicators.

 If CSR can contribute to regional competitiveness, this implies a need to focus on the CSR practices of SMEs, the businesses most closely associated with the regions and territories where they operate, and, in the case of a single business predominant in a region, on the interaction between this business and the SMEs in the region. It is important to recognise, however, that there needs to be a critical mass of companies engaged in CSR in a region for them to exert a real influence on regional competitiveness.


This poses a significant challenge: it is not sufficient to focus on a few SMEs that are sympathetic to CSR, but rather it is necessary to reach and convince a larger number of “normal” or mainstream businesses. The advantage, however, is that because SMEs usually identify themselves closely with the regions and territories where they operate, the regional level is a particularly appropriate level at which to involve them in CSR initiatives.

Clusters – that is to say the concentration of enterprises from one sector or value chain in a particular geographical area – appear to provide significant opportunities for engaging SMEs in CSR in way that enhances competitiveness. A cluster approach can help to lower the costs of CSR through the deployment of economies of scale, especially if it comprises a mixture of administrative facilitation measures and indirect financial aid measures (taxation). It actually gives SMEs the chance to establish collaborations and complementarities with businesses in the same sector or in adjacent sectors. In addition, if it is believed that CSR can provide SMEs with a comparative advantage, then particular attention must be paid to economies of scale with regard to cost, to the accessibility of CSR instruments and to the exchange of good practices, within the specific context of clusters. In other words, a cluster-based approach to the promotion of CSR and increases the opportunities for turning CSR into a competitive advantage.

Fostering CSR in an industrial cluster

The leathers good cluster of Tuscany in Italy faces strong competition from lower cost producers outside the EU. Through the Fabrica Ethica programme, the regional authorities and key stakeholders, are supporting the uptake of CSR in some 900 leather goods enterprises (mostly SMEs), with the aim of strengthening the “Made in Italy” leather goods brand, and contributing to the global competitiveness of the cluster. The regional authority took strategic leadership by linking CSR to deep and durable regional innovation and by providing tax incentives and public grants for SMEs gaining SA8000 certification. The cluster approach leads to a greater impact on SMEs which are reached more easily through trusted trade associations, and also offers the advantage of tailoring CSR to be directly relevant to SMEs in the leather goods sector. A strong emphasis on partnership between all stakeholders is a key element of the success of the programme. See <http://www2.fabricaethica.it/>

The role of public authorities and other actors

 An examination of the practices, experiences and research carried out in different European regions has highlighted the importance of leadership and strategic vision from public authorities. Public authorities’ first SME-related mission involves improving the general environment in order for SMEs to thrive and function competitively. This requires public policy to strive to free itself from unnecessarily restrictive measures, since the experience of European SMEs clearly shows that excessive regulation can, inversely, have a negative effect on CSR promotion and encouragement.

Public authorities can serve as major catalysts for initiatives to encourage CSR, as has been demonstrated for example in Tuscany, the Basque Country, and in Yorkshire and Humber and the Northwest of England. Their role is especially important in terms of facilitating partnership between organisations (SME associations, sector organisations, trade unions, etc.) or the setting-up of administrative and financial means to facilitate SME access to advice on CSR. Public authorities, like other actors, should adapt their approach to sectoral diversity and company size. The policies and practices of public authority-private sector partnerships, especially those involving universities, have proved successful with regard to SME-adapted CSR. Such partnerships can have a direct influence on regional competitiveness in the way in which they maximise the effects of policy and the benefits of research and studies.

While leadership from public authorities can be very important, supporting the uptake of CSR amongst SMEs requires the involvement of different actors, especially the natural interlocutors of SMEs, such as chambers of commerce, sector and trade organisations, business federations, business advisors, banks, and accountants, and also trade unions and non-governmental organisations. Partnership between organisations such as these is a crucial element of success, and such partnership can often best be brokered and made operational at local and regional level.

Other examples, like the Round Table on Business and Youth in the German Federal State of Brandenburg, and other programmes aiming at activating resources of different sectors to improve social cohesion through CSR practices in a certain region, show also that there is a growing number of “new” facilitators, which public authorities can support to increase the uptake of CSR.

The challenge of making CSR a regional characteristic

The regional authorities in Northwest England are supporting the uptake of CSR with aim of contributing to the regional development strategy, and increasing the competitiveness and attractiveness of a region historically known for large-scale industrial pollution. The project aims to target a large number of SMEs in order to match the ambition of having a significant impact on regional development. Rather than targeting individual companies directly, the approach is to work with and through existing structures already trusted and used by SMEs, such as Chambers of Commerce, lawyers, accountants, etc. Key focuses of the project are “sign-posting” and “capacity-building”: the aim is to strengthen demand for existing CSR related services and to improve their quality, rather than to create new ones. The development of a Responsible Regional Competitiveness Index is another key element of the project. It allows to measure improvements and contributes to strengthen the link between CSR and regional competitiveness. See <http://www.snw.org.uk/responsibility/>




Many large companies have adopted explicit CSR policies, and they can also be significant players in regional economies, having a large influence as employers and through their logistics systems and their relations with local suppliers. There may, therefore, be scope for better including large companies in regional partnerships to promote the uptake of CSR amongst enterprises of all sizes. Regional incentives to investment, which normally take the form of tax relief, in particular in the regions of the central states of Europe and the East, can reduce the resources at the disposal of public authorities and, indirectly, of SMEs. The impact of fiscal policies of this nature therefore ought to be assessed in its global context.

Exchanges of experience between regions and states on the promotion of CSR should help to enhance the quality of policies in this area and should be a source of innovative regional public policies. Thus, programmes promoting innovation, for example, can play a key role in both the development of competitiveness and in CSR. Such programmes ought to integrate both aspects.

What can be done?

- Regional authorities should explore the potential advantages of having more responsible businesses in their region and consider integrating the promotion of CSR into their regional development strategies. In particular, they should consider integrating the promotion of CSR into regional development programmes financed by the EU structural funds.
- If significant initiatives are undertaken to promote CSR at regional level, establish indicators and a methodology should be established to measure the uptake of CSR by enterprises and progress towards increased competitiveness and other public policy goals such as social cohesion.
- Encourage the development of CSR within SME clusters, making use of their systems of cooperation and dialogue with, on the one hand, the biggest companies around and, on the other, public authorities .
- Involve large businesses – especially those benefiting from investment incentives – in CSR promotion in a way that reflects their cooperation with local suppliers and sub-contractors.
- Establish partnerships between actors with different specialisations and competences: SME intermediary organisations, professional federations, trade unions, non-governmental organisations, secondary schools, universities, colleges specialising in company management, etc.
- Facilitate the exchange of experience between regions on public policy practices and assessments with regard to regional competitiveness and CSR in SMEs .

More information

-  CSR Vaderegio network, facilitating networking between regional authorities wishing to promote CSR: www.csr-vaderegio.net
See also CSR Vaderegio “10 rules of thumb for regional authorities”:
www.csrvaderegio.net/en/role/ten_rules.asp
-  “Corporate Responsibility and Competitiveness”, Corporate Governance Journal, Special Issue 2006
www.eabis.org/resources/journals/cgj2006/
-  “Measuring Responsible Competitiveness: A regional index for Yorkshire an Humber”, by Alex MacGillivray and David Mackie, 07/2005 (project carried out on behalf of Business in the Community, Accountability and Yorkshire Forward):
ec.europa.eu/enterprise/csr/documents/mainstreaming/ms_sme_topic1_yorkshire.pdf

Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



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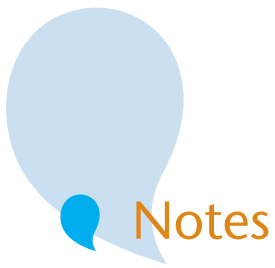
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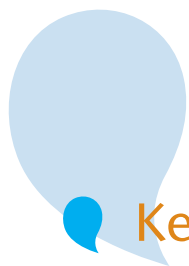


EUROPEAN COMMISSION - DIRECTORATE-GENERAL FOR ENTERPRISE AND INDUSTRY



Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



Key messages

1. CSR is not a new concept for SMEs. A large proportion of SMEs have always done things that could today be called “corporate social responsibility”, even if they do not know or use the term themselves. What is new is the growing attention given to CSR by policy-makers, consumers, trade unions and non-governmental organisations. These actors should all give more recognition to what SMEs already do in this field. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR.

2. CSR can bring advantages to SMEs... CSR is not a short-cut to business success, but an investment that can pay off in the longer term. It can bring advantages, for example in terms of staff retention and recruitment, staff development and motivation, customer loyalty and reduced expenditure on energy. In the knowledge economy it can increasingly be a source of innovation and it can facilitate access to and sharing of information. By managing CSR in a more strategic and conscious manner, enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as part of the modern model of business excellence.

3. ...but personal and ethical values are important too. The personal and ethical values of SME owners, managers and employees are a strong motivation for an enterprise to pay more attention to social and environmental issues. Support for CSR in SMEs should seek to build on and respond to these value-based motivations, not to replace or ignore them.

4. CSR is an opportunity to resolve real problems. CSR needs to be kept practical and results-oriented, providing solutions to real problems faced for example by an enterprise, a locality or a sector. All stakeholders should be encouraged to see the opportunities that can arise from engaging SMEs on social and environmental issues. Policy-makers and others actors should not treat CSR in isolation, but rather link support for the uptake of CSR more explicitly with policies such as fighting social exclusion, promoting entrepreneurial mindsets or reducing CO2 emissions.

5. It makes sense to work with SMEs at regional and local level... SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local and regional in nature. It is at the local and regional level that the positive impact of having a greater uptake of CSR can best be felt, whether it be in economic, social or environmental terms.

6. ...and through industrial clusters and sectors. SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and result in improvements that an individual SME acting alone cannot achieve.

- 7. Partnerships between stakeholders are crucial.** Most successful examples of supporting CSR amongst SMEs, especially those focused on relations with stakeholders outside the enterprise, involve a combination of different actors, each bringing their own networks and expertise. The importance of a social dialogue approach involving employers and workers' representatives is particularly relevant to the encouragement of CSR in any given industrial sector. Cooperation across different industrial sectors is often important for addressing local and regional issues. Non-governmental and non-profit organisations should be encouraged to further step up their cooperation on CSR with SMEs and their representative bodies.
- 8. Organisations that work with SMEs have a central role to play.** Existing business support organisations and SME intermediaries need to be encouraged and helped to better integrate CSR into the advice and support that they give to SMEs. Such organisations are key channels of communication with SMEs and are qualified to communicate about CSR in a way that is relevant and understandable to them.
- 9. Language and terminology must be appropriate.** The term "corporate social responsibility" is confusing and off-putting to most SMEs. While the term remains useful in policy-making circles, in most languages alternative terms need to be found for the purposes of communicating with SMEs. In some languages the term "responsible entrepreneurship" is a viable alternative.
- 10. We need to better integrate CSR into education.** To convince future managers, entrepreneurs and workers that CSR is an investment in society that pays off in the long term, the social and environmental role and responsibilities of enterprises need to be better integrated into all levels of education. Particular attention should be given to the integration of CSR into education for entrepreneurship and into relevant training for SME managers and staff.
- 11. Not all SMEs are the same...** The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage the uptake of CSR. Adapting the message and the nature of support to the different kinds of SME will be key to success. Amongst other things, tailor-made approaches are needed for small and micro-enterprises in comparison to medium-sized enterprises.
- 12. ...and CSR looks different in different EU countries.** CSR is culturally specific: it varies according to political traditions, the nature of social dialogue, and the degree to which certain social and environmental issues are regulated by law. It is useful to have a common understanding at EU level about the definition and importance of CSR, but ultimately the practice of CSR has to be adapted to the particular circumstances of different nations and regions.
- 13. There needs to be a greater demand for CSR.** An appropriate enabling environment should exist to reward SMEs for more socially and environmentally responsible behaviour. Amongst other things, this means addressing the role of consumers, of public procurement and of large company buyers in the supply-chain. In all cases, the capacities of SMEs need to be considered and care is required to avoid unintentionally discriminating against them.

14. Governments must act responsibly too. One cannot call for a greater uptake of CSR amongst SMEs without also drawing attention to government responsibility in terms of creating the right framework conditions to allow enterprises to grow and to create more and better jobs.

15. We need more academic research on CSR and SMEs. The recent growth of academic interest in CSR and SMEs is to be welcomed. Further research should be encouraged on action-oriented questions such as: the success or otherwise of different policies and techniques to increase the uptake of CSR amongst SMEs; the economic, social and environmental impact of CSR at regional and local level; the usage and utility of CSR tools for SMEs; and a typology of SMEs with regard to their engagement in CSR.

16. The challenge is big and the rewards are great. There are some 24 million SMEs in the European Union. The ultimate aim must be to positively affect the behaviour of a significant proportion of those enterprises. The guiding principle should be to foster small but significant steps by a very large number of enterprises, rather than striving for formal and sophisticated CSR policies amongst a small elite. This will contribute to the positive evolution of European business culture in a way that will enhance Europe's competitiveness and its ability to deliver sustainable development and a better quality life of for its citizens.

European Commission

European Commission Enterprise and Industry Policies ... CSR and SMEs European Expert Group on CSR and SMEs

European Expert Group on corporate social responsibility (CSR) and SMEs

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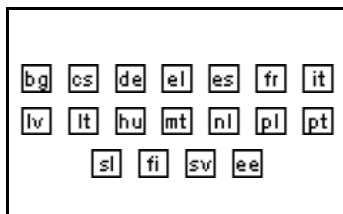
- [Report: "Opportunity and Responsibility - how to help more small businesses to integrate social and environmental issues into what they do"](#)
- [Good practice descriptions](#)
- [Other related activities](#)
- [More information about the European Expert Group on CSR and SMEs \(2005-2007\)](#)

Report: "Opportunity and Responsibility - how to help more small businesses to integrate social and environmental issues into what they do"

Published in May 2007, this is the [final report of the European Expert Group on CSR and SMEs](#)  [684 KB].

We hope it will assist and inspire people and organisations that want to help small businesses to improve their social, environmental and financial performance.

Alternatively, a 3 page [summary of the key messages](#)  [101 KB] 



is available in all EU languages.


Good practice descriptions

The expert group also produced a series of [one-page good practice descriptions](#), explaining how some organisations have successfully helped small businesses to engage in responsible entrepreneurship.

Other related activities

- Responsible Entrepreneurship Exchange
- EU funded projects
- [Toolkit](#)
- [European Award](#)

More information about the European Expert Group on CSR and SMEs (2005-2007)

The expert group served as a forum for the collection and exchange of ideas and experience on how best to support CSR among SMEs. Each EU Member State, as well as some non-EU countries, nominated representatives to this group. Additionally, a number of European organisations had observer status. [List of members and observers](#)  [23 KB].

The work of the group was structured around 6 key topics. For each topic, the group collected available information and experience, and identified important lessons and good practices. Resources and presentations on each of these topics are available online:

- [CSR, SMEs and regional competitiveness](#)
- The business case of CSR for SMEs
- Capacity-building for business support
- Awareness-raising and communicating with SMEs
- Toolkits and management systems
- Supply chain issues, mentoring and certification

The group met 5 times between September 2005 and the end of 2006. The minutes of each of the meetings can be downloaded here:

- [Minutes of 1st meeting, 28 September 2005](#)  [65 KB]
- [Minutes of 2nd meeting, 18 January 2006](#)  [79 KB]
- [Minutes of 3rd meeting, 24 April 2006](#)  [94 KB]
- [Minutes of 4th meeting, 06 July 2006](#)  [74 KB]
- [Minutes of 5th meeting, 19 December 2006](#)  [117 KB]

European Commission


European Commission Enterprise and Industry Policies ... Corporate social responsibility
CSR and competitiveness

Corporate Social Responsibility and competitiveness


CSR has the potential to contribute to various common goals, such as social cohesion, economic competitiveness and a more rational use of natural resources.

The Directorate-General for Enterprise and Industry has a particular interest in knowing more about the links between CSR and competitiveness. These links might exist at a micro-level (individual enterprises), and also at a systemic level (sectors and regional/national economies).

Competitiveness report 2008

The [2008 European Competitiveness report](#)  [121 KB] contains an analysis of how CSR can contribute to competitiveness. It concludes that CSR is increasingly a competitive necessity for enterprises, but that it needs to be integrated into business strategy and purpose in order to become an effective competitive differentiator. It also points out that CSR may influence macro-level competitiveness by helping to build greater trust in enterprises as a group.

Documents

- European Competitiveness Report 2008, [CSR Chapter](#)  [121 KB]
- The [Business Case for Diversity](#), web-pages of the European Commission's DG Employment and Social Affairs.
- [Corporate Responsibility and Competitiveness](#), special issue of the Corporate Governance Journal, web-pages of European Academy of Business in Society (EABIS).

5. Overview of the links between Corporate Social Responsibility and Competitiveness

5.1. Introduction

Corporate Social Responsibility (CSR) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001). In its Communication to re-launch the Lisbon Strategy in 2005, the Commission stated that CSR “can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness” (European Commission, 2005). In March 2006 the Commission adopted a Communication on CSR which reaffirmed CSR as a business contribution to the Growth and Jobs Strategy and to sustainable development (European Commission, 2006). In the Integrated Guidelines for Growth and Jobs, the Council recommends that Member States should “encourage enterprises in developing their corporate social responsibility.”

In recent years there has been a significant growth in the number of enterprises that have an explicit policy on CSR. At the same time, the practice of CSR has evolved considerably. In an increasing number of companies, CSR and sustainability have become cross-cutting issues that are deeply integrated within both operations and strategy.

CSR can contribute to a number of social, environmental and economic policy objectives. The aim of this chapter is to provide an up-to-date overview of how CSR can contribute to competitiveness. The principal focus is on how CSR might contribute to competitiveness at the level of the individual enterprise. The links between CSR and macro-level competitiveness are also explored, although there has been comparatively little research at this level of analysis.

For the firm-level analysis, the economic effects of CSR on 6 determinants and indicators of competitiveness are considered: cost structure, human resources, customer perspective, innovation, risk and reputation management, and financial performance. These are the determinants and indicators of competitiveness where CSR is most likely to have a positive influence.

This chapter also takes account of arguments suggesting that CSR may inhibit competitiveness. Such arguments include, for example: that CSR is a cost, with no apparent benefit; that a causal link at firm level may

exist from competitiveness to CSR instead of (or as well as) from CSR to competitiveness; and that investors and shareholders have no interest in CSR.

To date most of the key concepts and tools addressing CSR have been developed by and for large enterprises. Whenever possible, this chapter also considers the situation of SMEs. CSR as practiced in SMEs is usually less formal and more intuitive than in larger companies. It is often closely tied to the personal and ethical values of the SME owner-manager. As a general rule, the smaller the enterprise the greater the relative importance of personal and ethical values as a driver for CSR. In any case, SMEs are less likely than larger enterprises to make a conscious analysis of the costs and benefits of following a more socially and environmentally responsible course of action.

5.2. Definitions

The link between competitiveness and CSR at firm level has long been an important topic for both CSR researchers and practitioners, often under the banner of “the business case for CSR”. This chapter uses the terms “business case for CSR” and “link between CSR and competitiveness” interchangeably.

5.2.1. Competitiveness

The concept of competitiveness can be applied at different levels, from the firm (micro) level, to the sectoral, regional and national (macro) level. Competitiveness at macro-economic level is defined earlier as a sustained rise in the standards of living (see introduction to this report). Sector-level competitiveness refers to the performance of a given industry in a given country or region relative to the same industry in other countries or regions. A sector could be characterised as competitive on the basis of its capacity to grow, to innovate and to produce more and higher-quality goods and services, and to keep or gain market shares in international and domestic markets. A frequently cited definition of competitiveness at the firm level is provided by the US President’s Commission on Industrial Competitiveness: “A firm is competitive if it can produce products or services of superior quality or lower costs than its domestic and international competitors. Competitiveness is then synonymous with a firm’s long-run profit performance and its ability to compensate its employees and provide superior returns to its owners” (Francis, 1989). In the narrow sense, measures of competitiveness at the firm level therefore comprise indicators of financial performance, such as the development of sales, profits, and costs, as well as stock performance. One could add that firm-level competitiveness is not only a question of producing products and services of superior quality or at lower costs, but can also be a

question of producing new or different products and services. Capacity for product innovation can therefore also be a source of firm-level competitiveness.

5.2.2. CSR

The European Commission (2001) defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” This definition has a number of important implications.

Firstly, the fact that CSR is the integration of social and environmental concerns within business operations means that CSR is not just philanthropy. The emphasis is on how enterprises do their daily work: how they treat their employees, how they produce goods, how they market them, and so on. CSR is not so much about what enterprises do with their profit, but how they make that profit.

Secondly, interaction with stakeholders is a crucial aspect of CSR. Effective CSR requires dialogue and partnership with stakeholders such as trade unions, public authorities, non-governmental organisations, and business representative organisations.

Thirdly, by describing CSR as voluntary, this definition implies that CSR relates to what enterprises can do in the social and environmental fields over and above what they are required to do by law. This aspect of the definition works well within the European Union and in other contexts where the rule of law generally applies. In some countries, however, CSR can in the first place be a question of getting enterprises to comply with their legal obligations.

CSR is a very wide-ranging concept, which is one reason why measuring its uptake and impact presents complex methodological problems. It is often divided into four main areas: workplace, market-place, environment and community.

- Workplace CSR refers to how a company treats its employees. It includes issues such as recruitment, work-force diversity, pay and working conditions, health and safety, and recognition of trade unions. It can also refer to human rights issues.
- Marketplace CSR covers the ways in which a company operates in relation to its suppliers, customers and competitors. It covers issues such as responsible advertising and marketing, dealing with customer complaints, anti-corruption measures and ethical practice, and imposing social and environmental requirements on suppliers.
- Environment-related CSR describes the measures a company can take to mitigate its negative impact on the environment, for example energy efficiency

measures or less use of pollutants. It can also refer to goods and services that actively help to improve the environment.

- Community-related CSR refers to the relations between the company and the citizens and communities that may be affected by its operations. It includes issues such as human rights, dialogue and partnership with potentially affected communities, and active contribution to community well-being, for instance through employee volunteering schemes.

Some of these areas inevitably overlap in practice. For example, the environmental dimension of CSR can be of great importance in relations with communities affected by the operations of an enterprise.

Transparency and communication about social and environmental performance are crucial aspects of CSR which cut all across these four areas. The practice of publishing sustainability or CSR reports has become increasingly common, especially amongst large enterprises.

5.3. Competitiveness effects of CSR at micro-economic level

This section examines the effects of CSR on 6 determinants and indicators of firm-level competitiveness: cost structure, human resource performance, customer perspective, innovation, risk and reputation management, and financial performance.

5.3.1. Cost structure

5.3.1.1. *The evidence that CSR reduces costs is mixed*

The question of cost savings resulting from CSR has often been at the centre of the debate on the business case for CSR. Proponents of CSR have tended to argue that responsible business behaviour can lead to cost savings. An Economist Intelligence Unit research programme (Economist Intelligence Unit, 2008) indicates that the benefits of pursuing sustainable practices outweigh the costs, although changes to profits are estimated to be small. Critics argue that CSR is expensive and that the benefits are often only experienced in the distant future, if they occur at all. Friedman (1970) states in a much-quoted article that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” He concluded that consequently there is no role for CSR.

In reality, much depends on the nature of the CSR measure taken, as well as on the cost of that invest-

ment and the time period considered. Examples can be found of CSR measures that help to improve the cost structure of an enterprise (Woodward et al. 2001), and evidence can also be found of CSR measures for which the cost-benefit relationship appears to be negative. Welford (2003) argues that only some aspects of CSR strategies might reduce costs, and reaches the conclusion that the emphasis of the CSR-competitiveness relationship should be placed on “the area of differentiation where social and environmental aspects of sustainable development will have most impact”.

5.3.1.2. *The effect of the environmental dimension of CSR on cost structure*

Measures to reduce energy consumption and material inputs are frequently cited as an aspect of CSR that can lead to cost savings. However, academic studies of the cost-saving effects of the environmental dimension of CSR give mixed results. According to Miles and Covin (2000), CSR-related environmental expenditures constitute investments that pay off due to cost savings from, for example, continuous improvements, low potential litigation expenditures, lower insurance and lower energy costs. In contrast, Chapple et al. (2005) find significant costs associated with CSR-related waste reduction practices when applying a cost function approach to UK manufacturing at county level. Little evidence is available for CSR impacts on the cost structure of SMEs, although few of the SMEs interviewed by Jenkins (2006) reported CSR-induced cost savings.

In spite of the sometimes contradictory evidence from past studies, the cost-saving potential of the environmental dimension of CSR is likely to be strengthened by rising energy costs and the prospect of stronger mechanisms for the pricing of carbon emissions.

5.3.1.3. *Conclusion*

CSR can contribute to cost savings in certain circumstances. It is difficult to draw general conclusions about the cost-saving effects of CSR because they are highly dependent on the nature of the CSR measure taken. The example of the environmental dimension of CSR shows evidence of both positive and negative relationships between CSR and cost structure. In addition to cost savings from environmental measures, CSR may also contribute to cost savings in other ways, for example in the field of human resources, risk management or access to finance. These are addressed in the following sections.

Increasingly the debate about the competitiveness benefits of CSR is not confined to the question of cost savings but also encompasses the questions of new value creation and new revenue streams. Porter and Kramer (2006) state that “if corporations were to

analyse their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint or a charitable deed – it can be a source of opportunity, innovation and competitive advantage”. The following sections therefore look at the business case for CSR from both these perspectives: how it might reduce costs and how it might create new value.

5.3.2. **Human resources**

Management theory suggests that CSR can have a positive impact on human resource performance. According to Cochran (2007), a firm with good employee relations can lower its employee turnover rate and improve employee motivation. Additionally, good employee relations may be an important argument for firms in attracting new staff members. The theory is generally confirmed by empirical studies.

5.3.2.1. *CSR as a lever for attracting, motivating and retaining employees*

Case studies illustrate the positive impacts of CSR from a human resource perspective. Brown and Grayson describe how the values of founders and employees can play an important role in the growth and commercial success of a smaller enterprise (Brown and Grayson, 2008). Cochran describes how the workplace dimension of CSR helps to provide a large IT company with an ideal environment for high labour productivity and innovation (Cochran 2007).

Evidence from econometric investigations is also compelling as far as the positive effects of CSR on human resource performance are concerned. Montgomery and Ramus (2003) show that MBAs from European and American business schools pay attention to CSR aspects such as employee relationship, environmental sustainability, stakeholder relations, and ethical corporation behaviour when making decisions about where to work. More than 90% of the persons interviewed were willing to forgo financial benefits in order to work for an organisation with a better reputation for corporate social responsibility and ethics. More recently, in a survey of MBA students published by the Aspen Institute in 2008, 26% of respondents said the potential to make a contribution to society would be an important factor in their job selection. Although other factors still rank higher, this figure has risen from 15% in 2002. Turban and Greening (1997) provide evidence that a firm’s performance in terms of CSR may provide a competitive advantage in attracting senior managers.

Representatives from large companies comment that potential new recruits now often ask questions about CSR-related issues in interviews. Large companies

realise that they increasingly need to be able to demonstrate strong CSR credentials in order to attract the right candidates. In some companies this can partly take the form of “employee volunteering”, or opportunities for employees to participate in community projects or other non-profit activities during company time. Companies that run employee volunteering programmes report that such programmes can improve employee morale and help participants to acquire and develop new skills.

According to survey evidence from Italy, the positive effects of CSR on the relationship with employees also hold for SMEs (Longo et al. 2005). Similar findings based on interviews among UK SMEs are provided by Toyne (2003) and Jenkins (2006). Survey data from Denmark moreover suggests reduced costs associated with hiring, retention, and absenteeism among SMEs that offer unusually generous employee benefits (Kramer et al., 2007). None of the Danish SMEs studied by Kramer et al. (2007), however, had actually calculated whether these savings outweighed the costs of the extra benefits.

A 2007 survey of SMEs in Estonia found that many SME managers see CSR as a way of retaining qualified employees in a tight labour market (PW Partners, 2007). If SMEs in general have to fight harder than larger companies to attract the most talented employees, then one could argue that offering job fulfilment, good working conditions and a good work-life balance are relatively more important for SMEs than for large companies. Some SMEs successfully use their commitment to CSR to build an advantageous reputation as the preferred local employer.

5.3.2.2. *The business benefits of employee diversity policies*

Employee diversity policies are an important aspect of the workplace dimension of CSR. In a survey of 900 European enterprises carried out in 2005, just under half of all businesses responding were actively engaged in promoting workplace diversity and anti-discrimination. The single most important benefit achieved or expected of diversity, cited by 42% of companies, was that it would help to resolve labour shortages and to recruit and retain high quality staff (European Commission 2005). In this respect, UEAPME (the European Union of Crafts and Small and Medium-Sized Enterprises) underlines the importance of non-discrimination policies to SMEs: “SMEs particularly rely on the local labour market, therefore they cannot afford to discriminate against potential employees, especially as they are lacking human resources in many sectors” (UEAPME 2007). The potential positive impact of work-force diversity on innovation capacity is addressed below in section 5.3.4.3.

5.3.2.3. *The knowledge economy increases the benefits of work-place CSR*

In spite of the strong evidence that CSR can have a positive impact on competitiveness from a human resource perspective, this will not always be applicable to all enterprises. In the case of enterprises that rely heavily on low costs to create and maintain competitive advantage, the possible benefits in terms of improved employee motivation or recruiting and retaining workers will not necessarily outweigh the associated increase in costs. However, the strength of the positive relationship between CSR and competitiveness gains from a human resource perspective looks likely to grow as the knowledge economy puts an ever greater premium on human capital as a determinant of competitiveness. Accordingly, it would already seem that knowledge intensive industries such as the IT sector are particularly advanced along the work-place dimension of CSR.

5.3.2.4. *Conclusion*

The evidence suggests an important positive relationship between CSR and competitiveness in terms of human resource management, although for some companies the additional costs might still outweigh the benefits at least in the short term. CSR activities in general and the workplace dimension of CSR in particular have proved to be an attractive feature of a company’s presentation when recruiting and retaining employees. Companies that favour a diverse workforce can benefit from a wider pool of talent. The link between CSR practice and human capital seems to be relevant for enterprises of all sizes, and is likely to grow as a result of the knowledge economy.

5.3.3. **Customer perspective**

The extent to which CSR can help to drive customer loyalty and demand remains a matter of considerable debate. Typically, consumers have tended to respond positively when asked if they are willing to pay a price premium for products with good social and environmental credentials, but have then failed to act on this when actually making their purchases.

5.3.3.1. *The influence of strategy and competitive positioning*

The link between CSR and competitiveness from the customer perspective is highly dependent on the company’s competitive strategy and market positioning. For some enterprises, especially those operating at the higher end of the market, CSR can be an integral part of the quality of products and services offered. Conversely, if a firm is positioned as a cost-cutter, it will be less likely to go beyond legal compliance in the social and environmental fields. However, even cost cutters need to ensure compliance with

legal requirements and a minimum set of social and environmental standards. The fact that a number of discount retailers are paying increasing attention to the social and environmental performance of their suppliers would tend to support this argument.

5.3.3.2. *Evidence of consumer demand for CSR-related measures*

Meijer and Schuyt (2005) analysed the behaviour of Dutch consumers and found that the corporate social performance of producers does not motivate consumers to buy a product. They did find, however, that CSR had to meet at least a minimum acceptable level in order not to repel possible consumers. They describe CSR as a hygiene factor or bottom line, rather than a motivator. In other words, a minimum attention to CSR may be a competitive necessity rather than a competitive differentiator.

There is evidence, however, that the success of some firms' from customer perspective is based at last partly on CSR aspects. Retail data from a telecommunications firm show that CSR-related issues are important drivers of corporate image and reputation, which are themselves major determinants of customer satisfaction (Tuppen 2004). A major European retailer has a partnership with a non-governmental organisation (NGO), which makes use of the NGO logo to endorse certain products that meet high environmental standards. In this case, the credible endorsement of a product's environmental credentials is used to drive consumer demand.

Research suggests that CSR can contribute to improved customer demand in the case of SMEs. Based on case study evidence from seven European countries, Mandl and Dorr (2007) point out that particularly high employee satisfaction and publicity attributed to CSR activities can also have a beneficial outcome in terms of customer loyalty. Longo et al. (2005) report that the Italian SMEs surveyed expected consumer loyalty to be a positive result of their CSR engagement.

The competitive advantages of CSR from the customer perspective will evolve as consumer demand evolves. The rapid growth in the market for fair trade and organic goods is a good indication of changing consumer demand. According to Fairtrade Labelling Organisations International, the sales of Fairtrade-certified products have been growing at an average of 40% per year in the last five years, and in 2007 amounted to around €2.3 billion worldwide. Mainstream retailers and producers are now entering this field, which until recently was the more or less exclusive preserve of specialised fair-trade operators. Some organisations argue that the availability of more comprehensive consumer information on

the social and environmental aspects of production would further drive consumer demand for responsibly produced goods and so potentially reinforce the business case for CSR.

Although consumers are paying more attention to the social and environmental credentials of the products they buy, this is not necessarily a trend that will continue uninterrupted. The biggest risk would appear to come from inflation and a serious global economic downturn. In such circumstances it is conceivable that a significant proportion of consumers might put a greater premium on price and quality only, with less attention to social and environmental aspects. The recent increases in food prices may provide a test case in this regard.

5.3.3.3. *CSR in public procurement and private supply chains*

Many enterprises, especially large enterprises, now impose social and environmental requirements on their suppliers. The growth of business interest in supply-chain partnerships such as the Business Social Compliance Initiative and the Global Social Compliance Programme suggest that the number and seriousness of CSR-related supply chain requirements will continue to increase. This creates opportunities for supplier enterprises that, through their own CSR performance, can help buyers to live up to their social and environmental commitments.

The growth of green or sustainable public procurement should similarly strengthen the competitive position of suppliers who pay particular attention to environmental issues or who are able to offer innovative environmental solutions. Several Member States are leading the way by setting ambitious green public procurement targets. The Dutch government, for example, has set a 100 % Sustainable Procurement target to be reached by 2010. The European Commission has recently proposed that, by the year 2010, 50 % of all tendering procedures should be green.

The Commission is also preparing a guide for public authorities on how to integrate social requirements in public procurement. The integration of social criteria within public procurement has lagged behind the progress made in the field of green public procurement. If more widely applied, it could also strengthen the competitive position of enterprises that pay particular attention to the social aspects of CSR.

5.3.3.4. *The importance of ensuring that CSR claims are credible*

Enterprises are sometimes criticised for "green-washing", or making unjustified claims for the environmental benefits of a certain product in the hope of using a greener image to boost customer

demand. Figures from the UK would suggest that this is a growing trend: the UK Advertising Standards Authority banned 19 green campaigns between January and September 2007, double the number in the previous year. Exaggerated or unjustified claims run the risk of generating a sceptical reaction from consumers over the medium to long term. A guide to sustainable marketing produced by CSR Europe warns that “customers want, above all, to trust the companies they are dealing with, and any hint of [...] green wash can be harmful for a company’s brand”. If “green-washing” causes consumer scepticism then it may not only harm individual brands, but also undermine the potential competitive advantages of those companies that could justifiably market and advertise their products on the basis of their green characteristics.

5.3.3.5. Conclusion

The competitive benefits of CSR from a customer perspective appear to be strengthening as a result of growing demand from consumers, enterprises and public authorities. It is possible that rising prices could have negative affect on this demand, however. The extent to which CSR can drive competitiveness from a customer perspective depends on the competitive strategy of enterprises. Enterprises whose appeal to customers is based essentially on low costs may have less to gain from CSR, although even some cost-cutting retailers believe that a certain level of commitment to CSR is now necessary.

5.3.4. Innovation

When explaining their motivations for addressing CSR, some company representatives cite innovation as an important beneficial outcome. The fact that the links between CSR and innovation are increasingly acknowledged is a good example of how the business case for CSR is no longer just perceived in terms of potential cost savings but now also encompasses the potential for new value creation and the development of new revenue streams. The links between CSR and innovation are complex, however, and less immediately obvious than in the case of other competitiveness determinants examined in this chapter.

A number of studies have argued that CSR can be a route to innovation through the use of social, environmental or sustainability drivers to create new ways of working, new products, services, processes and new market space (Grayson and Hodges 2004, Little 2006). Based on an analysis of innovative SMEs in Spain, Italy and the United Kingdom, Mendibil et al (2007) find that there is a positive link between innovation performance and CSR, even if the cause and effect relationship is not entirely clear.

Some academics have questioned the positive CSR-innovation link, suggesting that some aspects of CSR could be incompatible with certain types of innovation. For example, Midtun (2007) argues that, in the case of disruptive innovation, firms have to change extremely rapidly and sometimes disappear. In this case, it may be difficult to combine competitiveness and CSR objectives.

There would appear to be three main ways in which CSR can contribute to innovation capacity and performance: innovation resulting from engagement with other stakeholders; identifying business opportunities through addressing societal challenges; and creating work places that are more conducive to innovation.

5.3.4.1. Innovation resulting from engagement with other stakeholders

CSR requires dialogue and cooperation with stakeholders, both inside and outside the company. Through their commitment to CSR, many enterprises are engaging in dialogue and partnership with a range of stakeholders, such as grassroots community groups or global non-governmental organisations, with whom they would previously have had little or no direct contact. Holmes and Moir (2007) have proposed a theoretical framework for analysing how engagement with external non-profit stakeholders might drive corporate innovation. They point out that innovation outcomes might be a deliberate outcome of engagement with external stakeholders, or might be an unexpected, ancillary benefit from such relationships.

Roome and Jonker (2006) have analysed how eight pioneering companies, leading exponents of CSR in Europe, managed to bring about a high degree of integration between their performance in CSR and their performance in terms of competitiveness. They found that managers in these companies “came to appreciate that they confronted a growing array of issues that required them to seek to change the relationships they had with other actors in society.” By engaging and improving relations with external stakeholders, they created new business models that “involved the combination of ideas from outside the company with an understanding of the existing business model.”

In a case study of a Spanish SME that manufactures tools for professional and industrial use, Mendibil et al (2007) describe how in practice innovation and social responsibility appear to come together under the same approach. Strong engagement with employees and external stakeholders contributes to the innovation capacity and competitiveness model of the enterprise, even though the enterprise itself does not see a need to manage CSR explicitly as a separate concept.

Innovation is more and more understood as a collaborative exercise, and enterprises are increasingly unable to innovate effectively on their own. Concepts such as open innovation, society-driven innovation, stakeholder-driven innovation and customer-driven innovation are now commonplace. As this trend intensifies, CSR is likely to become ever more relevant to the innovation process, since CSR by definition brings enterprises into constructive relationships with a new range of stakeholders.

5.3.4.2. *Business opportunities from addressing societal challenges*

There is a strong case, backed up by academic literature, for arguing that environmental management, as a part of the environmental dimension of CSR, can contribute to innovation. Rennings et al. (2006), for example, have shown a positive link between the maturity of environmental management systems and environmental process innovation. The causal link is not always straightforward, however, and Seijas Nogareda and Ziegler (2006) argue in favour of a “complex dynamic interrelationship” between green management and corporate green technology innovations.

In pioneering enterprises, CSR has involved reconsidering the purpose and role of the enterprise in society. For a number of companies, this has led to the realisation that a growing proportion of company value is likely to be created by providing business solutions to societal challenges such as climate change, the ageing population, or poverty and social inclusion. A report prepared by representatives of enterprises that are members of the World Business Council for Sustainable Development states that “the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world’s major challenges” (World Business Council for Sustainable Development, 2000).

This clearly suggests that the creation of business value will lie in providing innovative solutions that help address societal challenges. Some companies now explicitly try to measure the potential public or societal value of a new product during the development process. The European Commission’s Lead Markets proposal, which aims to help European enterprises to capitalise on their innovative potential, has identified six such lead markets, all of which are related to societal benefit: eHealth, protective textiles, sustainable construction, recycling, bio-based products and markets for renewable energies.

The development of low-carbon technologies is an obvious example of how addressing societal challenges can be a catalyst for innovation. Another

example involves so-called “bottom of the pyramid” business strategies, first popularised by Prahalad (2004), through which enterprises treat poorer people as valuable customers and seek to provide them with appropriate goods and services. The United Nations Development Programme reports that such approaches can lead to innovations that contribute to a company’s competitiveness. This can happen because “to meet the poor’s preferences and needs, firms must offer new combinations of price and performance”, and because “the pervasive constraints that businesses encounter when doing business with the poor – from transportation difficulties to the inability to enforce contracts – require creative responses” (UNDP, 2008). A concrete illustration of such business models is the expansion of the micro-credit market, not only in developing but also in developed countries.

Innovation to address societal challenges is an opportunity for enterprises of all sizes, including SMEs. Based on a study of approximately 50 Danish SMEs engaged in CSR practices, Kramer et al. (2007) identify a number of companies that derive a substantial and growing share of business from socially beneficial innovations. The authors conclude that environmental and other socially beneficial innovations seem to be an expanding niche well suited to SMEs. As part of its work on inclusive business, the UNDP cites two examples of Polish SMEs, one from the energy sector and one from the IT sector, that have developed successful business models by innovating to provide services to low-income groups.

The extent to which social and environmental issues are integrated into the core business strategy of an enterprise will be an important determinant of its ability to find business opportunities in responding to societal challenges. Enterprises in which social and environmental concerns are a peripheral issue or considered primarily from a public relations perspective are less likely to be able to exploit these opportunities.

5.3.4.3. *CSR involves creating better workplaces, which can be more conducive to innovation*

Working conditions and the treatment of employees are an important aspect of CSR. The creation of better working environments, including placing greater trust in employees and paying more attention to employee health, well-being and quality of life, can lead to workplaces that are more conducive to innovation. The European Commission recognised this link in its 2006 Communication on innovation policy: “Innovation needs to be organised in a way that supports not only the acceptance of change but also provides opportunities in human resource management, leading to higher productivity” (European Commission 2006).

On the basis of 120 case studies conducted in the Hi-Res project, Totterdill (2004) reports that new forms of work organisation based on participation and trust can offer several potential advantages, including competitiveness through successful innovation in products, services and processes. The importance of placing trust in employees is reinforced by a study of the link between work organisation and innovation in 15 EU Member States, which found that in-house creativity and innovation is greatest when employees are given a high level of discretion in problem-solving (Arundel et al, 2007).

Work-force diversity, as an important aspect of the work-place dimension of CSR, has been shown to have a positive impact on innovation capacity. "Like-minded people make like minded decisions", whereas a broader range of perspectives, backgrounds and expertise can lead to creative thinking and more effective problem-solving (Campayne, 2008).

A European Business Test Panel organised in 2008 by the European Commission found that 56% of participating enterprises had equality and diversity practices of some kind. Of these, 63% said that their workplace diversity had contributed to innovation and creativity in the company. These results seemed to apply equally to SMEs and larger enterprises. A study by the London Business School has shown that innovation performance tends to be higher in work teams that have a gender balance (London Business School, 2008).

Work-force diversity does not necessarily bring easy gains, however. The main risks involve reduced cohesion, increased conflict, and problems of communication and participation. The quality of diversity management in a company is crucial if these risks are to be minimised and the innovation and other benefits are to be realised.

5.3.4.4. Conclusion

There is evidence that certain aspects of CSR can have a positive impact on competitiveness by enhancing capacity for innovation. This relationship exists in the case of engagement with stakeholders through CSR, environmental management, and the workplace dimension of CSR, including work-force diversity. The positive relationship between CSR and innovation is strengthened by the fact that innovation is increasingly a collaborative exercise, and by the trend towards the generation of new business value from innovations that address societal problems.

5.3.5. Risk and reputation management

5.3.5.1. CSR, reputation building and risk management

The link between CSR and strategic risk management is well established. Bowman (1980) introduced

the concept of corporate social responsibility as a means of anticipating and reducing potential sources of business risk. Heal (2005) suggests that CSR can minimise conflicts between companies, society and the environment and argues that risk management in the sense of avoidance or reduction of conflicts may be a major benefit of effective CSR programmes. Husted (2005) argues that CSR is an essential element of corporate risk management. Orlitzky and Benjamin (2001) identify different kinds of business risks CSR may reduce, such as governmental regulation, labour unrest, or environmental damage.

The issue of regulatory risk is important in this context. CSR may particularly help enterprises, including SMEs, to prepare for possible new regulations on social or environmental issues (Burke and Logsdon 1996, Orlitzky and Benjamin 2001). If that is correct, then CSR takes on added importance given the probability of new regulatory frameworks to promote sustainability and in particular to deal with climate change.

A growing number of companies see their commitment to CSR not just in terms of risk management but as a means of enhancing their reputation in the eyes of customers, potential employees, and regulators. This can have the effect of exposing the enterprise to greater public scrutiny, however. Company representatives often report that, by making public commitments on CSR-related issues, they in fact become more vulnerable to criticism from non-governmental organisations and other stakeholders. In the medium to long term, CSR is only likely to improve competitiveness through a better company reputation if it is deeply embedded in the company's values and operations.

The power of communication technology has in any case already made enterprises much more vulnerable to public criticism. This strengthens the links between CSR and competitiveness, since it increases the risks incurred by a lack of attention to CSR.

The nature of the knowledge economy may also increase the potential of CSR to bring competitive advantage through improved reputation. Trust, reputation and relationships are increasingly important to competitive success in the knowledge economy, not least because of the growing need to be able to collaborate with other stakeholders in order to create new value. On the evidence of narratives written by SME owner-managers, Fuller and Tian have suggested that 'in a global economy where prices will always be difficult to beat, technological innovations highly specialised and an ever greater need for collaboration, new forms of social and symbolic capital generated through responsible behaviour [...] may be features of new firms in Western society' (Fuller and Tian, 2006).

Toyne (2003) provides further evidence that the risk and reputation aspects of CSR are important for SMEs. Based on interviews with a variety of SMEs and key informants, Toyne (2003) identifies risk to reputation as a key driver for the CSR agenda of SMEs. Fuller and Tian (2006) note that SMEs may act responsibly because their legitimacy with immediate stakeholders (employees, customers, suppliers and their local 'community') is at stake in a far more direct and personal way than it is with major corporations.

5.3.5.2. Human rights and risk and reputation management

When looking at the CSR practices of leading enterprises, it is increasingly hard to distinguish between pure risk management and the realisation of new opportunities. The area of human rights provides a good example of this. Though not enough companies as yet have explicit human rights policies, most of those that do are initially motivated by risk management, in addition to moral considerations. However, the Business Leaders' Initiative on Human Rights argues that "turning risk into opportunity is a key component of a strategic approach to human rights in business" (Business Leaders' Initiative on Human Rights). It suggests that opportunities arising from corporate human rights policies can include positive impacts on stakeholder relations, minimisation of operational disruption, better relationships with society and media, a positive impact on investor confidence, and improved employee morale.

5.3.5.3. The supply-chain and risk and reputation management

The distinction between risk management and realising new opportunities is similarly fluid in the case of CSR-related supply-chain requirements. The initial motivation of enterprises in imposing such requirements may be risk management, in the knowledge that many companies have suffered reputational damage as result of non-compliance with social and environmental standards on the part of suppliers. However, many buying enterprises have realised the advantages in terms of enhancing brand value and building deeper and more sustainable relationships with suppliers. What is more, the advantages are not necessarily limited to the buyer: an analysis of the experience of Central European SMEs in the supply chain of a large IT company found that buyer requirements can be a driver for the introduction of better management systems in supplier enterprises (Danish Commerce and Companies Agency, 2008).

5.3.5.4. Transparency and reporting

The same argument also applies to the question of transparency and CSR reporting. Many companies that now issue CSR or sustainability reports initially

did so with the aim of protecting themselves from the criticism of non-governmental organisations. While they have not always been successful in that objective, they have often found that sustainability reporting can lead to other advantages, such as employee pride and morale, stronger relationships with external stakeholders, and improving their own internal capacity to measure and manage social and environmental issues. Pohle and Hittner (2008) argue that greater levels of transparency can help to anticipate difficulties with external stakeholders: 'the company that invites more eyes on its operations can pre-empt problems that would otherwise become very expensive to solve.'

5.3.5.5. Conclusion

CSR is an essential component of risk and reputation management for many companies. The business case for CSR in terms of risk and reputation management is strengthened by the fact that enterprises are more exposed to public scrutiny and criticism than in the past. This also means that there is greater pressure on companies to embed CSR deeply within their values and operations, rather than to assume it can be used as a simple public relations tool. Dealing with CSR issues such as transparency, human rights, and supply-chain requirements from a risk management perspective have led some companies to discover additional positive impacts of CSR.

5.3.6. Financial markets

Stock market effects are strongly related to all other economic effects of CSR. Since stock prices are an indicator for the general economic performance of corporations, they should, under the assumption of efficient capital markets, also reflect the discounted value of CSR practices.

5.3.6.1. A positive but small link between CSR and financial performance

There is a large body of academic literature on the stock market effects of CSR, reaching a range of different conclusions. As McWilliams and Siegel (2000) note, researchers examining the impact of CSR on financial performance have reported a positive impact (such as Ziegler et al., 2007), a negative impact (such as Wright and Ferris, 1997), and a neutral impact (such as Schröder, 2007). Since SMEs are generally not traded on the stock exchange, the literature on the link between CSR and financial markets is usually not applicable to them.

If the whole body of the existing academic literature is examined, as for example in meta-analyses by Orlitzky et al. (2003) and Margolis et al. (2007), the link between CSR and financial performance is found to

be positive but small, and in any case is not negative. The results of different studies depend to a significant extent on which specific aspects of CSR and financial performance are analysed. Orlitzky et al. (2003) find that the most powerful CSR measure in terms of effect on financial performance is reputation indices. This suggests that firm reputational aspects are amongst the most important drivers of the competitiveness effects of CSR.

Margolis et al. (2007) report that the association is strongest for the specific cases of charitable contributions, environmental performance, and revealed misdeeds (i.e. public announcements of actions that indicate socially irresponsible behaviour). The association between corporate performance and charitable contributions may relate to the reputation effect as found by Orlitzky et al. (2003), while the association with revealed misdeeds may relate both to reputation effects and to risk management. The link between environmental and financial performance may relate to environmental innovations besides reputational or risk management issues. Bird et al. (2007) have similarly found a link between market value and environmental performance, but also found that markets rewarded companies that met minimum requirements with regard to diversity and were the most pro-active in the area of employee relations.

Margolis et al. (2007) also looked at 14 studies analysing the association between corporate transparency and financial performance. The link was not strong, but the overall conclusion was that financial markets do react positively to company disclosures regarding socially responsible behaviour.

Although there is a certain positive correlation between CSR and financial performance, this in itself does not explain the causal link. Margolis et al. (2007) addressed this question in their meta-analysis, and found that although there was no financial penalty for CSR, the link from prior financial performance to subsequent CSR was at least as strong as the reverse.

5.3.6.2. *Socially Responsible Investment (SRI)*

CSR performance may lead to better access to finance if investors and analysts take account of such performance. The recent growth in Socially Responsible Investment (SRI) is especially relevant in this regard. SRI funds include social and environmental criteria, as well as economic criteria, in investment decisions. The SRI market is young, but has been growing strongly for several years. The European Social Investment Forum (EUROSIF) estimates that the broad European SRI market represents 15-20% of total funds under management in the EU.

Many financial market experts assess the market potential of SRI very optimistically. In a recent poll

amongst 297 financial market experts conducted by the Centre for European Economic Research (ZEW; Oberndorfer, 2007), more than 70 per cent of all the respondents assumed a growing or at least a constant market share for SRI.

Generally, the growth of the SRI industry, combined with more robust methodologies for incorporating social and environmental aspects, should in time mean that enterprises with strong CSR policies gain competitive advantage in terms of access to finance on the international markets. This effect would be even stronger if mainstream funds and analysts (as opposed to just the SRI industry) took account, or greater account, of CSR criteria in their investments and valuations.

5.3.6.3. *Mainstream investors and analysts*

There is some evidence that mainstream analysts and investors are attaching more importance to social and environmental issues. The UN Principles for Responsible Investment, launched in 2006, now have over 350 signatories, who between them manage assets worth about €8.2 trillion. A study of fund managers with over €7.6 trillion of assets under management, including more than half of the world's leading 20 fund managers, found that investment skills and research associated with the SRI industry are becoming more mainstream (Horton and Kember 2008). However the authors of the study also note that "the industry as a whole is a long way from best practice: although asset managers increasingly accept that ESG [environmental, social and governance] factors can influence investment returns and risks, most have yet to develop the corresponding competencies systematically across their organisation."

In 2007 Goldman Sachs published details of GS SUSTAIN, a methodology for integrating social and environmental issues into company valuation. Goldman Sachs believes it can be more confident in its predictions of improving returns or industry leadership for those companies which appear to be best managed, as signalled by a strong score on environmental, social and governance issues. The GS SUSTAIN framework also facilitates the identification of emerging industries and companies that Goldman Sachs believes are well placed to address the structural issues facing major industries in terms of significant global themes such as alternative energy, environmental technologies, biotechnology, and nutrition. It is notable in this respect that GS SUSTAIN appears, in effect, to be identifying industries and companies that are best placed to help resolve important societal challenges.

5.3.6.4. *Measurement and communication*

Methodological difficulties and access to reliable and comparable information can hamper the ability of

investment analysts to take full account of social and environmental issues. Some investors, especially but not only from the SRI sector, believe that company disclosure of social and environmental performance should be standardised and perhaps made obligatory. For companies, balancing transparency on non-financial indicators with the need to protect strategic information from competitors can be a complex task.

Substantial work is being undertaken to improve metrics and communication in the area of non-financial performance. The European Alliance on CSR is aiming to produce a framework of metrics and strategies for the management and communication of key areas of non-financial performance, highlighting the link with financial performance. Other relevant work in this area has been undertaken by the UNEP Finance Initiative and the Enhanced Analytics Initiative.

This is part of a wider trend towards the better measurement, valuation and disclosure of intangible assets and intellectual capital. According to surveys from 2004 and 2007, more than three quarters of board members and executives acknowledge that financial indicators alone are not enough to identify companies' strengths and weaknesses (Deloitte 2007). The European Federation of Financial Analysts Societies is a strong proponent of action in this area, pointing out that companies which do not systematically analyse their intellectual capital have an insufficient understanding of what really drives their value creation.

The World Intellectual Capital Initiative has recently been launched under the auspices of the OECD to promote the management and reporting of intellectual capital at company level and to promote international dialogue on this issue. The Enhanced Business Reporting Consortium, which is part of this initiative, aims to develop a voluntary, global disclosure framework for the presentation of the non-financial components of business reports, including key performance indicators. Although intangible assets cover substantially more than just CSR-related issues, such issues are nevertheless often a subset of intangible assets. Pressure for and progress towards better measurement, valuation and disclosure of intangible assets will therefore also affect the measurement, valuation and disclosure of CSR performance.

5.3.6.5. Conclusion

Research indicates conclusively that there is a positive but small correlation between CSR and financial performance. The nature of the causal link is not clear, however. The growth of the SRI industry provides opportunities for better access to finance for

companies that perform well on CSR. There is also evidence that mainstream investors and analysts are paying greater attention to CSR-related issues and more generally to intangible assets and intellectual capital. This is likely to increase the profile of CSR issues in the financial valuation of enterprises.

5.4. Competitiveness effects of CSR at macro and sector level

5.4.1. CSR and competitiveness at macro level

The European Commission sees CSR as an important part of the European Strategy for Growth and Jobs. If more European businesses are more socially and environmentally responsible, this should help Europe as a whole to meet its objectives under the growth and jobs strategy. These objectives include making Europe more competitive, as well as objectives such as social inclusion. A greater commitment from European enterprises to CSR can also help Europe to better combine competitiveness objectives with the overarching goal of sustainable development.

Some Member States also frame their policies to promote CSR at least partially in the context of improving national competitiveness. The CSR strategy published by the Danish Government in 2008 seeks to strengthen the international reputation of Denmark as a country renowned for responsible growth, which should in turn help to uphold its strong position in the global competition for competent labour, investment and market shares.

One of the main ways in which CSR could contribute to national and regional competitiveness in the EU is by generating higher levels of trust in business on the part of society. CSR practices that are credible, and that are recognised as such by citizens and other stakeholders should help to address the trust gap between enterprises and other stakeholders in society. Conversely, if the CSR practices of enterprises are perceived not to be credible, i.e. to be more public relations than real substance, then this could in the longer term actually compound the problem of the trust gap.

Higher levels of trust in business on the part of society could positively affect macro-level competitiveness in a number of ways. It could, for example, make it easier to reach political agreement on measures to reduce unnecessary administrative burdens on business. The possibilities for reaching social and political consensus on such measures should be greater if enterprises are perceived to share the values of the societies in which they operate and are seen to address societal challenges as well as creating wealth through their own commercial success.

It is also possible that a better image of business in the eyes of society will help to create a more entrepreneurial mindset amongst Europeans. It is probably harder to encourage more young people to become entrepreneurs if the pervasive attitude towards the achievements and impacts of existing enterprises is ambiguous. In its 2006 Communication on entrepreneurship education in 2006, the Commission suggested that emphasising the notion of “responsible entrepreneurship” could help to make an entrepreneurial career a more attractive proposition to young people (European Commission 2006).

It seems reasonable to assume that the generation of trust through credible CSR practices may also help to create social capital in national and regional economies. If so, then CSR could also contribute to competitiveness at a macro-level through a reduction in transaction costs.

Taken as a whole, the CSR practices of enterprises can also contribute to labour market integration and to skills development, both of which are identified in the Growth and Jobs Strategy as being important for European competitiveness. Companies contribute to labour market integration through employee diversity policies, which also have the effect of helping to offset the potential negative competitiveness consequences of the shrinking working age population. The investments made by many enterprises in the skills development of their employees is also an important aspect of the work-place dimension of CSR, and may have positive implications at the macro level in terms of helping to create and maintain a European work force with the skills to compete in the globalised economy.

This chapter argues that CSR can contribute to the innovation performance of companies. If so, then CSR may also improve macro-level competitiveness by being a driver for improved innovation performance in a given nation or region as a whole. It has also been suggested that regions in particular, by actively developing a reputation for CSR and sustainable business, may be able to increase their attractiveness as an investment location (European Commission 2007).

In spite of the validity of these arguments, the links between CSR and competitiveness at a macro level are difficult to measure. Isolating the cause and effect relationship between different aspects of CSR and different determinants of competitiveness is significantly more complicated at macro level than it is even at micro (firm) level. There has been little research into whether the aggregated CSR practices of individual companies do actually have a measureable effect on the determinants of national and regional competitiveness in the ways suggested above. It will in any

case always be dependent on a critical mass of companies engaged in CSR in the economy under study, although the size of that critical mass is uncertain and also invites academic investigation.

In spite of the difficulty of measuring the cause and effect relationship between CSR and competitiveness at national and regional level, there is evidence of a positive relationship between the two. AccountAbility has established a Responsible Competitive Index, which measures the tendency of a country towards responsibility and sustainability, and then plots that against the Growth Competitive Index of the World Economic Forum. The 2007 edition of this exercise found a strong correlation, as have previous editions (MacGillivray et al., 2007). AccountAbility has carried out a similar exercise at regional level in the United Kingdom, and also has found a correlation between levels of responsibility and traditional indicators of regional competitiveness (MacGillivray and Mackie, 2005).

5.4.2. CSR and competitiveness at sector level

The links between CSR and competitiveness can also be considered from a sector perspective. The competitiveness challenges facing certain sectors coincide at least partially with the strategic CSR issues specific to that sector. There are a number of examples of this:

- Chemicals: The High Level Group on the Competitiveness of the European Chemical Industry has identified opportunities for the industry in four fields: climate change, natural resources, renewable energy production and the ageing society. The chemical industry therefore has the potential to play a key role as a provider of solutions to major societal problems. As well as the opportunities for revenue generation this creates, the chemical industry might also improve its reputation in society and its exposure to regulation if it fulfils this potential.
- Mining: Two important strategic issues facing the mining industry are access to land and the attraction of high-quality and suitably qualified workers. Both these factors are influenced by public perceptions of the industry, especially on issues such as its environmental performance and health and safety, which are also key CSR issues for the sector. The mining industry has also suffered from the perception of corruption, and the Extractive Industries Transparency Initiative is a response to that.
- Information technology: Leading IT companies are cooperating to promote e-skills and digital literacy in Europe through the European Alliance on Skills for Employability and the e-skills Industry Leadership Board. The companies involved are motivated

- by a number of considerations, including their own strategic interest in helping to ensure that Europeans have a high level of IT knowledge and skills.
- Tourism: The quality of tourism products and services is very closely linked to the training and behaviour of employees, the state of the surrounding physical environment, and good and close relations with the local community in any given tourism destination. Each of these issues is high on the CSR agenda of tourism enterprises, but very often they cannot be addressed by any one enterprise acting on its own.

The implication of these examples is that in certain industries joint action by enterprises and other stakeholders to address CSR issues can simultaneously help to address factors affecting the competitiveness of the sector. Research into the links between CSR and competitiveness in the financial, IT and pharmaceutical industries suggests that collaboration between different stakeholders is key to successfully combining innovation, responsibility and competitiveness (MacGillivray et al., 2007).

There is, however, potential for tension between the competitiveness interests of individual enterprises and the competitiveness of the sector as a whole, since sector-wide action might reduce the opportunities for leading enterprises to differentiate themselves through CSR. Draper (2006) acknowledges this tension but suggests that a comprehensive approach to promoting CSR at sector level can improve the CSR performance of the sector as a whole and still allow leading enterprises to differentiate themselves. The Commission aims to further study the link between CSR and competitiveness at sector level through support for a number of multi-stakeholder, sector-based CSR programmes in 2009-10.

5.5. Conclusion

This chapter has examined the affects of CSR on 6 different determinants and indicators of competitiveness at firm level: cost structure, human resources, customer perspective, innovation, risk and reputation management, and financial performance. It has also examined possible links between CSR and competitiveness at macro-level and at the level of individual industrial sectors. The following general conclusions can be drawn:

1. CSR can have a positive impact on firm-level competitiveness in the case of all 6 determinants examined. However, the strength of that impact, and the extent to which it is relevant to all companies, varies. The business case for CSR is specific to different sectors, sizes and circumstances of companies.
2. The strongest evidence of a positive impact of CSR on competitiveness appears to be in the cases of human resources, risk and reputation management, and innovation. Positive links between CSR and competitiveness also exist but appear less strong or not so generally applicable in the case of cost structure, the customer perspective, and financial markets.
3. The business case for CSR is not static and is getting stronger. Many of the factors affecting the business case for CSR are themselves dynamic and are intensifying. This is true of employee expectations, consumer awareness, trends in private and public procurement, expectations of future regulation, the nature of innovation processes, and the importance that financial markets attribute to social and environmental issues. Additionally, some new factors have been identified that were barely part of this discussion a few years ago. This is the case, for example, of innovation performance.
4. The business case for CSR is increasingly based on value creation. As the practice of CSR has evolved, enterprises have begun to explore creative solutions to maximise their positive impact, as well as introducing measures to minimise their negative impacts. While the origins of the current attention to CSR lie in value protection (primarily risk and reputation management), leading businesses have found that it can also lead to opportunities for new value creation.
5. The strength of the business case for CSR in any given enterprise is still dependent on the competitive positioning of the company. There are enterprises with competitive strategies that require no more than legal compliance in social and environmental fields, and where exceeding legal compliance might incur costs that undermine competitiveness. This is more likely to be the case for enterprises whose competitive positioning is primarily based on low cost.
6. However, for an increasing number of enterprises in a growing number of industries, CSR is becoming a competitive necessity – it is something that they cannot afford not to do.
7. CSR needs to be part of core business strategy if it is to be a competitive differentiator. In this way CSR can also help to strengthen the European social model. The factors affecting the link between CSR and competitiveness are multifaceted and themselves reflect fundamental shifts in the environment in which business operates. Enterprises in which CSR remains a peripheral concern, mainly confined to public relations

functions, are likely to miss opportunities for competitiveness gains. It has been suggested that the European Commission's definition of CSR should be adapted to reflect the importance of strategy, so as to read: "CSR is a concept whereby companies integrate social and environmental concerns in their strategic decision-making processes, in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Academy of Business in Society, 2007).

8. For most of the competitive determinants examined, there is evidence that the impact of CSR is as relevant to SMEs as it is to larger companies. This is certainly true with regard to human resources, and also regarding reputation management and innovation.
9. There are strong reasons for believing that CSR can have a positive impact on competitiveness at European, national, regional and sector level. The overlap between competitiveness and CSR at macro and sector level may be greater than is often acknowledged. More research is required, however, in order to measure and analyse the ways in which CSR might enhance competitiveness at the macro-level and sector levels.
10. The findings of this chapter support the argument that CSR can make a valuable contribution to the goals of the European Growth and Jobs Strategy, and should encourage more Member States, in cooperation with other stakeholders including employers' organisations, to promote CSR as part of their national reform strategies. The Commission will continue to provide political impetus and practical support to all stakeholders engaged in CSR.

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European Commission

European Commission Enterprise and Industry Policies ... Corporate social responsibility
Promoting CSR in industrial sectors

Promoting corporate social responsibility in European industrial sectors

The European Commission is co-financing initiatives to support CSR in three industrial sectors: chemicals, textile and construction. All the initiatives are multi-stakeholder, involving actors such as industry associations, trade unions, NGOs and universities.

Small and medium-sized enterprises are the main target group. Based on the experience of these projects, we aim to draw conclusions about whether and how CSR can be a driver for the competitiveness of different industrial sectors.

Sector	Project	Lead organisation	Countries
Chemical	PRISME2 Promoting Responsibility In Small/Medium sized Enterprises Project summary  [80 KB] Project website	CEFIC	EU
Construction	Building Responsible project in the construction sector Project summary  [81 KB]	Impronta Etica	Italy, Hungary, Austria, Portugal, Spain
Textile/ Clothing	COSMIC CSR Oriented Supply-chain Management to Improve Competitiveness Project summary  [82 KB]	Scuola Superiore Sant'Anna	Italy, Spain, France



European Commission

Promoting Responsibility In Small/Medium sized Enterprises of the Chemical Industry “PRISME² project”

Beneficiary

Organisation: Conseil Européen de l'industrie Chimique (Cefic)
Country: Belgium
Contact Person: Bernhard Thier
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Project description

The aim of the project is to initiate a networking programme dedicated to **build capacity in SMEs within the chemical industry**. Such capacity building will enable to continuously improve their health, safety and environmental performance, with the industry sector's unique global Responsible Care® initiative being the foundation for this. Performance leaders amongst the European Chemical Industry Council (Cefic) membership together with other partners will become **mentors providing SMEs with training and expertise in issues of Responsible Care, in particular in health and safety. Pro bono trainings** will be initiated for participating companies, in combination with **on-site assessments (gap analyses) especially on occupational health and safety** and additional activities, making participation in the scheme attractive to SMEs. These trainings will initially be piloted in selected countries involving a solid foundation or relevant stakeholders before being rolled-out across Europe.

Project objectives

- Enable and encourage business partners to **exchange best practices** and to learn from one another.
- **Improve the genuine performance** of companies in areas of particular importance to stakeholders and society.
- More companies will become **involved in Responsible Care** through capacity building, and will **gain genuine competitive advantage** through the clear business case made by these activities.
- The unique combination of actors proposed will ensure **buy-in at all levels** and **strengthen the applicability of the initiative**, thus helping maintain momentum.

Description of the work

The project will be carried out in four development stages:

- 1) Initiation:** Development of the service; development and offering of a lean but targeted service offering to SMEs; substantiating the criteria in order to measure the success of the project.
- 2) Pilot Project:** Testing and evaluating the project outline by conducting three B2B workshops for representatives of SMEs in the selected countries.
- 3) Evaluation:** Review of the pilot projects by organising a one-day workshop with all the trainers, assessing the overall results and presentation of the results by a steering committee.
- 4) Roll-Out:** Broadening the base of the project and strengthening the groundwork for an enduring project structure.

Project partners

- The Centre for Tomorrow's Company, United Kingdom
- European Mine, Chemical and Energy Worker' Federation (EMCEF), Belgium

Target groups

Target area: European Union

There are two main targets:

- **Chemical Manufacturing Associations and Social Partners**
- **SMEs in the member states**

Project administration

Total Eligible Costs:	299,631.00 €
Max EC Contribution:	149,815.00 €
Year of Finance:	2008
Duration:	18 months


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prisme²

prisme² has been initiated by Cefic together with ECEG and EMCEF, the chemical industry partners in the European Social Dialogue, and the UK based Centre for Tomorrow's Company in November 2008. The project is designed to better involve small and medium sized companies in Responsible Care® and to generate added value to their business through improved environmental, health and safety management. prisme² stands for Promoting Responsibility In SMEs, where the squared symbol implies the redoubled effort through the involvement of employers and workforce.

The European Commission selected prisme² to be co-financed as a multi stakeholder project on Corporate Social Responsibility in the chemical sector.

More info? [Click here](#) ►

prisme² objectives

prisme² aims at enhancing the competitiveness of small businesses in the chemical sector through Responsible Care.

prisme² sets out to:

- Better understand the needs of small businesses in Environment, Health and Safety management
- Support associations reaching out to small businesses
- Commit leading companies to share best practices and involve their EHS experts as prisme² "mentors"
- Initiate regional Responsible Care networking programmes dedicated to SMEs
- Involve trade unions to engage with work councils and employees as key actors in Responsible Care
- Promote the added value Responsible Care through business relations



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European Commission

Building Responsible project in the construction sector “BRE project”

Beneficiary

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Project description

The aim of the project is to **foster Corporate Social Responsibility** within the construction sector by involving some large companies operating in the field, SMEs that are part of the supply chain, and some of the most relevant stakeholders (business associations, trade unions, universities). In order to reach this goal, the project aims at:

- 1) Elaborate a set of **indicators** enabling to **correlate** the economic **competitiveness** performance of the construction business **with sustainability** measures;
- 2) Investigating the **relation** existing between social and economic **value exploited** in performing the construction sector activities and the **value given back** to the stakeholders at the end of the production cycle.

Project objectives

- Verify and demonstrate that the adoption of **socially responsible actions enhance the competitiveness** of the business in the construction sector in comparison with the adoption of social dumping behaviours.
- **Provide companies** in the construction sector **with proper cognitive tools** for developing innovative CSR policies.
- **Raise awareness** among the actors of the construction sector, thereby contributing to the promotion of the culture of corporate social responsibility, in line with the objectives of the Lisbon Agenda and with the EU strategy of promotion of CSR.

Description of the work

The project will be carried out in six development stages:

- 1) **Research and Analysis:** Elaborating an overview of the relevant context for the analysis, within which it will be defined and tested the set of indicators.

2) Building the tools for the analysis: Identification of proper performance indicators of sustainability and market competitiveness.

3) Pilot experimentation: Analysis of best practices for each of the main CSR dimensions identified for the construction sector. Impact analysis of considered best practices according to the identified CSR and competitiveness indicators.

4) Elaboration and deliverables: Elaboration of finalized set of indicators and elaboration of CSR Guidelines addressed to construction companies.

5) Dissemination: Dissemination of project results and deliverables

6) Management, monitoring, and evaluation: Administration of the project, general coordination in order to assure the efficiency, effectiveness, quality and deadlines of project phase's implementation.

Project partners

- Associação Portuguesa Para a Responsabilidade social das Empresas, Portugal;
- Foro para la Evaluación de la Gestión Ética, Spain;
- CSR Europe (The European Network for Corporate Social Responsibility), Belgium;
- Követ-Inem Hungária (Hungarian Association for Environmentally Aware Mgmt), Hungary;
- respAct (Austrian Business council for sustainable development), Austria;
- Nuova Quasco (Qualità degli Appalti e Sostenibilità del Costruire, Italy);
- Alma Mater Studiorum, Università di Bologna, Italy;
- Istituto Ricerche Economiche e Sociali, Italy;
- Cooperative di Produzione e Lavoro associazione nazionale, Italy;

Target groups

Target area: Italy, Hungary, Austria, Portugal, Spain

Direct beneficiaries:

- European institutions and local public authorities
- Organizations operating for the promotion of CSR
- Industrial organizations; Trade unions; University; Research and consultancy institutes
- Companies involved in the experimentation phase and in the elaboration of Guidelines

Indirect beneficiaries:

- Construction companies; People working within the construction companies
- Industrial organizations, trade unions and experts involved in the project
- University students through the introduction on a training module on CSR
- NPOs (National Partner Organizations) associated to CSR Europe (25);
- Members of CSR Europe (over 70):
- Companies associated with the national organizations promoting CSR that are project partners (400)
- Institutional investors that will be informed of the level of CSR of the construction sector
- Customer that will be able to base their consumption decision on better information

Project administration

Total Eligible Costs:	256,699.82 €
Max EC Contribution:	123,179 €
Year of Finance:	2008
Duration:	18 months



European Commission

CSR Oriented Supply-chain Management to Improve Competitiveness in the textile/clothing sector “COSMIC project”

Beneficiary

Organisation: Scuola Superiore di Studi Universitari e di Perfezionamento Sant’Anna
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Project description

The aim of the project is to **analyse** the relationship existing between **CSR and competitiveness** all along the textile/clothing supply chain, through:

- a detailed study concerning the **role played by demand** factors (market and consumers), **supply** factors (innovation and dynamic efficiency, role of credit and insurance systems) and **public policies** on CSR – related tools adoption by textile/clothing SMEs
- **identification of the main voluntary CSR instruments** that can influence the industry economic and competitive performance, as well as market dynamics
- **diffusion of the results** among SMEs and in the industrial clusters, test in field and policy proposals.

Project objectives

- Evaluating the role and opportunities of demand factors in stimulating the implementation of CSR-related tools by SMEs of the characterizing sector: level of social sensitization of firms and consumers, criteria of selection of products in the different areas of main destination of final goods and semi-manufactured products, role of the large-scale organized retail trade, and so on.
- Evaluating the role and opportunities of CSR in the innovation processes characterizing all the textile/clothing supply-chain, by means of the methods of analysis experimented in the EU RESPONSE project.
- Evaluating role and opportunities of the credit and insurance actors in stimulating policies in favour of SMEs, explicating their diligence in implementing CSR- related instruments
- Evaluating the role of public policies in stimulating the adoption of CSR-related tools by textile/clothing SMEs, and if the positive social and environmental effects of these

policies are really able to influence the competitive performance of the interested companies

- Confirming the experimented “cluster approach” tested in the COOPERATE Project as an useful methodology for integrating the CSR principles and CSR-related tools in the decision processes of SMEs, through the relevant involvement so-called “intermediary” institutions.

Description of the work

The project consists in 4 main tasks:

Task 1: Project management and communication.

Management and control of activities of the project; Drafting and submission to the Commission of exhaustive and detailed reports; Spreading of information about the updates of the projects to all the stakeholders; Diffusion of the results of the project.

Task 2: State of the art and definition of the methodology of analysis.

Definition of a detailed method for data collection of analytical variables in the field of SMEs competitiveness related to CSR (and their relationships with CSR approaches); sharing of the method between project partners and its validation by external supporters.

Task 3: Data collection and elaboration.

Collecting data by direct interviews or desk-research, concerning path dependency analysis between textile/clothing SMEs efficiency and CSR; data evaluation and cross-analysis of the outcomes.

Task 4: Policy proposals and in field tests.

Policies identification based on analysis outcomes; strategies comparison among different working groups; policy feasibility evaluation and sharing outcomes with partners.

Project partners

- University of Girona, Spain
- Agenzia per lo Sviluppo Empolese Valdelsa, Italy
- Fondazione per la Cittadinanza attiva, Italy

Target groups

Target area: Italy, Spain, France

Direct beneficiaries: Large number of SMEs operating in the textile/clothing sector, Public authorities, NGOs, Trade Unions, Trade Associations

Indirect beneficiaries: Banks, Suppliers, Consumer Associations

Project administration

Total Eligible Costs:	230,000.00 €
Max EC Contribution:	115,000.00 €
Year of Finance:	2008
Duration:	18 months

European Commission



European Commission Enterprise and Industry Policies ... Corporate social responsibility
Reporting and disclosure
CSR - Reporting and disclosure

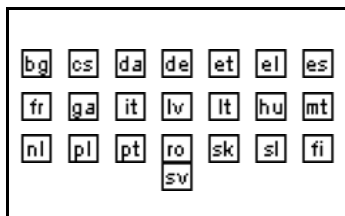
The number of companies disclosing information on their environmental, social and governance performance has grown significantly in recent years. Transparency and disclosure of CSR-related performance information have taken on particular importance in the context of the current economic and financial crisis.

Multistakeholder workshops

Between September 2009 and March 2010 the European Commission will host a series of [multi-stakeholder workshops](#) on this issue. For reasons of space, participation in these workshops is restricted to a number of carefully selected stakeholders.

Minimum requirements

European law makes the following requirement on publicly quoted companies: "To the extent necessary for an understanding of the company's development, performance or position, the analysis [in the annual review] shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters" ([Directive 2003/51/EC](#)  )



[130 KB]).

European Commission

European Commission Enterprise and Industry Policies ... Reporting and disclosure
Swedish-presidency

Workshops on the disclosure of environmental, social and governance information

On this page:

- [Workshop 1 – the enterprise perspective](#)
- [Workshop 2 – the investor perspective](#)
- [Workshop 3 - the perspective of civil society, consumers and media](#)
- [Workshop 4: The perspective of Trade Unions](#)
- [Background documents](#)

Between September 2009 and March 2010 the European Commission is hosting a series of workshops to explore how companies disclose environmental, social and governance (ESG) information.






Each workshop will look at ESG disclosure from the point of view of a different set of stakeholders: enterprises themselves, investors, trade unions, civil society organisations, consumers, media and public authorities.

More information about the aims and content of these workshops can be found [in this concept note](#)  [88 KB] .

Workshop 1 – the enterprise perspective

[Summary](#)  [203 KB]




Presentations

- Roger Cowe, Context, [ESG Disclosure Trends](#)  [9 MB]
- Joaquim Croca, Vodafone, [Sustainability Reporting at Vodafone](#)  [444 KB]
- Pierre Dutrieu, BPCE and Yann Louvel, Amis de la Terre, [CO2 and SRI labelling scheme for savings products](#)  [2 MB]
- Bruno Prior, Summerleaze, [Why some enterprises chose not to disclose ESG information](#)  [135 KB]
- Akira Fujiyoshi, Esai Co. Ltd, [Esai's approach to disclosure](#)  [2 MB]

Workshop 2 – the investor perspective

[Summary](#)  [222 KB]

Presentations

- Matt Christensen, EUROSIF, [Overview of current practices and trends](#)  [845 KB]
- Ralf Frank, EFFAS, [Key ESG performance indicators for banks](#)  [186 KB]
- Mike Krzus, Grant Thornton, [Integrated Reporting](#)  [841 KB]
















Workshop 3 - the perspective of civil society, consumers and media

Workshop 4: The perspective of Trade Unions










[Summary](#)  [183 KB]

Background documents








1. Practical guides

- [Valuing non-financial performance - initial recommendations, European CSR Alliance Laboratory on the Valuation of Financial and Non-financial Performance](#) 
- [Valuing non-financial performance - consultation report, European CSR Alliance Laboratory on the Valuation of Financial and Non-financial Performance](#)  [4 MB]
- [Key Performance Indicators for ESG , European Federation of Financial Analysts Societies](#)  [2 MB]
- [Reporting on CSR: introduction for supervisory and executive boards, Denmark government](#)  [631 KB]
- [Statement and Guidance on Non-Financial Reporting, International Corporate Governance Network](#)  [129 KB]
- [Sustainability Reporting Guidelines and Financial services sector supplement, Global Reporting Initiative](#)  [4 MB]
- [Reaching Investors Communicating Value through ESG Disclosure, Global Reporting Initiative](#)  [5 MB]
- [Guide to Corporate Human Rights Reporting, GRI, Realizing Rights, UN Global Compact](#)  [4 MB]
- [UNPRI Reports on progress: A review of signatories' progress and guidance for implementation, UN Principles for Responsible Investment](#)  [4 MB]
- [Transparency Guidelines for the retail SRI fund sector, EUROSIF](#)  [872 KB]
- [Reporting Guidance on the 10th Principle Against Corruption, UN Global Compact and Transparency International](#)  [4 MB]
- [Business Against Corruption - case stories and examples, UN Global Compact](#)  [3 MB]
- [Climate Change Investment Risk Audit – an asset owner's toolkit, Railpen, HSBC and Linklaters](#)  [176 KB]
- [CSR and Disability Guide, Fundación ONCE](#) *[website only]*
- [Guia de transparencia para ONGs, Fundación Lealtad](#)  [6 MB] 











2. Surveys and reports on trends and practices

- [CSR in Annual Reports of Spanish Companies, Observatorio de Responsabilidad Corporativa](#)  [4 MB]
- [Survey of quality of sustainability reports 2008, Ernst and Young](#)  [293 KB]
- [International survey of CSR reporting 2008, KPMG](#)  [5 MB]
- [Carrots and Sticks: Current trends and approaches in Voluntary and Mandatory Standards for Sustainability Reporting, KPMG and UNEP](#)  [750 KB]
- [How companies manage ESG issues at board level, EIRIS](#)  [65 KB]
- [Banking and Climate Change, SAM Group](#)  [4 MB]
- [Trends and Best Practice in Online CSR and Sustainability Reporting, CSR Europe](#)  [452 KB]
- [ESG in the Mainstream: The Role for Companies and Investors in Environmental, Social, and Governance Integration, Business For Social Responsibility](#)  [4 MB]
- [Mind the Gap - Benchmarking Credit Policies of International Banks, BankTrack](#)  [2 MB]
- [Transparency in reporting on Anti-Corruption: a report on corporate practices, Transparency International](#)  [315 KB]
- [Promoting Revenue Transparency : 2008 Report on Revenue Transparency of Oil and Gas Companies, Transparency International](#)  [2 MB]



3. Position papers

- [CSR and Transparency: German employers' contribution to the debate, BDA](#)  [707 KB]
- [EUROSIF Position paper on Sustainable and Responsible Investment](#)  [75 KB]
- [BUSINESEUROPE Statement on Transparency](#)  [138 KB]
- [Fair Law: Legal Proposals to Improve Corporate Accountability, European Coalition for Corporate Justice](#)  [245 KB]
- [How Can Reporting Become a Relevant Tool for Corporate Accountability at European Level? Global Alliance for Responsibility, Democracy and Equity](#)  [340 KB] 
- [Ending harmful investments, Netwerk Vlaanderen](#)  [2 MB]



4. National laws and policy initiatives

- [French disclosure requirements relating to corporate social responsibility](#)  [35 KB]
- [France policy on CSR reporting, Michel Doucin](#)  [265 KB]
- [Bilan de application de la loi NRE, ORSE](#)  [381 KB] 
- [Rapport sur application de la loi NR, French Government](#)  [363 KB] 
- [France Grenelle I - 3 août 2009](#)  [118 KB] 
- [CSR in Dutch corporate governance code](#)  [71 KB]
- [Dutch Transparency Benchmark for ESG disclosure](#)  [37 KB]



5. Stock exchanges

- [How leading stock exchanges are addressing ESG issues, EIRIS](#)  [66 KB]
- [Exchanges and sustainable investment, World Federation of Exchanges](#)  [638 KB]

6. Socially Responsible Investment

- [Presentation of Novethic SRI Label, Novethic](#)  [230 KB]
- [The Promise of SRI Conference Report, Danish Government and Princeton University](#)  [629 KB]




7. Consumers



- [Green expectations - Consumers' understanding of green claims in advertising, Consumer Focus](#)  [6 MB]
- [CSR and Trade: Informing Consumers about social and environmental conditions of globalised production, OECD](#)  [609 KB]

8. Media

- [Corporate Responsibility and the Media, David Grayson, Doughty Centre for Corporate Responsibility, Cranfield University](#)  [566 KB]
- [Watchdog or sheep-dog? Company-media relations in CSR field, The Copenhagen Centre](#)  [100 KB]

9. Other

- [XBRL The medium is the message, Ralf Frank](#)  [82 KB]
- [Overcoming Short-termism, Aspen Institute](#)  [139 KB]
- [Climate Change Compass: the road to Copenhagen, EIRIS](#)  [118 KB]

- [Press release on awards for transparency in corporate governance, ISCA](#)  [289 KB]
- [International Non-Governmental Organisations Accountability Charter](#)  [61 KB]

European workshops on disclosure of environmental, social and governance (ESG) information

Background

The number of companies disclosing information on their environmental, social and governance performance has grown very significantly in recent years. For large multinational companies, disclosure of ESG information has become a mainstream phenomenon. The quality of this disclosure varies however. A number of leading companies have developed innovative practices for effective ESG disclosure. However, some target stakeholder groups for such information (e.g. investors and analysts, campaigning NGOs, consumers) still often state that their needs are not adequately met.

There are a number of international and European initiatives that seek to provide different kinds of guidance for companies in this field. There has been a certain degree of communication and coordination between some of these initiatives, but there is room to do more in this respect. Additionally, some EU Member States make legal requirements on certain kinds of companies to disclose information on their ESG performance that go beyond the basic requirements of European law (Accounts Modernisation Directive 2003/51/EC).

Transparency and disclosure of ESG information emerged as a key issue at the plenary meeting of the European Multistakeholder Forum on CSR on 10 February 2009. These issues have taken on particular importance in the context of the current economic and financial crisis. Greater transparency can play a role in helping to restore trust in business. Enterprises themselves increasingly recognise the value of ESG disclosure in driving internal change. Some organisations see a need and an opportunity to refocus management systems and to base investment practices and measures of business success on longer-term issues, including ESG issues.

Objectives

The European Commission is proposing to organise a series of workshops to:

- Identify the most effective and efficient way(s) to promote a better and more widespread disclosure of ESG information, which should be useful for the companies that disclose it and for stakeholders that may require it. Without pre-judging any outcomes, this will involve, amongst other things, exploring both the desirability and the feasibility of stakeholders moving towards an agreed core set of KPIs for ESG performance.
- Facilitate better coordination and communication between existing initiatives in the field of ESG disclosure.
- Deepen the understanding of all stakeholders, including the European Commission, of the issues at stake, recent developments and current good practice.

The conclusions of these workshops will be discussed during the conference to be organised by the Spanish Presidency on 25-26 March. They will also be discussed in a plenary meeting of the European Multistakeholder Forum on CSR in the second half of 2010 or early 2011.

Methodology

The European Commission will convene 5 one-day workshops between September 2009-February 2010. Each workshop will focus on a common set of core questions, but examined from the perspective of a different stakeholder group in each case. The guiding orientation of this work will be the information needs and demands of enterprises themselves and their stakeholders.

The core questions to be addressed would be:

1. What are the legitimate information needs of the stakeholder group in question? Why is this information needed and to what use is it or would it be put? What difference does or would the provision of (better) information make?
2. To what extent do current disclosure practices meet the information needs of the stakeholder group in question? Who are companies trying to communicate with and provide information to? What is current best practice from the company point of view and from the point of view of the stakeholder group in question? What needs to change to better meet the information needs, and can companies make those changes? Are transparency and materiality common goals and what needs to happen for those goals to be achieved?
3. Is it important for the stakeholder group in question that disclosure of ESG information be linked to financial reporting? Why? What technical / IT tools are available (or to be developed) to ensure the most efficient preparation and dissemination of such information ?
4. Is a common set of comparable non-financial KPIs desirable? If so, to what extent is it feasible to achieve, and what would then be the ideal balance between cross sectoral and sector-specific indicators?
5. What are/could be the most effective and efficient mean(s) to promote a better and more widespread disclosure of ESG performance information, which should be useful for the companies that disclose it and for stakeholders which may require it? What are the costs and benefits of different approaches? Should these means be national, EU-wide or global? What might be the added value, if any, of action at EU level? How should the particular needs and circumstances of SMEs be addressed? How can the needs of stakeholders outside the EU be addressed?

The 5 workshops would respectively deal with these questions from the perspective of the following stakeholder groups:

- Workshop 1 (September 18): Enterprises (the providers of ESG information)
- Workshop 2 (October 30): Investors (mainstream and SRI), financial analysts, accountants, rating agencies

- Workshop 3 (December 4): Civil society and NGOs, consumers, media
- Workshop 4 (January 28 and 29, 2010): Trade unions, public authorities
- Workshop 5 (February 25, 2010): Concluding workshop

The workshops will be dynamic, with times for speakers restricted to a few minutes and considerable space left in the agenda for open discussions.

Participants

A core group of persons and organisations would be invited to attend all the workshops, in order to provide for continuity and to create opportunities for further coordination in the medium-term. This core group will include:

(1) Up to two representatives from organisations or initiatives that are a reference in this field:

- Global Reporting Initiative (GRI)
- UN Global Compact
- Federation of European Accountants (FEE)
- CSR Alliance Laboratory on Market Valuation of Financial and Non-financial Performance
- European Federation of Financial Analysts Societies (EFFAS)
- Secretariat of the UN Principles for Responsible Investment (UNPRI)
- International Corporate Governance Network (ICGN)
- Transparency International
- Experts from 4 Member State Governments active in this field (FR, DK, ES, SW)

(2) Up to two representatives nominated by each member of the CSR Forum Coordination Committee:

- BUSINESSEUROPE
- UEAPME
- EUROCHAMBRES
- CSR Europe
- European Trade Union Confederation
- EUROCADRES
- European Coalition for Corporate Justice (ECCJ)
- Amnesty International
- Friends of the Earth Europe
- European Sustainable Investment Forum (EUROSIF)
- European Academy of Business in Society (EABIS)
- European Consumers' Organisation (BEUC)
- European Savings Bank Group (ESBG)
- Cooperatives Europe

Persons nominated by the CSR Forum Coordination Committee must be experts in the field.

In addition to the core group, a number of additional speakers and other experts will be invited to attend one of the workshops, in accordance with the focus of the particular workshop in question. It will be crucial to the success of the workshops that these invited speakers include individual company representatives, as well as practitioners from the stakeholder group in question. The Commission will seek the advice of stakeholders in order to identify appropriate speakers.

Approximately 60 persons, including European Commission representatives, would participate in each workshop.

This initiative is lead by the European Commission's Directorate-General for Enterprise and Industry , with the active involvement of other relevant Commission services, including DG Employment and Social Affairs, which is jointly responsible for Commission policy on CSR. In late 2009 the Commission (DG Employment and Social Affairs) intends to contract a consultant to carry out a study of current CSR reporting practices. The study will build on the outcomes of the proposed workshops.

Other considerations

The success of this initiative will be at least partially dependent on the good preparation of each individual workshop, with objectives, key questions and reference documents identified and shared in advance.

The workshops will be held under Chatham House rules. Written summaries of each workshop, which do not attribute comments to particular speakers, will be published on the web together with other relevant background documents.

European Workshops on Disclosure of Environmental, Social and Governance Information

Workshop 1 – The enterprise perspective – Friday 18 September 2009

Summary of discussions*

Introduction

This was the first in series of 5 multistakeholder workshops hosted by the European Commission to explore the disclosure of environmental, social and governance (ESG) information by enterprises. More information about the context and objectives of these workshops can be found [here](#).

The first workshop looked at ESG disclosure from the perspective of enterprises themselves, the information providers. Specific objectives identified before this workshop were to:

- better understand current ESG disclosure practices and trends;
- better understand the motivations of enterprises regarding ESG disclosure, including why some enterprises chose to communicate ESG information publicly, while other enterprises, especially SMEs, chose not to do so;
- identify key problems faced by enterprises in achieving what they want to achieve through ESG disclosure;
- and identify possible ways of addressing those problems.

The workshop was chaired by Pedro Ortún, Director in the Directorate-General for Enterprise and Industry, European Commission. The agenda and a full list of participants are attached.

The workshop was held under Chatham House rules. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact.

As will be the case throughout this series of multistakeholder workshops, no single stakeholder group made up the majority of participants. This summary includes points made by all stakeholders, not just representatives of enterprises and business organisations.

What are current trends in ESG disclosure by enterprises?

ESG disclosure takes different forms and can be directed at diverse audiences. It covers, amongst other things: formal CSR or sustainability reports, chapters integrated in annual reports or annual accounts, digital disclosure, advertising, information on packaging, internal communication to employees, subject specific publications, and responses to rating agency or buyer questionnaires.

* This summary does not necessarily represent the views of the European Commission.

In some circumstances the boundary between marketing and ESG disclosure is not always clear, which is a concern for some stakeholder groups.

For most large companies, the publication of a formal CSR/sustainability report remains the centrepiece of their ESG disclosure. Such reports have become increasingly common in recent years. The most innovative companies in this field are experimenting with different disclosure techniques, including the use of electronic and social media. Others have moved towards fully integrated annual reports with ESG disclosure in different parts of the report. Amongst some enterprises there is a trend towards harder data and less general description in CSR/sustainability reports.

Other notable trends include: a greater emphasis on 3rd party assurance of reports, which brings a added degree of formality to the disclosure process; more emphasis on the positive contribution of the enterprise to society and the environment; more disclosure of anti-corruption policies; many reports make reference to the Global Reporting Initiative (GRI), although fewer adhere strictly to the GRI framework; and, in some cases, more integration of ESG information into annual reports.

In terms of the numbers of enterprises publishing CSR/sustainability reports, Europe risks losing global leadership. Figures from the GRI suggest that 48% of companies reporting with reference to the GRI are from EU, compared to 60% four years ago. This reflects the growth in ESG disclosure amongst companies from emerging markets. The state owned company department of the Chinese Ministry of Commerce has recently called for ESG disclosure by China's state-owned enterprises.

These trends apply almost exclusively to large companies. Not surprisingly, it is the leading large companies in the field of ESG disclosure that attract the most attention. Overall there is a wide variety of attitudes and practices, influenced amongst other things by size of enterprise, and its sector and country of operation.

With some exceptions, small and medium-sized enterprises (SMEs) practice disclosure and transparency in an informal manner and without publishing CSR/sustainability reports. This is consistent with the fact that CSR and sustainability processes in SMEs also tend to be informal in nature. SMEs are most likely to communicate ESG information to their employees and to buyers. Half of the 5.000 member of the United National Global Compact are SMEs, and they are required to issue a Communication on Progress every two years. The GRI has established a simplified reporting model, which is currently applied by about 150 SMEs. The European social partners in the tanning sector have launched a programme to support CSR/sustainability reporting by SMEs in that sector. The Spanish association of pharmacies has adapted the GRI guidelines for their 55.000 members, mainly SMEs.

What are enterprises trying to achieve through ESG disclosure? What advantages can it bring?

Participants mentioned the following drivers and benefits of ESG disclosure for enterprises:

- Promoting CSR/sustainability within the enterprise. ESG disclosure ought not to be seen as an isolated package, but rather as part of broader process of change. The discipline of

ESG disclosure, if it involves qualitative and quantitative ESG indicators by department, can make a significant contribution to the mainstreaming of CSR and sustainability in an enterprise. It can bring CSR and sustainability down to the operational and middle-management level. ESG disclosure can also lead enterprises to discover new opportunities and new information about their own operations, which can in turn help to alter internal attitudes to the relevance of CSR and sustainability. Such information can empower individual “sustainability champions” within the enterprise. To be a driver for internal change, ESG information should put quality over quantity, be forward-looking, cover the supply-chain, and be controlled and credible.

- Contracts and new business: a commitment to CSR and sustainability, which ESG disclosure can help to demonstrate, is sometimes useful and even necessary for winning new contracts with government or other businesses. This is a result of trends in public procurement and the greater attention many enterprises are giving to social and environmental issues in their supply chain. It still remains the case, however, that the great majority of purchasing decisions are based first and foremost on quality, price, delivery times and payment terms.
- Desire to feature in sustainability indexes: for some enterprises, featuring in sustainability indexes such as the Dow Jones Sustainability Index or FTSE For Good is a conscious objective of their decision to disclose ESG information.
- Social license to operate: ESG disclosure can in some cases be a largely reactive and defensive process designed to mitigate criticism or demands from external stakeholders such as non-governmental organisations.
- Improving stakeholder dialogue: the process of ESG disclosure provides opportunities for new forms of engagement with stakeholders. The workshop heard from a company that engages with stakeholders to help define the materiality of different ESG issues and so identify which issues merit action and disclosure. This helps the company to understand to manage stakeholder expectations. Top-down ESG disclosure processes, however, are unlikely to improve dialogue with stakeholders inside or outside the company. The workshop heard another case study where collaboration between an enterprise and NGOs resulted in a new mechanism to communicate ESG information on financial products to consumers. ESG disclosure can also be a useful tool to improve dialogue with the enterprise’s own personnel and their representatives.
- Human rights: enterprises have an obligation to respect human rights. ESG disclosure can be a useful tool in helping enterprises to meet that obligation.

What are the main challenges and problems faced by enterprises regarding ESG disclosure?

Participants identified the following problems and challenges for enterprises with regard to ESG disclosure:

- Intended recipients of information are not satisfied: Investors, non-governmental organisations and employees representatives – groups often cited as intended recipients of disclosed information – frequently criticise the ESG disclosure of enterprises. Typical

complaints include: arbitrary selection of data and indicators, inaccuracy of data, lack of comparable data between enterprises, failure to link ESG information to company strategy, lack of forward-looking analysis, and an excessive marketing approach. NGO representatives in particular remarked on the need for more information regarding anti-bribery and anti-corruption policies, which can enhance responsible corporate governance and competition, and the lack of information about the impact, including possible negative impact, of company operations on affected communities. Part of the problem is that different stakeholders have different information requirements and expectations, and meeting them all is extremely difficult, if not impossible. Anecdotal evidence suggests that many intended recipients may not read CSR/sustainability reports. Other CSR professionals and students are often the most assiduous readers of such reports.

- Communication with consumers is especially problematic: Either information does not seem to reach consumers, or they are confused with the information they do receive. Most labels are not able to reflect the complexity of CSR/sustainability challenges.
- The costs of ESG disclosure: the process of collecting information and then publishing it in an accessible and attractive format can be costly. Costs increase if the intention is to provide different information in a different format to different stakeholder groups, and if external assurance providers are engaged.
- Internal resistance: the counterpart of ESG disclosure being a tool to drive internal change is that it can also meet significant internal resistance. For some enterprises, a culture of greater openness and transparency would represent a big cultural shift.

Transparency and materiality in ESG disclosure: what is the difference and why are they important?

Although not mutually exclusive, transparency and materiality correspond to different stakeholders with different constituencies and agendas, each legitimate in its own right, and they can sometimes be conflicting.

Transparency values the disclosure of data for its own sake, sometimes as a question of principle. Materiality seeks to define which data is actually important in terms of influencing the decisions of the intended recipients of the information. Complete transparency, while arguably better than no transparency, can result in too much data, confusing those who want to focus on material information and even hampering rather than facilitating organisational change.

To some extent, transparency may be motivated by the need for social license to operate, whereas materiality is more commonly a question of assessing how ESG data is relevant to the performance of the company. Some stakeholders ask to whom the information should be material, and would include groups such as communities affected by a company's operations.

For investors and indeed for enterprises themselves, data need to be linked to context, strategy, risks and financial results in order to be material. Materiality cannot be addressed through a check-list approach of key performance indicators. The workshop heard the example of the percentage of a European company's workforce that comes from ethnic minorities. In itself that figure is not very useful to investors (or other stakeholders). By

contrast, it may be useful to know that the company seeks to ensure that the makeup of its workforce reflects the ethnic make-up of the population and the impact that has on customer satisfaction and sales. Often enterprises themselves understand internally the importance of ESG factors to their overall performance, but fail to communicate this to investors. There is a need, therefore, “to externalise the internalities”.

The European CSR Alliance Laboratory on “Corporate Responsibility and the Valuation of Financial and Non-financial Performance” has developed a framework for dialogue between companies and investors that identifies 6 key ESG areas and 9 key metrics. The European Federation of Financial Analysts Societies (EFFAS) is developing a set of indicators, of which about 20 would be applicable to any individual company. In terms of materiality, a relatively small number of indicators is preferable: “less is more”.

The workshop heard a case study from a Japanese company that uses the framework of the World Intellectual Capital Initiative (WICI), in which ESG information is treated in the same way as other non-financial and future oriented information.

Today’s financial accounting standards also seek to balance materiality and transparency, and are the result of many years of debate and practice.

Why do some enterprises chose not to disclose ESG information?

The workshop heard from a representative of one enterprise that had consciously chosen not to disclose ESG information. This decision was taken on principle, in spite of the fact the enterprise works in the environmental sector and is engaged with its local community. Any additional ESG disclosure beyond what is required by law was considered to be an unnecessary cost. ESG information is not commensurable, and distracts enterprises from focusing on the considerations that are really important to their long-term performance. Externalities should be internalised by appropriate institutional frameworks that create rational incentives to take appropriate actions, not by encouraging bureaucratic window-dressing.

The workshop also heard from a representative of one enterprise that does disclose ESG information but does not publish any kind of CSR/sustainability report. Working in the B2B sector, the enterprise has a tradition of intensive communication with its customers. It prefers to provide customers with the right amount of the right ESG information at the right time. This approach has helped the company to create and keep credibility. The enterprise believes that a duty based on legal regulation of ESG disclosure in the form of a report creates no added value, and raises difficult questions of cost, and the need for control and assurance.

National approaches to ESG disclosure in the European Union

Four EU Member States outlined their current policy on ESG disclosure:

- Denmark: has passed a new law on CSR reporting which will come into force in 2010. An important objective of the law is to enhance Denmark’s international reputation for responsible growth. It also aims to bridge the gap between the 70% of Danish enterprises who say they are active in the field of CSR, and the 20% who currently report on it. The

law is principles based and does not affect the voluntary status of CSR itself. It requires the 1000 largest companies, state-owned public limited companies and financial institutions to 1) describe their CSR policy (or state that they do not have one); 2) explain how they have implemented that policy; and 3) describe the results of the policy and expectations for the future. The principles-based approach as well as the decision to give companies a large degree of flexibility with regard to how they chose to publish the information also serves to promote better regulation and reduce administrative costs. The law does not require that reports be consistent with the GRI, but the Danish government supports the GRI and encourages large companies to use it. .

- Spain: has established a State Council (Consejo Estatal) with representation from business, civil society, trade unions and public administrations. One aim of the Council is to develop common standards and characteristics of CSR reports. Spain does not have a legislative approach to ESG disclosure beyond the existing requirements of European legislation.
- France: The 2001 Nouvelle Loi Economique provides a list of social and environmental issues that listed companies should address in their annual report. There is no, however, any established penalty for non-compliance. An evaluation of the law will soon be published. It seems to have mobilised companies and driven the creation of CSR/sustainability expertise. A new bill is now pending to extend the requirements to non-listed companies above a certain size. France considers that: the same requirements cannot be placed on large and small enterprises; listed companies have specific responsibilities to the market; some harmonisation and benchmarking is necessary; there is a need to address the issue of suppliers outside Europe; and that Europe has a role to play in the field of ESG disclosure.
- Sweden: introduced a requirement in 2008 on the 54 Swedish state-owned companies to report using the GRI framework, with 3rd party assurance. The law is uses the “comply or explain” principle. As a result of the new requirement, in 89% of state-owned companies reported according to GRI in 2008, compared to 14% in 2007. The requirement has also had some effect on the private sector: of the 100 largest Swedish private companies, 25% reported according to the GRI in 2008, compared to 15% in 2007.

From an enterprise perspective, what might need to change?

During the final session of the workshop, the following views were expressed:

- There is a danger of focusing on ESG disclosure at the expense of ESG action. Actual ESG performance and internal change within companies should be given greater prominence than disclosure.
- Legislation to make ESG disclosure obligatory is not required. Harmonisation and obligation in this field would be counter-productive.
- A basic platform and a common approach to ESG disclosure is necessary.
- There is a need for appropriate tools to help SMEs with this issue. The GRI in its current general form is not appropriate for SMEs. There is a role for local level support to SMEs

on ESG disclosure, including training, financial assistance, good practice exchange, and giving visibility to SMEs that lead in this field.

- There is a need to agree some common terminology and definitions of concepts (ESG disclosure, reporting, non-financial performance, etc.).
- There is a danger of giving a confused message to SMEs. These workshops are looking at ESG disclosure, while the European Commission is also proposing to exempt SMEs from financial disclosure requirements.[†]
- Sector-based approaches to ESG disclosure may sound attractive, but they are not necessarily a panacea and have their own complications. Many companies within a sector are in fact very different and comparing like with like remains very difficult.
- Global companies face a “mess” of different schemes and legislation at different levels. Some transnational companies would like to have a common standard. Global and listed companies are free to produce an ESG report if they wish, and if they do it would be useful to have a standard to cover two different levels: a) comparative information following the UN Global Compact and related GRI indicators and b) some sector-based indicators based on materiality.
- If Europe does not take the lead in this field then others, such as the US Securities and Exchange Commission, may do so.
- Any common step forward in this field will: require an open mindset on the part of all involved; need to be kept in mind the overall objective of creating a more sustainable system; and need to be multifaceted.
- It is absolutely important to recognise the business case for more effective communication of ESG information.
- We are not far from common ground. There is some confusion, but there are also the elements of a solution.

[†] The European Commission has proposed that EU Member States should have the option of exempting *micro-entities* from financial reporting requirements.

Agenda

Workshop 1: The enterprise perspective

Friday 18 September 2009, 9.00 – 17.00

Sicco Mansholt Room, Charlemagne Building, Rue de la Loi 170, Brussels

9.00 - 9.15	<p><u>Welcome and introduction: Pedro Ortún, Director, European Commission</u></p> <p>What do these workshops aim to achieve, and how will do they do it? What is the expected role of participants?</p> <p>Brief presentation of participants.</p>
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9.15 - 10.15	<p><u>What are the current trends in ESG disclosure by enterprises?</u></p> <p>The series of workshops will start with an overview of current ESG disclosure practices, together with two companies illustrating some of those practices.</p> <ul style="list-style-type: none">• Presentation by an expert with an overview of trends in ESG disclosure (10 minutes): Roger Cowe, Context• Company case study (10 minutes): Joaquim Croca, Vodafone• Company case study (10 minutes): Pierre Dutrieu, Caisse Nationale des Caisses d'Epargne and Yann Louvel, Amis de la Terre, France <p>Open discussion (30 minutes):</p> <ul style="list-style-type: none">- What are the key trends in ESG disclosure, and how do they vary according to size and type of company?- What has changed compared to 5 years ago? What are the factors likely to influence future trends?
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10.15 - 12.15	<p><u>What do enterprises want to achieve through ESG disclosure? And to what extent are they achieving it?</u></p> <p>This session will explore the motivations of enterprises with regard to ESG disclosure, and ask to what extent they are achieving what they set out to achieve.</p> <p>It will be divided into 4 parts of 30 minutes each, each part based around one particular question. There will be two discussants for each question, who will start the discussion with short introductory statements (3 minutes), after which they will be open to “interview” by other participants.</p> <p>1. Many enterprises are trying to communicate ESG information to different audiences: with which audiences are they most successful and which least? What factors influence success?</p> <ul style="list-style-type: none"> • Steve John, ArcelorMittal • Carlos Cordero, Observatorio RSE, Spain <p>2. How can ESG disclosure function as a tool for driving internal change?</p> <ul style="list-style-type: none"> • Michel Bande, Solvay • Patrick Itschert, European Trade Union Federation, Textiles, Clothing and Leather <p>3. Transparency and materiality: are they common goals for enterprises that practice ESG disclosure?</p> <ul style="list-style-type: none"> • John Swannick, Lloyds TSB • Matt Christensen, EUROSIF <p>4. Why do some enterprises chose not to disclose ESG information?</p> <ul style="list-style-type: none"> • Bruno Prior, Summerleaze • Andrea Linke, Voith AG
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12.15 - 12.30	<p><u>A view from outside Europe</u></p> <ul style="list-style-type: none"> • Akira Fujiyoshi, Eisai Co., Ltd., and member of World Intellectual Capital Initiative (Japan)
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12.30 - 13.30	<p><u>Lunch</u></p>
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13.30 - 14.15	<p><u>What barriers are there to enterprises achieving what they want to achieve through ESG disclosure?</u></p> <p>On the basis of the morning sessions, this will be a dynamic brainstorming to list the main concerns and challenges faced by enterprises with regard to ESG disclosure.</p> <p>Introduced by a representative from the European Commission, on the basis of the morning's discussions.</p>
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14.15 - 15.15	<p><u>National approaches to ESG disclosure in the European Union</u></p> <p>Presentations from representatives of Denmark, Spain, France and Sweden (7 minutes each), explaining their policy on ESG disclosure.</p> <ul style="list-style-type: none"> • Victor Kjaer, Deputy Director General, Danish Centre for CSR, Danish Commerce and Companies Agency • Miguel Angel Martínez de la Riva, Dirección General de la Economía Social, del Trabajo Autónomo y de la R.S.E, Ministerio de Trabajo e Inmigración, Spain • Michel Doucin, Ambassadeur chargé de la bioéthique et CSR, France • Jenny Didong, Division for State Enterprise, Ministry of Enterprise, Energy and Communications, Sweden <p>Open discussion (30 minutes):</p> <ul style="list-style-type: none"> - What might be the advantages and disadvantages of these different approaches? - To what extent do they take account of different sizes and types of enterprise?
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15.15 - 16.15	<p><u>“Disclosure Nirvana”: what does it look like for enterprises?</u></p> <p>This session will gather ideas about what for enterprises would be the ideal scenario for ESG disclosure, and what might need to change in order to reach that ideal scenario. (This same “disclosure Nirvana” question will be addressed from the perspective of different stakeholders in subsequent workshops).</p> <p>Format: Company and business representatives each answer the question “If you could change one thing, what would it be?” (2 minutes each)</p>
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	<ul style="list-style-type: none"> • Vladimíra Drbalová, BUSINESSEUROPE and Confederation of Industry of the Czech Republic and • Luc Hendrickx, UEAPME • Carmen Ragno, EUROCHAMBRES and Milan Chamber of Commerce • Alberto Andreu Pinillos, Telefonica, Spain • Lettemieke Mulder, Unilever and CSR Europe <p>Followed by general discussion.</p> <p>Themes to consider:</p> <ul style="list-style-type: none"> - How to make better use of ESG information that is already disclosed by enterprises? - Is there a need to take account of the specific circumstances of SMEs, and if so, how? - Do enterprises see any advantage in having commonly agreed general and/or sector specific disclosure indicators? - What “reward” might enterprises reasonably expect from consumers, investors, civil society, public authorities, media? - What role, if any, should governments and public authorities play at national, European, global levels?
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<p>16.15 - 17.00</p>	<p><u>Feedback, Conclusions, Next Steps</u></p> <p>Next steps for subsequent workshops:</p> <ul style="list-style-type: none"> - Format, number and type of participants - Webstreaming - Written contributions <p>Next meetings of High Level Group of National Representatives on CSR, and of CSR Forum Coordination Committee.</p>
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List of participants

Workshop 1: The enterprise perspective

Friday 18 September 2009, 9.00 – 17.00

Surname	Firstname	Organisation
Alexa	Noemi	Transparency International, Hungary
Alonso	Natalia	Amnesty International
Ameel	Dirk	EUROCADRES
Andreu Pinillos	Alberto	TELEFONICA, S.A.
Bande	Michel	Solvay
Bedo	Imola	European Commission, DG Environment
Cacciato	Giuseppe	European Commission, DG Enterprise and Industry
Callagan	Sandra	European Commission, DG TRADE
Capron	Michel	Forum Citoyen pour la RSE
Christensen	Matt	European Sustainable Investment Forum (EUROSIF)
Cordero	Carlos	Observatorio RSE
Cowe	Roger	Context
Croca	Joaquim	Vodafone
Curtiss	Frank	Railpen and International Corporate Governance Network (ICGN)
Dawson	Brian	European Parliament, Assistant to Richard Howitt MEP
de Clerk	Paul	Friends of the Earth Europe
Didong	Jenny	Ministry of Enterprise, Energy and Communications, Sweden
Dodd	Tom	European Commission, DG Enterprise and Industry
Doucín	Michel	Ministère des Affaires étrangères et européennes, France
Drbalová	Vladimíra	BUSINESSEUROPE and Confederation of Industry of the Czech Republic
Dutrieu	Pierre	Caisse Nationale des Caisses d'Epargne (CNCE)

Edme	Robin	EUROSIF
Fogelberg	Teresa	Global Reporting Initiative (GRI)
Frank	Ralf	European Federation of Financial Analysts Societies (EFFAS)
Fujiyoshi	Akira	Eisai Co., Ltd.
Gargonne	Simon	UN Global Compact
Gram Nybroe	Dorte	BUSINESSEUROPE and Confederation of Danish Industry
Grayson	David	Doughty Centre for Corporate Responsibility
Hagenah	Astrid	European Savings Bank Group (ESBG)
Hendrickx	Luc	European Association of Craft, Small and Medium-sized Enterprises (UEAPME)
Holmstrom	Kim	European Commission, DG Enterprise and Industry
Itschert	Patrick	European Trade Union Federation for Textile, Clothing and Leather
Kamp-Roelands	Nancy	Federation of European Accountants (FEE)
Kjær	Victor	Danish Commerce and Companies Agency
Linke	Andrea	Voith AG
Louche	Céline	Vlerick Leuven Gent Management School
Louvel	Yann	Friends of the Earth France
Martínez de la Riva Molina	Angel	Dirección General de la Economía Social, del Trabajo Autónomo y de la R.S.E, Spain
Mittermaier	Jana	Transparency International
Mio	Chiara	Federation of European Accountants (FEE)
Montoya	Luis	European Commission, DG Enterprise and Industry
Mulder	Lettemieke	CSR Europe and Unilever
Notredaeme	Jan	CSR Europe
Ortun	Pedro	European Commission, DG Enterprise and Industry
Pedersen	Anders Bomholdt	Danish Commerce and Companies Agency
Pennanen	Aino	Amnesty International, Finland
Prior	Bruno	Summerleaze
Ragno	Carmen	EUROCHAMBRES and Milan Chamber of Commerce

Rudzki	Margarete	EUROCHAMBRES
Saà	Lorenzo	Principles for Responsible Investment (UNPRI)
Steve	John	ArcelorMittal
Swannick	John	Lloyds Banking Group
Szilvassy	Zsofia	European Commission, DG Internal Market and Services
Tisserand	Stéphane	Mutuelle Assurance des Instituteurs de France (MAIF)
Torsten	Christen	European Commission, DG Employment, Social Affairs and Equal Opportunities.
Vandenhove	Jan	Vigeo CSR Rating Agency
Vitt	Judith	Federation of German Consumer Organisations
Zugo	Liliana	European Commission, DG Internal Market and Services

European Workshops on Disclosure of Environmental, Social and Governance Information

Workshop 2 – The investor perspective – Friday 30 October 2009

Summary of discussions¹

Introduction

This was the second in a series of 5 multistakeholder workshops hosted by the European Commission to explore the disclosure of environmental, social and governance (ESG) information by enterprises. More information about the context and objectives of these workshops can be found [here – hyperlink].

The second workshop looked at ESG disclosure from the perspective of the investment community. Specific objectives identified before this workshop were to:

- better understand trends and developments in the attitudes and practices of different investors towards ESG information;
- better understand why some investors take an interest in ESG factors and some do not;
- identify problems faced by investors in accessing useful ESG information from companies, and in disclosing their own ESG information;
- identify possible ways of addressing those problems.

The workshop was chaired by Pedro Ortún, Director in the Directorate-General for Enterprise and Industry, European Commission. The agenda and a full list of participants are attached.

The workshop was held under Chatham House rules. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact.

As will be the case throughout this series of multistakeholder workshops, no single stakeholder group made up the majority of participants. This summary therefore includes points made by all stakeholders, not just representatives of the investment community.

Overview of current trends and practices

The investment community is a very heterogeneous group, and this is reflected in very different approaches to and levels of interest in ESG information. Some important distinctions can be made:

- Between asset owners and asset managers. An asset manager may decide that certain ESG information is a significant driver of company value regardless of whether the

¹ This summary does not necessarily represent the views of the European Commission.

asset owner has any specific policy regarding sustainable or socially responsible investment.

- Between different methods of using ESG information in investment analysis and decisions. For example ethical and socially responsible investment funds (SRI) through to use of negative screening, positive screening, [complete with Matt's slide]
- Between the motivations that different investors and different asset classes may have for taking account of ESG information. For example, foundations and charities may take account of ESG information to align their investment practices with their underlying mission, while retail investors may be interested in the sustainable investment opportunities arising from macroeconomic demand drivers, shifts in regulations and market practices.
- Between the ways that different actors trades share and interact with the companies in which they invest. According one estimate, 20% of investors are day-traders, seeking to make profit on very short-term price changes, and 20% are long-term investors seeking an active engagement with the company, while the remaining 60% are picking shares almost entirely on the basis of computer modelling.

Attention to ESG information may help to improve investment decisions for a number of reasons, including: it seeks to identify 'predictable surprises'; it regards as tangible what others see as intangible, and as financial that others view as non-financial; it reaffirms the imperatives of prudence and long-termism; and it can be prospective not retrospective, anticipating the key challenges for management quality.

The interest of investors² in ESG information has grown in recent years, but "the big money is not there yet." Some surveys of investment managers suggest that many believe the importance of ESG criteria in investment decisions will grow significantly over the next 5 years. At least one mainstream source of financial data now covers ESG information, and even announces publication of Communications on Progress by signatories of the UN Global Compact.

The European Sustainable Investment Forum (EUROSIF) estimates that the broad SRI market – in the sense of having some ESG component in investment criteria – currently stands at \$6.8 trillion worldwide. In the EU, the broad SRI market accounts for about 20% of funds under management. The "pure" SRI market on the other hand – those using ESG information as a primary condition of investment – may represent as little as 2% of the market.

The average holding period for shares on the New York Stock Exchange has fallen steadily over recent years and is now less than one year. Decisions about whether a company is a good or bad investment are typically based on an investment horizon of 3-6 months. This seems to reflect a systemic problem of short-termism in the market. The dominance of short-termism creates an apparent paradox when set against the growth of SRI and of investor interest in ESG information.

Alternatively, the problem is not that investors are universally short term, but rather that they take a long-term valuation horizon using only an abstract mathematical approach that relies on

² Unless otherwise stated, the term "investors" is used in this document in a broad sense to denote different actors in the investment community, including asset owners, asset managers and analysts.

very short-term influences. Some 75% of the market value of companies is not explained in traditional accounting terms, compared to 20% in 1980. This is the result of very large increases in average price earning ratios (the ratio of stock price to earnings per share) over the period. Today the vast majority of a company's value is based on future earnings and not physical or tangible capital. Investors are making decisions on a 20-30 year view of future earnings potential which, through the use of discounted cash-flow forecasts and other quantitative techniques, has created a huge gap between market value and underlying asset value. But those techniques are based on current performance and inadequately evaluate the drivers of and risks to future growth i.e. non-financial performance. The seeming inability of investors to evaluate non-financial performance means they not only fail to effectively manage portfolio risk and identify future outperforming stocks, but they have also created systemic market risk.

Many investors do not seem to have an interest in fully exploring the "unexplained" or non-accounting value of companies. This is because they are usually looking for maximum cash returns over a short period, and their success or otherwise over such a timeframe is not necessarily affected by a fuller understanding of company value. However the gap between the accounting value and market value of companies is a greater problem for policy-makers, who want to promote an efficient allocation of capital.

Care should be taken to avoid an artificial distinction between "investors" and other companies. Most financial institutions are themselves companies, and have their own ESG footprint and risks. The level of interest of financial institutions does nevertheless have a significant influence on ESG disclosure by other companies.

Regulation regarding the disclosure of ESG information can be directed at all companies regardless of their sector of operation (e.g. French law described in workshop 1) or it can be aimed specifically at investors (e.g. requirement on a statement of investor principles). The Danish law on CSR reporting is directed both at large companies generally and more specifically at investors. Voluntary schemes can also be general or specific to investors: the Global Reporting Initiative can be applied by all companies and all companies can sign up to the UN Global Compact, while the UN Principles for Responsible Investment are targeted only at investors.

In discussing the investor perspective on ESG disclosure, one should also consider non-listed companies and public agencies, some of whom also issue bonds, and the growing importance of non-OECD investors.

The investor-company interface

The workshop heard from a mainstream retail bank that ESG information was raised, but not frequently, in relations with the bank's investors. The main relationships between the bank and its investors were managed by the CEO, the chief financial officer and the investor relations function. The bank in question tends not to fill out ESG questionnaires sent by analysts.

The workshop heard from a savings bank that has developed a model of "civic banking", which allows clients to decide how the bank should invest the 30% of profit that is reinvested

in social causes. The willingness of clients to influence social investments made by the bank has contributed to 8% organic growth per year.

The European CSR Alliance Laboratory on the Valuation of Financial and Non-Financial Performance aims to provide a framework for improved communication between companies and investors based on the identification of core non-financial metrics that themselves influence drivers of financial performance. This framework should help companies and investors to better understand and estimate the 75% of company value that is not explained in traditional accounting terms. For that, investors require more relevant and material data, not data on a larger number of ESG indicators. On the day of the workshop the Alliance Laboratory published some initial recommendations, including an action programme for European institutions.

The International Corporate Governance Network has published a “Statement and Guidance on Non-financial Business Reporting”. Amongst other things it warns against providing a proliferation of data.

The UK Institute of Chartered Secretaries and Administrators runs an award scheme for transparency in governance. The level of interest and standard of entries in 2009 has been high, which suggests that many enterprises are keen to address perceived deficiencies in governance disclosure.

The workshop heard a number of comments on trends in ESG questionnaires submitted by analysts to companies. On the one hand a trend away from questionnaires has been noticed, with some analysts instead sending their analysis and asking the company to comment. On the other hand, company response rates to ESG questionnaires appear to be growing. Over time, the questions contained in questionnaires influence the content of company reports.

Many companies complain about the number of questionnaires received from analysts, and many do not feel they can simply ignore them. Much data requested in analyst questionnaires can in any case be found in published company reports.

Some company representatives express frustration that asset owners and managers do not explain how they use ESG information in investment decisions or explain what impact the disclosure of such information has had on buying or selling the company’s shares.

The differences between investors that “do” and “do not” take account of ESG information can appear larger than they are in reality because of the existence of separate communities and different terminology. An investor taking account of information on illness and absenteeism may not consciously consider itself as an investor that “takes account of ESG criteria.” Similarly, although few investors ask explicit questions about ESG factors in meetings with companies, such questions are often implicitly asked but using different terms.

Investors usually want access to management and also access to specific company experts (e.g. supply-chain managers). They often therefore value direct meetings with companies over reading company reports. Analysts only take numbers from reports, whereas all qualitative information comes from meetings and direct contacts. For many investors it is a question of “ESG management first, then ESG disclosure.” The questions asked by analysts in meetings tend to be forward-looking, about future strategy rather than past performance.

Some companies organise dedicated SRI road-shows. The audience tends to be analysts with a specific interest in ESG information, and on the company side the presenters tend to be from the CSR or sustainability function rather than from investor relations.

The World Business Council for Sustainable Development has facilitated dialogues between investors and enterprises on ESG issues.

What kind of ESG information do investors want?

A number of criteria need be fulfilled if ESG information is to be useful to investors. Workshops participants mentioned that ESG information needs to be:

- Comparable across companies. To be comparable ESG information does necessarily have to be formally standardised, but should at least be “normalised”.
- Consistent over time.
- Relevant, material and linked to company strategy. Appreciations of materiality can vary between different kinds of investor. Disclosing companies themselves should “connect the dots” and do their analysis to explain to investors why certain ESG information is material.
- Reliable, which means 3rd party assurance. However, in practice assurance is not necessarily a guarantee of the quality of a report. The scope of assurance is important: is it to certify that the numbers are right or that the right ESG topics are covered? Non-accountancy bodies should be not excluded from providing assurance of ESG disclosures on the basis of assurance standards such as AA1000, or even by direct assessment of the internal and external stakeholders of the company.
- Linked to financial performance. Financial and ESG information need to be connected or even integrated. ESG information should be “monetised”, with data expressed as far as possible in financial terms.
- Related to risk. Investors want to be able to see if the risk profile is as the company says it is. Companies themselves often have a natural tendency to hide risks.
- Comprehensive, so that a company cannot disclose only what it wants to disclose.

A 2008 survey in Denmark found that over 80% of investment analysts would not use the ESG information currently disclosed by companies, and that a similar percentage of company representatives agreed that their information was not yet good enough for the purposes of investment analysts. However, both investment analysts and companies also expected that ESG information would have increased significance for the market valuation of companies in the coming years.

Large blue-chip companies have 400-500 people working on financial reporting information, which represents a big imbalance compared to the numbers working on ESG disclosure.

There is a need to understand the time pressure under which most financial analysts work. An average financial analyst might cover 10 stocks, and is required to prepare a preview and review of quarterly earnings for each stock for each quarter. This pressure is a disincentive for financial analysts to look beyond information that is *immediately* relevant.

The workshop heard from the representative of a private equity fund – with investments in industries such as renewable energy – who underlined that most investors are looking only to maximise financial returns, and have no intrinsic interest in ESG information. There is still a lack of evidence that sustainable business models provide a better return on investment.

The workshop heard from the representative of a pension fund that ESG disclosure should not be limited to what is immediately relevant to investors, since it is in general a proxy for how well the company is managing stakeholder relationships, and therefore also for the reputational risk to which the investor may be exposed. “The more transparency the better”: voluntary disclosure by companies should go much beyond what could ever be enshrined in a potential future ESG reporting standard.

Even though most ESG information cannot be factored into current valuation models, it can still effect the investor’s view. Current models of analysts should not therefore be the starting point for ESG disclosure. Examples of ESG information that has directly affected investment decisions by the pension fund included the strength of a company’s anti-bribery and anti-corruption policy, and, in the pharmaceutical sector, how a company addresses the issue of access to medicines.

Some ESG information is sector specific, while some may be relevant for all sectors. EUROSIF has published a series of sector reports describing ESG challenges facing different industries and the associated risks and opportunities they pose for long-term investment returns.

Some possible common indicators across all sectors might be:

- Corporate Governance: 1) proportion of independent members on the board of directors; 2) level of information on directors’ remuneration; and 3) part of employee stock ownership.
- Gender Equality: percentage of women in workforce, in management, and in executive committee.
- CO2 emissions: tons of CO2 / tons of products.
- Safety in the work place: frequency rate of accidents.
- Waste Management: total waste production, percentage of hazardous waste production.

The final results of the study on the Economics of Ecosystems and Biodiversity (TEEB) are expected in 2010. By highlighting the economic value of biodiversity, TEEB may play a significant role in generating more investor interest in certain kinds of ESG information.

The UNEP Financial Initiative Asset Management working group has published a number of documents on the integration of ESG criteria into investment processes, and engaged international law firms to assess sound legal implications in the fiduciary duty

Investor Transparency

Investor transparency on ESG issues is a growing trend in different asset classes, even to some extent in private equity. Investors need upstream information from other companies in order to improve their own transparency.

Signatories of the UN Principles for Responsible Investment (UNPRI) are required to produce an annual report on progress. This report is confidential and is supposed to be a learning tool for the signatory, although some 25% of signatories have chosen to publish their reports in any case. From 2011 the UNPRI intends to introduce some minimum disclosure requirements (yet to be defined) for signatories.

EUROSIF published transparency guidelines for the SRI sector in 2004. An updated version is currently prepared and will soon be published.

The 2008 Danish law on CSR reporting also makes it obligatory for institutional investors, investment associations and listed financial companies (banks and insurance companies) to report on social responsibility and strategies for responsible investment along the same lines as the reporting requirements for large companies. Investors and financial companies therefore have to report on their policies for social responsibility, how their policies are implemented, including any systems or procedures in that respect, assess results achieved and state expectations for the future.

Some funds (for example sovereign wealth funds) fear making any commitments with regard to ESG disclosure for fear of attracting criticism. There is a need to consider how to reward funds for “putting a toe in the water” rather than attacking them for not immediately having done everything they could do.

The European Investment Bank adopted a new environmental and social policy in 2009. The EIB uses the GRI framework for its sustainability report, and is moving towards the integration of sustainability and financial reporting. The EIB also acknowledges that it is accountable to the people affected by projects it finances.

Civil society groups consider that the EIB has a particular responsibility because it works in the framework of EU policies, and also that EIB has the potential to demonstrate leadership in this field.

Civil society organisations want to know how investors and different actors in the financial community deal with human rights issues in particular. Transparency about whether and how ESG information is considered in risk analysis can help to avoid negative human rights impacts. Access to good quality, up-to-date and comprehensive information about potential ESG risks and impacts is a right for any person/client taking a decision on investment and savings products. Limited information on any relevant ESG risk or potential impact also limits the right to know of the decision-maker.

The workshop heard from the representative of a retail bank who stressed the importance of engagement and dialogue with civil society organisations, including with those that are especially critical.

The GRI has developed a sector supplement (specific reporting guide and indicators) for the financial services sector, and financial services is one of the GRI's highest reporting sectors. The supplement was created together with the UNEP Financial Initiative and a working group including asset owners, managers and analysts. The supplement makes the distinction between retail banking, commercial and corporate banking, asset management and insurance to create the necessary specified guidance.

The European Federation of Financial Analysts Societies (EFFAS) is defining ESG indicators for 114 sectors, including for the banking sector. These indicators are divided into environmental, social and governance categories, plus a fourth category covering long-term viability (e.g. customer satisfaction). The Spanish Savings Banks Confederation has developed a set of common key performance indicators (KPIs) for ESG information, based on the GRI guidelines, to be used by all its member banks.

Integrated Reporting

In 2007, nearly 50% of the world's largest 250 companies had at least some integration of ESG information in their annual (financial) report. However less than 5% had a single, fully integrated financial and ESG report. According to a 2007 survey, 75% of readers of GRI sustainability reports believe that future sustainability reporting should be integrated in the annual report.

Integrated financial and ESG reporting does not mean artificially combining two separate reports. The internet and IT have a huge impact on what and how companies report, and provide an opportunity to overcome the "paper paradigm." Companies that provide integrated reports tend to make innovative use of IT, the internet and social media.

Integrated reporting seeks to reflect the fact distinctions between shareholder and stakeholder interests are artificial: stakeholders should consider company profit and shareholder interests otherwise the enterprise ultimately cannot exist; and shareholder interests are not served by ignoring the interests of other stakeholders. A move towards integrated reporting can contribute to the creation of a sustainable society.

A frequently cited risk is that integrated reports result in a loss of granularity and specificity of information. However web-based and IT technology can ensure that this is not the case. The potential of XBRL has not yet been fully realised in this regard. [XBRL could enable investors and other users to better compare disclosed information.](#)

The GRI is continuing its dialogue with reporters, peer organizations and academics on how to proceed towards integrated reporting without diluting the sustainability value of ESG information.

Integrated reporting has implications for assurance and assurance providers if it means that ESG information is systematically included the annual report.

The workshop heard from one company that has practised integrated reporting since 2007. The company perceives integrated reporting as a logical step towards the further integration of sustainability into business strategy. The integrated report has been well received by stakeholders such as institutional investors, as has the idea that value for society leads to value for the company. Other specific benefits for the company had been: better information on its own sustainability performance; fostering internal change and the further integration of sustainability into operations and strategy; and improvement in the materiality of information provided. Challenges included: the need to integrate and not only to combine the financial and ESG information in the report; the verification process, limited space and the ongoing need to keep providing other publications for specific target groups.

Integrated reporting does not in itself guarantee the integration of sustainability into business strategy, and vice-versa. “Integrated thinking is not necessarily the same as integrated reporting”. Integrated reporting should not be considered as something physical: the number of documents is not the point.

Leadership in the development of integrated reporting should come from companies themselves.

The Prince of Wales’ Accounting for Sustainability Project and the Global Reporting Initiative recently hosted a meeting of investors, standard setters, companies, accounting bodies, UN representatives and civil society to facilitate collaboration between different integrated reporting initiatives. No single organisation acting alone has the depth of talent and expertise to define the right framework.

Sweden requires its state-owned companies to report according to the GRI. The Swedish law does not require integrated reports, but it does require state-owned companies to present financial and ESG reports at the same time.

The French law of 2001 on reporting obliges publicly quoted companies to integrate social and environmental information into the annual management report. After 8 years the overall impact is deemed to be positive: it has helped company boards to appreciate that ESG information is useful and that ESG issues should be managed as tools for strategic orientation by sustainability, strategy and legal departments. The law of 3 August 2009 envisages the extension of this obligation to non-listed companies while recommending that the definition of indicators be agreed at European level, which is considered more appropriate than at national level.

From an investor perspective, what might need to change?

Workshop participants made the following recommendations and comments regarding possible future action:

Investor-company relations

- The supply-demand equation should be reversed: companies themselves should look for which kind of investor they want and need, perhaps with a preference for long term investors.

- Investment portfolios should be more transparent, so that companies know whether they are in a portfolio or not.
- There is need for reward from investors to companies, such as a commitment to keep company stock if the company meets its commitments.

Quarterly reporting

- Quarterly reporting should be stopped in order to counter short-termism and to allow analysts to do deeper analyses of ESG information. Or one quarterly earnings report every 6 months should be substituted for a report on ESG information. More information does not always lead to better decisions. Too much information can mean misleading information, which can result in more transactions – this does not lead to better risk control or better returns.
- Alternatively, the answer lies in more rather than less information, and there should not be moves towards less frequent reporting.

Key performance indicators

- Agreed KPIs for ESG information are required; without them, ESG information will not be integrated into the models and spreadsheets of investment analysts.
- Relative performance is at the heart of investor decisions, so comparability, at least within the same sector, is a necessary condition for the mainstreaming of ESG information into the financial community.
- One size fits all KPIs are too narrow to identify the key capabilities and opportunities of individual companies.
- There is a case for working in two parallel but separate processes: one to develop KPIs for investors and analysts, and one to develop KPIs to respond to broader social concerns as expressed by civil society organisations and which could be subject to some kind of regulation. The more stakeholders you have at the table, the more KPIs you end up with.

Regulation

- ESG disclosure according to a reduced set of KPIs should be made obligatory. Such regulation should apply both to listed and non-listed listed companies.
- Voluntary approaches to ESG disclosure have not worked. Most companies agree that climate change is a significant strategic issue, but only a small minority disclose information about the financial impact of climate change. Because there is a natural tendency for companies to hide risks they should be forced to disclose.
- Regulation should not be a first option. A "phased approach" to the regulation of ESG reporting and assurance might be preferable.

- It is difficult to regulate the substance of ESG disclosure in detail. Companies should be able to choose and judge which information is important for sustainability. What is relevant often differs from company to company and not just by sectors. The best ESG disclosure is that which tells us about the company's specific ESG risks and opportunities. Interest in different ESG issues also varies from investor to investor, which makes standardisation very difficult.
- The principles-based legislation passed by Denmark in 2008 could be a model to follow.
- It would be preferable if requirements on ESG disclosure were to come from stock exchanges, leaving each stock exchange to decide the exact content of its requirement.
- The experiences of the Netherlands and South Korea suggest that good public ESG ratings can be a way of encouraging companies to report more and comparable ESG information that is relevant for stakeholders, without necessarily having recourse to legislation.
- Many representatives from global companies are concerned at the prospect of country-specific KPIs for ESG.
- There should be a legal requirement for CSR/sustainability reports to be put to shareholder vote. More generally, ESG information needs to be placed on the same level as financial information.

Other points

- Awareness and education are vital. The integration of ESG factors into the training of future financial analysts is especially important.
- Management pay should be linked to ESG disclosure. This should also apply to asset owners and managers.
- 2010 will be an important year with opportunities for leadership: a new European Commission, the updating of the OECD Guidelines for Multinational Companies, and the publication of the TEEB report on the economics of biodiversity.
- Besides ESG information there are other areas of non-financial information, such as intellectual capital. Cooperation with the World Intellectual Capital Initiative (WICI) and/or WICI Europe might be useful.
- It is crucial to unite initiatives and ensure that relevant organisations work together. A respected international body should bring together relevant organizations in a market-driven collaborative process to explore integrated reporting. The G20 might be an appropriate forum for catalysing greater coordination between different organisations and initiatives.
- Any solution will only be sustainable if it is global. The GRI is an existing global and multistakeholder initiative: we should rally around what already exists.

- There is a danger of excessive focus on ESG risk compared to ESG opportunities. A framework with excessive focus on risk would damage competitiveness.
- Mismanagement of assets by asset managers played an important role in the current crisis. More attention should therefore be given to the relationship between asset owners and asset managers.
- New frameworks for the assurance of ESG information could be developed on the web using collaborative open source and wiki methodologies.
- There is a sense of urgency: a policy framework is needed now to improve company disclosure of ESG information and to promote the inclusion of such information in investment decisions.

Agenda

Workshop 2: The investor perspective

Friday 30 October 2009, 9.00 – 17.00

Meeting room: Borschette Conference Centre (Room 3A), Rue Froissart 36

9.00 - 9.15	<u>Welcome and introduction: Pedro Ortún, Director, European Commission</u>
9.15 – 10.00	<u>Overview of current practices and trends</u> Aim: to give a bird's eye view and ensure basic level of understanding of all participants. Who are the main kinds of actor within the wide investor community, and how does their role affect their level of interest in ESG information? How is investor interest in ESG information evolving? <ul style="list-style-type: none">• Matt Christensen, EUROSIF: trends in practices and attitudes of different actors in the investor community towards ESG information (10 minutes) Open discussion (35 mins)
10.00 – 11.15	<u>The investor-company interface</u> Aim: to illustrate and discuss current practice and problems regarding investor-company communication on ESG issues. Specific issues to address include (but not limited to): <ul style="list-style-type: none">- How do investors and companies communicate about ESG information? What channels and techniques do they use?- What are the main barriers to good communication? How can such communication be made more effective?- How and why does investor interest vary between industrial sectors (e.g. heavy industry versus services?) Short testimonies from corporates and investors:

	<ul style="list-style-type: none"> • John Swannick, Lloyds Banking Group and representative of the European Alliance Laboratory on Valuation and Communication of Non-Financial Performance (5 mins) • Paolo Nazzaro, Telecom Italia and representative of the European Alliance Laboratory on Valuation and Communication of Non-Financial Performance (5 mins) • Frank Curtiss, Railpen Investments and representative of International Corporate Governance Network (5 mins) • Guido Fiebes, Aeos Energy (5 mins) • Iñaki Iraizoz Real, Caja Navarra, Spain (5 minutes) <p>Open discussion (45 mins)</p>
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11.15 – 11.30	<u>Coffee break</u>
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11.30 – 12.30	<p><u>What kind of ESG information do investors want?</u></p> <p>Aim: to explore what kind of ESG information, and in what form, is most useful for investors and other main actors in the investment community.</p> <p>Specific issues to address include (but not limited to):</p> <ul style="list-style-type: none"> - What are the key ESG issues for investors? To what extent are these common issues or are they dependent on sector, location, etc? - What information is useful for investors? Why is it useful and is it available? What do investors need in order to better incorporate ESG information in valuation models? - What is the relative importance of indicators of past performance versus future-oriented narrative? What kind of long-term strategic information is useful for investors? - What existing KPIs do investors use, if any? What is the relative importance of KPIs compared to other ESG information? What difference might an agreed set of KPIs make to investors? From an investor perspective, what would be some of those KPIs and what balance would there need to be between general and sector-specific indicators?
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	<ul style="list-style-type: none"> - What is the key ESG information needed by financial analysts, rating agencies, accountants? <p>Short testimonies from:</p> <ul style="list-style-type: none"> • Claudia Kruse, All Pension Group, NL (5 mins) • Stéphane Voisin, Crédit Agricole Chevreux, France (5 mins) • Paul Druckman, Federation of European Accountants (FEE) and Prince of Wales' Accounting for Sustainability Project (5 mins) • Jan Vandenhove, Vigeo CSR Rating Agency (5 mins) <p>Open discussion (40 mins)</p>
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12.30 – 13.30	<u>Lunch</u>
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13.30 – 14.30	<p><u>Investor transparency on ESG issues</u></p> <p>Why is investor transparency on ESG issues important? What are the current trends? Is there a need to improve investor transparency on ESG issues and if so, how can this be done?</p> <ul style="list-style-type: none"> • Opening presentation: Herman Mulder, Independent ESG Advisor & Boardmember; Worldconnector; former Head Group Risk ABN AMRO Bank (10 minutes) <p>Responses from:</p> <ul style="list-style-type: none"> • Lorenzo Saà, UNPRI (5 mins) • Felimino Alcarpe, European Investment Bank (5 mins) • Ralf Frank, European Federation of Financial Analysts Societies (EFFAS) (5 mins) • Tomas Conde, BBVA (5 mins) <p>Open discussion (30 minutes)</p>
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14.30 – 14.45	<u>Coffee</u>
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14.45 – 15.45	<p><u>Integrated reporting: trends and possibilities</u></p> <p>To what extent do companies disclose financial and non-financial information in an integrated manner? Is there a trend towards integration? What are the advantages and disadvantages of integration to investors? What tools exist or might need to be developed? What is the potential of XBRL (or other systems) with regard to ESG disclosure?</p> <p>Opening presentation:</p> <ul style="list-style-type: none"> • Mike Krzus, Partner, Grant Thornton LLP (15 mins) <p>Responses from:</p> <ul style="list-style-type: none"> • Cécile Churet, SAM Research AG (5 mins) • Eckhard Koch, BASF (5 mins) • Chiara Mio, Federation of European Accountants (FEE) (5 mins) <p>Open discussion (30 mins)</p>
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15.45 – 16.30	<p><u>“Disclosure Nirvana”: what does it look like for investors?</u></p> <p>Attempt to draw together some of main themes to have emerged from the discussions, and opportunity to address any additional issues.</p> <p>Selected participants each in turn answer the question “If you could change one thing about current ESG disclosure practices and frameworks, what would it be?” (3 minutes each):</p> <ul style="list-style-type: none"> • Gianluca Manca, Eurizon Capital SGR Spa, Italy (3 mins) • Hendrik Garz, West LB, Germany (3 mins) • Stephen Hine, EIRIS (3 mins) • Robin Edme, Vice-President, EUROSIF (3 mins) <p>Issues to consider include (but not limited to):</p> <ul style="list-style-type: none"> - How do or how could investors reward companies for better ESG
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	<p>disclosure and performance? Do such mechanisms already exist? How might such mechanisms vary between kinds of investor?</p> <p>Open discussion (25 mins)</p>
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<p>16.30 – 17.00</p>	<p><u>Feedback, Conclusions, Next Steps</u></p> <p>Comments and feedback from participants on process, to feed into next workshops.</p> <p>Draft agenda of 3rd ESG Disclosure Workshop (civil society, consumers, media perspectives)</p>
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List of participants

Surname	Firstname	Organisation	Function
Alcarpe	Felimino	European Investment Bank	Head of Division Corporate Responsibility Policies
Ameel	Dirk	EUROCADRES	Executive officer
Bande	Michel	Solvay	Senior Executive Vice President Sustainable Development
Bedo	Imola	European Commission. DG Environment	European Commission. DG Environment
Bergmann	Uwe	Henkel AG	Corporate Communications
Bird	Sue	European Commission. DG Employment, Social Affairs and Equal Opportunities.	European Commission. DG Employment, Social Affairs and Equal Opportunities.
Brooks	Jermyn	Transparency International	Chair of the Business Advisory Board of Transparency International's Private Sector Programme
Capron	Michel	Forum Citoyen pour la RSE	Professeur des Universités en sciences de gestion
Christen	Torsten	European Commission. DG Employment, Social Affairs and Equal Opportunities.	European Commission. DG Employment, Social Affairs and Equal Opportunities.
Christensen	Matt	European Sustainable Investment Forum (EUROSIF)	Executive Director
Churet	Cécile	SAM Research AG	Senior Equity Analyst
Conde Salazar	Tomas	BBVA	Director de Sostenibilidad
Cordero	Carlos	Observatorio RSE	Technical Advisor

Curtiss	Frank	Railpen Investments & International Corporate Governance Network (ICGN)	Chair of Non-Financial Business Reporting Committee
de Clerk	Paul	Friends of the Earth Europe	Coordinator Corporate Campaign International and Economic Justice
Didong	Jenny	Ministry of Enterprise, Energy and Communications, Sweden	Division for State Enterprise
Dodd	Tom	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Doucine	Michel	Ministère des Affaires étrangères et européennes, France	Ambassadeur chargé de la bioéthique et CSR
Druckman	Paul	Federation of European Accountants (FEE) & Prince of Wales' Accounting for Sustainability Project	Chair of FEE Sustainability Policy Working party
Edme	Robin	European Sustainable Investment Forum (EUROSIF)	Vice-President
Fiebes	Guido	Aeos Energy	Managing Director
Florenz	Peter	BUSINESSEUROPE & Henkel AG	Corporate Vice President & Global Head Governmental Relations
Fogelberg	Teresa	Global Reporting Initiative (GRI)	Deputy Chief Executive
Frank	Ralf	European Federation of Financial Analysts Societies (EFFAS)	Coordinator EFFAS Commission on ESG
García-Pintos	Ines	Spanish Saving Banks Confederation	
Gargonne	Simon	UN Global Compact	Analyst Communications on Progress
Garz	Hendrik	West LB	Head of Sustainability Research
Gram Nybroe	Dorte	BUSINESSEUROPE & Confederation of Danish Industry	Advisor

Hagenah	Astrid	European Savings Bank Group (ESBG)	Head Department Legal Affairs, Accounting, Tax
Hendrickx	Luc	European Association of Craft, Small and Medium-sized Enterprises (UEAPME)	Director Enterprise Policy and External Relations
Hine	Stephen	EIRIS	Head of International Relations
Holmstrom	Kim	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Iraizoz Real	Iñaki	Caja Navarra	Subdirector General de CAN y Director del Área de Innovación e Implantación Estratégica
Itschert	Patrick	European Trade Union Federation for Textile, Clothing and Leather	General Secretary
Keijzer	Irma	Netherlands Ministry of Economic Affairs	Trade policy and Globalisation / CSR & trade
Kjær	Victor	Danish Commerce and Companies Agency	Deputy Director General
Koch	Eckhard	BASF	Director Sustainability Centre
Kröning	Iris	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Kruse	Claudia	All Pension Group, NL	Senior Governance & Sustainability Specialist
Krzus	Mike	Grant Thornton LLP	Partner
Louche	Céline	Vlerick Leuven Gent Management School	Assistant Professor
Manca	Gianluca	Eurizon Capital SGR Spa	Head of Sustainability and Global non-profit business at Eurizon and co-Chair of the Asset Management Working Group of the UNEP FI

Mio	Chiara	Federation of European Accountants (FEE) & Università Ca' Foscari di Venezia	Professor
Mulder	Herman	Independent ESG Advisor & Boardmember	Independent ESG Advisor & Boardmember; Worldconnector; former Head Group Risk ABN AMRO Bank
Muravjov	Sergejus	Transparency International Lithuania	Executive Director
Nazzaro	Paolo	Telecom Italia & European Alliance Laboratory on Non-Financial Performance	Head of Group Sustainability
Noterdaeme	Jan	CSR Europe	Senior Advisor on Strategy, EU and Stakeholder Relations
Pedro	Pedro	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Pennanen	Aino	Amnesty International EU Office	
Perez De Ciriza	David	Caja Navarra	
Philipponnat	Thierry	Amnesty International France	Commission Entreprises
Puente Gonzalez	Ignacio	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Ragno	Carmen	EUROCHAMBRES & Milan Chamber of Commerce	CSR Information Desk
Roldán Mones	Antonio	Office of Ramón Jáuregui MEP	
Rudzki	Margarete	EUROCHAMBRES	Advisor
Saà	Lorenzo	Principles for Responsible Investment (UNPRI)	Assessment and Training Manager
Sakuma	Kyoko	Sustainability Analysis & Consulting (SA&C)	

Sumita	Takayuki	Japan Machinery Center for Trade & Investment and WICI Worldwide	Executive Director of the Brussels Office
Swannick	John	Lloyds Banking Group & European Alliance Laboratory on Non-Financial Performance	Manager Corporate Responsibility
Szilvassy	Zsofia	European Commission. DG Internal Market and Services	European Commission. DG Internal Market and Services
Tanno	Angela	Italian Banking Association	
Vandenhove	Jan	Vigeo CSR Rating Agency	Responsible European Management (REM) projects
Vitt	Judith	Federation of German Consumer Organisations	Policy Officer Trade and Economic Policy
Voisin	Stéphane	Crédit Agricole Chevreux	Head of Sustainability Research at Credit Agricole Chevreux
Wallace	Mike	Global Reporting Initiative (GRI)	Director of Sustainability Reporting Framework
Zambon	Stefano	University of Ferrara & WICI Europe	Professor of Accounting and Business Administration
Zugo	Liliana	European Commission. DG Internal Market and Services	European Commission. DG Internal Market and Services

European Workshops on Disclosure of Environmental, Social and Governance Information

Workshop 3 – Civil society, consumer and media perspectives – Friday 4 December 2009

Summary of discussions¹

Introduction

This was the third in a series of 5 multistakeholder workshops hosted by the European Commission to explore the disclosure of environmental, social and governance (ESG) information by enterprises. More information about the context and objectives of these workshops can be found [here](#).

The third workshop looked at ESG disclosure from the perspective of civil society, consumers and the media. Specific objectives identified before this workshop were to:

- better understand the needs and expectations of civil society, consumer groups and media with regard to the disclosure of ESG information by enterprises;
- identify examples of disclosure that meet the needs and expectations of civil society, consumer groups and media;
- identify problems that prevent the needs and expectations of civil society, consumer groups and media from being met, and identify possible ways of addressing those problems;
- explore the issue of disclosure and transparency on the part of civil society organisations (e.g. environmental, human rights and development NGOs, consumer organisations) and media groups, and identify some leading practices in this field.

The workshop was chaired by Pedro Ortún, Director in the Directorate-General for Enterprise and Industry, European Commission. The agenda and a full list of participants are attached.

The workshop was held under Chatham House rules. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact.

As will be the case throughout this series of multistakeholder workshops, no single stakeholder group made up the majority of participants. This summary therefore includes points made by all stakeholders, not just representatives of civil society, consumer groups or media organisations.

¹ This summary does not necessarily represent the views of the European Commission.

Civil society views on ESG disclosure

The information needs of communities affected by company operations and investments need to be better addressed. Affected or potentially affected communities need prior information before a new investment is decided. They need to know to whom products will be sold and who is financing the operation, in order to be able to influence the right people. They need location-specific information, for example about the kind of expected pollution and the details of environmental and other permissions granted, including the boundaries of the geographical area to which they apply. Affected communities also need to know what rights of redress they have.

Annual CSR/sustainability reports do not reach affected people, especially not in the right form and language, and do not in any case contain the necessary location-specific information. Many claims in such reports are not correct. A backward-looking global ESG report can never provide the adequate level of local information for affected communities in a timely way.

The focus of ESG disclosure should be on information not communication. Good information would allow NGOs and companies to work better together. NGOs could devote time to constructive engagement and the provision of solutions, rather than to accusation and demanding information.

The profits of forced labour are estimated at \$34 billion annually, and 50% of those profits go to US or EU based companies. But CSR/sustainability reports do not provide information about this.

Information is essential to uphold human rights because it helps to prevent abuses, hold companies to account and seek remedies. “Abuse always happens in the dark”. Disclosure can also prevent abuses by enhancing the participation of people whose rights might be affected. The right to know is also a human right. Courts need information in order to function, and in this way ESG disclosure is linked to the provision of remedies.

Human rights abuses involving companies are often a subtle mixture of government corruption and business collusion. This is why principles such as publish-what-you-pay are important.

Many NGOs are dissatisfied with current disclosure practices and find CSR/sustainability reports less and less relevant. Such reports do not use common indicators and focus too much on good news and topics that are easy to cover. Reports tend not to comprise a broader analysis of the impact of a company’s operations (and supply-chain) on issues such as poverty and job creation. Current reports tend to isolate issues, whereas what is required is a comprehensive systemic analysis.

NGOs tend to address large enterprises only and find it difficult to engage with individual SMEs. Some business organisations representing SMEs would like to engage NGOs in discussion about how to improve information and communication and specifically about how to address human rights. A “know your supply-chain” principle might be useful for SMEs in respect, rather like the banking principle of “know your customer”.

There is an important difference between giving information (disclosure) and actual reporting. A local baker might give information informally to customers if asked, but is unlikely to produce a written report. For smaller enterprises it is more a question of having a constant and open dialogue with relevant local stakeholders.

Some NGOs criticise the Danish law on CSR/sustainability reporting because it still leaves companies free to report that they are doing nothing. However the Danish government believes that not many companies affected by the regulation will chose to report that they have no policy on CSR. Additionally, the law on CSR reporting is only one element of a larger government strategy that includes other measures, such as encouraging Danish companies to sign up to the UN Global Compact, resulting an increase from 30 to 160 Danish signatory companies. If public policy is firm regarding the expectations on enterprises in this field it can have a positive impact even if CSR remains voluntary.

We now know enough about sustainability to know that companies should disclose ESG information. Imagine how investors would react if financial information were not available. Rather than putting forward arguments about why companies should disclose ESG information, it would be more interesting to let companies try to put forward convincing arguments about why they should not.

Better disclosure of ESG information should be seen just as one relatively small step in a much larger process of systemic change. At the very least, it means that enterprises and other stakeholders begin to focus on a new set of questions. Unless companies measure and value ESG information, they will not change. We need to define the success of business in a radically different way.

Pressure on companies to be transparent is growing, and they will inevitably have to be more open and engage more with other stakeholders. Companies would be advised to embrace this trend not retreat from it. Too many companies treat CSR as a defensive and brand protection issue. They appear to want to carry on as usual although the world has changed. Those enterprises that really open up are starting to get some benefit.

Consumer perspective

If we expect consumers to play an active role in the shift towards sustainable and responsible economies, we have to embrace the most important consumer rights as confirmed in the 2003 UN Guidelines on consumer protection, including the right to adequate information and the right to education on the environmental, social and economic impacts of consumer choice. ESG disclosure from a consumer perspective implies the empowerment of consumers and their right to informed choices.

Roughly 60-80 % of consumers say they would be willing to pay a premium for products that are produced and sourced under ethical and sustainable conditions, but actual market shares and sales figures seem to suggest that this is nothing but lip-service. We should consider how to explain this behavioural gap.

Consumers should in fact be seen as a very special kind of investor. Their time is not exactly money, but it is quality of life and thus it is precious to a consumer – especially in a world of ever-growing choices. While making their daily choices, consumers suffer the problems of

information asymmetries, moral hazard, and hidden information. They very often have little knowledge of the circumstances under which a product has been made or sourced, they are confused by the terminology used, they have difficulties in distinguishing relevant from irrelevant information and they lack trust in enterprises. They usually react to this complexity and insecurity by muddling through. They do not behave exactly as the traditional model of the *homo economicus* expects them to.

Consumers do not need *more* information but *better* information. The challenge is to reduce complexity for the consumer without patronising him or her. Labels or rankings are not always appropriate tools to effectively inform consumers, especially when it comes to overarching evaluations of company performance in the field of CSR. They very often are either too simplistic to cover the unavoidable grey areas or they can be accused of depriving consumers of the right to follow their own preferences.

Better information for consumers means information with a high degree of credibility, which results from a good evidence base, “purity” of information, trustworthiness of intermediaries and cultural proximity of those who give the information. Better information also needs to be relevant and this can only be the case if a helpful context is given for the information, especially by allowing comparisons between different products and actors. Finally better information for consumers must be useable, that is to say it must be provided through appropriate communication channels and using appropriate communication designs.

For consumers, labelling and advertising are more important in everyday life than CSR reports. Consumers want better information on environmental and social impacts, and want to see companies take more responsibility for that. Building consumer trust is therefore crucial. But there is evidence to suggest that greenwash (misleading or unclear green claims in advertising and marketing) is becoming more widespread. Consumers show a lot of confusion: recent UK research has found that two-thirds of UK consumers don't know how to tell if green claims are true or not, and there has been a significant rise in recent years in the number of complaints about green advertising to the UK Advertising Standards Authority. Exaggerated green claims undermine the credibility of justified green claims. The information that consumers receive, whether through advertising or labels, or other forms of marketing, must be clear, meaningful and relevant. Formal regulation of advertising is relevant and can work to the advantage of advertisers making justified claims.

The workshop heard from a German consumer organisation that carries out comparative product tests which now also cover CSR issues. This is done by means of questionnaires submitted to companies. Cooperation with companies is getting better, but problems remain with regard to the supply-chain, especially information about the place of manufacture and if the supplier is an SME. Results of the CSR rating are made available to consumers through the organisation's magazine. It is also important to consider whether it is more appropriate and effective for consumers to have CSR information related to a specific product or information about the overall CSR performance of the company.

The Spanish State Council on CSR has a working group on consumer issues.

The company-civil society interface: examples of engagement

The workshop heard from an NGO and a company have a long-term partnership on water stewardship and disclosure. Water-footprinting is not just measurement of the amount of water used, but also covers issues such as water rights and watershed management. Water has local and global implications and is “the next big thing”; it is therefore vitally important to measure and to provide information on water-related risks. Investors need to know in which water-scare areas investments are happening. The partnership between NGO and enterprise arose from the two organisations independently having identified the same key issues. The enterprise is interested in the expert advice that the NGO can give. The partnership provides “safe space” for engagement between the two organisations. There is a need to balance demands for transparency and disclosure with the need for such safe space.

For the enterprise there are four key questions for disclosure: Who is the audience? What information is relevant to that audience? What is the purpose of disclosure? And how should information be disclosed? Stakeholders are diverse and different information is relevant to different stakeholders. The question of how to disclose implies consideration of time and cost. Other difficult issues are how to deal with intellectual property and commercially sensitive information, and how to deal with new and emerging issues (such as water foot-printing).

The workshop heard from an NGO that works in the field of carbon disclosure and an enterprise that discloses carbon emissions information according to this framework. The NGO works with companies and not against them, issuing a questionnaire to companies covering emissions, risks and opportunities, emissions accounting, and performance. In 2009 the questionnaire had a 50% response rate with 5.000 companies. The fact that the media tend to highlight non-respondents is very important. An SME version of the questionnaire also exists. The NGO is backed by a considerable number of investment funds, and this lends authority to its questionnaire. However the NGO now also collects information on suppliers for purchasing companies and for public authorities involved in public procurement.

For the enterprise, which has completed the questionnaire for the last 5 years, advantages of carbon emissions disclosure in this way are: it brings shareholders and customers together; the completed questionnaire can be used for other purposes, for example in bids to customers; it addresses risk and opportunities, not just numbers; the public ranking is a clear driver and motivation; it helps to bring carbon emissions on to the internal agenda of the company and drives internal change; and it is based on a very clear standard.

The workshop heard the views of a cooperative enterprise on certain proposals put forward by non-governmental organisations. On the question of having standardised ESG reporting indicators agreed at EU level, the enterprise was in favour and suggested that ISO 26000 might provide the basis for identifying 20-30 indicators. Standardisation should not mean harmonisation, however, and should still allow for company specificities, including sector of operation and legal status (e.g. whether the company is a cooperative or not). The enterprise currently uses the GRI and other guidelines to define reporting indicators together with stakeholders.

On the question of whether ESG information should have the same status as financial information, the enterprise noted that first the skills of auditors to do this need to be verified. Auditors themselves state that they have in recent years developed the ability to deal with

qualitative and quantitative ESG data. On the question of stakeholder involvement in the disclosure process and giving a view on the information released, the enterprise already believes that the inclusion of stakeholders is positive, and currently engages with stakeholders through the works council amongst other channels. Formal engagement mechanisms have a cost, however, which is a potential problem for SMEs. The active role of stakeholders in the ESG reporting process is already reflected in standards such the new Accountability 1000 Assurance Standard (AA 1000AS / 2009).

Companies do not yet have a culture of really understanding what is important for stakeholders. The importance of face-to-face engagement with stakeholders should not be underestimated. Transparency and stakeholder dialogue are two sides of the same coin. Stakeholder dialogue should be permanent, at all levels of the company.

Civil society views on specific issues and sectors

Anti-corruption

The workshop heard from an NGO that is specialised in anti-corruption. Corruption has a significant negative impact for enterprises, especially for small businesses, and many are over-confident of their ability to manage the risk of corruption. In much of central and eastern Europe reporting on corruption is currently not possible because the basic structures are not in place. Anti-corruption strategies need to be holistic, and disclosure is only one element, alongside codes of conduct, monitoring and other measures.

Currently companies are generally willing to disclose the existence of an anti-corruption policy, but are much less likely to disclose information about policy implementation. One analysis found that about 30 per cent of the companies in the survey sample were doing little or nothing of note with respect to public disclosure. A further 20 per cent reported the existence of only a strategic approach. A third of companies complied with basic standards of strategy, policy and management systems. A final 15 per cent of companies were ahead of the pack. Reporting on specific instances of corruption can be divided into three levels: allegations, investigations, and convictions. The GRI has indicators on investigations and convictions.

There is little coverage of corruption in reports from Russian, Chinese, and Belgian companies. The FTSE4Good has reported that it is hard to get Japanese companies to report on anti-corruption.

42% of UN Global Compact signatories say that corruption is the most difficult issue on which to report. The NGO has therefore worked jointly with the UN Global Compact to publish a practical guide on anti-corruption reporting.

Corruption risk is a material issue for investors, and they want to know how much business a company is doing in a country considered at high risk of corruption. Some stakeholders argue that corruption is a wide societal problem, and so focussing on enterprises and asking them to report is not an appropriate solution.

The financial sector

The workshop heard from an NGO that campaigns for greater transparency in the financial sector. The significant power and influence of the financial sector creates a right to know for consumers, governments and other stakeholders. Current CSR/sustainability reports do not contain the information that is necessary. The solution is to require policy transparency and deal transparency from financial institutions. Policy transparency means disclosing: whether ESG criteria are used in investment decisions, whether these criteria lead to non-investment, and whether these policies apply to all financial products. Deal transparency means disclosing current investments and disclosing who is proposing to finance a deal before the deal is made. Some other stakeholders are sceptical of the practical possibility of demanding prior disclosure of financial deals, although the World Bank is an example of a financial institution that does this. Information on tax havens is also necessary.

80% of people in EU expert groups on the financial sector have links to financial institutions. There is a substantial lack of civil society representation in such groups.

Campaigns for greater transparency in the financial sector should target investors and asset managers, not just project managers in banks.

In the view of business organisations, the economic crisis and the fact that there have been problems of transparency in the financial sector should not be used to justify rule changes on disclosure that would apply to the whole economy.

Textiles and clothes

The workshop heard from an NGO that campaigns for improved working conditions in the textile, garment and sportswear industry. Disclosure of supply-chain information (such as workplace locations, findings of workplace investigations or social audits, and remediation plans and results) is important for consumers and workers as a means of promoting practical improvements in the workplace. Investors and consumers are now also taking an increased interest in ethics. But experience shows that CSR policies only based on social audits are intended more to manage brand risk than to tackle real issues often caused by the companies' purchasing practices..

The NGO has developed a code of conduct and a multistakeholder verification system, which can also be used by SMEs. The focus is on the conditions of production in the supply-chain, including social audits carried out and any remediation activities undertaken. The NGO also manages a database of company commitments that helps to answer enquiries from consumers and workers.

SME representative organisations express concern that NGO campaigns in this sector can create problems for small retailers who cannot influence suppliers. Such retailers also have obligations to their employees and deciding not to stock a major brand because of concerns about supply-chain working conditions might not be commercially possible.

People with disabilities

The workshop heard from an NGO that defends the rights of persons with disabilities. Some 15% of the population is disabled. Disabled people are savers, investors, consumers,

suppliers, and workers. Current CSR/sustainability reports rarely address the issue of disability, and it is also not explicitly addressed in the GRI Guidelines. The NGO has published guidelines for companies on how to report about disability-related aspects.

Media interest in ESG issues

Although media do not frequently address “CSR” with that term, they often cover specific issues that are part of the broad CSR agenda.

The purpose of media is to hold power to account, including business. It is part of the purpose of media to be sceptical about the unilateral claims of business. The question ought not therefore to be whether coverage is business-friendly or not, but rather how we can have better coverage of the important issues.

Since enterprises are very rarely honest about all information, it is not surprising that journalists often do not trust them. Enterprises have to convince journalists that they deserve trust. More open sharing of information, and explanation of the dilemmas faced by business, would help to build trust between enterprises and media.

Explaining dilemmas may also help to make CSR-related stories more attractive to journalists. Journalists tend to prefer “tough” issues, whereas CSR-related issues are often perceived to be “soft”. Linking CSR stories to risk and to new technology can also make them more attractive to media. In their presentations to financial media, companies should be more proactive in explaining how ESG issues relate to strategy. Journalists’ skills and knowledge in the field of ESG information are often quite poor.

“Story-telling” is a new public relations discipline. Companies should seize the opportunity to fill the space by explaining and illustrating their actions and their dilemmas.

Media companies are companies themselves, and ultimately therefore they must produce what their customers want. So if consumers of media output want information in ever shorter forms, this creates an obstacle to the provision of adequate analysis and context.

It is important to consider the impact of the rise of social media and “citizen journalism”. One impact is that stories spread faster and journalists can more quickly pick up on new issues and new complaints against companies.

A survey of Spanish journalists and editors found that 85% consider it necessary to cover CSR-related issues, and that 68% think that current coverage of such issues is satisfactory. The financial and economic media covers these issues most, then agencies, then local media and lastly general daily media.

A 2006 study in Denmark on company-media relations in the CSR field found that press coverage of CSR issues was increasing and that the coverage was mainly positive, even though the few negative stories naturally make an impression. The study also shows that 78% of the largest Danish companies that had a CSR policy communicated actively about it, and even more companies stated that they used CSR activities for branding. A minority (14%) of companies with a CSR policy preferred not to communicate about it for fear of attracting scrutiny.

The recent case involving the dumping of toxic waste in the Ivory Coast demonstrates the extraordinary lengths to which enterprises will go to stop media reporting on an issue.

Business organisations would like to see more objective coverage of business by the media, and more attention to positive examples and news stories, including those involving SMEs. The view of enterprises and entrepreneurs currently given by much mainstream media is too negative – the European Parliament and European Council perceive that this a problem.

Non-governmental organisations recognise that media are crucial for communicating messages to target audiences. They expect the media to do their own research and investigation. The role of investigative journalism is important in tackling corruption, although in some countries journalists fear to investigate and write about large companies. Some media publications refuse to publish advertisements from NGOs that are critical of companies that also advertise in the publication. Media interest in CSR/sustainability rankings is very useful, although many such rankings look at policies only and not at implementation. By sponsoring awards in the field of CSR and sustainability, media can risk losing objectivity in their coverage of the issues and companies concerned.

It is notable that there is currently no European-wide association of media companies with an interest in ESG disclosure or in CSR issues more broadly.

Civil society and media transparency on ESG issues

The GRI is developing reporting guidelines adapted to the needs and circumstances of non-governmental organisations, due for publication in May 2010. This initiative is a partnership between the GRI and the International Non-Governmental Organisations Accountability Charter, involving northern and southern NGOs as well as representatives from enterprises, government and academia. There will be a particular focus on efficiency and effectiveness of NGOs (feedback and complaints mechanisms, and policies on monitoring, evaluation, and learning). The GRI system is incremental, allowing NGOs to develop their reporting practices gradually, and is not only for big NGOs.

The International Non-Governmental Organisations Accountability Charter was launched in 2006 and is now signed by most large international NGOs. It covers transparency as well as other issues such as good governance, stakeholder engagement, human rights, independence, responsible advocacy, effectiveness of programmes, and ethical fund-raising.

For NGOs, accountability and transparency are bigger challenges than sustainability. NGOs are generally-speaking not major polluters or abusers of human rights. The main asset of an NGO is its moral credibility, therefore there is a huge motivation to be accountable. For NGOs, the aim of better disclosure is to demonstrate their legitimacy in society. Transparency on funding sources and accountability regarding the efficiency and effectiveness of programmes are crucial for NGO independence and legitimacy. Effectiveness reporting is an even bigger challenge for advocacy NGOs or programmes than it is for development NGOs. Some stakeholders believe that NGOs are not sufficiently transparent. However, for advocacy NGOs total transparency about their campaigns may not be possible for very valid reasons, e.g. because of potential security implications for human rights victims.

There are a number of similarities in the way that companies and NGOs approach transparency issues. In both groups there are particular challenges for the smaller organisations, which need specific advice and support. Also, both groups show a high degree of diversity in current disclosure practices, and generally disclose ESG information on a voluntary basis. However there are often also some important differences in scale: even the largest NGOs are very small compared to large enterprises. Many countries already have rules governing issues such as NGO accountability to donors.

The workshop heard from an NGO whose aim is to improve the transparency of civil society organisations in order to raise the level of private donations to social and environmental causes. Created initially by people from the financial industry, the NGO is now funded by company donations (40%), public authorities (20%) and remainder by private donations. The NGO has developed a standard covering typical donor questions such as governance, control of funds, ownership, and strategic planning. It also trains the staff of other civil society organisations on these issues. Transparency is important because it helps to raise more funds for NGOs, encourages better management practices and allows for benchmarking between NGOs.

The GRI has started a process to produce a sector supplement on sustainability reporting for media companies. If the media aim to hold others to account then it is very important that they are accountable themselves. The workshop heard from the representative of a newspaper that consciously tries to disclose the dilemmas that it faces, and that has established a public online auditing process.

What might need to change regarding ESG disclosure practices, policies and frameworks?

Workshop participants made the following recommendations and comments regarding possible future action:

Mandatory requirement for ESG disclosure

- There should be a mandatory ESG disclosure requirement at European level for all large companies. The disclosure requirement should ensure that ESG information is comparable over time and between companies, and verified by a 3rd party.
- ESG information should be integrated in the annual report and given the same status as financial information.
- Any new requirement should take account of the fact that it would take enterprises three to five years to develop reporting processes for ESG which provide data with a level of quality comparable to today's financial data.
- A mandatory European requirement could comprise three parts: 1) identification of the enterprise, including supply-chain, sphere of responsibility and products; 2) information specific to the sector in question; and 3) environmental and social risks, including measures taken to reduce those risks. A multistakeholder committee could be established to further develop and agree the content of ESG disclosure.

- Since EU rules already require some attention to employee and environmental issues in annual reports of listed companies where necessary for an understanding of the business, it would be useful to explore why some listed companies do not disclose information.
- Business organisations argue that close cooperation is better than new regulation. Although proposals for mandatory disclosure tend to exclude SMEs, business organisations believe that legal requirements on large companies would nevertheless have an impact on SMEs, who as suppliers would often have to provide additional information and incur additional costs. SMEs rather need local level and practical support to build their capacity for disclosure.
- Possible alternatives to a new legal requirement on companies include exploring the ESG disclosure requirements imposed by stock exchanges, and a greater use of public ratings and indexes.

Access to information

- A right to information should be introduced for affected communities. Such a right exists towards government, and so should exist towards business too. The policy debate should also consider the question of access to information, not only whether reporting should be mandatory or voluntary.
- ESG information must be accessible on a timely basis for relevant stakeholders, not only published afterwards in a report or website.
- Information about suppliers should be legally accessible and readily available to civil society, investors and consumers if requested, as part of their right to access to information, whether or not it is disclosed in reports.

Human rights

- ESG disclosure should address sector specific human rights issues.
- Human rights should guide the reflection on ESG disclosure: success should be measured in terms of reducing human rights violations.
- Companies should be required by law to do human rights due diligence.

Key performance indicators

- Commonly agreed KPIs are necessary in order to compare across sectors and over time.
- KPIs should be sector specific, since using general ESG indicators creates a risk of overlooking the most important issues at stake. The EU could lead or encourage a multistakeholder process to develop sector-based indicators.
- The GRI has already developed a common set of indicators, and these should be the basis of any further work in this field. Alternatively, there is a need to build on the experience

of various different disclosure frameworks. ISO 26000 may also provide a basis for identifying KPIs.

- Indicators should require businesses to include information from external and legitimate third parties such as workers, unions, affected communities or NGOs. For example, these types of indicators would require businesses to report whether there have been complaints from affected communities and how they have been addressed.
- We should not have different sets of KPIs to meet the needs of different stakeholders. Rather, KPIs should be merged into a single set that meets the needs of all stakeholders.
- KPIs on ESG can be useful in some contexts but meaningless in others. What is important for one group of actors can be irrelevant for another group. Consumers for example are rarely interested in raw ESG data, but need a useful framing of the information which allows for relatively quick decision-making and forming an image which can be translated easily into living environments (relevance / context of usability).
- Harmonisation of KPIs need not imply standardisation and should in any case allow for company specificities.

Suppliers and traceability

- It is in the common interest of enterprises, consumers and civil society to use technologies and sophisticated management systems to have better traceability of products through the supply-chain. Enterprises would be better able to identify risks along the supply chain, while contributing to address human rights issues. Consumers and other stakeholders ought to be able to know where products have been produced.

Verification

- ESG disclosure should be externally verified, as is the case with financial information. Verification should be done by an external, independent, expert source. Information should also be verified through public multi-stakeholder processes.
- We should not just limit ourselves to thinking about setting up auditing systems; we should also be creative and try to design supervisory mechanisms that can efficiently ensure information provided is accurate.
- There should be a distinction between verification of the correctness of ESG data (things are reported right) and the verification of the importance of ESG data (the right things are reported). The first is a job for the audit profession, the second a task for stakeholder representatives.

Transparency on financial information

- Information should be provided on the relationships businesses have with States and with international financial institutions. In particular, information on taxes, revenues and royalties paid by extractive industries should be made available. A reform of Directive 2004/109/CG on transparency requirements could be undertaken to make mandatory the publication of such payments.

- Investment contracts concluded, or at least clauses related to ESG issues, should be disclosed, as should loans and export guarantees granted by public financial institutions.

Civil society-enterprise relations

- Enterprises would like stakeholders to agree what ESG information they want, and would like stakeholders to demonstrate that they read information currently available in reports and on websites. Enterprises want to know what stakeholders do with the information that they get. Many enterprises agree that reporting is not a proxy for good performance, and are looking for greater engagement with civil society organisations on these issues.
- There is a need for a culture of greater openness and transparency in enterprises.
- If all enterprises were to have fully comprehensive mechanisms for stakeholder dialogue, NGOs would not be able to cope. Realistically, therefore, it is necessary to focus on a limited number of issues.
- Enterprises should leave free space in CSR/sustainability reports for stakeholders to comment.

Other points

- Consumer education on ESG issues is very important.
- This series of workshops should be more analytical, based on three distinctions: normative questions (the goals we want), governance questions (the concrete models to meet those goals), and technical questions (how to meet the needs of different stakeholders).
- The ideal scenario for journalists is to be able to call a company and get a quick and honest answer.
- Total access to information is technologically possible. More use should be made of the possibilities offered by technology.

Agenda

9.00 - 9.15	<u>Welcome and introduction: Pedro Ortún, Director, European Commission</u>
9.15 – 10.00	<p><u>The expectations and demands of civil society and consumers regarding ESG information</u></p> <p>Why is disclosure of information on enterprise ESG performance important to civil society groups and consumers? What do they do with such information? What kind of information is most important, and what is missing? What is the impact of non-disclosure and lack of access to information on affected communities? Why is access to information important in upholding human rights?</p> <ul style="list-style-type: none"> • Paul de Clerck, Friends of the Earth Europe (5 minutes) • Thierry Philipponnat, Amnesty International France (5 minutes) • Judith Vitt, BEUC (European Consumers’ Organisation) and Federation of German Consumer Organisations (5 minutes) • Sander van Bennekom, Oxfam Novib (5 minutes) <p>Open discussion (25 minutes)</p>
10.00 – 11.00	<p><u>The enterprise-civil society interface</u></p> <p>What examples are there of ESG disclosure by enterprises that is appreciated by civil society groups? Under what circumstances can civil society groups and enterprises work together on specific disclosure projects?</p> <p>A series of short testimonies from civil society groups, each time together with one enterprise:</p> <ul style="list-style-type: none"> • Sergey Moroz, WWF, and Ulrike Sapiro, Coca-Cola Europe (cooperation on water foot printing) (10 minutes) • Daniel Turner, Carbon Disclosure Project, and Bart de Rijk, Logica Management Consulting (10 minutes) • Nathalie Grimoud, Comité Catholique Contre la Faim et Pour le Développement, and Gérard Leseul, Crédit Mutuel (10 minutes) <p>Open discussion (30 minutes)</p>

11.00 – 11.30	<u>Coffee break</u>
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11.30 – 13.00	<p><u>Civil society and consumer views on the current state of transparency and disclosure practices</u></p> <p>This session will provide a series of different civil society and consumer perspectives on different aspects of current ESG disclosure practices. The session is divided into three parts:</p> <p><u>Part I: Anti-corruption</u></p> <ul style="list-style-type: none"> • Peter Wilkinson, Transparency International (on corruption policy reporting guidance developed with the UN Global Compact, and TI survey of transparency in reporting on anti-corruption) (10 mins) <p>Open discussion (15 mins)</p> <p><u>Part II: Sector-specific concerns</u></p> <ul style="list-style-type: none"> • Luc Weyn, Netwerk Vlaanderen and BankTrack (on ESG disclosure in the financial sector) (5 mins) • Jean-Marc Caudron, Campagne Vêtements Propres (on information needs linked to company impact in developing countries) (5 mins) <p>Open discussion (20 mins)</p> <p><u>Part III: Consumer perspective</u></p> <ul style="list-style-type: none"> • Simon Osborn, Which? (on green claims and the potential for misleading information) (5 mins) • Elke Gehrke, Stiftung Warentest (on product testing related to CSR and sustainability criteria) (5 mins) • Isabel Vera-Rendón, Fundación ONCE (on transparency issues related to persons with disabilities) (5 mins) <p>Open discussion (20 mins)</p>
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13.00 – 14.00	<u>Lunch</u>
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14.00 – 14.45	<p><u>Media interest in ESG information</u></p> <p>How do the media currently treat ESG information and how might this evolve? What is the impact of new media? What obstacles are there to better coverage of ESG information and stories, and how might these obstacles be overcome?</p> <p>Opening presentation:</p> <ul style="list-style-type: none"> • David Grayson, Doughty Centre for Corporate Responsibility, Cranfield School of Management (10 minutes, recorded DVD) <p>Short testimonies from:</p> <ul style="list-style-type: none"> • José Alías Martín, Agencia Servimedia (press agency specialised in social and CSR information) (5 minutes) • Marleen Janssen Groesbeek, Financieel Dagblad (5 minutes) • Jo Confino, The Guardian (5 minutes) <p>Open discussion (20 minutes)</p>
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14.45 – 15.30	<p><u>Transparency of non-governmental organisations and media</u></p> <p>Why is transparency and disclosure from civil society, consumer groups and media important? What are the current trends? Is there a need to improve transparency and disclosure, and if so, how can this be done?</p> <ul style="list-style-type: none"> • Mike Wallace, Global Reporting Initiative (on development of reporting guidelines for media companies) (5 mins) • Jasper Teulings, Greenpeace International (on behalf of International Non-Governmental Organisations Accountability Charter) (5 mins) • Carolina Jimenez, Fundación Lealtad, Spain (5 mins) <p>Open discussion (30 minutes)</p>
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15.30 – 16.00	<u>Coffee</u>
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<p>16.00 – 16.45</p>	<p><u>“Disclosure Nirvana”: what does it look like for civil society, consumers and media?</u></p> <p>The aim of this session is to allow participants to make and summarise proposals that would improve ESG disclosure from the perspective of civil society, consumer and media.</p> <p>It will start with a series of short contributions, each answering the question “If you could change one thing regarding current ESG disclosure practices and frameworks, what would it be?”</p> <ul style="list-style-type: none"> • Peter Wilkinson, Transparency International (3 mins) • Geneviève Paul, Fédération International des Droits de l’Homme (3 mins) • Michel Capron, Forum citoyen pour la RSE, and European Coalition for Corporate Justice (ECCJ) (3 mins) • Judith Vitt, BEUC (European Consumers’ Organisation) and Federation of German Consumer Organisations (3 mins) • Marleen Janssen Groesbeek, Financieel Dagblad (3 mins) <p>Open discussion (30 minutes)</p>
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<p>16.45 – 17.00</p>	<p><u>Feedback, Conclusions, Next Steps</u></p> <p>Comments and feedback from participants on process, to feed into next workshops.</p> <p>Draft agenda of 4th ESG Disclosure Workshop (trade unions and public authorities).</p>
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Participants

Surname	Name	Organisation	Position
Alías Martín	José	Agencia Servimedia	Jefe de la Sección de RSC
Bedo	Imola	European Commission. DG Environment	European Commission. DG Environment
Bergmann	Uwe	BUSINESSEUROPE and Henkel AG	Corporate Communications
Bird	Sue	European Commission. DG Employment, Social Affairs and Equal Opportunities.	European Commission. DG Employment, Social Affairs and Equal Opportunities.
Capron	Michel	Forum Citoyen pour la RSE	Professeur des Universités en sciences de gestion
Caudron	Jean-Marc	Campagne Vêtements Propres	
Christen	Torsten	European Commission. DG Employment, Social Affairs and Equal Opportunities.	European Commission. DG Employment, Social Affairs and Equal Opportunities.
Cofino	Jo	The Guardian	Executive Director
Cordero	Carlos	Observatorio RSC	Technical Advisor
Curtiss	Frank	Railpen Investments & International Corporate Governance Network (ICGN)	Chair of Non-Financial Business Reporting Committee
Dawson	Brian	Office of Richard Howitt MEP	MEP Assistant
de Clerk	Paul	Friends of the Earth Europe	Coordinator Corporate Campaign International and Economic Justice

de Rijk	Bart	Logica Management Consulting	Management Consultant Sustainability
Didong	Jenny	Ministry of Enterprise, Energy and Communications, Sweden	Division for State Enterprise
Dodd	Tom	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Doucine	Michel	Ministère des Affaires étrangères et européennes, France	Ambassadeur chargé de la bioéthique et CSR
Drbalova	Vladimira	BUSINESSEUROPE and Confederation of Industry of the Czech Republic	Chair of BUSINESSEUROPE CSR Working Group
Druckman	Paul	Federation of European Accountants (FEE) & Prince of Wales' Accounting for Sustainability Project	Chair of FEE Sustainability Policy Working party
Duisterwinkel	Carien	CSR Europe	Expert on Sustainability Reporting
Edme	Robin	European Sustainable Investment Forum (EUROSIF)	Vice-President
Fogelberg	Teresa	Global Reporting Initiative (GRI)	Deputy Chief Executive
Frank	Ralf	European Federation of Financial Analysts Societies (EFFAS)	Coordinator EFFAS Commission on ESG
Gargonne	Simon	UN Global Compact	Analyst Communications on Progress
Gehrke	Elke	Stiftung Warentest	Head of Department Product Testing
Grimoud	Nathalie	Comité Catholique contre la Faim	Corporate accountability advocacy officer
Hagenah	Astrid	European Savings Bank Group (ESBG)	Head Department Legal Affairs, Accounting, Tax
Hendrickx	Luc	European Association of Craft, Small and Medium-sized Enterprises (UEAPME)	Director Enterprise Policy and External Relations

Holmstrom	Kim	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Horst	Dieter	PWC Germany	
Janssen Groesbeek	Marleen	Financieel Dagblad	Senior Editor
Jimenez	Carolina	Fundación Lealtad	Head of Research Department
Keijzer	Irma	Netherlands Ministry of Economic Affairs	Trade policy and Globalisation / CSR & trade
Kjær	Victor	Danish Commerce and Companies Agency	Deputy Director General
Kröning	Iris	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Larsson	Lars-Olle	PricewaterhouseCoopers and Federation of European Accountants	Representative on the FEE Sustainability Policy Group and the former Chairman of the FEE Sustainability Assurance Subgroup
Louche	Céline	Vlerick Leuven Gent Management School	Assistant Professor
Maanavilja	Laura	CSR Europe	Expert in Communication and Media
Martinez de la Riva	Miguel Angel	Ministerio de Trabajo e Inmigración, Spain	Subdirector General Adjunto en Responsabilidad Social de las Empresas
Mellor	Sarah	EUROCADRES	
Monaco	Marina	European Trade Union Confederation	Adviser on CSR
Moroz	Sergey	WWF	Water Policy Officer
Muravjov	Sergejus	Transparency International	International Board member of Transparency International
Noterdaeme	Jan	CSR Europe	Senior Advisor on Strategy, EU and Stakeholder Relations

Ortún	Pedro	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Osborn	Simon	Which?	Policy Adviser
Paul	Geneviève	Fédération International des Droits de l'Homme	Desk on globalisation and Human rights
Pennanen	Aino	Amnesty International EU Office	
Philipponnat	Thierry	Amnesty International France	Commission Entreprises
Puente Gonzalez	Ignacio	European Commission. DG Enterprise and Industry	European Commission. DG Enterprise and Industry
Ragno	Carmen	EUROCHAMBRES & Milan Chamber of Commerce	CSR Information Desk
Roldán Mones	Antonio	Office of Ramón Jáuregui MEP	MEP Assistant
Rudzki	Margarete	EUROCHAMBRES	Advisor
Sapiro	Ulrike	Coca-Cola Europe	CR Director - Environment Coca-Cola Europe
Swannick	John	Lloyds Banking Group & European Alliance Laboratory on Non-Financial Performance	Manager Corporate Responsibility
Szilvassy	Zsófia	European Commission. DG Internal Market and Services	European Commission. DG Internal Market and Services
Teulings	Jasper	Greenpeace International	General Counsel
Turner	Daniel	Carbon Disclosure Project	Head of Disclosure
van Bennekom	Sander	Oxfam	Policy adviser
Van der Helm	Giuseppe	European Sustainable Investment Forum (EUROSIF)	President of Eurosif

Vandenhove	Jan	Vigeo CSR Rating Agency	Responsible European Management (REM) projects
Vanderpotten	Gilles	Confédération nationale du crédit mutuel	RSE Manager
Vera-Rendón	Isabel	Fundación ONCE	Head of Strategic Planning Dept
Vitt	Judith	BEUC and Federation of German Consumer Organisations	Policy Officer Trade and Economic Policy
Wallace	Mike	Global Reporting Initiative (GRI)	Director of Sustainability Reporting Framework
Wehnert	Fabian	Markenverband (German Brands Association)	Director European / International Affairs
Weyn	Luc	Netwerk Vlaanderen & BankTrack	Senior Consultant
Wilkinson	Peter	Transparency International	Senior Adviser, Private Sector Programmes

European Workshops on Disclosure of Environmental, Social and Governance Information

Workshop 4 – The trade union perspective – Thursday 28 January 2010

Summary of discussions¹

Introduction

This was the fourth in a series of 6 multistakeholder workshops hosted by the European Commission to explore the disclosure of environmental, social and governance (ESG) information by enterprises. More information about the context and objectives of these workshops can be found [here](#).

The fourth workshop looked at ESG disclosure from the perspective of trade unions. Specific questions identified before this workshop were:

- What kind of ESG information do trade unions want? Why and in what circumstances do they need this information?
- To what extent do trade unions believe that they can currently access the information that they want? From a trade union perspective, what examples are there of good practice in ESG disclosure by enterprises?
- Is the transparency of trade unions themselves an important issue? Are there good practice examples in this field?
- What do trade unions believe needs to change with regard to ESG disclosure requirements, frameworks and practices?

The workshop was chaired by Pedro Ortún, Director in the Directorate-General for Enterprise and Industry, European Commission. The agenda and a full list of participants are attached.

The workshop was held under Chatham House rules. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact.

As will be the case throughout this series of multistakeholder workshops, no single stakeholder group made up the majority of participants. This summary therefore includes points made by all stakeholders, not just representatives of trade unions.

¹ This summary does not necessarily represent the views of the European Commission.

Views on current ESG disclosure practices

There is currently a great diversity in ESG disclosure practice. The availability, quality and relevance of ESG information varies widely between and within sectors and countries. This variety is explained by factors such as national culture and legislation, exposure to reputational risk, the culture and conscience of managers, and the involvement of trade unions in the disclosure process.

According to one recent study, companies disclose more information about policies and objectives than about how those policies are actually implemented, and more information on governance than on social and environmental issues. Disclosure is weakest on the following issues: restructuring, reduced environmental impact, free association of workers, promotion of social dialogue, and working time. Targets and indicators are frequently not relevant to business strategy.

There may be a correlation between the size of company and quality of disclosure. Between a half and two thirds of the 100 largest European companies disclose information that covers the core GRI indicators.

There is a debate about who and how many people read CSR/sustainability reports. Some observers suggest that only specialists read such reports and that even they often do not find the information they are looking for. Others argue that substantial numbers of people do read such reports.

ESG disclosure is an important component of corporate accountability. It can help to drive improvements in corporate behaviour.

Disclosure of financial information is crucial to how financial markets work. By the same logic, if we think social and environmental issues are important then we should also demand disclosure of social and environmental information.

Many enterprises are fearful of a scenario in which they have to deal with very high numbers of individual enquiries about ESG issues.

Comments on national regulations

The French law on social reporting (Nouvelle Loi Economique, 2001) has brought about some progress but the information in reports remains inadequate. The law affects about 600-700 companies. Although the law lists issues on which information should be disclosed, in reality companies continue to make their own selection. The law has no sanctions for non-compliance.

The United Kingdom Companies Act (2006) implicitly recognises the link between ESG information and financial performance. However the law is not very ambitious, and lacks guidance about what information is really required.

The distinction between voluntary and regulatory schemes is not always clear. The OECD Guidelines, for example, have a semi-obligatory character.

What kind of ESG information do Trade Unions want ?

The great majority of trade union representatives are mainly focussed on collective bargaining for pay and working conditions. For them, ESG disclosure by the enterprise is not a main preoccupation, and they do not necessarily have the experience and training to deal with this issue. However, a survey of workers' representatives in large European companies suggests they do share the interest of some other stakeholders in wanting better ESG information.

Trade union representatives believe that much ESG disclosure fails adequately to address the issues in which they are most interested. A recent study of CSR/sustainability reports in French CAC40 companies found employee involvement (be it via awareness-raising, training or participatory initiatives) is not a key focus in CAC 40 sustainable development reports. Nearly half of the reports made no mention of this issue and concrete indicators are rare. These observations are striking because employee involvement is crucial to the implementation of a company's CSR strategy.

Workshop participants mentioned that companies should disclose information on the following ESG issues:

- Restructuring, job losses and job creation: trade union representatives want timely information about restructuring plans, not just information after a decision has been taken. Enterprises should in any case respect regulatory requirements on the provision of information about restructuring. A relevant GRI indicator is the minimum notice period for significant operational changes. ESG disclosure should include precise information about job creation and job destruction.
- Social and economic effects of restructuring: there should be more information about the number of supplier enterprises, especially SMEs, affected by restructuring, and also about the longer term social effects in terms of what subsequently happens to workers who are made redundant.
- Promotion of collective bargaining and good industrial relations, including in supplier companies: The experience of company codes of conduct shows that companies cannot unilaterally ensure good working conditions in supplier factories. There is no substitute for workers representing their own interests: they are the most important grievance and remedy mechanism. Whether and how the company promotes collective bargaining and good industrial relations, including in its supply-chain, should be part of ESG disclosure. Enterprises should disclose the number of plants with independent trade unions and that have collective bargaining. Freedom of association is not just a developing country issue, it is also an issue in some developed countries.
- Trade union involvement in the process of supply-chain monitoring. Trade union involvement in the process of monitoring labour standards in the supply-chain should itself be an indicator in ESG disclosure.
- Supplier identity information: In industries where there is much outsourcing, such as the textiles industry, there is little available information on suppliers. Companies should disclose the details of supplier factories, as some already do. Considerations of commercial confidentiality should in reality not be an insurmountable problem since most

suppliers in any case work for various buyers. If necessary, information about the identity of supplier factories could be provided confidentially to trade unions.

- Workers on short-term contracts: Companies should disclose the percentage of workers on short-term contracts, including in the supply-chain. One brand requires its suppliers to respect a maximum limit of 10% of workers on short-term contracts.
- Pay and incentives: Trade unions want to know how management pay is linked to performance on ESG issues. Such information is needed in order to negotiate effectively on management pay. Companies should also disclose the structure of incentives for the purchasing department – this is one of the ESG indicators of the European Federation of Financial Analysts Societies (EFFAS). The GRI has an indicator on the relationship between compensation and general performance, including sustainability.
- Trade union involvement in the process of ESG disclosure. This enhances the credibility and accuracy to the information disclosed. (See next section).

Other topics mentioned that should be covered in ESG disclosure are: health and safety, integration of disabled people, women in executive positions, and lobbying.

ESG information should be: comparable, consistent, complete, continuous, anticipatory, and verified. International companies should be provide information on a country-by-country basis, not just as aggregated global data.

Trade unions can use their role in some pension funds to pressure companies to take greater account of ESG factors. For trade unions this is both a responsibility and an opportunity. Pensions funds with trade union involvement looking for maximum returns contributed to the current financial crisis. Extra-financial risk can affect pension benefits, so trade unions should demand that pension funds take account of ESG information even if their only interest is the pension benefits of their members. In France a labelling scheme for social responsible investment has been developed.

Traceability is important to the ability of trade unions to better use their influence in pension funds: especially in the case of funds of funds, trade unions cannot easily know in which companies investments are being made.

The European Sustainable Investment Forum has a number of trade union members, and encourages trade unions to be more active in this field.

Trade union involvement in ESG disclosure

Trade union and worker involvement in the process of ESG disclosure can have the following advantages:

- it can help to drive change throughout a company;
- it can help to make ESG information more accurate, in comparison for example to the public relations department of a company managing disclosure on its own;

- it can help to make ESG information more credible. This is especially true as far as employment conditions are concerned: it is not credible to report on employment conditions without the involvement of employees.

If trade unions are not involved in the disclosure process, there is little scope for them to help improve that process.

As opposed to codes of conduct that are decided unilaterally by enterprises, framework agreements are formally negotiated and agreed between companies and trade unions. This has important implications for their implementation and evaluation. It can have a positive effect on the disclosure ESG information to trade unions, although the quality and flow of information can nevertheless remain limited. Different participants have different views on whether or not ESG disclosure practices are better in companies that have signed a framework agreement with unions.

The workshop heard from a workers' representative of a company that has signed a framework agreement. In this case trade unions are immediately informed of any decision or event that might effect the operation of a plant. The trade unions also receive from management a quarterly overview and analysis of accidents occurred.

The workshop heard from a representative of another company with an international framework agreement that trade unions review the company annual report and are very closely involved in the ESG disclosure process. In another company, works council representatives sit on the high-level CSR steering committee, sustainability reporting committee and on expert level sustainability groups.

Workers' representatives from other companies described a reasonably fluid two-way communication on issues such as health safety between management and the works council, although there is sometimes a lack of timely information on important issues.

Meaningful involvement of workers' representatives in ESG disclosure requires vision on the part of company management, and trust between management and trade unions.

There are five trade unions represented in the governance bodies of the Global Reporting Initiative, and 15 represented in technical groups for the development of GRI sector supplements. The Trade Union Advisory Council to the OECD and the Global Reporting Initiative have published a guide for trade unions on how to read and analyse company sustainability reports.

The European social partners in the electricity sector have signed an agreement that lists the main issues on which companies should report, including social dialogue, health and safety, recruitment, and equality and diversity. The agreement also endorses the GRI electricity sector supplement. Reporting remains uneven and not all companies respect the agreement.

The French Nouvelle Loi Economique requires that social and environmental issues are addressed in the management report. Since the management report should be seen and discussed by the works council, trade unions are in principle involved in the ESG reporting process of French publicly-quoted companies.

Trade unions and works councils should not be overburdened with excessive expectations regarding their involvement in ESG disclosure. They often do not have the resources to commit to greater involvement, especially since the issue is generally not a priority for workers' representatives.

The discussion should consider the involvement of all workers in the process of ESG disclosure, not just the involvement of trade union representatives.

Small and medium-sized enterprises

The debate on ESG disclosure should also consider small businesses, not just large multinationals. For SMEs, including micro-enterprises, ESG disclosure needs to be addressed at the sector and local (territorial) level. The experience of certain Italian clusters provides a good example. There is scope for large companies to work with SME suppliers on this issue. This can be done through framework agreements.

In 2008 the social partners of the European tanning industry, which comprises around 3000 mainly small and medium-sized enterprises, signed a framework agreement on social and environmental reporting. The agreement shows that social and environmental reporting is possible for SMEs, through a pragmatic step-by-step approach. This agreement was initially proposed by the employers, and one aim is to help distinguish European tanners from competitors outside the EU. The challenge now is to ensure that the market takes account of the information in the reports.

Trade Union transparency

Most trade unions are socially responsible by nature, even if they do not consciously disclose ESG information. They are often active on issues such as responsible purchasing and solidarity with other workers' federations. Trade unions usually publish an annual report which includes governance information, for example on remuneration of federation employees. In some jurisdictions (e.g. the United States) the law requires a particularly high level of disclosure of information on income and expenditure. Complete financial transparency can weaken a trade union's negotiating position if it means that employers know what resources are available to subsidise strike action.

The workshop heard from an Italian trade union that will present its first social report in May 2010. The aim is to build a new culture of accountability and to enhance relations with members and workers. The report will have sections on organisation and resources, governance system, policies, activities and results. It will seek to explain how the union shapes its social mission.

In asking whether trade union federations disclose information on their own ESG performance it is important to note that few if any employers' federations disclose such information.

There is no trade union federation that is known to disclose ESG information according to the Global Reporting Initiative guidelines.

What might need to change regarding ESG disclosure practices, policies and frameworks?

European framework for ESG disclosure

- There should be a European framework for ESG disclosure, including a legislative requirement on large companies and standardised content. There is a need to harmonise the existing different rules of EU Member States. Such a framework could be developed over time and need not be imposed from the start. The framework could in fact help to reduce the administrative burden on companies, since they would know what they are being asked for. There should be a simplified version of the framework for SMEs.
- Alternatively, rather than a legal framework, social partners could be asked to define ESG disclosure content and standards.
- It is important to consider the impacts of any new requirement on European enterprises if non-EU enterprises do not face similar requirements.

Definition of key performance indicators and issues to address in disclosure

- There should be a limited list of generally accepted indicators that are comparable and relevant. It is important to have a hierarchy of issues and to focus on the important things. Reporting against too many indicators and the disclosure of too much information is counterproductive.
- All stakeholders, including trade unions, should be involved in the selection of key performance indicators.
- Important ESG issues should be identified first, and only then key performance indicators to reflect those issues.
- It is important to avoid unintended consequences. Revealing some kinds of information, for example on remuneration, could create difficulties for enterprises, and the collection of large volumes of ESG information to meet standards or regulatory requirements could a high financial cost.
- There should be two parallel processes for the definition of indicators (“decoupling”). One process should involve the main “economic stakeholders” (enterprises and investment community) to define a set of indicators that can be expressed in numeric figures and that link sustainability performance to financial performance and medium term value creation. A different process should include other stakeholders interested in defining “social license to operate indicators” which reflect the fact that society as a whole wants enterprises to be more accountable on certain issues. Trade unions might have an interest in both processes and both sets of indicators.
- Alternatively, different stakeholders have different but not incompatible interests, and a distinction between “social license to operate” indicators and indicators for economic stakeholders should not be made.

- There are a number of existing frameworks and instruments that could provide guidance on indicators and issues to address in ESG disclosure:
 - o OECD Guidelines: which include guidelines on disclosure.
 - o Global Reporting Initiative: is a good starting point but not totally satisfactory. At least one third of core GRI indicators refer to social and labour issues.
 - o ISO 26000: the draft version has a section on the characteristics of ESG disclosure, which should be complete, understandable, responsive to stakeholder interests, accurate, balanced, timely and accessible. The ISO draft also states that disclosure should include objectives and performance on core subjects, and describe how and when stakeholders are involved in the disclosure process. ISO 26000 could be very helpful in defining the normative aspects of ESG disclosure.

Investment and pension funds

- Trade unions should play a more active role in the integration of ESG criteria into the investment policies of occupational pension funds.
- There should be a European legal requirement on asset managers to disclose their policies on the integration of ESG criteria in investment decisions, similar to Article [Robin - pls give article number] of the French "Loi Grenelle Environnement".
- The question of ESG disclosure by issuers of corporate and government bonds should be considered. Currently, the proportion of stocks in the portfolios of institutional investors such as pension funds or insurance companies is at a historic low i.e. between 5-10% on average. That means that institutional investors are investing in other asset classes such as corporate bonds, government bonds, real estate, private equity or money markets up to a level of 95%.

Other points

- Trade union staff need training on the issue of ESG disclosure.
- These workshops should make a better distinction between normative, governance, and technical questions. The workshop discussions continue to jump between these three levels.
- All stakeholders should ask what they want from ESG disclosure, and how, when and why they would use data. In written submissions prior to the final workshop, participating organisations should state what they think the role and function of ESG disclosure should be.

Views on CSR generally

A number of comments were made on CSR in general, as opposed to comments on the more narrow issue of ESG disclosure.

Trade unions have tended to mistrust CSR, believing it to be mainly concerned with company image and marketing. Almost all European trade union federations now agree to engage prudently on the issue of CSR. They are not naïve about the possible benefits and risks, but consider that CSR may be able to help address some issues.

CSR may be a voluntary concept, but it requires an agreed framework (it should be “encadré”). Europe needs its own vision and framework for CSR. The European Commission should create a system to evaluate progress towards greater corporate responsibility. The effective involvement of trade unions in all levels of CSR process should be established through formal agreement.

CSR should not be unilateral approach by companies. Rather it should be based on dialogue and agreement with all stakeholders. Trade unions are the prime stakeholders of companies, and this should be recognised in CSR policies and processes. The credibility of CSR should be tested by whether or not trade unions are involved, and whether or not the works council is involved.

Some members of CSR Europe do not have a European Works Council.

It can be very hard for trade unions to reconcile the interest of workers and members in different countries when restructuring involves transfer of production from one country to another.

The promotion of freedom of association of workers should be given greater priority in EU external relations, including in EU human rights policy.

European social dialogue should address labour conditions outside the EU, especially in the supply-chains of European companies.

Workshop participants made reference to a number of supply-chain initiatives: the Business Social Compliance Initiative, Clean Clothes Campaign, Ethical Trading Initiative, and Global Social Compliance Programme.

International framework agreements can be used to establish social and environmental standards in a company’s supply chain. A company that works with organised global trade unions can thereby help to improve the labour conditions for large numbers of workers in supplier countries.

There is a need for a framework agreed through social dialogue regarding what CSR requires for professional and managerial staff.

Agenda

9.30 – 9.45	<u>Welcome and introduction: Pedro Ortún, Director, European Commission</u>
9.45 – 10.45	<p><u>Overview of the issues at stake from a trade union perspective</u></p> <p>This session will provide an introduction to the relevant issues from a trade union perspective, including: effectiveness, accountability, transparency, non-unilateralism, and the need for a participative and integrated approach.</p> <ul style="list-style-type: none">• Jozef Niemiec, European Trade Union Confederation (10 mins)• Patrick Itschert, European Trade Union Federation of Textiles, Clothing and Leather (5 mins)• Janet Williamson, Trade Union Congress, United Kingdom, and Trade Union Advisory Committee to the OECD (5 mins)• Uliano Stendardi, Confederazione Italiana Sindacati dei Lavoratori (CISL), Italy (on local and “small” dimension: trade unions, stakeholders and SMEs in local realities) (5 mins)• Gustavo Gonzalez-Quijano, Secretary-General, Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE) (on employers’ perspective) (5 mins)• Natasha Seguin, Groupe Alpha (on French regulations regarding ESG disclosure) (5 mins) <p>Open discussion (25 mins)</p>
10.45 – 11.15	<u>Coffee</u>

11.15 – 12.45	<p><u>What kind of ESG information do trade unions want?</u></p> <p>This session will explore in more detail what kind of ESG information trade unions would like and to what extent they believe that that information is currently available and accessible. It will be divided into three parts: social issues/restructuring, supply-chain, and pension funds.</p> <p>Part I: <u>Social issues and restructuring</u></p> <ul style="list-style-type: none"> • Isabel da Costa, Institutions et Dynamiques Historiques de l'Economie Nanterre (on transparency in the context of International Framework Agreements) (5 mins) • Sigurt Vitols, European Trade Union Institute (on disclosure of information regarding social issues/structure (5 mins) • Patrick Picandet, European Works Council, Lafarge (case study of disclosure in the context of restructuring) (5 mins) <p>Open discussion (15 mins)</p> <p>Part II: <u>Supply-chain issues</u></p> <ul style="list-style-type: none"> • Jim Baker, Council of Global Unions (5 mins) • Ashling Seely, International Textile, Garment and Leather Workers' Federation (5 mins) <p>Open discussion (20 mins)</p> <p>Part III: <u>Pension funds</u></p> <ul style="list-style-type: none"> • Pierre-Yves Chanut, Confédération générale du travail (CGT), France (5 mins) • Mario Sanchez, Confederación Sindical de Comisiones Obreras (CCOO), Spain (5 mins) <p>Open discussion (20 mins)</p>
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12.45 – 14.15	<u>Lunch</u>
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<p>14.15 – 15.15</p>	<p><u>Trade union involvement in the process of ESG disclosure</u></p> <p>What examples are there of trade union and employee involvement in the process of ESG disclosure? Why is such involvement important? What advantages might it bring?</p> <ul style="list-style-type: none"> • Anne Catherine Husson-Traoré, Novethic (on study of employee involvement in sustainability reports of French listed companies) (5 mins) • Bernd Schneider, European Works Council, Freudenberg (5 mins) • Javier Chèrcoles, Inditex (5 mins) • Frederic Fritsch, European Works Council, Electricité de France (5 mins) • Jan Willem Goudriaan, European Federation of Public Service Unions (on transparency and worker participation: information and consultation rights) (5 mins) • Gerhard Prätorius, Volkswagen (5 mins) <p>Open discussion (30 mins)</p>
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<p>15.15 – 15.45</p>	<p><u>Coffee</u></p>
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<p>15.45 – 16.15</p>	<p><u>Trade union transparency on ESG issues</u></p> <p>This session will examine the importance of transparency practices in trade unions themselves and present some best practice in this field.</p> <ul style="list-style-type: none"> • Patrick Itschert, European Trade Union Federation of Textiles, Clothing and Leather (5 mins) • Ornella Cilona, Confederazione Generale Italiana del Lavoro (CGIL), Italy (on CGIL social report) (5 mins) <p>Open discussion (20 minutes)</p>
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16.15 – 17.15	<p><u>“Disclosure Nirvana”: what does it look like for trade unions?</u></p> <p>The aim of this session is to allow participants to make and summarise proposals that would improve ESG disclosure from the perspective of trade unions.</p> <p>It will start with a series of short contributions, each answering the question “If you could change one thing regarding current ESG disclosure practices and frameworks, what would it be?”</p> <ul style="list-style-type: none"> • Suzanne Lindberg Elmgren, LO Sweden (Swedish Trade Union Confederation) (5 mins) • Carlo Parietti, EUROCADRES (5 mins) • Olivier Berducou, Confédération française démocratique du travail (CFDT), France (5 mins) • Ornella Cilona, Confederazione Generale Italiana del Lavoro (CGIL), Italy (on provisions already provided by existing reporting standard) (5 mins) • Nicole Notat, Vigeo (5 mins) <p>Open discussion (35 mins)</p>
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17.15 – 17.30	<p><u>Feedback, Conclusions, Next Steps</u></p> <p>Comments and feedback from participants on process.</p> <p>Preparation of final workshop.</p>
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Participants

Surname	Name	Organisation	Position
Alonso	Natalia	Amnesty International	Deputy Director of EU Office
Seely	Ashling	International Textile, Garment and Leather Workers' Federation	Policy Assistant to the General Secretary
Baker	Jim	Council of Global Unions	Coordinator
Berducou	Olivier	Confédération française démocratique du travail (CFDT), France	Confederal Secretary for CSR
Bergmann	Uwe	BUSINESSEUROPE and Henkel AG	Corporate Communications
Bird	Sue	European Commission. DG Employment, Social Affairs and Equal Opportunities.	
Bock	Ingmar	Volkswagen AG	European Works Council
Boix	Isidor	Confederación Sindical de Comisiones Obreras (CCOO), Spain	International Representative
Celeste	Antonio	Vigeo	
Chanut	Pierre-Yves	Confédération générale du travail (CGT), France	Confederal adviser
Chercoles	Javier	Inditex	Head of CSR Unit
Christen	Torsten	European Commission. DG Employment, Social Affairs and Equal Opportunities.	
Christensen	Matt	European Sustainable Investment Forum (EUROSIF)	Executive Director
Cilona	Ornella	Confederazione Generale Italiana del Lavoro (CGIL), Italy	Confederal responsible for CSR policies at a National and International level and President of the Italian Mirror Committee on ISO 26000

Conchon	Aline	European Trade Union Institute	Researcher
Cordero	Carlos	Observatorio RSE	Technical Advisor
Da Costa	Isabel	CNRS - Institutions et Dynamiques Historiques de l'Economie	Chargée de recherche
de Clerk	Paul	Friends of the Earth Europe	Coordinator Corporate Campaign International and Economic Justice
De Filippo	Emanuela	Confederazione Italiana Sindacati dei Lavoratori (CISL), Italy	Confederal officer for economic democracy
Debaene	Jean Marie	Vlaamse ABVV	Director Studies
Dedieu	Thierry	Confederation française démocratique du travail (CFDT)	Confederal Secretary
Didong	Jenny	Ministry of Enterprise, Energy and Communications, Sweden	Division for State Enterprise
Dodd	Tom	European Commission. DG Enterprise and Industry	
Doucin	Michel	Ministère des Affaires étrangères et européennes, France	Ambassadeur chargé de la bioéthique et CSR
Edme	Robin	European Sustainable Investment Forum (EUROSIF)	Vice-President
Fatoux	François	Observatoire de la Responsabilité Sociétale des Entreprises	Délégué Général
Fogelberg	Teresa	Global Reporting Initiative (GRI)	Deputy Chief Executive
Frank	Ralf	European Federation of Financial Analysts Societies (EFFAS)	Coordinator EFFAS Commission on ESG
Fritsch	Frederic	Confédération française démocratique du travail (CFDT), France	CMCAS Strasbourg
Gargonne	Simon	UN Global Compact	Analyst Communications on Progress

Gehring	Christina	Principles for Responsible Investment (UNPRI)	Project Manager, Academic and Public Policy Networks.
Gonzalez – Quijano	Gustavo	Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE)	Cotance Secretary General
Götz	Ralf	European Metalworkers Federation (EMF)	
Goudriaan	Jan Willem	European Federation of Public Service Unions	Deputy General Secretary
Gram Nybroe	Dorte	BUSINESSEUROPE & Confederation of Danish Industry	Advisor
Grimoud	Nathalie	Comité Catholique Contre la Faim	Corporate accountability advocacy officer CCFD-Terre solidaire, coordinator Forum citoyen pour la RSE
Hagenah	Astrid	European Savings Bank Group (ESBG)	Head Department Legal Affairs, Accounting, Tax
Hendrickx	Luc	European Association of Craft, Small and Medium-sized Enterprises (UEAPME)	Director Enterprise Policy and External Relations
Holmstrom	Kim	European Commission. DG Enterprise and Industry	
Itschert	Patrick	European Trade Union Federation for Textile, Clothing and Leather	General Secretary
Jagodzinski	Romuald	European Trade Union Institute	Researcher
Keijzer	Irma	Ministry of Economic Affairs, Netherlands	Trade policy and Globalisation / CSR & trade
Kjær	Victor	Danish Commerce and Companies Agency	Deputy Director General
Kröning	Iris	European Commission. DG Enterprise and Industry	
Lindberg Elmgren	Suzanne	LO Sweden (Swedish Trade Union Confederation)	Research Officer, International Department
Luong	Stéphanie	Business Social Compliance Initiative	

Martinez de la Riva	Miguel Angel	Ministerio de Trabajo e Inmigración, Spain	Subdirector General Adjunto en Responsabilidad Social de las Empresas
Mittermaier	Jana	Transparency International	Head of Brussels Office
Monaco	Marina	European Trade Union Confederation	
Muravjovas	Sergej	Transparency International	International Board member of Transparency International
Nazzaro	Paolo	Telecom Italia & European Alliance Laboratory on Non-Financial Performance	Head of Group Sustainability
Niemiec	Jozef	European Trade Union Confederation	Confederal Secretary
Notat	Nicole	Vigeo	Chairwoman
Ortún	Pedro	European Commission. DG Enterprise and Industry	
Parietti	Carlo	EUROCADRES	President
Petipas	Elise	Amnesty International EU Office	EU Office
Picandet	Patrick	Confédération Française des Travailleurs Chrétiens, CFTC	Coordinator
Prätorius	Gerhard	Volkswagen AG	Lehrbeauftragter für „Verkehrsökonomie und Verkehrspolitik“
Puente Gonzalez	Ignacio	European Commission. DG Enterprise and Industry	
Ragno	Carmen	EUROCHAMBRES & Milan Chamber of Commerce	CSR Information Desk
Saincy	Bernard	GDF- Suez	
Sanchez	Mario	Confederación Sindical de Comisiones Obreras (CCOO), Spain	Economist

Schneider	Bernd	Freudenberg	European Works Council
Seguin	Natascha	Grupe Alpha	Research officer
Stendardi	Uliano	Confederazione Italiana Sindacati dei Lavoratori (CISL), Italy	Confederal coordinator of sectoral and bargaining policies: industry, public services, handicrafts and energy
Swannick	John	EABIS & European Alliance Laboratory on Non-Financial Performance	Manager Corporate Responsability
Szilvassy	Zsofia	European Commission. DG Internal Market and Services	
Vandenhende	Ann	Sustenuto	Senior Advisor
Vitols	Sigurt	European Trade Union Institute	Senior Research Fellow Wissenschaftszentrum Berlin für Sozialforschung
Vitt	Judith	BEUC and Federation of German Consumer Organisations	Policy Officer Trade and Economic Policy
Wallace	Mike	Global Reporting Initiative (GRI)	Director of Sustainability Reporting Framework
Williamson	Janet	Trade Union Congress, United Kingdom	Senior Policy Officer
Zugo	Liliana	European Commission. DG Internal Market and Services	

**DIRECTIVE 2003/51/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 18 June 2003**

amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 44(1) thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Acting in accordance with the procedure laid down in Article 251 of the Treaty ⁽³⁾,

Whereas:

- (1) The Lisbon European Council of 23-24 March 2000 emphasised the need to accelerate completion of the internal market for financial services, set the deadline of 2005 for implementation of the Commission's Financial Services Action Plan and urged that steps be taken to enhance the comparability of financial statements prepared by Community companies whose securities are admitted to trading on a regulated market (hereinafter: listed companies).
- (2) On 13 June 2000, the Commission published its Communication entitled 'EU Financial Reporting Strategy: The Way Forward' in which it was proposed that all listed companies prepare their consolidated accounts in accordance with one single set of accounting standards, namely International Accounting Standards (IAS), at the latest by 2005.
- (3) Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ⁽⁴⁾ (hereinafter: the IAS Regulation) introduced the requirement that, from 2005 onwards, all listed companies prepare their consolidated accounts in accordance with IAS adopted for application within the Community. It also provided an option for Member States to permit or require the application of adopted IAS in the preparation of annual accounts and to permit or require the application of adopted IAS by unlisted companies.

(4) The IAS Regulation provides that, to adopt an international accounting standard for its application in the Community, it is necessary that it meets the basic requirement of the Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies ⁽⁵⁾ and of the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts ⁽⁶⁾, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise — this principle being considered in the light of the said Directives without implying a strict conformity with each and every provision of those Directives.

(5) As the annual and consolidated accounts of undertakings covered by Directives 78/660/EEC and 83/349/EEC which are not prepared in accordance with the IAS Regulation will continue to have those Directives as the primary source of their Community accounting requirements, it is important that a level playing field exists between Community companies which apply IAS and those which do not.

(6) For the purposes both of the adoption of IAS and the application of Directives 78/660/EEC and 83/349/EEC, it is desirable that those Directives reflect developments in international accounting. In this respect, the Communication of the Commission entitled 'Accounting Harmonisation: A New Strategy vis-à-vis International Harmonisation' called for the European Union to work to maintain consistency between Community Accounting Directives and developments in international accounting standard setting, in particular within the International Accounting Standards Committee (IASC).

(7) Member States should be able to modify the presentation of the profit and loss account and balance sheet in accordance with international developments, as expressed through standards issued by the International Accounting Standards Board (IASB).

(8) Member States should be able to permit or require the application of revaluations and of fair value in accordance with international developments, as expressed through standards issued by the IASB.

⁽¹⁾ OJ C 227 E, 24.9.2002, p. 336.

⁽²⁾ OJ C 85, 8.4.2003, p. 140.

⁽³⁾ Opinion of the European Parliament of 14 January 2003 (not yet published in the Official Journal), and Council Decision of 6 May 2003.

⁽⁴⁾ OJ L 243, 11.9.2002, p. 1.

⁽⁵⁾ OJ L 222, 14.8.1978, p. 11. Directive as last amended by Directive 2001/65/EC of the European Parliament and of the Council (OJ L 283, 27.10.2001, p. 28).

⁽⁶⁾ OJ L 193, 18.7.1983, p. 1. Directive as last amended by Directive 2001/65/EC.

- (9) The annual report and the consolidated annual report are important elements of financial reporting. Enhancement, in line with current best practice, of the existing requirement for these to present a fair review of the development of the business and of its position, in a manner consistent with the size and complexity of the business, is necessary to promote greater consistency and give additional guidance concerning the information a 'fair review' is expected to contain. The information should not be restricted to the financial aspects of the company's business. It is expected that, where appropriate, this should lead to an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position. This is consistent also with Commission Recommendation 2001/453/EC of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies ⁽¹⁾. However, taking into account the evolving nature of this area of financial reporting and having regard to the potential burden placed on undertakings below certain sizes, Member States may choose to waive the obligation to provide non-financial information in the case of the annual report of such undertakings.
- (10) Differences in the preparation and presentation of the audit report reduce comparability and detract from the user's understanding of this vital aspect of financial reporting. Increased consistency should be achieved by amendments, consistent with current international best practice, to the specific requirements concerning the format and content of an audit report. The fundamental requirement that an audit opinion states whether the annual or consolidated accounts give a true and fair view in accordance with the relevant financial reporting framework does not represent a restriction of the scope of that opinion but clarifies the context in which it is expressed.
- (11) Directives 78/660/EEC and 83/349/EEC should accordingly be amended. Furthermore, it is also necessary to amend Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions ⁽²⁾.
- (12) The IASB is developing and refining the accounting standards applicable to insurance activities.
- (13) Insurance undertakings should also be allowed to use fair-value accounting as expressed through appropriate standards issued by the IASB.
- (14) Consequently Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings ⁽³⁾ should be amended.

- (15) These amendments will remove all inconsistencies between Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the one hand and IAS in existence at 1 May 2002, on the other,

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Directive 78/660/EEC is hereby amended as follows:

1. in Article 2(1) the following subparagraph shall be added:

'Member States may permit or require the inclusion of other statements in the annual accounts in addition to the documents referred to in the first subparagraph.'
2. in Article 4, the following paragraph shall be added:

'6. Member States may permit or require the presentation of amounts within items in the profit and loss account and balance sheet to have regard to the substance of the reported transaction or arrangement. Such permission or requirement may be restricted to certain classes of company and/or to consolidated accounts as defined in the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts (*).
3. in Article 8 the following paragraph shall be added:

'Member States may permit or require companies to adopt the presentation of the balance sheet set out in Article 10a as an alternative to the layouts otherwise prescribed or permitted.'
4. in Article 9, under 'Liabilities', in point B, the title 'Provisions for liabilities and charges' shall be replaced by 'Provisions';
5. in Article 10, point J, the title 'Provisions for liabilities and charges' shall be replaced by 'Provisions';
6. the following Article shall be inserted:

'Article 10a

Instead of the presentation of balance sheet items in accordance with Articles 9 and 10, Member States may permit or require companies, or certain classes of company, to present those items on the basis of a distinction between current and non-current items provided that the information given is at least equivalent to that otherwise required by Articles 9 and 10.'

⁽¹⁾ OJ L 156, 13.6.2001, p. 33.

⁽²⁾ OJ L 372, 31.12.1986, p. 1. Directive as last amended by Directive 2001/65/EC.

⁽³⁾ OJ L 374, 31.12.1991, p. 7.

7. Article 20 shall be amended as follows:

(a) Paragraph 1 shall be replaced by the following:

'1. Provisions are intended to cover liabilities the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise.;

(b) Paragraph 3 shall be replaced by the following:

'3. Provisions may not be used to adjust the values of assets.;

8. in Article 22, the following paragraph shall be added:

'By way of derogation from Article 2(1), Member States may permit or require all companies, or any classes of company, to present a statement of their performance instead of the presentation of profit and loss items in accordance with Articles 23 to 26, provided that the information given is at least equivalent to that otherwise required by those Articles.;

9. Article 31 shall be amended as follows:

(a) in paragraph 1(c), point (bb) shall be replaced by the following:

'(bb) account must be taken of all liabilities arising in the course of the financial year concerned or of a previous one, even if such liabilities become apparent only between the date of the balance sheet and the date on which it is drawn up.;

(b) the following paragraph shall be inserted:

'(1a) In addition to those amounts recorded pursuant to paragraph (1)(c)(bb), Member States may permit or require account to be taken of all foreseeable liabilities and potential losses arising in the course of the financial year concerned or of a previous one, even if such liabilities or losses become apparent only between the date of the balance sheet and the date on which it is drawn up.;

10. in Article 33(1), point (c) shall be replaced by the following:

'(c) revaluation of fixed assets';

11. in Article 42, the first paragraph shall be replaced by the following:

'Provisions may not exceed in amount the sums which are necessary.;

12. the following Articles shall be inserted:

'Article 42e

By way of derogation from Article 32, Member States may permit or require in respect of all companies or any classes of company the valuation of specified categories of assets other than financial instruments at amounts determined by reference to fair value.

Such permission or requirement may be restricted to consolidated accounts as defined in Directive 83/349/EEC.

Article 42f

Notwithstanding Article 31(1)(c), Member States may permit or require in respect of all companies or any classes of company that, where an asset is valued in accordance with Article 42e, a change in the value is included in the profit and loss account.;

13. in Article 43(1)(6) the reference to 'Articles 9 and 10' shall be replaced by a reference to 'Articles 9, 10 and 10a';

14. Article 46 shall be amended as follows:

(a) paragraph 1 shall be replaced by the following:

'1. (a) The annual report shall include at least a fair review of the development and performance of the company's business and of its position, together with a description of the principal risks and uncertainties that it faces.

The review shall be a balanced and comprehensive analysis of the development and performance of the company's business and of its position, consistent with the size and complexity of the business;

(b) To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;

(c) In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts.;

(b) the following paragraph shall be added:

'4. Member States may choose to exempt companies covered by Article 27 from the obligation in paragraph 1(b) above in so far as it relates to non-financial information.;

15. in Article 48, the third sentence shall be deleted;

16. in Article 49, the third sentence shall be replaced by the following:

'The report of the person or persons responsible for auditing the annual accounts (hereinafter: the statutory auditors) shall not accompany this publication, but it shall be disclosed whether an unqualified, qualified or adverse audit opinion was expressed, or whether the statutory auditors were unable to express an audit opinion. It shall also be disclosed whether the report of the statutory auditors included a reference to any matters to which the statutory auditors drew attention by way of emphasis without qualifying the audit opinion.;

17. Article 51(1) shall be replaced by the following:

'1. The annual accounts of companies shall be audited by one or more persons approved by Member States to carry out statutory audits on the basis of the Eighth Council Directive 84/253/EEC of 10 April 1984 on the approval of persons responsible for carrying out the statutory audits of accounting documents (*).

The statutory auditors shall also express an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year.

(*) OJ L 126, 12.5.1984, p. 20.;

18. the following Article shall be inserted:

'Article 51a

1. The report of the statutory auditors shall include:

- (a) an introduction which shall at least identify the annual accounts that are the subject of the statutory audit, together with the financial reporting framework that has been applied in their preparation;
- (b) a description of the scope of the statutory audit which shall at least identify the auditing standards in accordance with which the statutory audit was conducted;
- (c) an audit opinion which shall state clearly the opinion of the statutory auditors as to whether the annual accounts give a true and fair view in accordance with the relevant financial reporting framework and, where appropriate, whether the annual accounts comply with statutory requirements; the audit opinion shall be either unqualified, qualified, an adverse opinion or, if the statutory auditors are unable to express an audit opinion, a disclaimer of opinion;
- (d) a reference to any matters to which the statutory auditors draw attention by way of emphasis without qualifying the audit opinion;
- (e) an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year.

2. The report shall be signed and dated by the statutory auditors.;

19. Article 53(1) shall be deleted;

20. the following Article shall be inserted:

'Article 53a

Member States shall not make available the exemptions set out in Articles 11, 27, 46, 47 and 51 in the case of companies whose securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field (*).

(*) OJ L 141, 11.6.1993, p. 27. Directive as last amended by Directive 2002/87/EC of the European Parliament and of the Council (OJ L 35, 11.2.2003, p. 1).;

21. in Article 56(1) the reference to 'Articles 9, 10' shall be replaced by a reference to 'Articles 9, 10, 10a';

22. in Article 60, first paragraph, the words 'on the basis of their market value' shall be replaced by 'on the basis of their fair value';

23. in Article 61a, the reference to 'Articles 42a to 42d' shall be replaced by a reference to 'Articles 42a to 42f'.

Article 2

Directive 83/349/EEC is hereby amended as follows:

1. in Article 1, paragraph 2 shall be replaced by the following:

'2. Apart from the cases mentioned in paragraph 1 the Member States may require any undertaking governed by their national law to draw up consolidated accounts and a consolidated annual report if:

- (a) that undertaking (a parent undertaking) has the power to exercise, or actually exercises, dominant influence or control over another undertaking (the subsidiary undertaking); or
- (b) that undertaking (a parent undertaking) and another undertaking (the subsidiary undertaking) are managed on a unified basis by the parent undertaking.;

2. in Article 3(1), the reference to 'Articles 13, 14 and 15' shall be replaced by a reference to 'Articles 13 and 15';

3. Article 6 shall be amended as follows:

(a) paragraph 4 shall be replaced by the following:

'4. This Article shall not apply where one of the undertakings to be consolidated is a company whose securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field (*).

(*) OJ L 141, 11.6.1993, p. 27. Directive as last amended by Directive 2002/87/EC of the European Parliament and of the Council (OJ L 35, 11.2.2003, p. 1).;

(b) paragraph 5 shall be deleted;

4. Article 7 shall be amended as follows:

- (a) in paragraph 1(b), the second sentence shall be deleted;
- (b) in paragraph 2(a), the reference to 'Articles 13, 14 and 15' shall be replaced by a reference to 'Articles 13 and 15';
- (c) paragraph 3 shall be replaced by the following:

'3. This Article shall not apply to companies whose securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Directive 93/22/EEC.;

5. in Article 11(1)(a) the reference to 'Articles 13, 14 and 15' shall be replaced by a reference to 'Articles 13 and 15';

6. Article 14 shall be deleted;

7. in Article 16(1) the following subparagraph shall be added:

'Member States may permit or require the inclusion of other statements in the consolidated accounts in addition to the documents referred to in the first subparagraph.');

8. in Article 17(1) the reference to 'Articles 3 to 10' shall be replaced by a reference to 'Articles 3 to 10a';

9. Article 34 shall be amended as follows:

(a) in point (2)(b) the terms 'Articles 13 and 14 and, without prejudice to Article 14(3),' shall be replaced by a reference to 'Article 13 and';

(b) in point (5) the words 'and those excluded pursuant to Article 14' shall be deleted;

10. Article 36 shall be amended as follows:

(a) paragraph 1 shall be replaced by the following:

'1. The consolidated annual report shall include at least a fair review of the development and performance of the business and of the position of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The review shall be a balanced and comprehensive analysis of the development and performance of the business and of the position of the undertakings included in the consolidation taken as a whole, consistent with the size and complexity of the business. To the extent necessary for an understanding of such development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters.

In providing its analysis, the consolidated annual report shall, where appropriate, provide references to and additional explanations of amounts reported in the consolidated accounts.');

(b) The following paragraph shall be added:

'3. Where a consolidated annual report is required in addition to an annual report, the two reports may be presented as a single report. In preparing such a single report, it may be appropriate to give greater emphasis to those matters which are significant to the undertakings included in the consolidation taken as a whole.');

11. Article 37 shall be replaced by the following:

'Article 37

1. The consolidated accounts of companies shall be audited by one or more persons approved by the Member State whose laws govern the parent undertaking to carry

out statutory audits on the basis of the Eighth Council Directive 84/253/EEC of 10 April 1984 on the approval of persons responsible for carrying out the statutory audits of accounting documents (*).

The person or persons responsible for auditing the consolidated accounts (hereinafter: the statutory auditors) shall also express an opinion concerning the consistency or otherwise of the consolidated annual report with the consolidated accounts for the same financial year.

2. The report of the statutory auditors shall include:

(a) an introduction which shall at least identify the consolidated accounts which are the subject of the statutory audit, together with the financial reporting framework that has been applied in their preparation;

(b) a description of the scope of the statutory audit which shall at least identify the auditing standards in accordance with which the statutory audit was conducted;

(c) an audit opinion which shall state clearly the opinion of the statutory auditors as to whether the consolidated accounts give a true and fair view in accordance with the relevant financial reporting framework and, where appropriate, whether the consolidated accounts comply with statutory requirements; the audit opinion shall be either unqualified, qualified, an adverse opinion or, if the statutory auditors are unable to express an audit opinion, a disclaimer of opinion;

(d) a reference to any matters to which the statutory auditors draw attention by way of emphasis without qualifying the audit opinion;

(e) an opinion concerning the consistency or otherwise of the consolidated annual report with the consolidated accounts for the same financial year.

3. The report shall be signed and dated by the statutory auditors.

4. Where the annual accounts of the parent undertaking are attached to the consolidated accounts, the report of the statutory auditors required by this Article may be combined with any report of the statutory auditors on the annual accounts of the parent undertaking required by Article 51 of Directive 78/660/EEC.

(*) OJ L 126, 12.5.1984, p. 20.;

12. in Article 38, the following paragraph shall be added:

'7. Paragraphs 2 and 3 shall not be applied in respect of companies whose securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Directive 93/22/EEC.'

Article 3

Directive 86/635/EEC is hereby amended as follows:

1. in Article 1, paragraphs 1 and 2 shall be replaced by the following:

'1. Articles 2, 3, 4(1), (3) to (6), Articles 6, 7, 13, 14, 15(3) and (4), Articles 16 to 21, 29 to 35, 37 to 41, 42 first sentence, 42a to 42f, 45(1), 46(1) and (2), Articles 48 to 50, 50a, 51(1) and 51a, 56 to 59, 61 and 61a of Directive 78/660/EEC shall apply to the institutions mentioned in Article 2 of this Directive, except where this Directive provides otherwise. However, Articles 35(3), 36, 37 and 39(1) to (4) of this Directive shall not apply with respect to assets and liabilities that are valued in accordance with Section 7a of Directive 78/660/EEC.

2. Where reference is made in Directives 78/660/EEC and 83/349/EEC to Articles 9, 10 and 10a (balance sheet) or to Articles 22 to 26 (profit and loss account) of Directive 78/660/EEC, such references shall be deemed to be references to Articles 4 and 4a (balance sheet) or to Articles 26, 27 and 28 (profit and loss account) of this Directive.'

2. Article 4 shall be amended as follows:

- (a) the first sentence shall be replaced by the following:

'The Member States shall prescribe the following layout for the balance sheet. As an alternative, Member States may permit or require credit institutions to adopt the presentation of the balance sheet set out in Article 4a.'

- (b) under 'Liabilities', in point 6, the title 'Provisions for liabilities and charges' shall be replaced by 'Provisions';

3. the following Article shall be inserted:

'Article 4a

Instead of the presentation of balance sheet items in accordance with Article 4, Member States may permit or require credit institutions, or certain classes of credit institution, to present those items classified by their nature and in order of their relative liquidity provided that the information given is at least equivalent to that otherwise required by Article 4.'

4. in Article 26, the following paragraph shall be added:

'By way of derogation from Article 2(1) of Directive 78/660/EEC, Member States may permit or require all credit institutions, or any classes of credit institution, to present a statement of their performance instead of the presentation of profit and loss items in accordance with Articles 27 or 28, provided that the information given is at least equivalent to that otherwise required by those Articles.'

5. Article 43(2)(f) shall be deleted.

Article 4

Directive 91/674/EEC is hereby amended as follows:

1. in Article 1, paragraphs 1 and 2 shall be replaced by the following:

'1. Articles 2, 3, 4(1), (3) to (6), 6, 7, 13, 14, 15(3) and (4), 16 to 21, 29 to 35, 37 to 41, 42, 42a to 42f, 43(1), points 1 to 7 and 9 to 14, 45(1), 46(1) and (2), 48 to 50, 50a, 51(1), 51a, 56 to 59, 61 and 61a of Directive 78/660/EEC shall apply to the undertakings mentioned in Article 2 of this Directive, except where this Directive provides otherwise. Articles 46, 47, 48, 51 and 53 of this Directive shall not apply in respect of assets and liabilities that are valued in accordance with Section 7a of Directive 78/660/EEC.

2. Where reference is made in Directives 78/660/EEC and 83/349/EEC to Articles 9, 10 and 10a (balance sheet) or to Articles 22 to 26 (profit and loss account) of Directive 78/660/EEC, such references shall be deemed to be references to Article 6 (balance sheet) or to Article 34 (profit and loss account) of this Directive as appropriate.'

2. Article 4 shall be replaced by the following:

'Article 4

1. This Directive shall apply to the association of underwriters known as Lloyd's. For the purpose of this Directive both Lloyd's and Lloyd's syndicates shall be deemed to be insurance undertakings.

2. By way of derogation from Article 65(1), Lloyd's shall prepare aggregate accounts instead of consolidated accounts required by Directive 83/349/EEC. Aggregate accounts shall be prepared by cumulation of all syndicate accounts.'

3. in Article 6, under 'Liabilities', in point E, the title 'Provisions for other risks and charges' shall be replaced by 'Other provisions';

4. Article 46 shall be amended as follows:

- (a) in paragraph 5, the following sentence shall be added:

'Member States may permit derogations from this requirement.'

- (b) paragraph 6 shall be replaced by the following:

'6. The method(s) applied to each investment item shall be stated in the notes on the accounts, together with the amounts so determined.'

5. the following Article shall be inserted:

'Article 46a

1. Where assets and liabilities are valued in accordance with Section 7a of Directive 78/660/EEC, paragraphs 2 to 6 of this Article shall apply.

2. The investments shown as assets under D shall be shown at their fair value.

3. Where investments are shown at their purchase price, their fair value shall be disclosed in the notes on the accounts.

4. Where investments are shown at their fair value, their purchase price shall be disclosed in the notes on the accounts.

5. The same valuation method shall be applied to all investments included in any item denoted by an arabic numeral or shown as assets under C(I). Member States may permit derogations from this requirement.

6. The method(s) applied to each investment item shall be stated in the notes on the accounts, together with the amounts so determined.;

6. the Annex shall be deleted.

Article 5

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 1 January 2005 at the latest. They shall forthwith inform the Commission thereof.

When Member States adopt these measures, they shall contain a reference to this Directive or shall be accompanied by such a reference on the occasion of their official publication. The methods of making such reference shall be laid down by the Member States.

Article 6

This Directive shall enter into force on the day of its publication in the *Official Journal of the European Union*.

Article 7

This Directive is addressed to the Member States.

Done at Luxembourg, 18 June 2003.

For the European Parliament

The President

P. COX

For the Council

The President

G. DRYS

European Commission

European Commission Enterprise and Industry Policies ... Corporate social responsibility
Business and human rights
Business and human rights

The current situation regarding business and human rights is often characterised by a lack of protection and access to justice for victims, risk and legal uncertainty for enterprises, and incomplete and/or poorly enforced public policies and regulations.

United Nations Framework

The framework put forward in 2008 by Professor John Ruggie, [UN Special Representative on Business and Human Rights](#), has given new momentum and direction to the business and human rights agenda. It is based around the three pillars of the state duty to protect human rights, the corporate duty to respect human rights, and the need for access to effective remedy mechanisms when abuses occur.

EU role

The European Union played an important role in the renewal of Professor Ruggie's mandate in 2008. A number of European Union Member States have provided direct support to his work, and the Council of Ministers Working Party on Human Rights discussed the new UN framework in May 2009. Sweden organized a [major European conference on business and human rights](#) during its Presidency of the EU.

In support of Professor Ruggie's work, the European Commission has published a [call for tenders for a study](#) to clarify the existing legal framework for human rights and environmental issues applicable to European companies operating outside the EU.

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UN Special Representative on business & human rights

In July 2005, Kofi Annan appointed Professor John G. Ruggie to be Special Representative of the UN Secretary-General on business & human rights. The Business & Human Rights Resource Centre created this portal at John Ruggie's request, to facilitate communication and sharing of materials related to the mandate.

A **complete list** of documents prepared by and submitted to John Ruggie (as of 27 July 2009) - with links to the documents themselves - **is available here [PDF]**

Latest additions:

- Summary report of expert workshop on responsible contracting (Paris, 25-26 Jun) - to inform mandate of John Ruggie [PDF]
- Consultation on operationalizing the "Protect, Respect, Remedy" framework, Geneva, 5-6 October 2009

1. 2009 report to UN Human Rights Council

Past reports to Human Rights Council & related materials: [2008](#) [2007](#) [2006](#)

2. Briefing, discussion & reference papers

3. Consultations (regional, sectoral & other multi-stakeholder consultations); Legal workshops

4. Other meetings, initiatives & announcements

5. Speeches & interviews

6. Mandate of the Special Representative

7. Submissions to John Ruggie

[Click here](#) for the Business & Human Rights Resource Centre's library section on the Special Representative, which includes additional materials referring to his work (e.g. news articles and other reports).

We welcome comments and suggested additions to our website. Any company or organization wishing to submit a clarification or response to a linked item is welcome to do so. [Contact us](#)

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Meetings & News

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Protect, Respect, Remedy - a Conference on Corporate Social Responsibility, CSR

SEMINARS AND CONFERENCES

When

10 November

09.00-18.00

11 November

09.00-12.30

Where

Hasselbacken

Hazeliusbacken 20

Stockholm, Sweden

Council

General Affairs and External Relations

Ministry in charge

Ministry for Foreign Affairs

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Protect, Respect, Remedy - a Conference on Corporate Social Responsibility, CSR

'Protect, Respect, Remedy' - this is the theme of a Presidency conference on corporate social responsibility (CSR). Discussions at the conference will be based on a report entitled 'Protect, Respect, Remedy - a Framework for Business and Human Rights' by John Ruggie, the UN Secretary-General's Special Representative on the issue of human rights and transnational corporations and other business enterprises.



Photo: Richard Ryan - Stockholm Visitors B

All speakers (change videos using the 'plus' sign - more information under "i")

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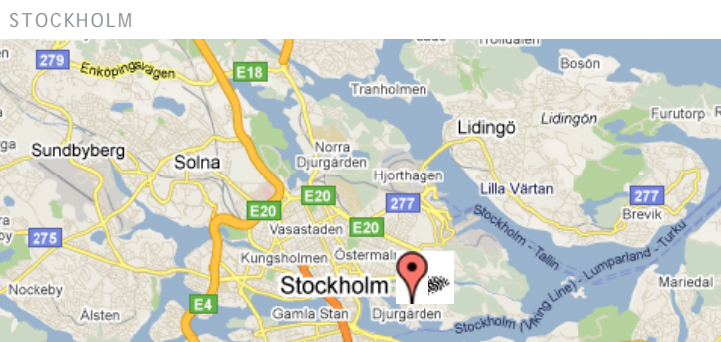


Professor Ruggie will be in attendance throughout the conference. Other participants include Mary Robinson, former UN High Commissioner for Human Rights and still actively involved in human rights issues, Executive Director of the UN Global Compact Georg Kell and Deputy Secretary-General of the OECD, J de Geus. The European business sector and NGOs will also participate in the various debates. A programme for the conference is available via the link in the top-right corner.

The conference will discuss governments' duty to offer protection against human rights violations and companies' responsibility to respect human rights, and the means of recourse available. The idea is for there to be plenty of interaction between panellists and other conference participants.

There will be participants at the conference from EU Member States and candidate countries, the public sector, the business sector, NGOs, trade unions and the academic world. Due to the focus of the conference and practical limitations, only specially invited guests will be able to participate in the conference, which is already fully booked. Interpretation to and from English, French and Spanish will be available on 10 November, and at Workshop A ('The State as an Actor') and the closing plenary session on 11 November. The other three workshops on 11 November will be held in English. The discussions of 11 November will be webcast, and will be available on the Presidency website from 11 November.

Minister for Trade Ewa Björling will host the conference, which is being organised in cooperation with the European Commission.





Related News & Meetings

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A few comments from the EU conference on CSR currently under way

Human rights - important question for companies and governments

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Read more on the Presidency website

Three questions to Minister for Trade ahead of the conference

External Resources

OECD Guidelines on the OECD website

Global Compact website

Report by Professor John Ruggie on the Global Compact website

Documents

Protect, Respect, Remedy - Statement

Programme

The Ruggie Report 2008

The Ruggie Report 2009

DECISION-MAKING PROCESS

EU legislation

The Council of the EU
Decides

The European Parliament
Decides

Coreper (Committee of Permanent Representatives)
Prepare

The European Parliament's committees
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Working groups
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The European Commission
Propose legislation

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European Commission

European Commission Enterprise and Industry Newsroom
Enterprise and Industry - [Newsroom](#) - [Calls for tenders](#) - N° ENTR/09/045

Study of the legal framework on human rights and the environment applicable to European enterprises operating outside the EU

Deadline: 2 September 2009

Published in OJ 2009/S 131 of 11/07/2009





Call for Tenders: ENTR/09/045 - Study of the legal framework on human rights and the environment applicable to European enterprises operating outside the EU

The 'Protect, Respect, Remedy' framework put forward in 2008 by Professor John Ruggie, UN Special Representative on Business and Human Rights, has given new momentum and direction to the business and human rights agenda. The European Commission now wishes to launch a study to clarify the existing legal framework for human rights and environmental issues applicable to European companies operating outside the EU, with a view to providing a basis for possible measures to further operationalise the Ruggie framework. The study aims to be useful for policy-makers, companies, NGOs and trade unions.

Please note that additional information may be posted on this web page during the publication stage. As such, we encourage you to visit this page regularly.

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Downloads

- [Invitation to tender](#)  [en](#) (36 Kb)
 - [Specifications](#)  [en](#) (360 Kb)
 - [Draft service contract](#)  [en](#) (78 Kb)
 - [Questions and answers \(UPDATE 21 August 2009\)](#)  [en](#) (17 Kb)
-

Contact: entr-0945-study-csr@ec.europa.eu

European Commission

European Commission Enterprise and Industry Policies ... Corporate social responsibility
European Alliance for CSR

European Alliance for Corporate Social Responsibility (CSR)

The European Alliance on CSR is a business-lead initiative to promote CSR, launched in 2006 with strong backing from the European Commission. It is a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders in the interests of sustainable development, economic growth and job creation.

Three business organisations have acted as support platforms for the European Alliance on CSR, helping to coordinate its work and to provide feedback to the European Commission and other interested parties: CSR Europe, BUSINESSEUROPE, and the European Association of Craft, Small and Medium-sized Enterprises (UEAPME).

- List of the [companies and organisations that have expressed support for the Alliance](#)

Results

In December 2008, the Alliance presented its results, which together form the [toolbox for a competitive and responsible Europe](#).

This toolbox includes guidance on strategic issues such as [responsible supply-chain management](#) and [communicating non-financial performance to investors](#).

European Commission

European Commission Enterprise and Industry Policies Sustainable and responsible business
Reference documents

Reference documents


This section gives access to all the key documents related to the Commission's policy in the field of sustainable business.

[High-level group meetings on competitiveness, energy and the environment](#) - reference material

[Ecodesign](#) - legal and official acts

[Corporate Social Responsibility](#) - key policy documents

Analysis of competitiveness - Industrial policy and economic reform papers

[No 4: Competitiveness Effects of Trading Emissions and Fostering Technologies to Meet the EU Kyoto Targets: A Quantitative Economic Assessment](#)  [477 KB]

Report prepared for DG ENTR by Niels Anger (ZEW), Paul Veenendaal (CPB), Victoria Alexeeva-Talebi (ZEW), Stefan Boeters (CPB), Nico van Leeuwen (CPB), Tim Mennel (ZEW), Ulrich Oberndorfer (ZEW) and Hugo Rojas-Romagoza (CPB) and edited by Peter Wobst (DG ENTR).

August 2007 - 70 pp.

European Commission

European Commission Enterprise and Industry Policies ... Reference documents High Level Group reference documents

High Level Group (HLG) on Competitiveness, Energy and the Environment - Reference material





On this page:

- [Reference documents](#)
- [Background information](#)
- [Reports](#)






Reference documents

- [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - 20 20 by 2020 - Europe's climate change opportunity](#)   [155 KB] (COM(2008) 13 final) (COM(2008) 16 final) (COM(2008) 17 final) (COM(2008) 18 final) (COM(2008) 19 final)
- [Green Paper - A European Strategy for Sustainable, Competitive and Secure Energy](#)   [200 KB] (COM(2006) 105 final of 08.03.2006)

Background information

- [Commission Decision setting up a High Level Group on Competitiveness, Energy and the Environment](#)   [37 KB] (2006/77/EC, 8.2.2006)
- [Communication from the Commission - Implementing the Community Lisbon Programme : A policy framework to strengthen EU manufacturing - towards amore integrated approach for industrial policy](#)   [227 KB] (COM(2005) 474 final of 05.10.2005)

Reports

- The High Level Group adopted its first report on 2 June 2006: "[Contributing to an integrated approach on competitiveness, energy and the environment policies - Functioning of the energy market, access to energy , energy efficiency and the EU Emissions Trading Scheme](#)"  [89 KB]
- The second report was adopted on 30 October 2006: "[Contributing to an integrated approach on competitiveness, energy and the environment policies - Long term energy futures and investment in power generation and energy efficiency](#)"  [71 KB]
- The third report was issued on 27 February 2007: "[Contributing to an integrated approach on competitiveness, energy and the environment policies - Helping energy intensive industries adapt to the energy and climate change challenges; incentives, innovation and technology policies](#)"  [55 KB]
- The fourth report was adopted on 11 June 2007: "[Ensuring future sustainability and competitiveness of European Enterprises in a low carbon and resource constrained world](#)"  [62 KB]
- The fifth report was adopted on 8 November 2007: "[Addressing both international action on climate change and better regulation](#)"  [46 KB]

European Commission

European Commission Enterprise and Industry Policies ... Reference documents
Ecodesign

Ecodesign - reference documents

On this page:

- [Ecodesign Directive \(2009/125/EC\)](#)
- [Working Plan for 2009-2011 \(COM 2008 660\)](#)
- [Commission Decision creating the Consultation Forum - rules of procedure \(2008/591/EC\)](#)
- [Amending Directive \(2008/28/EC\)](#)
- [Ecodesign Directive \(2005/32/EC\)](#)

Ecodesign Directive (2009/125/EC)

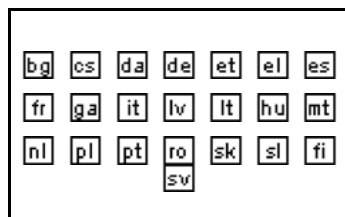
On 21 October 2009, the recast of the Ecodesign Directive 2005/32/EC was adopted (extension to energy related products). Consolidated version:

[Full text of the Directive](#) 

Working Plan for 2009-2011 (COM 2008 660)

According to Article 16(1) of the Ecodesign Directive, the Commission adopted on 21 October 2008 a Working Plan setting out, for the next three years (2009-2011), an indicative list of energy-using products which will be considered in priority for the adoption of implementing measures:

[Full text of the Working Plan](#)  




[52 KB]

The Commission consulted the Consultation Forum, as required by Article 18 of the Ecodesign Directive, to take into account the comments from the representatives of Member States and stakeholders when establishing the Working Plan:

[Minutes of the Consultation Forum of 28 May 2008](#)  [60 KB]

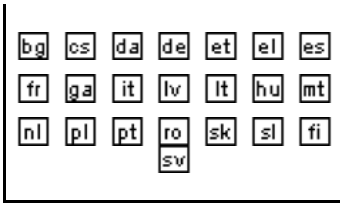
The Commission was supported by a study for preparing the Working Plan:

EPTA Ltd, Greece; PE International, Germany; NTUA, Greece: Study for preparing the first Working Plan of the Ecodesign Directive, Report for tender No: ENTR/06/026, [Revised Final Report: 06 December 2007](#)  [3 MB]

Commission Decision creating the Consultation Forum - rules of procedure (2008/591/EC)

On 30 June 2008, the Commission adopted a decision on the Ecodesign Consultation Forum, establishing the rules of procedure to be followed by all Members of the Consultation Forum.



[Full text of the Commission Decision](#)  

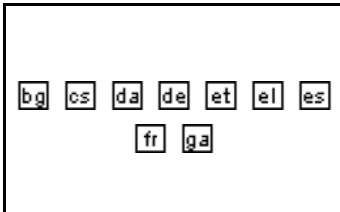


[47 KB]

Amending Directive (2008/28/EC)

On 11 March 2008, an amending Directive to the Ecodesign Directive 2005/32/EC was adopted.

[Full text of the Amending Directive](#)  



European Commission

European Commission Enterprise and Industry Policies ... Reference documents
Corporate Social Responsibility

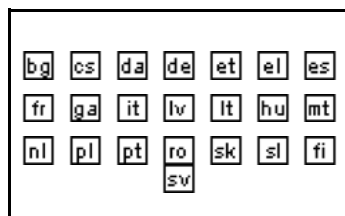
Corporate Social Responsibility - key policy documents

On this page:

- [Communication from the Commission concerning Corporate Social Responsibility, March 2006](#)
- [Communication from the Commission concerning Corporate Social Responsibility, July 2002](#)
- [Official Consultation on CSR, July 2001](#)

Communication from the Commission concerning Corporate Social Responsibility, March 2006

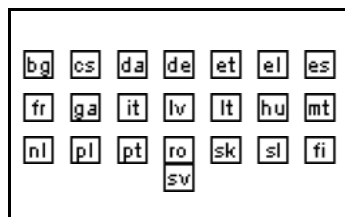
[Implementing the Partnership for Growth and Jobs: Making Europe a pole of excellence on CSR \(March 2006\)](#)  



[158 KB] (COM(2006)136 final)

Communication from the Commission concerning Corporate Social Responsibility, July 2002

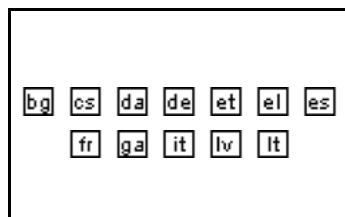
[A business contribution to sustainable development \(July 2002\)](#)  



[112 KB] (COM (2002)347 final of 2.7.2002)

Official Consultation on CSR, July 2001

[Corporate Social Responsibility Green Paper, Promoting a European Framework for Corporate Social Responsibility \(July 2001\)](#)  





COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.3.2006
COM(2006) 136 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

1. INTRODUCTION

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis¹. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions. As such, CSR has become an increasingly important concept both globally and within the EU, and is part of the debate about globalisation, competitiveness and sustainability. In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion.

Since the end of the Cold War the market economy has prevailed throughout most of the world. While this has opened up new opportunities for business, it also creates a corresponding need for self-limitation and mobilisation on the part of the business community, in the interest of social stability and the well-being of modern democratic societies. Moreover, within the EU, better regulation and the promotion of entrepreneurial culture are now high on the European agenda, as confirmed by the Commission's 2006 Annual Progress Report on Growth and Jobs². The Commission is committed to promoting the competitiveness of the European economy in the context of the relaunched Lisbon Partnership for Growth and Jobs. In turn it calls on the European business community to publicly demonstrate its commitment to sustainable development, economic growth and more and better jobs, and to step up its commitment to CSR, including cooperation with other stakeholders. More than ever Europe needs active entrepreneurs, positive attitudes towards entrepreneurship, and confidence and trust in business. Europe needs a public climate in which entrepreneurs are appreciated not just for making a good profit but also for making a fair contribution to addressing certain societal challenges.

The Commission therefore wishes to give greater political visibility to CSR, to acknowledge what European enterprises already do in this field and to encourage them to do more. Because CSR is fundamentally about voluntary business behaviour, an approach involving additional obligations and administrative requirements for business risks being counter-productive and would be contrary to the principles of better regulation. Acknowledging that enterprises are the primary actors in CSR, the Commission has decided that it can best achieve its objectives by working more closely with European business, and therefore announces backing for the

¹ COM(2001) 366.

² COM(2006) 30.

launch of a European Alliance on CSR, a concept drawn up on the basis of contributions from business active in the promotion of CSR. The Alliance is an open alliance of European enterprises, for which enterprises of all sizes are invited to express their support. It is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. It is a political process to increase the uptake of CSR amongst European enterprises.

Backing for the new Alliance should be understood as a key component of a wider partnership that the Commission wishes to pursue with all stakeholders involved in CSR. In presenting this Communication, the Commission draws on several years of public debate and consultation with all stakeholders, most particularly in the context of the European Multistakeholder Forum on CSR, which presented its final report in 2004. The Commission continues to attach utmost importance to dialogue with and between all stakeholders, and proposes to re-convene meetings of the Multistakeholder Forum at regular intervals with a view to continually reviewing progress on CSR in the EU.

2. CSR IN SUPPORT OF SUSTAINABLE GROWTH AND MORE AND BETTER JOBS

Sustainable growth and more and better jobs are the twin challenges the EU must now address in the face of global competition and an ageing population to safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005 and renewing its Sustainable Development Strategy in December 2005. This is also why the informal meeting of Heads of State and Government at Hampton Court in October 2005 called for innovative answers to address the competitive challenge while defending European values.

The revised Lisbon strategy promotes growth and jobs in a manner that is fully consistent with sustainable development, which remains an overarching long term goal for the European Union. Enterprises, as the motor for economic growth, job creation, and innovation, are key actors in delivering the Lisbon and sustainable development objectives.

Europe needs business to do what it does best: to provide products and services that add value for society and to deploy entrepreneurial spirit and creativity towards value and employment creation. However Europe does not need just business but socially responsible business that takes its share of responsibility for the state of European affairs. In its contribution to the March 2005 Spring Council, the Commission recognised that CSR *“can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness”*³. In the Social Agenda⁴, the Commission announced that it would, in co-operation with Member States and stakeholders, present initiatives to further enhance the development and transparency of CSR. In the revised Sustainable Development Strategy⁵, the Commission called *“on the business leaders and other key stakeholders of Europe to engage in urgent reflection with political leaders on the medium- and long-term policies needed for sustainability and propose ambitious business responses which go beyond existing minimum legal requirements”*.

³ COM(2005) 24.

⁴ COM(2005) 33.

⁵ COM(2005) 658.

In March 2005, the European Council underlined that *“in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility”*. In the Integrated Guidelines for Growth and Jobs (2005-2008), the Council recommended that Member States should *“encourage enterprises in developing their corporate social responsibility”*. The European Parliament has made valuable contributions to the debate on CSR, notably in its resolutions of 2002⁶ and 2003⁷.

Against this backdrop, the Commission has reviewed the work accomplished on CSR at EU level, in order to align its approach with the priorities and working methods of the Growth and Jobs strategy. The Commission believes that the potential of enterprises can and should be better harnessed in support of sustainable development and the Growth and Jobs strategy. In keeping with the spirit and priority areas of its 2006 Annual Progress Report on Growth and Jobs, the Commission invites European enterprises to “move up a gear” and to strengthen their commitment to CSR. In doing so the Commission wishes to create a more favourable environment for all actors in CSR and to explore with all stakeholders the potential of CSR to contribute to the development of European societies.

CSR practices are not a panacea and can not on their own be expected to deliver these outcomes. They are not a substitute for public policy, but they can contribute to a number of public policy objectives, such as:

- more integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;
- investment in skills development, life-long learning and employability, which are needed to remain competitive in the global knowledge economy and to cope with the ageing of the working population in Europe;
- improvements in public health, as a result of voluntary initiatives by enterprises in areas such as the marketing and labelling of food and non-toxic chemicals;
- better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation;
- a more rational use of natural resources and reduced levels of pollution, notably thanks to investments in eco-innovation and to the voluntary adoption of environmental management systems and labelling;
- a more positive image of business and entrepreneurs in society, potentially helping to cultivate more favourable attitudes towards entrepreneurship;
- greater respect for human rights, environmental protection and core labour standards, especially in developing countries;
- poverty reduction and progress towards the Millennium Development Goals.

⁶ P5_TA(2002)0278.

⁷ P5_TA(2003)0200.

3. MAKING EUROPE A POLE OF EXCELLENCE ON CSR

Much progress has been made on CSR since the Lisbon Council made its appeal to companies' sense of social responsibility in March 2000. A Green Paper (2001)⁸, a Communication (2002)⁹, and the setting up of an EU Multi-Stakeholder Forum on CSR (CSR Forum) marked important steps in this process.

The CSR Forum brought together representatives of business, trade unions and civil society, with the Commission in a facilitating role. The Commission welcomes the Forum's work and final report of June 2004, and agrees with stakeholders that the report's recommendations, if fully implemented by the relevant actors, would help advance CSR in Europe and globally. The Forum succeeded in achieving a measure of consensus among participants, but is also revealed the significant differences of opinion between business and non-business stakeholders. A common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR as *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*. The CSR Forum confirmed this definition while further exploring its scope and boundaries. The Forum also reached consensus on the need for further awareness-raising and competency-building activities. There was no consensus, however, on topics such as company reporting requirements or the need for European standards on CSR.

Awareness, understanding and uptake of CSR have improved over the past few years, partly as a consequence of the CSR Forum and other actions supported by the Commission. At the same time, initiatives by business and other stakeholders have moved forward the development of CSR in Europe and globally. Social dialogue, especially at the sectoral level, has been an effective means for promoting CSR initiatives, and European Works Councils have also played a constructive role in the development of best practice on CSR.

Nevertheless, the uptake, implementation and strategic integration of CSR by European enterprises should be further improved. The role of employees, their representatives and their trade unions in the development and implementation of CSR practices should be further enhanced. External stakeholders, including NGOs, consumers and investors, should play a stronger role in encouraging and rewarding responsible business conduct. Public authorities at all levels should further improve the consistency of their policies in support of sustainable development, economic growth and job creation.

The EU's vision of long-term prosperity, solidarity and security also extends to the international sphere. The Commission recognises the linkages between the uptake of CSR in the EU and internationally, and believes that European companies should behave responsibly wherever they operate, in accordance with European values and internationally agreed norms and standards.

The Commission has reflected on how best to give a new impulse to make Europe a pole of excellence on CSR. It has considered the final report of the CSR Forum, as well as the views of stakeholders that are not reflected in that report. The challenge has been to find a new approach that inspires more enterprises to engage in CSR, since they are the primary actors in this field.

⁸ COM(2001) 366.

⁹ COM(2002) 347.

4. A EUROPEAN ALLIANCE FOR CSR

The Commission therefore backs the launching of the European Alliance for CSR, described in the document attached to this Communication. The Alliance is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders.

The Alliance has an open nature and European enterprises of all sizes are invited to voluntarily express their support. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. There are no formal requirements for declaring support for the Alliance, and the European Commission will not keep a list of companies that support it. The Commission's contribution to the Alliance will be the further promotion of CSR in line with the points mentioned under chapter 5 of this Communication. This does not imply any new financial obligations for the Commission.

The Commission expects the Alliance to have a significant impact on the attitude of European enterprises to CSR and on their positive engagement with social and environmental issues. It should create new partnerships with and new opportunities for stakeholders in their efforts to promote CSR, and is therefore a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders. The voluntary commitment of European business to the Alliance and the supportive role of the Commission within its policies and instruments where appropriate will strengthen the development of CSR within the EU and abroad. The results of the Alliance should be understood as a voluntary business contribution to achieving the goals of the relaunched Lisbon Strategy and the revised Sustainable Development Strategy. However these results will also depend on the engagement of stakeholders, who are invited to make full use of the opportunities the Alliance offers.

To enhance the transparency, visibility and credibility of CSR practices, the Commission encourages enterprises that support the Alliance to make CSR information available to all stakeholders, including to consumers, investors and the wider public. Large companies in particular should seek to present CSR strategies, initiatives and their results or best practices in a way that is easily accessible to the public. In addition, the Commission will continue to support stakeholders in developing their capacity to assess and evaluate CSR practices.

The Commission recognises that without the active support and constructive criticism of non-business stakeholders, CSR will not flourish. The Commission's backing of the Alliance is not a substitute for further dialogue with all stakeholders. The Commission remains committed to facilitating such dialogue, including through regular review meetings of the Multistakeholder Forum.

5. PROPOSED ACTIONS TO PROMOTE FURTHER TAKE-UP OF CSR PRACTICES

In further promoting CSR, the Commission will emphasise the following aspects:

- **Awareness-raising and best practice exchange.** The Commission will further raise awareness about CSR and promote the exchange of best practice as CSR continues to evolve, with an emphasis on SMEs and on Member States where CSR is a less well-known concept, as well as in acceding and candidate countries. It will do this in a strengthened partnership with business and all relevant stakeholders, including national and regional authorities. The Commission will further promote voluntary environmental instruments, such as environmental management systems and the

Ecolabel scheme. Other initiatives to make citizens aware of social and environmental issues and the impact of their consumption and investment choices will also be promoted.

- **Support to multi-stakeholder initiatives.** Involving stakeholders enhances the effectiveness of CSR initiatives, which is why the Commission will organise regular review meetings of the Multistakeholder Forum. To foster greater awareness of CSR and further enhance its credibility, the Commission will continue to promote and support CSR initiatives by stakeholders, including social partners and NGOs, and in particular at sectoral level The European Platform for Nutrition is a good example of such initiative. The sectoral social dialogue committees are also an important mechanism in this regard.
- **Cooperation with Member States.** There is a broad consensus in Europe about the definition of CSR, although its precise nature and characteristics vary between different national and cultural contexts. Moreover, Member States have at their disposal a broad range of instruments to encourage CSR. Cooperation with Member States and acceding countries, in particular through the Group of High-Level National Representatives on CSR, is therefore an important aspect of Commission policy on CSR. Within Member States, the regional level can be an appropriate level for actions in support of CSR, especially as far as SMEs are concerned.
- **Consumer information and transparency.** Consumers play an important role in providing incentives for responsible production and responsible business behaviour. They are expected to exercise critical choice and encourage good products and good companies. At the moment consumers lack clear information on the social and environmental performance of goods and services, including information on the supply chain. The Commission will examine, in consultation with all relevant stakeholders, the need for further voluntary actions to achieve the objectives of transparency and information for consumers including on issues of public health.
- **Research.** There is a need for more interdisciplinary research on CSR, in particular on: links at the macro- and meso-levels between CSR, competitiveness and sustainable development; the effectiveness of CSR in reaching social and environmental objectives; and issues such as innovation, corporate governance, industrial relations, and the supply chain. CSR as practiced by SMEs is an important research topic in its own right, but should also be adequately reflected in other areas of CSR research. Additionally, the Life Cycle Social Impacts of processes, products, and services deserve more investigation. Building on the four CSR research projects financed under the 6th Research Framework programme, the Commission will explore possibilities to support further research into CSR as part of the forthcoming 7th Framework Programme.
- **Education.** For CSR to become a mainstream business practice, the right knowledge and skills need to be developed among future entrepreneurs, business leaders, company managers and employees. CSR is also a lifelong learning issue. The Commission invites business schools, universities and other education institutions to incorporate CSR into education, as a cross-cutting issue, in particular into the curricula of future managers and graduate students.

- **SMEs.** The collective impact of CSR as practiced by SMEs is critical if the potential of CSR to contribute to growth and jobs and sustainable development in Europe is to be fully harnessed. The Commission recognises that a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR. It also requires the active cooperation of mainstream SME intermediary organisations and support providers. The Commission will facilitate the exchange of experience about how best to encourage CSR amongst SMEs in Europe.
- **The international dimension of CSR.** The Commission will continue to promote CSR globally with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals. The ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, the OECD Guidelines for MNEs and the UN Global Compact, as well as other reference instruments and initiatives, provide international benchmarks for responsible business conduct. The Commission is committed to promoting awareness and implementation of these instruments and will work together with other governments and stakeholders to enhance their effectiveness.

The Commission will continue its leadership role in promoting high environmental standards internationally. The Commission aims to strengthen the sustainable development dimension of bilateral trade negotiations and to pursue the promotion of core labour standards in bilateral agreements. The Commission will encourage the inclusion of provisions to support internationally agreed CSR instruments and will seek to address CSR issues in bilateral dialogue between the parties. The Commission is also committed to using trade incentives as a means of encouraging respect for the main international human/labour rights, environmental protection and governance principles, in particular through the new EU “Generalised System of Preferences Plus” that entered into force on 1 January 2006. The Commission will strengthen its co-operation with the ILO to promote decent work, including through a pilot project on trade and decent work indicators in developing countries. The Commission will also present a communication on decent work in the course of 2006.

The Commission will discuss with partner countries and relevant stakeholders how to promote CSR in the framework of the Cotonou Agreement and the New Strategy for Africa¹⁰, and will propose that this issue be discussed during the EU-Africa Business Forum to be held in autumn 2006.

The Commission will follow other relevant international processes, such as the work of the UN Special Representative on Human Rights and Transnational Corporations and Other Business Enterprises, the possible development of an ISO guidance standard on social responsibility, and sectoral initiatives like the Kimberley Process Certification Scheme for rough diamonds.

¹⁰ COM(2005) 489.

6. CONCLUSION: THE NEED FOR A PARTNERSHIP AMONG ALL STAKEHOLDERS

The Commission strongly believes that CSR matters to each and every European, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. Further promoting CSR is central to the new partnership for "growth and jobs" as well as for implementing sustainable development objectives. The Commission calls on all parties involved to contribute to the implementation of this ambitious new initiative. The Commission offers close partnership, with Member States, with business (through the Alliance described in annex) and with all stakeholders involved to make Europe a pole of excellence on CSR since CSR mirrors the core values of the EU itself. The Commission will reassess the evolution of CSR in Europe in a year's time following the discussion within the Multistakeholder Forum.

ANNEX

MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY:

THE EUROPEAN ALLIANCE FOR CSR

CSR MATTERS TO ALL OF US

Corporate Social Responsibility (CSR) matters because it mirrors the core values of the society in which we wish to live. It matters to individual companies, big or small, who through innovative products and services, new skills and stakeholder engagement can improve their economic, environmental and social performance in the short and long term. It matters to those who work in and for companies, for whom it can help to create a more rewarding and inspiring working environment. It matters to those who buy from companies, to consumers who are paying more and more attention to the social and environmental credentials of the products and services they buy. It matters to the local communities where companies operate, who want to know that they are living amongst organisations that share their values and concerns. It matters to investors who feel that responsible business behaviour needs to be encouraged. It matters to people in other parts of the world who expect European based companies to behave in accordance with European and international values and principles. And it matters to our children and future generations who expect to live in a world which respects people and nature.

STRIVING FOR A SUSTAINABLE MARKET ECONOMY

A strong business commitment to CSR as well as an overall supportive role of public authorities towards CSR has become particularly important over the last 15 years as regard its contribution to the respect for human rights and the rule of law as well as the sustainable functioning of democracy and market economy, be it on a local, national, European or global scale. In order to be a successful economic model, the market economy needs to build on some essential prerequisites: on the one hand an effective and coherent legislative and regulatory framework; on the other hand, self limitation and self control as much as a proactive climate of innovation and entrepreneurship, fairness and trust: all these are necessary elements to combine high levels of economic success, environmental protection, social cohesion and welfare. To this end, leading enterprises in Europe are more than ever undergoing a process of searching, learning and innovating as regards their governance, management, stakeholder dialogue and product development, thereby making corporate and product responsibility a natural part of their everyday business practice and competitiveness. Small companies, as a key driver for growth and jobs in Europe, have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CSR. Against the background of globalisation and the associated structural changes, companies are making these shifts in the expectation that the other stakeholders also commit and shoulder their share of the risks and opportunities of responsibility and innovation. Dialogue with stakeholders helps companies to anticipate and deal with social and environmental issues which may affect future competitiveness.

A EUROPEAN ALLIANCE FOR CSR

In this context, the European Commission backs members of the business community that are laying the foundations of a European Alliance for CSR. This is an open Alliance for enterprises sharing the same ambition: to make Europe a Pole of Excellence on CSR in support of a competitive and sustainable enterprise and market economy. The essence of this initiative is partnership. This partnership is based on agreement that the priorities of the European Strategy for Growth and Jobs fully respond to the challenges of increasing global competition, demographic trends and a sustainable future.

The delivery of this strategy is crucial for securing Europe's sustainable growth as much as the European way of life. The Alliance is built on the understanding that CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. The Alliance seeks to promote CSR as a business opportunity creating win-win situations for companies and society and recognises that CSR is a voluntary business approach which reflects the diversity of European business. While enterprises are the primary actors in CSR, public authorities at local, national and European level have a supportive role to play in promoting it. The Alliance initiative builds on previous discussions with business and stakeholders. In particular, it draws the lessons from the European Multi-Stakeholder Forum on CSR, a major initiative facilitated by the European Commission. The Forum provided a platform for European representatives of business, employers, trade unions and civil society organisations to engage in an innovative process of learning and dialogue and to agree recommendations for more and effective CSR practice. It will also capitalise on the European Campaign to promote CSR among SMEs and the multitude of other business and employer driven initiatives. Another key driver for this Alliance is the European Roadmap for Businesses on CSR - 2010, whereby leading companies and business networks have set out their vision and priorities for a competitive and sustainable enterprise from a European perspective.

The Alliance lays the foundations for the partners to promote CSR in the future. It evolves around the following three areas of activities:

- Raising awareness and improving knowledge on CSR and reporting on its achievements
- Helping to mainstream and develop open coalitions of cooperation
- Ensuring an enabling environment for CSR

Raising awareness and improving knowledge on CSR and reporting on its achievements

The Alliance will explore and support creative ways to exchange and disseminate CSR best practice, initiatives and tools with a view to making them relevant to business practitioners, policy leaders, consumers, investors and the wider public at all appropriate levels across Europe and abroad. Special attention will be paid to promoting CSR amongst enterprises of all sizes in a way that is better in tune with today's and tomorrow's realities and challenges.

The Alliance reaffirms that, building on existing initiatives, there is a need to further promote multi-disciplinary research on CSR at European level, in particular on its impact on competitiveness and sustainable development. Closer integration with universities and

scientific experts as well as continuous dialogue and cooperation with civil society are essential in this respect.

An important contribution to Europe's future competitiveness and sustainability will depend on education taking a leading role in the CSR agenda. The Alliance will encourage the integration of CSR and sustainable development related topics in traditional courses, in the curricula of future managers and graduate students, in executive education and in other educational institutions.

Helping to mainstream CSR and develop open coalitions of cooperation

Considering the wide-ranging nature of CSR and the diversity of the European and international business landscape, the partners of the Alliance have identified several priority areas for action:

- Fostering innovation and entrepreneurship in sustainable technologies, products and services which address societal needs
- Helping SMEs to flourish and grow
- Assisting enterprises to integrate social and environmental considerations in their business operations, especially those in the supply chain
- Improving and developing skills for employability
- Better responding to diversity and the challenge of equal opportunities taking into account the demographic changes alongside the rapid aging of the European population
- Improving working conditions, also in cooperation with the supply chain
- Innovating in the environment field with a special focus on integrating eco efficiency and energy savings in the product and service creation process
- Enhancing pro-active dialogue and engagement with all relevant stakeholders
- Further addressing the transparency and communication challenge to make the non-financial performance of companies and organisations more understandable for all stakeholders and better integrated with their financial performance
- Operating outside the borders of the European Union in a socially and environmentally responsible way as companies do inside the European Union

These priority areas will be addressed by “open coalitions of cooperation” bringing together interested companies ready to tackle these issues in the form of “laboratory meetings” in order to explore and to develop joint operational projects, in partnership with relevant experts and stakeholders and with the backing of the European Commission.

Ensuring an enabling environment for CSR

With the new European Strategy for Growth and Jobs and through its initiative on better regulation, the European Commission and EU Member States have committed themselves to set up and strengthen a business-friendly environment in which entrepreneurs and enterprises can flourish and grow.

In addition, the European Commission will step up its policy of promoting the voluntary and innovative efforts of companies on CSR, by encouraging good practices and their dissemination in a strengthened partnership with business and all relevant stakeholders as well as the national authorities. It will do this also by being consistent across the policy areas and integrating the promotion of CSR where appropriate. To succeed in their joint mission, the partners of the Alliance will capitalise on equivalent alliances developed at national level and will inspire and support similar initiatives in countries where there is interest in doing so. The Alliance supports the organisation of review meetings with all stakeholders, starting in 2006, to take stock of progress made in relation to the recommendations of the European Multi-stakeholder Forum on CSR and of other trends, developments and innovations in CSR.

CONCLUSION AND NEXT STEP

Commitment, mutual trust and dialogue are vital for the success of this Alliance. The Alliance will be what its partners will deliver on the agreed initiatives and priority areas. The partners agree that for coordination and communication purposes, the Alliance will rely on existing business driven structures actively involved in the CSR domain. The partners of the Alliance agree to take stock through high level meetings and to also communicate the Alliance results in the context of the European Strategy for Growth and Jobs.

Time has come to make Europe a Pole of Excellence on CSR. The Alliance is formed to make it happen.



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 2.7.2002
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COMMUNICATION FROM THE COMMISSION

concerning

**Corporate Social Responsibility:
A business contribution to Sustainable Development**

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1. INTRODUCTION

In July 2001, the Commission presented a Green Paper “*Promoting a European Framework for Corporate Social Responsibility*”¹. The aims of this document were, firstly, to launch a debate about the concept of corporate social responsibility (CSR) and, secondly, to identify how to build a partnership for the development of a European framework for the promotion of CSR.

The Green paper defined CSR as “*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” as they are increasingly aware that responsible behaviour leads to sustainable business success. CSR is also about managing change at company level in a socially responsible manner. This happens when a company seeks to set the trade-offs between the requirements and the needs of the various stakeholders into a balance, which is acceptable to all parties. If companies succeed in managing change in a socially responsible manner, this will have a positive impact at the macro-economic level.

CSR can therefore make a contribution to achieving the strategic goal of becoming, by 2010, “*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*” adopted by the Lisbon Summit of March 2000, and to the European Strategy for Sustainable Development.

The consultation process on the Green Paper has supported Community action in the field of CSR. In the present Communication, which constitutes a follow-up to last year’s Green paper, the Commission presents a EU strategy to promote CSR. It consists of six chapters. The first chapter briefly summarises the outcome of the consultation process. The second chapter develops the European strategy to promote CSR including a definition of the concept of CSR, its place in the sustainable development context and its impact on business and society. Chapters three to six describe related proposed actions.

The Communication is addressed to the European institutions, Member States, Social Partners as well as business and consumer associations, individual enterprises and other concerned parties, as the European strategy to promote CSR can only be further developed and implemented through their joint efforts. The Commission invites enterprises and their stakeholders as well as Social Partners in candidate countries to join this initiative.

2. SYNTHESIS OF CONSULTATION ON GREEN PAPER ON CSR

The Commission received more than 250 responses to the Green Paper, which are posted on the Europa website (http://europa.eu.int/comm/employment_social/social/csr/csr_responses.htm). About half of these responses came from employers’ organisations, business associations and individual enterprises. Trade unions and civil society organisations accounted for another large portion of responses.

¹ COM (2001) 366

Furthermore, organisations at local, regional, national, European and international level as well as academics and other interested individuals have responded.

The European institutions, Council, Parliament, Economic and Social Committee, Committee of Regions equally adopted positions on the Green paper. Finally a number of Member States sent their comments to the Commission.

All respondents welcomed the Green paper and confirmed the usefulness of an open debate about the concept of CSR. Almost all parties - social partners and other respondents to the Green paper - supported Community action in this field.

However, there are also significant differences between the positions expressed:

- Enterprises stressed the voluntary nature of CSR, its integration in the sustainable development context and that its content should be developed at global level. Enterprises emphasised there would not be “one-size-fits-all” solutions. In the view of businesses, attempts to regulate CSR at EU level would be counterproductive, because this would stifle creativity and innovation among enterprises which drive the successful development of CSR, and could lead to conflicting priorities for enterprises operating in different geographical areas;
- Trade unions and civil society organisations emphasised that voluntary initiatives are not sufficient to protect workers and citizens rights. They advocated for a regulatory framework establishing minimum standards and ensuring a level playing field. They also insisted that in order to be credible, CSR practices could not be developed, implemented and evaluated unilaterally by businesses, but rather with the involvement of relevant stakeholders. They also asked for effective mechanisms to ensure a company's accountability for its social and environmental impact;
- Investors stressed the need to improve disclosure and transparency of companies' practices, rating agencies' methodology and investment management of SRI (socially responsible investment) funds and pension funds;
- Consumers' organisations underlined the importance of trustworthy and complete information about the ethical, social and environmental conditions in which goods and services are produced and traded to guide them in their purchase choices;
- The Council, in its Resolution of 3 December 2001, stressed that a European approach to CSR could complement existing measures at local and national level, imparting to them an added value, in order to contribute to the development of CSR. The Council mentioned that CSR can contribute not only to encouraging a high level of social cohesion, environmental protection and respect for fundamental rights, but also to improving competitiveness in all types of businesses, from SMEs to multinationals, and in all sectors of activity;
- The Economic and Social Committee highlighted that the principles of voluntary action and environmental, economic and social sustainability, together with guidance from international organisations' existing agreements are to be the frame of reference for further European initiatives in support of companies' efforts to act in a socially responsible way;
- The Committee of the Regions saw a role for the European level in providing a framework for raising awareness, promoting responsible principles and assisting businesses and public authorities in incorporating CSR in their activities;

- The European Parliament proposed to mainstream CSR in all areas of EU competence, in particular regional and social funding, and to create a EU multi-stakeholder CSR platform. It called for triple bottom line reporting by companies on their social and environmental performance, including the human rights dimension.

3. A EUROPEAN ACTION FRAMEWORK FOR CSR

Defining CSR

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

The main function of an enterprise is to create value through producing goods and services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation. However, new social and market pressures are gradually leading to a change in the values and in the horizon of business activity.

There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits, but instead through market-oriented yet responsible behaviour. Companies are aware that they can contribute to sustainable development by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interests.

In this context, an increasing number of firms have embraced a culture of CSR. Despite the wide spectrum of approaches to CSR, there is large consensus on its main features:

- CSR is behaviour by businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest;
- CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations;
- CSR is not an optional "add-on" to business core activities - but about the way in which businesses are managed.

Socially responsible initiatives by entrepreneurs have a long tradition in Europe. What distinguishes today's understanding of CSR from the initiatives of the past is the attempt to manage it strategically and to develop instruments for this. It means a business approach, which puts stakeholder expectations and the principle of continuous improvement and innovation at the heart of business strategies. What constitutes CSR depends on the particular situation of individual enterprises and on the specific context in which they operate, be it in Europe or elsewhere. In view of the EU enlargement it is however important to enhance common understanding both in Member States and candidate countries.

The growing recognition of CSR

CSR has found recognition among enterprises, policy-makers and other stakeholders, as an important element of new and emerging forms of governance, which can help them to respond to the following fundamental changes:

- Globalisation has created new opportunities for enterprises, but it also has increased their organisational complexity and the increasing extension of business activities abroad has led to new responsibilities on a global scale, particularly in developing countries.
- Considerations of image and reputation play an increasingly important role in the business competitive environment, as consumers and NGO's ask for more information about the conditions in which products and services are generated and the sustainability impact thereof, and tend to reward, with their behaviour, socially and environmentally responsible firms.
- Partly as a consequence of this, financial stakeholders ask for the disclosure of information going beyond traditional financial reporting so as to allow them to better identify the success and risk factors inherent in a company and its responsiveness to public opinion.
- As knowledge and innovation become increasingly important for competitiveness, enterprises have a higher interest in retaining highly skilled and competent personnel.

The global dimension of CSR

Responses to the Green Paper demonstrated the global nature of CSR issues and concerns, reflecting the fact that a growing number of enterprises, including SMEs, are developing their business world-wide, as they take advantage of market liberalisation and trade integration and are sourcing from subsidiaries and suppliers in developing countries.

Global governance, and the interrelation between trade, investment and sustainable development are key issues in the CSR debate. Indeed, awareness of CSR issues and concerns will contribute to promote more sustainable investments, more effective development co-operation and technology transfers.

Both processes of trade and financial markets liberalisation should be matched by appropriate progress towards an effective system of global governance including its social and environmental dimensions. Globalisation has also increasingly exposed enterprises to transboundary economic criminality, requiring an international response.

By abiding by internationally accepted standards, multinational enterprises can contribute to ensure that international trade markets function in a more sustainable way and it is therefore important that the promotion of CSR at international level takes as its basis international standards and agreed instruments.

Those agreed instruments are, at present, of two kinds. First, the OECD Guidelines for Multinational Enterprises are the most comprehensive, internationally endorsed set of rules governing the activities of multinationals. In promoting CSR in developing countries, EU businesses should demonstrate and publicise their world-

wide adherence to them. Second, beyond CSR, international agreements are in place and their implementation by governments should be promoted. In its communication on Promoting Core Labour Standards and Improving Social Governance in the context of Globalisation², the Commission stressed the need to ensure the respect for core labour standards in the context of globalisation. It stressed in particular the universality of core labour standards and the need for codes of conduct to integrate the ILO fundamental Conventions.

At the same time, identifying common frameworks for the global dimension of CSR is challenging due to the diversity in domestic policy frameworks, protection of workers and environmental regulation. A number of initiatives in which European companies participate, such as Investors for Africa, World Business Council for Sustainable Development, and the UN Global Compact have sought to identify basic principles and practices. The underlying approach should be that, at global level, just as at European, the implementation of CSR principles should also go over and above the legal requirements that businesses need to comply with, and approaches should involve consultation with local stakeholders.

Green paper responses also stressed the important role played by Governments, international organisations and the civil society in raising awareness and enforcing implementation of internationally agreed social and environmental standards. The added value of EU activity in this area, and in promoting the international dimension of CSR is developed in section 7.6.

Challenges for its further diffusion

The challenges to a further awareness, dissemination and adoption of CSR practices among enterprises stem from insufficient :

- knowledge about the relationship between CSR and business performance (the “business case”);
- consensus between the various parties involved on an adequate concept taking account of the global dimension of CSR, in particular the diversity in domestic policy frameworks in the world.
- teaching and training about the role of CSR, especially in commercial and management schools;
- awareness and resources among SMEs;
- transparency, which stems from the lack of generally accepted instruments to design, manage and communicate CSR policies;
- consumers’ and investors’ recognition and endorsement of CSR behaviours;
- coherence in public policies.

Towards a EU action framework for CSR

In principle, adopting CSR is clearly a matter for enterprises themselves, which is dynamically shaped in interaction between them and their stakeholders. Nevertheless, as there is evidence suggesting that CSR creates value for society by

² COM(2001)416

contributing to a more sustainable development, there is a role for public authorities in promoting socially and environmentally responsible practices by enterprises.

The need for public action to promote CSR results also from inadequate governance at the global and national levels. In its communication "*towards a global partnership for sustainable development*" (13.2.2002), the Commission has stressed that globalisation may result in negative effects if it goes uncontrolled. CSR public policies may help shape globalisation in a positive way by promoting good company practices that complement public efforts for sustainable development.

Community action in the field of CSR has to build on the core principles laid down in international agreements and should be developed in full respect of subsidiarity principles. Within this scope, there are at least two reasons pointing to the opportunity and the need for Community Action in the field of CSR. Firstly, CSR may be a useful instrument in furthering Community policies. Secondly, the proliferation of different CSR instruments (such as management standards, labelling and certification schemes, reporting, etc.) that are difficult to compare, is confusing for business, consumers, investors, other stakeholders and the public and this, in turn, could be a source of market distortion. Therefore, there is a role for Community action to facilitate convergence in the instruments used in the light of the need to ensure a proper functioning of the internal market and the preservation of a level playing field.

CSR practices and instruments will be more effective if they are part of a concerted effort by all those concerned towards shared objectives. They should be transparent and based on clear and verifiable criteria or benchmarks. Public policy can contribute to the development of an action framework with a view to promote transparency and thus credibility for CSR practices.

Principles for Community action

The Commission proposes to build its strategy to promote CSR on a number of principles. These are as follows:

- recognition of voluntary nature of CSR;
- need for credibility and transparency of CSR practices;
- focus on activities where Community involvement adds value;
- balanced and all-encompassing approach to CSR, including economic, social and environmental issues as well as consumer interests;
- attention to the needs and characteristics of SMEs;
- support and compatibility with existing international agreements and instruments (ILO core labour standards, OECD guidelines for multinational enterprises)

The Commission proposes to focus its strategy on the following areas:

- (1) Increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries;
- (2) Developing the exchange of experience and good practice on CSR between enterprises;
- (3) Promoting the development of CSR management skills;
- (4) Fostering CSR among SMEs;
- (5) Facilitating convergence and transparency of CSR practices and tools;
- (6) Launching a Multi-Stakeholder Forum on CSR at EU level;
- (7) Integrating CSR into Community policies.

The Commission is prepared to involve the candidate countries as much as possible in the implementation of this strategy. It will also promote CSR as an incentive to enhancing sustainable development and good governance in developing countries.

4. IMPROVE THE KNOWLEDGE ABOUT CSR AND FACILITATE THE EXCHANGE OF EXPERIENCE AND GOOD PRACTICE

4.1. Increasing knowledge about the impact of CSR on business and society

The responses to the Green paper reflect a broad consensus among businesses about the expectation that CSR will be of strategic importance to ensure the long-term business success.

The potential of CSR policies to strengthen the symbiotic relationship between enterprises and society has already been demonstrated in areas such as sustainable growth, education and social cohesion. CSR can support the creation of an atmosphere of trust within companies, which leads to a stronger commitment of employees and higher innovation performance. A similar atmosphere of trust in co-operation among other stakeholders (business partners, suppliers, and consumers) can increase the external innovation performance. Consumer confidence fostered through CSR can be a major contributor to economic growth. More specifically, through CSR practices, enterprises can play an important role in preventing and combating corruption and bribery, and in helping preventing the use of enterprises for money laundering and criminal activities financing.

CSR policies can also boost the societal benefit that enterprises create with regard to innovation. Innovative practices aiming at better jobs, safer and employee-friendly workplaces, gender mainstreaming and the innovation or technology transfer to local communities and developing countries, leading to a more equitable North-South economic and social development, are further examples of societal benefits created by innovative enterprises. Indeed, CSR may play a positive role in fostering development in third countries by helping to establish a dialogue between these countries, their public authorities, social partners and civil society and foreign companies.

The desire of enterprises to improve their risk management is a powerful factor behind CSR. Enterprises generally agree that CSR helps them in managing their risks, their intangible assets, their internal processes, and their relations with internal and external stakeholders. . It has also been argued that opportunities and advantages for enterprises stemming from complying with international social and environmental conventions, norms or "soft law " instruments can outweigh costs. Although most businesses support the assumption of a positive impact of CSR on competitiveness, particularly in the long term, they are however not able to quantify this effect.

Solid evidence that social and environmental responsibility supports competitiveness and sustainable development, in particular in SMEs, would be the best and most effective argument to encourage the uptake of CSR among enterprises, in particular through:

- strengthening research on how and under which circumstances enterprises adopting CSR can contribute to the objective of enhanced competitiveness and a more sustainable development: the establishment of a priority area on "citizens and governance in the*

knowledge-based society" in the Framework Programme 2002-2006 of the European Community for research, technological development and demonstration activities, will contribute to gaining this knowledge;

- supporting activities promoted by businesses, social partners, education and training institutions and other stakeholders, aiming at raising awareness and improving knowledge about CSR;*
- analysis and dissemination of information about CSR practices and their results for companies and for host countries.*

4.2. Developing the exchange of experience and good practices on CSR between businesses

In their responses to the Green paper, business organisations and individual enterprises stressed the importance of the exchange of experience and good practices about CSR between companies, as an important vehicle to develop the concept further. It can help businesses to acquaint themselves with the concept, to benchmark their position against competitors and to build up a consensus about its instruments, such as reporting standards or verification procedures. These exchanges could be particularly beneficial at sectoral level, where they can play an important role in identifying common challenges and options for co-operation between competitors. Such co-operation could reduce the costs of adopting CSR and help to create a level-playing field. It could also help to diffuse CSR in supply chains.

Co-operatives, mutuals and associations as membership-led organisations have a long tradition in combining economic viability with social responsibility. They ensure this through stakeholder dialogue and participative management and thus can provide an important reference to other organisations.

The effectiveness of existing fora for the exchange of good practice and experience at local, regional, national and EU level, could be reinforced through better networking and co-ordination of their activities.

The integration of CSR into the work of European business support networks would facilitate dialogue and co-operation between them.

4.3. Developing the exchange of experience and good practices on CSR between Member states

Several Member states have developed CSR policies, which differ because they reflect national traditions, situations and challenges. In order to facilitate the exchange of information about national policies and to support its work in the area of CSR, the Commission has gathered together a group of High-Level Social Representatives from the Member States that has met on a regular basis.

The Commission will continue to facilitate an exchange of information and dissemination of good practices about awareness raising strategies and activities, with a particular emphasis on SME, and initiatives aimed at exploring and establishing Total Quality Management Systems as well as other policies (CSR-related legislation and support). It will also propose a peer review of the CSR practices in Member States, assessing the performance and the value added of regulatory frameworks and monitoring schemes.

4.4. Developing CSR management skills

Most respondents to the Green Paper stressed the importance of education and training of managers, employees, and other actors to promote CSR. The education system, at all levels, has a crucial role to play in the fostering of social responsibility in citizens, including those who are working – or will work – in the world of business or outside it. It can fulfil this role by enabling citizens to understand and appreciate social, environmental and ethical values and equipping them to take informed decisions. Education and training in the field of business administration have particular relevance to CSR in this context, and the encouragement of an effective dialogue between the worlds of business and education on this subject can contribute to the promotion of CSR principles and practices.

The exchange of good practices in integrating CSR principles in general education as well as in business administration training could be further developed between education systems, companies, employee representatives and other stakeholders, including consumers.

The Structural Funds provide significant financial support for the economic and social conversion of areas in structural difficulties, and for adapting and modernising education, training and employment policies and systems, particularly in order to increase the adaptability and employability of workers. In this respect the European Social Fund could be used to promote CSR in management training and for other employees, as well as to develop teaching materials and courses in educational institutions, including those active in lifelong learning, in co-operation with enterprises.

4.5. Fostering CSR among SMEs

The CSR concept was developed mainly by and for large multinational enterprises. In line with the Commission's "Think Small First" strategy, the CSR concept, practices and instruments should be adapted to suit the specific situation of SMEs which make up the vast majority of European enterprises. Because of their lower complexity and the strong role of the owner, SMEs often manage their societal impact in a more intuitive and informal way than large companies. In fact, many SMEs are already implementing socially and environmentally responsible practices without being familiar with the CSR concept or communicating their activities. These practices are often defined and understood as responsible entrepreneurship by SMEs.

50% of recently surveyed³ European SMEs indicate that they already carry out socially and environmentally responsible activities for the benefit of their external stakeholders. Their community and social engagement could be characterised as being local in scope, occasional in nature, and unrelated to business strategy. The main driver would be the ethical consideration of the owner/manager, even though a significant number of SMEs also recognise business benefits such as improved relations with consumers and the local community. Furthermore, a positive correlation between SME's strategic focus and their socially responsible activities can be established: SMEs focussing on innovation, quality and growth also score

3 The 2001 ENSR survey of over 7,000 SMEs in: European SMEs and Social and Environmental Responsibility, report published in the 7th Observatory of European SMEs, 2002, European Commission, Enterprise DG
(http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory.htm)

higher on current or future social engagement. Lack of awareness seems to be the most significant obstacle to social engagement, especially among the smallest SMEs, followed by resource constraints. Small business associations, support organisations and networks have an important role to play in raising awareness through the provision of information, user-friendly tools and the dissemination of good practices cases.

Since SMEs do not draw value from their engagement in the same way as a large company, it is important to assist SMEs in adopting a more strategic approach. Collecting evidence on the business case for different types of SMEs operating in diverse cultural backgrounds is key to a better understanding and increased SME participation. In the future, the most significant pressure on SMEs to adopt CSR practices is likely to come from their large business customers, which in return could help SMEs cope with these challenges through the provision of training, mentoring schemes and other initiatives.

To facilitate the wider adoption of responsible entrepreneurship practices by SMEs, there is a need to raise further awareness about their economic benefits and to promote them as a risk management tool, as well as to:

- work towards a better understanding of SMEs’ current social and environmental engagement, including research into SME-specific aspects of CSR and the business case;*
- foster the exchange and dissemination of good practices cases identified with the help of Member State and candidate countries experts, SME representative organisations, business support organisations and consumer organisations (e.g. through publications, on-line collection of good practices etc.);*
- facilitate the development and dissemination of user-friendly, tailor-made tools for those SMEs that wish to engage in or further develop socially responsible actions on a voluntary basis (information material, SME-toolkit, etc.);*
- bring the attention of SME associations and business support organisations to CSR issues with a view to their integration into support provision for responsible entrepreneurship initiatives in SMEs;*
- facilitate co-operation between large companies and SMEs to manage their social and environmental responsibility (e.g. supply chain management, mentoring schemes etc.), in accordance with national and EU competition rules;*
- raise awareness among SMEs with regard to the impact of their activities on developing countries, and promote SMEs proactive policies, in particular in the fields of core labour standards, eradication of child-labour, gender equality, education, training, health-care assistance and insurance.*

5. PROMOTING CONVERGENCE AND TRANSPARENCY OF CSR PRACTICES AND TOOLS

CSR relates to a very wide range of company activities. This is particularly the case when an enterprise operates in several countries and has to adapt its activities to the specific situations in these countries. This diversity has helped to create an impressive richness of voluntary enterprise initiatives, which often include innovative elements, but also implies challenges, namely the lack of transparency and comparability.

Transparency is a key element of the CSR debate as it helps businesses to improve their practices and behaviour; transparency also enables businesses and third parties

to measure the results achieved⁴. CSR benchmarks against which the social and environmental performance of businesses can be measured and compared are useful to provide transparency and facilitate an effective and credible benchmarking. The interest in benchmarks has resulted in an increase of guidelines, principles and codes during the last decade. Not all of these tools are comparable in scope, intent, implementation or applicability to particular businesses, sectors or industries. They do not answer to the need for effective transparency about business social and environmental performance. As expectations for CSR become more defined, there is a need for a certain convergence of concepts, instruments, practices, which would increase transparency without stifling innovation, and would offer benefits to all parties. CSR benchmarks should build upon core values and take their starting point in international agreed instruments such as ILO core labour standards and OECD guidelines for multinational enterprises.

Several market-driven international multi-stakeholder initiatives are emerging, which work towards convergence and transparency in the area of CSR. Member states have taken various initiatives to promote them, in accordance with their respective approaches to CSR. The Commission wishes to do its part in facilitating convergence and transparency in the area of CSR, by facilitating the development, diffusion and acceptance of these international multi-stakeholder initiatives by enterprises and stakeholders.

Increased convergence and transparency would be desirable in the following fields:

- (1) Codes of Conduct,
- (2) Management standards
- (3) Accounting, auditing and reporting
- (4) Labels
- (5) Social responsible investment

5.1. Codes of conduct

The increasing public interest in the social and environmental impact and ethical standards of industry has moved many companies, in particular those of the consumer goods sector, to adopt codes of conduct relating to labour issues, human rights and the environment.

Codes of conduct are innovative and important instruments for the promotion of fundamental human, labour and environmental rights, and anti-corruption practices - especially in countries where public authorities fail to enforce minimum standards. However, it should be underlined that they are complementary to national, EU and international legislation and collective bargaining, and not a substitute to them.

The biggest challenge related to codes is to ensure that they are effectively implemented, monitored and verified. In this respect, the Commission promotes business widespread adherence to codes of conducts developed by international organisations. Special attention should be given to implementing codes in respect of workers in the informal sector and sub-contractors and in the free-trade zones.

The Commission believes that codes of conducts should:

⁴ Greater transparency also prevents companies from being used by organised crime, and terrorist groups to launder or generate money for their benefit.

- build on the ILO fundamental Conventions and the OECD guidelines for multinational enterprises as a common minimum standard of reference;
- include appropriate mechanisms for evaluation and verification of their implementation, as well as a system of compliance;
- involve the social partners and other relevant stakeholder which are affected by them, including those in developing countries, in their elaboration, implementation as well as monitoring;
- disseminate experience of good practices of European enterprises.

The Commission invites the CSR EMS Forum (see below) to consider the effectiveness and credibility of existing codes of conducts and how convergence can be promoted at European level.

5.2. Management standards

Faced with a widening range of complex issues in areas such as labour practices and supplier relations, with implications across their organisations, businesses, regardless of sector, size, structure or maturity, would benefit from the inclusion of social and environmental issues into their daily operations. In this context, CSR management systems - like Total Quality Management systems - could allow enterprises to have a clear picture of their social and environmental impacts, help them to target the significant ones and manage them well.

The Eco-Management and Audit Scheme (EMAS), for example, allows voluntary participation in an environmental management scheme. It is a scheme for companies and other organisations that are willing to commit themselves to evaluate, manage and improve their environmental and economic performance. In addition, active employee involvement is a driving force for EMAS and a contribution to the social management of organisations.

The Commission will promote the uptake of EMAS as a CSR instrument and explore the opportunity to apply the EMAS approach to address the social performance of companies and other organisations. It invites the CSR EMS Forum (see below) to examine this issue.

5.3. Measurement, reporting and assurance

In the last decade, more and more companies have started to publish information on their social and environmental performance. "Triple bottom line" reporting of economic, social and environmental indicators is emerging as good practice. At this early stage of experimentation, flexibility may ensure that reporting is appropriate to each individual business. However, a greater consensus on the type of information to be disclosed, the reporting format, the indicators used and the reliability of the evaluation and audit procedure would allow for a more meaningful benchmarking and communication of companies' performance within particular sectors and for businesses of similar size. The guidelines developed by the Global Reporting Initiative (GRI) are a good example of a set of guidelines for reporting which could be the base of such consensus.

The Gyllenhammar Report on "Managing Change" referred to the need for social reports to be drawn up in consultation with employees' representatives and to contain

structured information about practices and policies relating to employment and working conditions.

In its communication on the EU Strategy for Sustainable Development (15/5/2001), the Commission invited all publicly-quoted companies with at least 500 staff to publish a “triple bottom line” in their annual reports to shareholders that measures their performance against economic, environmental and social criteria.⁵

The Commission invites the CSR EMS Forum (see below) to develop commonly agreed guidelines and criteria for measurement, reporting and assurance by mid-2004.

5.4. Labels

The consumer right to information is founded in the EC Treaty. Information should be accurate and accessible to be useful to consumers. As Consumers express a growing preference for socially and environmentally responsible products and services, access to relevant information about the social and environmental conditions of production is crucial to help them to make informed choices. Such information is available in different forms and from different sources, including claims made by the producer, information from consumer organisations and 3rd party verified labels.

Adherence to commonly agreed criteria for making and assessing social and environmental claims of a self-declaratory character would contribute to improve the effectiveness and credibility of these claims. Monitoring of claims by Member States and stakeholders is essential. The Commission is finalising guidelines for making and assessing environmental self-declared claims by producers or distributors, based on the ISO 14021:1999 standard, with the objective of preventing misleading claims and encouraging good ones.

Consumers also receive information through recognition schemes, such as listing of awards, prizes, labels, etc., which identify good practices on specific subjects. The EU-Ecolabel⁶ as well as fair trade and ethical trade initiatives and labels are examples of 3rd party verified product labelling schemes. They are, however, only available for a limited range of product categories. For most consumer products, relevant social and environmental information is not easily accessible.

Both the ethical and fair-trade movements are now aligning themselves under common initiatives aiming at developing transparent and verifiable criteria for labelling and certification. The Commission welcomes these efforts as well as the rationalisation of existing labels through initiatives such as the new common fair

⁵ In the recent proposal for the modernisation of the Fourth (78/660/EEC) and Seventh Council Directives (83/349/EEC) adopted on 28 May 2002, COM(2002)259, the Commission has proposed amendments to those Directives to promote the inclusion, in the annual review, of non-financial information relevant to an understanding of the performance of the business and its position at the year end - i.e. the annual review should not be restricted to the financial aspects of performance or year end position.

⁶ The EU-Ecolabel (“the Flower”) is awarded to products of the highest environmental quality. The Flower is a transparent and credible label since the compliance with the criteria is certified, verified and monitored by an independent third party. The consumer can be confident that the product bearing the label is one of the best with respect to its environmental performance.

trade label launched by the Fair-trade Labelling Organisations (FLO) and will examine the need to adopt further measures to promote fair and ethical trade.

Participation in labelling schemes should be voluntary. Labels should be implemented in an objective, transparent, credible and non-discriminatory manner, respecting EU international obligations and applicable competition rules. The ILO core labour conventions should constitute a minimum baseline for such schemes. The EU supports the work of the ILO with regard to private voluntary initiatives.

By teaching the practice of making informed product choices, education could help develop a better understanding of the need for socially responsible products and services.

In its new consumer policy strategy for 2002 to 2006, the Commission committed to examining existing private labelling schemes, such as organic labelling, fair trade and CSR measures, to assess their effectiveness and the need for further measures in achieving the objectives of transparency and information for consumers with a view to promote sustainable development.

The Commission invites the CSR EMS Forum (see below) to seek to define commonly agreed guidelines for labelling schemes supporting ILO core conventions and environmental standards.

5.5. Socially Responsible Investment (SRI)

For Socially Responsible Investment (SRI) to contribute to the promotion of CSR, the development by rating organisations - independent consultants or SRI departments of investment banks - of criteria and indicators which identify the factors of competitive advantage and business success of socially responsible enterprises is essential.

With the aim of raising awareness about SRI issues, several Member States have already adopted legislation requiring pension funds to disclose whether and how they take account of social, environmental and ethical factors in their investment decisions. Although such legislation does not oblige pension funds trustees to adopt SRI policies, it increases their transparency on the issue. As pension funds start to require more information from the enterprises they invest in, these enterprises see an advantage in publicising information on their social and environmental performance.

Registration statements and prospectuses issued at the time of an IPO (initial public offering), can be another useful source of information on social and environmental risks allowing the prospective investor to assess the overall risks associated with a business.

The Commission invites occupational pension schemes and retail investment funds to disclose whether and how they take account of social, environmental and ethical factors in their investment decisions.

The Commission encourages initiatives aiming at monitoring and benchmarking practices of pension funds and investment funds with regard to and in support of CSR, and invites the CSR EMS Forum (see below) to consider whether a common EU approach can be established.

6. LAUNCHING A EU MULTI-STAKEHOLDER FORUM ON CSR

The previous chapter identified a number of areas (codes of conduct; management standards; accounting, auditing and reporting; labels; and socially responsible investment) where increased convergence and transparency is desirable in order to further promote the development of CSR practices at European level, based on European values, and to facilitate its contribution to the EU's strategic goal as adopted by the Lisbon Summit for 2010.

Common approaches and one-size-fits-all solutions may not be possible in all areas, since CSR is a fluid concept, and stakeholders also have different and sometimes conflicting interests. But a structured and partnership-based approach between businesses and their various stakeholders, as outlined in the Green Paper, can be used to draw on practical experience, build consensus where this is possible, and promote innovation.

The EU success in promoting CSR ultimately depends on widespread “ownership” of the principles of CSR by businesses, social partners, civil society, including consumer organisations, and public authorities, including from third countries, which should be based on comprehensive partnership with representatives of society at large. The involvement of all affected stakeholders is key to ensure acceptance and credibility of CSR and better compliance with its principles. In their responses to the Green Paper, a number of respondents invited the Commission to facilitate a dialogue between businesses and their stakeholders.

The Commission therefore proposes to set up a EU Multi-Stakeholder Forum on CSR (CSR EMS Forum) with the aim of promoting transparency and convergence of CSR practices and instruments, through:

- *exchange of experience and good practice between actors at EU level;*
- *bringing together existing initiatives within the EU, and seeking to establish common EU approach and guiding principles, including as a basis for dialogue in international fora and with third countries;*
- *identifying and exploring areas where additional action is needed at European level.*

The proposed Forum, to be chaired by the Commission, will bring together some forty European representative organisations of employers, employees, consumers and civil society as well as professional associations and business networks. The Commission will aim to ensure a balanced representation of the stakeholders. The other EU institutions will be invited with observer status.

A two-level structure is envisaged:

- two plenary meetings of the Forum - at political level - each year, to agree broad guidelines, rules of procedures and a work programme, and assess progress;
- theme-based Round Tables, in a more restricted composition to be defined by the Forum itself, to implement the work programme. Depending on the specific issues addressed, participation to these Round Tables should include relevant stakeholders and experts, including through the use of the Internet to consult and seek input, where costs prohibit direct participation. Participation from developing countries will also be ensured.

A steering group including representatives from the Commission and from leading participating organisations will be responsible for the daily management of the Forum.

The agenda, documents tabled and results of the CSR Round Tables will be public and posted on Europa. The activities of the Forum will be supported from within the existing financial, human and administrative resources of the Commission.

The Commission invites the CSR EMS Forum to address and to agree by mid-2004 if possible on guiding principles on the following issues:

- the relationship between CSR and competitiveness (business case);
- the contribution of CSR to sustainable development, in particular in developing countries, and to gender mainstreaming;
- SME-specific aspects (tools, coaching/mentoring practices by large enterprises, supply chain aspects);
- effectiveness and credibility of codes of conducts, to be based on internationally agreed principles, in particular the OECD guidelines for multinational enterprises;
- development of commonly agreed guidelines and criteria for CSR measurement, reporting and assurance;
- definition of commonly agreed guidelines for labelling schemes, supporting the ILO core conventions and environmental standards;
- disclosure on pension and retail funds SRI policies.

The Forum may also identify other issues, which need to be considered.

The CSR EMS Forum is invited to present before summer 2004 a report about its work to the Commission, which should then make an evaluation of its results, decide on its future and consider if any other initiative, involving in particular enterprises and the other stakeholders, is appropriate to further promote CSR.

7. INTEGRATING CSR IN ALL EU POLICIES

In the context of the strategy for sustainable development adopted by the European Union at the Gothenburg Summit of June 2001, and of the Charter of Fundamental Rights of the European Union, proclaimed in Nice in December 2000, the European Union is committed to fully integrate economic, social and environmental considerations as well as fundamental rights including core labour standards and gender equality, into its policies and actions, with due respect to both their internal and external dimensions.

CSR practices can contribute to the objectives of EU policies, in particular sustainable development, by supplementing existing policy tools such as trade and development agreements.

To ensure the coherence of EU policies, the Commission is committed to:

- *further promote the integration of CSR principles into EU policies, where appropriate;*

- *publish a report on CSR in 2004, on the work of the CSR EMS Forum and the results reached by then, as well as on the integration of CSR in all EU policies;*
- *set up an interservice group on CSR within the Commission, in order to share information and achieve consistency between the actions of the Commission in the field of CSR.*

7.1. Employment and social affairs policy

Within a business CSR relates to quality employment, lifelong learning, information, consultation and participation of workers, equal opportunities, integration of people with disabilities anticipation of industrial change and restructuring. Social dialogue is seen as a powerful instrument to address employment-related issues.

Employment and social policy integrates the principles of CSR, in particular, through the European Employment Strategy, an initiative on socially responsible restructuring, the European Social Inclusion Strategy, initiatives to promote equality and diversity in the workplace, the EU Disability Strategy and the Health and Safety Strategy.

In its document "Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring", the Commission has stressed that properly taking into account and addressing the social impact of restructuring contributes to its acceptance and to enhance its positive potential. The Commission has called upon the social partners to give their opinion in relation to the usefulness of establishing at Community level a number of principles for action, which would support business good practice in restructuring situations.

In its communication "Adapting to change in work and society: a new Community strategy on health and safety at work 2002–2006"⁷, the Commission has expressed its intention to encourage instruments which promote innovative approaches, to encourage the various parties to "go a step further" and to associate all the interested parties in achieving the overall objectives of this strategy, more especially in new fields which do not lend themselves easily to a normative approach.

Deeply rooted societal changes such as increasing participation of women in the labour market should be reflected in CSR, adapting structural changes and changing the work environment in order to create more balanced conditions for both genders acknowledging the valuable contribution of women as strategies which will benefit the society as well as the enterprise itself.

The 2003 European Year of People with Disabilities provides an opportunity for enterprises to exchange experience of CSR practices and strategies and to undertake actions with a view to acting in a socially responsible manner towards people with disabilities in relation to promoting equal employment opportunities, developing designed-for-all products as well as improving accessibility to assistive technologies.

⁷

(COM(2002) 118 final)

7.2. Enterprise policy

Only competitive and profitable enterprises are able to make a long-term contribution to sustainable development by generating wealth and jobs without compromising the social and environmental needs of society. In fact, only profitable firms are sustainable and have better chances to adopt/develop responsible practices.

The role of enterprise policy is to help create a business environment, which supports the Lisbon objective of becoming the world's most dynamic knowledge-driven economy, supports entrepreneurship and a sustainable economic growth. Its objective is to ensure a balanced approach to sustainable development, which maximises synergies between its economic, social and environmental dimensions.

Another key element is to support businesses in enhancing their competitiveness and in meeting the challenges of the transition to the knowledge economy. A special focus of enterprise policy is on SMEs and responsible entrepreneurship, where projects with Member states are carried out to identify good practices in policy and support. Further action priorities focus, among others, on research on the impact of CSR and sustainable development on business performance, industry-sector specific aspects (ICTs, tourism, services, social economy), CSR and innovation and the management of the intangible assets of firms.

7.3. Environmental policy

Environmental requirements have developed, over the last 25 years, to become of horizontal nature, applying to all Community policies, as is demonstrated by Article 6 EC Treaty. At the same time CSR includes sound and progressive environmental principles. Experience shows that undertakings, which follow sound environmental standards, are, in medium and long term, more competitive on the international market, as environmental standards promote innovation and modernisation of processes and products and lead to cleaner technologies. Conversely it may also be that internationally competitive firms are better able to invest in newer, more efficient and cleaner technologies.

The role of business in fostering environmental sustainability is a central issue in the newly adopted 6th Environmental Action Programme, and builds on a number of community actions which have addressed the various dimensions of business responsibility in the environmental field.

- The already mentioned Eco-Management and Audit Scheme (EMAS) promotes continuous improvements in the environmental performance of industrial activities by committing firms to evaluate and improve their own environmental performance.
- The Commission also actively supports the European Eco-Efficiency Initiative (EEEI), an initiative of the World Business Council for Sustainable Development and the European Partners for the Environment, which aims to integrate eco-efficiency throughout European business, and in European Union (EU) industrial and economic policies.
- The Recommendation of the European Commission on the recognition, measurement and disclosure of environmental issues in the annual accounts and

annual reports of companies has set community standards in order to produce reliable, comparable and useful information on the firms' environmental performance.

- In its communication "Environmental Technology for Sustainable Development"⁸, the Commission has underlined the importance of environmental technologies, and their ability to contribute both to the profitability of individual firms and to the competitiveness of the economy. In particular, the use of cleaner 'integrated' technologies are often associated with improved process efficiency and can provide savings for the firm thanks to improved resource efficiency, reduced waste etc. This provides clear guidance for action by enterprises willing to improve their environmental performance. The Commission intends to address this issue in the context of its forthcoming Action Plan to promote green technologies.

As part of their CSR strategies, enterprises are invited to adopt the above mentioned principles and approaches. EMAS can be a key tool to implement them.

7.4. Consumer Policy

CSR has partly evolved in response to consumer demands and expectations. Consumers, in their purchasing behaviour, increasingly require information and reassurance that their wider interests, such as environmental and social concerns, are being taken into account. Enterprises are increasingly sensitive to these demands both to retain existing customers and to attract new customers.

Consumers and their representative organisations have therefore an important role to play in the evolution of CSR. If CSR is therefore to continue to serve its purpose, strong lines of communication between enterprises and consumers need to be created.

Concerning fair commercial practices, the Commission is in the process of consulting interested parties on the detail of a possible framework directive which would harmonise national rules on the fairness of commercial practices (advertising, aggressive marketing, after-sale customer assistance, etc.) between businesses and consumers⁹.

7.5. Public procurement policy

The EU public procurement rules are of an essentially economic nature but have also to be seen in the light of the sustainability requirement of Art. 2 of EC Treaty. The interpretative communications of the Commission on the Community law applicable to public procurement and the possibilities for integrating social¹⁰ and environmental¹¹ considerations into public procurement have clarified how Community law offers numerous possibilities to public purchasers who wish to integrate social and environmental considerations into public procurement

⁸ (COM(2002)122)

⁹ COM(2002) 289 final, COM(2001) 531 final

¹⁰ COM(2001) 566 final of 15.10.2001

¹¹ COM(2001) 274 final of 4.7.2001

procedures, whilst at the same time ensuring respect of the principle of value for money for taxpayers and equal access for all EU suppliers.¹²

When public procurement does not fall under the scope of the EU public procurement directives, public purchasers are generally freer to integrate social and environmental considerations into their procedures provided that they are compatible with the general rules and principles of the EC Treaty and Member States legislation. However public purchasers generally lack specific information as to what social and environmental characteristics they may seek for a given product. To address the environmental dimension of this issue Guidelines on greening public procurement by using the European Eco-label criteria have been issued by Commission's services in November 2001. Work is currently underway on a number of other initiatives in the field of public procurement and the environment. These include a practical handbook on green public procurement, and a database providing information on environmental aspects of key products and services for corporate and public purchasers."

Facilitating the exchange of experience about the possibilities to take into account social considerations in public procurement - as outlined in the Commission's communication - could be useful to raise awareness amongst public purchasers.

7.6. External relations policies, including development policy and trade

The European Union can make more effective the promotion of CSR at international level because it has a unique set of agreements with third countries and regional groupings, including the Cotonou Agreement with the African, Caribbean and Pacific countries. Since 1994, these have incorporated a clause defining human rights as a fundamental element of the agreement, which serves as the basis for dialogue with a third country government on human rights. This includes encouraging respect for core labour standards, since this forms a necessary underpinning for successful CSR activity by companies investing in developing countries.

The EU's approach in this area was set out in the Communications on The EU role in promoting human rights and democratisation in third countries¹³, and on Promoting Core Labour Standards and Improving Social Governance in the context of Globalisation¹⁴. It includes the use of bilateral dialogue with governments and development assistance to build capacity, and of additional trade incentives under the EU's Generalised System of Preferences (GSP) where countries comply and apply minimum social and environmental standards. GSP also provides for their temporary withdrawal where countries that commit serious and systematic violations of any of the core labour standards referred to in the ILO Declaration on Fundamental Principles and Rights at Work.

The EU also has a role in promoting dialogue between the EU and third country civil societies, including business, and can use this role to further the spread of CSR. Trade unions, consumer associations, human rights defenders and other "watchdog" mechanisms play an important role in promoting and ensuring respect for fundamental rights. By promoting exchange of experience and sharing of good

¹² In addition, non-compliance with relevant legislation i.e. in the social or environmental field may be taken into account by the purchaser in order to exclude a contractor from participating in a contract.

¹³ COM (2001) 252) final

¹⁴ COM(2001)416

practices between counterparts in the EU and developing countries, the EU can contribute to building capacity to monitor the on-the-ground application by investors, foreign and domestic, to CSR principles. Such debate can also promote convergence of approaches. EC assistance programmes can potentially be used to provide support to such dialogue and capacity building concerning CSR.

Promoting debate on CSR is particularly useful in developing countries where there is little understanding of the concept, or where it is regarded with suspicion as a form of protectionism or a brake on investment flows, rather than as a potential market opportunity (e.g. through social labelling schemes) and a means of attracting FDI. But it is also useful for the EU to encourage the inclusion of CSR as a topic for dialogue with developed country governments, business and civil society, particularly where these are major sources of FDI, so as to promote convergent and effective global approaches.

The EU can take the lead in promoting CSR in multilateral and global fora such as the OECD and the forthcoming Johannesburg World Summit on Sustainable Development in August 2002.

The EU can also engage directly with multinational enterprises and encourage them to play a part in promoting respect for human rights and labour standards, including gender equality, particularly where their operations have an influential role in countries with a poor record in this area.

Additionally, where public support is provided to enterprises, this implies co-responsibility of the government in those activities. These activities should therefore comply with the OECD guidelines for multinational enterprises, and, inter alia, not involve bribery, pollution of the environment or child or forced labour. Making access to subsidies for international trade promotion, investment and export credit insurance, as well as access to public procurement, conditional on adherence to and compliance with the OECD guidelines for multinational enterprises, while respecting EC international commitments, could be considered by EU Member States and by other States adherent to the OECD Declaration on International Investment.

Further to the adoption of the 1997 OECD Convention on bribery of foreign public officials in international business transactions, it is a punishable offence (including corporate liability) in all state parties' jurisdictions (including all EU Member States) to bribe a foreign public official of any jurisdiction world-wide. Awareness-raising within the entire private sector should be improved with a view to sensitising companies to the damaging consequences that corrupt practices might have on companies and their reputation, thus contributing to the prevention of corruption.

To promote CSR principles and practice at international level, and particularly in developing countries, the Commission:

- Will pursue the approach outlined in its Communication on Promoting Core Labour Standards and Improving Social Governance in the context of Globalisation. It reiterates its call to the Council adopts at the earliest opportunity a strategy to improve global social governance and promote core labour standards as a necessary foundation of the present initiative on CSR.*
- In line with this approach, provide support for capacity building and technical assistance to developing countries to promote compliance with agreed international environmental*

and labour standards, thereby helping to promote sustainable development and establishing a solid basis for the application of CSR principles by both foreign and domestic investors;

- Promote awareness and application of CSR abroad, including through its Delegations, by encouraging debate and exchange of good practice, between and among third country and European stakeholders;*
- Support and promote the commitment of the Community and EU Member States regarding the OECD Guidelines for multinational enterprises, through the inclusion in EU external relations agreements of the phrase: “The Parties (or the European Community and its Member States) remind their multinational enterprises of their recommendations to observe the OECD Guidelines for Multinational enterprises, wherever they operate.*

7.7. Public administrations

Public administrations, including the Commission, need to practice CSR principles in their own management and with their own “stakeholders”.

The Commission has decided to take a more integrated and systematic approach to the management of social and environmental matters within its administration. It has decided to register under the EMAS scheme and encourages other public authorities also to follow this example.

The Commission intends to:

- integrate further social and environmental priorities within its management, including its own public procurement;
- assess its social and environmental performance by publishing a social and environmental report by 2004;
- launch an awareness raising campaign towards the Commission’s agents in 2003.

The Commission invites public administrations at national, regional and local level to also examine their practices with a view to integrating social and environmental considerations.



COMMISSION OF THE EUROPEAN COMMUNITIES

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GREEN PAPER

Promoting a European framework for Corporate Social Responsibility

(presented by the Commission)

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EXECUTIVE SUMMARY

1. An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental and economic pressures. They aim to send a signal to the various stakeholders with whom they interact: employees, shareholders, investors, consumers, public authorities and NGOs. In doing so, companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability.
2. As early as 1993, the appeal to European business of President Delors to take part in the fight against social exclusion resulted in a strong mobilisation and in the development of European business networks. More recently in March 2000, the European Council in Lisbon made a special appeal to companies' sense of social responsibility regarding best practices for lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.
3. By stating their social responsibility and voluntarily taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case, companies endeavour to raise the standards of social development, environmental protection and respect of fundamental rights and embrace an open governance, reconciling interests of various stakeholders in an overall approach of quality and sustainability. While recognising the importance of all these aspects, this paper focuses mainly on companies' responsibilities in the social field.
4. This action leads to the development of new partnerships and new spheres for existing relationships within the company regarding social dialogue, skills acquisition, equal opportunities, anticipation and management of change, at the local or national level with reference to the reinforcement of economic and social cohesion and health protection, and more generally on a global level, concerning environmental protection and respect of fundamental rights.
5. The corporate social responsibility concept is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives.
6. The European Union is concerned with corporate social responsibility as it can be a positive contribution to the strategic goal decided in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".
7. This Green Paper aims to launch a wide debate on how the European Union could promote corporate social responsibility at both the European and international level, in particular on how to make the most of existing experiences, to encourage the development of innovative practices, to bring greater transparency and to increase the reliability of evaluation and validation. It suggests an approach based on the deepening of partnerships in which all actors have an active role to play.

1. INTRODUCTION

8. Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. At a time when the European Union endeavours to identify its common values by adopting a Charter of Fundamental Rights, an increasing number of European companies recognise their social responsibility more and more clearly and consider it as part of their identity. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success.
9. These developments reflect the growing expectations that European citizens and stakeholders have of the evolving role of companies in the new and changing society of today. This is in line with the basic message of the Sustainable Development Strategy for Europe agreed at the Göteborg European Council of June 2001, that in the long-term, economic growth, social cohesion and environmental protection go hand in hand.
10. Many factors are driving this move towards corporate social responsibility:
 - new concerns and expectations from citizens, consumers, public authorities and investors in the context of globalisation and large scale industrial change,
 - social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors,
 - increased concern about the damage caused by economic activity to the environment,
 - transparency of business activities brought about by the media and modern information and communication technologies.

Business and CSR

11. As companies themselves face the challenges of a changing environment in the context of globalisation and in particular the Internal Market, they are increasingly aware that corporate social responsibility can be of direct economic value. Although the prime responsibility of a company is generating profits, companies can at the same time contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations.
12. Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their licence to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost, much like quality management. They can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy minimizing risks linked to uncertainty. Companies should pursue social responsibility internationally as well as in Europe, including through their whole supply chain.

In its position paper "[Releasing Europe's employment potential: Companies' views on European Social Policy beyond 2000](#)" UNICE (Union of Industrial and Employers'

Confederations of Europe) has stressed that European companies see themselves as an integral part of society, as they act in a socially responsible way; consider profits to be the main goal of the company but not its only "raison d'être", and opt for long-term thinking on strategic decisions and investment.

The political context

13. At the European level the challenge is about how corporate social responsibility can contribute to the Lisbon goal of building a dynamic, competitive and cohesive knowledge-based economy. The Lisbon European Council made a special appeal to companies' sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.
14. The Commission's European Social Agenda, subsequently supported by the European Council in Nice, emphasised the role of corporate social responsibility in addressing the employment and social consequences of economic and market integration and in adapting working conditions to the new economy. In addition the European Summit in Nice invited the Commission to involve companies in a partnership with the social partners, NGOs, local authorities and bodies that manage social services, so as to strengthen their social responsibility. The European Council in Stockholm welcomed the initiatives taken by businesses to promote corporate social responsibility and made reference to this Green Paper as a means to encourage a wide exchange of ideas in order to promote further initiatives in this area.
15. The Commission's Communication on sustainable development, supported at the Göteborg European Council, emphasised the importance of Corporate Social Responsibility: *"Public policy also has a key role in encouraging a greater sense of corporate social responsibility and in establishing a framework to ensure that businesses integrate environmental and social considerations into their activities ... Business should be encouraged to take a pro-active approach to sustainable development in their operations both within the EU and elsewhere."*
16. This debate is also linked with the reflection of the Commission on the White Paper on governance in the European Union. As corporate social responsibility contributes significantly to a favourable climate towards entrepreneurship, it is also linked to the Commission's objective of creating an entrepreneurial, innovative and open Europe – "Enterprise Europe".

Corporate social responsibility has important implications for all economic and social actors as well as for the public authorities, who should take them into account in determining their own actions. Several Member States have recognised its importance and have taken active steps to promote it. As they are all facing similar challenges, Member States could learn from each other's experience. Overall, the European Commission could promote corporate social responsibility through its programmes and activities. Furthermore, it is necessary to ensure that approaches to corporate social responsibility are coherent and compliant with Community policies and with international obligations. In Denmark, the Minister for Social Affairs launched the campaign "[Our Common Concern - the social responsibility of the corporate sector](#)" in 1994 and set up the Copenhagen Centre in 1998.

In the UK, a Minister for Corporate Social Responsibility has been appointed in March 2000. An Interdepartmental Group has been established to improve co-ordination of activity to promote corporate social responsibility across the government.

17. At the international level, through policies such as trade and development co-operation, the European Union is directly involved in issues concerning market behaviour. A European approach to corporate social responsibility must thus reflect and be integrated in the broader context of various international initiatives, such as the [UN Global Compact](#) (2000), the [ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) (1977/2000), the [OECD Guidelines for Multinational Enterprises](#) (2000). While these initiatives are not legally binding, in the case of the OECD guidelines they benefit from the commitment of adhering governments to promote their actual observance by business. The European Commission is committed to the active promotion of the OECD guidelines¹. Observance of the core ILO labour standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour) is central to corporate social responsibility; their monitoring and compliance should be strengthened.²
18. The main contribution of a European approach will be to complement and add value to existing activities by:
- providing an overall European framework, aiming at promoting quality and coherence of corporate social responsibility practices, through developing broad principles, approaches and tools, and promoting best practice and innovative ideas,
 - supporting best practice approaches to cost-effective evaluation and independent verification of corporate social responsibility practices, ensuring thereby their effectiveness and credibility.
19. This Green Paper aims to launch a wide debate and seek views on corporate social responsibility at national, European and international level. The Commission hopes that the outcome of this initiative will be a new framework for the promotion of corporate social responsibility.

2. WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

20. Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
21. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company’s competitiveness. Going beyond basic legal obligations in the social area, e.g. training, working conditions,

¹ The OECD guidelines also encompass an implementation mechanism involving governments and social partners in National Contact Points. Furthermore, their content covers various areas of corporate social responsibility, namely child labour and forced labour, social relations, environmental protection, consumer protection, transparency and disclosure, fight against bribery, transfers of technology, competition and taxation.

² The Commission will issue a communication regarding Promoting of Core Labour Standards and Improving Social Governance in the Context of Globalisation.

management-employee relations, can also have a direct impact on productivity. It opens a way of managing change and of reconciling social development with improved competitiveness.

22. Corporate social responsibility should nevertheless not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation. In countries where such regulations do not exist, efforts should focus on putting the proper regulatory or legislative framework in place in order to define a level playing field on the basis of which socially responsible practices can be developed.
23. Whilst so far corporate social responsibility is mainly promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational enterprises (MNEs). Its wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness raising and support to disseminate good practice could help promote corporate social responsibility among them. Worker co-operatives and participation schemes, as well as other forms of co-operative, mutual and associative enterprises structurally integrate other stakeholder interests and take up spontaneous social and civil responsibilities.
24. A number of companies with good social and environmental records indicate that these activities can result in better performance and can generate more profits and growth. For many companies, this is a new activity and longer term evaluation remains to be done. The economic impact of corporate social responsibility can be broken down into direct and indirect effects. Positive direct results may for example derive from a better working environment, which leads to a more committed and productive workforce or from efficient use of natural resources. In addition, indirect effects result from the growing attention of consumers and investors, which will increase their opportunities on the markets. Inversely there can sometimes be a negative impact on a company's reputation due to criticism of business practices. This can affect the core assets of a company, such as its brands and image.
25. Financial institutions are making increasing use of social and environmental checklists to evaluate the risks of loans to, and investments in companies. Similarly, being recognised as a socially responsible enterprise, for example through listing in an ethical stock market index, can support the rating of a company and therefore entails concrete financial advantages.

Stock market social indexes are useful benchmarks for demonstrating the positive impact of social screening on financial performance: the Domini 400 Social Index (DSI) has outperformed the S&P 500 by more than 1% on a annualised total return basis and on a risk-adjusted basis since its inception in May 1990 while the Dow Jones Sustainable Index has grown by 180% since 1993 compared to 125% for the Dow Jones Global Index over the same period.

Assessing precisely what determines financial return of a socially responsible company is difficult. Research (Industry Week, January 15 2001) has shown that about one-half of the above-average performance of socially responsible companies can be attributed to their social responsibility while the other half is explained by the performance of their sector. Socially responsible companies are expected to deliver above-average financial returns, as a company's

ability to deal successfully with environmental and social issues can be a credible measure of management quality.

26. There is a need for a better knowledge and further studies on the impact of corporate social responsibility on business performance. This could be a field for further research between companies, public authorities and academic institutions. These efforts could be supported by the Framework programmes for research and technology development.

2.1. Corporate social responsibility: the internal dimension

27. Within the company, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production. They open a way of managing change and reconciling social development with improved competitiveness.

2.1.1. Human resources management

28. A major challenge for enterprises today is to attract and retain skilled workers. In this context, relevant measures could include life long learning, empowerment of employees, better information throughout the company, better balance between work, family, and leisure, greater work force diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for employability as well as job security. Active follow up and management of employees who are off work due to disabilities or injuries have also been shown to result in cost saving.
29. Responsible recruitment practices, involving in particular non-discriminatory practices, could facilitate the recruitment of people from ethnic minorities, older workers, women and the long-term unemployed and people at disadvantage. Such practices are essential in relation to achieving the European Employment Strategy objectives of reducing unemployment, raising the employment rate, and fighting against social exclusion.
30. In relation to life-long learning, businesses have a key role to play at several levels: contributing to a better definition of training needs through close partnership with local actors who design education and training programmes; supporting the transition from school to work for young people, for example by providing apprenticeship places; valuing learning, in particular in the Accreditation of Prior and Experiential Learning (APEL); and providing an environment which encourages lifelong learning by all employees, particularly by the less educated, the less skilled and older workers.

2.1.2. Health and safety at work

31. Health and safety at work has traditionally been approached mainly by means of legislation and enforcement measures. However, the trend of outsourcing work to contractors and suppliers makes companies more dependent on the safety and health

performance of their contractors, especially those who are working within their own premises³.

32. Companies, governments and sector organisations are increasingly looking at additional ways of promoting health and safety, by using them as a criteria in procuring products and services from other companies and as a marketing element for promoting their products or services. These voluntary schemes can be seen as complementary to legislation and control activities by public authorities as they likewise aim at promoting a preventive culture, i.e. higher levels of occupational safety and health.

33. As the focus on occupational health and safety performance and qualities of products and services is increasing, there is also an increasing demand for measuring, documenting and communicating these qualities in the marketing material. Occupational safety and health criteria have been included to varying degrees into existing certification schemes and labelling schemes for products and equipment. Certification schemes of management systems and subcontractors focusing primarily on occupational safety and health have also been launched.

The Swedish [TCO Labelling Scheme](#) for office equipment is a voluntary label that intends to stimulate the manufacturers to develop more occupational and environmentally safe office equipment; assist purchasers to choose office equipment less problematic for the users and the external environment; and to provide purchasers and the vendor with a clearly defined label, thereby saving time, work and costs in the purchasing process.

34. In addition, the tendency of companies and organisations to include occupational safety and health criteria into their procurement schemes has supported the development of generic procurement schemes based on uniform requirements for contractor occupational safety and health training or management systems, which allow for a third party to carry out the “certification” or initial approval of the contractors as well as overseeing the continuous improvement of the scheme.

The Dutch Safety Contractors Checklist (SCC) aims at evaluating and certifying occupational safety and health management systems of contractor companies offering their services to the petrochemical and chemical industry.

The Danish IKA Procurement provides guidelines to define the requirements in tenders for cleaning agents.

2.1.3. *Adaptation to change*

35. The widespread restructuring taking place in Europe raises concerns for all of the employees and other stakeholders as the closure of a factory or a heavy cut in its workforce may involve a serious economic, social or political crisis in a community. Few companies escape the need to restructure, often through downsizing, with the year 2000 seeing more mergers and acquisitions than any other year in history. According to one study, fewer than one in four restructuring operations achieve their objectives of reducing costs, increasing productivity and improving quality and customer service as they often cause the motivation, loyalty, creativity and productivity of the employees to suffer.

³ For further details: European Agency for Safety and Health at Work (<http://agency.osha.eu.int/publications/factsheets/facts11/>)

36. Restructuring in a socially responsible manner means to balance and take into consideration the interests and concerns of all those who are affected by the changes and decisions. In practice the process is often as important as the substance to the success of restructuring. In particular this involves seeking the participation and involvement of those affected through open information and consultation. Furthermore, restructuring needs to be well prepared by identifying major risks, calculating all the costs, both direct and indirect, associated with alternative strategies and policies, and evaluating all of the alternatives which would reduce the need for redundancies.
37. Experience of the major restructuring operations carried out in Europe in the steel, coal and shipbuilding industries has shown that successful restructuring can be better achieved through joint efforts involving the public authorities, companies and employees' representatives. This process should seek to safeguard employees' rights and enable them to undergo vocational retraining where necessary, to modernise production tools and processes in order to develop on-site activities, to mobilise public and private financing and to establish procedures for information, dialogue, cooperation and partnership. Companies should take up their share of responsibility to ensure the employability of their staff.
38. By engaging in local development and active labour market strategies through involvement in local employment and/or social inclusion partnerships, companies can lessen the social and local impact of large scale restructuring.

The [Fundación Empresa y Sociedad \(FES\)](#) within the framework of the Article 6 of ESF pilot on Local Social Capital constitutes an interesting example of the involvement of private business in the promotion of social cohesion. It promotes the support to micro-projects, mostly micro-firms, in a run-down neighbourhood in Madrid. Apart from providing micro-grants, a system of tutoring is made available free by professionals from the private businesses. The FES has also mobilised additional support in the form of access to additional micro-credit funding and to private businesses donations of IT equipment.

2.1.4. *Management of environmental impacts and natural resources*

39. In general, reducing the consumption of resources or reducing polluting emissions and waste can reduce environmental impact. It can also be good for the business by reducing energy and waste disposal bills and lowering input and de-pollution costs. Individual companies have found that less use can lead to increased profitability and competitiveness.

In the environmental field, these environmental investments are normally referred to as "win-win" opportunities - good for business and good for the environment. This principle has been established for a number of years, and was most recently recognised in the Commission's 6th Environment Action Programme. It explains how the European Union and Member State governments can fulfil their role to help business to identify market opportunities and undertake "win-win" investments. It set out a number of other measures aimed at business: establishment of a compliance assistance programme to help business understand European Community environmental requirements; development of national, but harmonised, company environmental performance reward schemes that identify and reward good performers and encouraging voluntary commitments and agreements.

40. A good example of an approach that allows public authorities to work with business is Integrated Product Policy (IPP). IPP is founded on the consideration of products' impacts throughout their life cycle, and involves business and other stakeholders in dialogue to find the most cost-effective approach. In the environmental field, it can therefore be seen as a strong existing framework for promotion of corporate social responsibility.

Another approach that facilitates corporate social responsibility is the Community's Eco-Management and Audit Scheme (EMAS) ISO 19000. This encourages companies voluntarily to set up site or company-wide environmental management and audit systems that promote continuous environmental performance improvements. The environmental statement is public and is validated by accredited environmental verifiers.

41. Business is also aware of the opportunities associated with improved environmental performance, and is working to systematically take advantage of it:

The [European Eco-Efficiency Initiative \(EEEE\)](http://www.wbcds.ch/eurint/eeei.htm), an initiative of the World Business Council for Sustainable Development and the European Partners for the Environment in partnership with the European Commission, aims to integrate eco-efficiency throughout European business, and in European Union (EU) industrial and economic policies.
(<http://www.wbcds.ch/eurint/eeei.htm>)

2.2. Corporate social responsibility: the external dimension

42. Corporate social responsibility extends beyond the doors of the company into the local community and involves a wide range of stakeholders in addition to employees and shareholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. In a world of multinational investment and global supply chains, corporate social responsibility must also extend beyond the borders of Europe. Rapid globalisation has encouraged discussion of the role and development of global governance: the development of voluntary CSR practices can be seen as contributing to this.

2.2.1. Local communities

43. Corporate social responsibility is also about the integration of companies in their local setting, whether this be in Europe or world-wide. Companies contribute to their communities, especially to local communities, by providing jobs, wages and benefits, and tax revenues. On the other hand companies depend on the health, stability, and prosperity of the communities in which they operate. For example, they recruit the majority of their employees from the local labour markets, and therefore have a direct interest in the local availability of the skills they need. Furthermore, SMEs often also find most of their clients in the surrounding area. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness.
44. Companies also interact with the local physical environment. Some rely on a clean environment for their production or offering of services - either clean air or clean water or uncongested roads. There can also be a relationship between the local physical environment and the ability of business to attract workers to the region they are located in. On the other hand, business can also be responsible for a number of polluting activities: noise, light, water pollution, air emissions, contamination of soil, and the environmental problems associated with transport and waste disposal. The

most environmentally aware companies are, therefore, often involved in two ways in environmental education of the community.

45. Many companies become involved in community causes, notably by means of provision of additional vocational training places, assisting environmental charities, recruitment of socially excluded people, provision of child-care facilities for employees, partnerships with communities, sponsoring of local sports and cultural events or donations to charitable activities.
46. The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. Multinational companies increasingly use these relations to support the integration of their affiliates into various markets in which they are present. The familiarity of companies with the local actors, the local environment traditions and strengths is an asset from which they can capitalise.

Financial institutions can play a particular role through community investing, which consists of direct investments in projects benefiting specific communities or constituencies, especially in economically disadvantaged areas. These investments usually take the form of loans for low-cost housing ventures or deposits in community development banks either at or below market rates.

Similarly recognising that access to affordable prices for everyone to services of general economic interest is at the heart of the European model of society, some companies endeavour to ensure such access as part of their social responsibility where it is not guaranteed by legislation, for example regarding basic banking services. Furthermore, ETUC (European Trade Union Confederation) and CEEP (European Centre of Enterprises with public participation and of enterprises of general economic interest) made a joint proposal for a Charter for Services of General Interest in June 2000.

2.2.2. *Business partners, suppliers and consumers*

47. By working closely with business partners, companies can reduce complexity and costs and increase quality. Selection of suppliers is not always exclusively through competitive bidding. Relationships with alliance and joint venture partners and with franchisees are equally important. In the long run building relationships may result in fair prices, terms and expectations along with quality and reliable delivery. In adopting socially and environmentally responsible practices all companies however have to respect the relevant rules of EU and national competition laws.
48. Large companies are at the same time business partners of the smaller ones, be it as their customers, suppliers, subcontractors or competitors. Companies should be aware that their social performance can be affected as a result of the practices of their partners and suppliers throughout the whole supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners. This is particularly the case for large companies, which have outsourced part of their production or services and, therefore, may have acquired additional corporate social responsibility with regard to these suppliers and their staff, bearing in mind that sometimes economic welfare of these suppliers depend primarily or entirely on one large company.
49. Some large companies demonstrate corporate social responsibility by promoting entrepreneurial initiatives in the region of their location. Examples for such practices include mentoring schemes offered by large companies to start-ups and local SMEs,

or assistance to smaller firms on social reporting and communication of their corporate social responsibility activities.

50. Corporate venturing constitutes a further way for large companies to facilitate the development of new innovative enterprises. Corporate venturing means that the large enterprise takes a minority stake in a promising start-up and promotes its development. This offers various advantages to both partners, including a better grip on innovative developments for the large company and easier access to financial resources and to the market for the small company.
51. As part of their social responsibility companies are expected to provide products and services, which consumers need and want in an efficient, ethical and environmentally aware manner. Companies, which build lasting relationships with customers by focusing their whole organisation on understanding what the customers need and want and providing them with superior quality, safety, reliability and service are expected to be more profitable. Applying the principle of design for all (making products and services usable by as many people as possible including disabled consumers) is an important example of corporate social responsibility.

2.2.3. *Human rights*

52. Corporate social responsibility has a strong human rights dimension, particularly in relation to international operations and global supply chains. This is recognised in international instruments such as [the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) and the [OECD Guidelines for Multinational Enterprises](#). Human rights are a very complex issue presenting political, legal and moral dilemmas. Companies face challenging questions, including how to identify where their areas of responsibility lie as distinct from those of governments, how to monitor whether their business partners are complying with their core values, and how to approach and operate in countries where human rights violations are widespread. The European Union itself has an obligation in the framework of its Co-operation policy to ensure the respect of labour standards, environmental protection and human rights and is confronted with the challenge of ensuring a full coherence between its development policy, its trade policy and its strategy for the development of the private sector in the developing countries notably through the promotion of European investments.
53. A key innovation of the Cotonou Agreement is the recognition of the fight against corruption as a "fundamental element" and an explicit reference to corruption as a major development problem to be addressed. Serious cases of corruption "including of bribery leading to such corruption" could constitute grounds for suspension of cooperation. This inclusion of a corruption clause in the Agreement aims not only to give an unequivocal sign to aid recipients, but also to promote more transparent activities by European investors and other actors. The EU and the ACP have agreed on a specific procedure to deal with such cases of corruption (Art 9).
54. Under increasing pressure from NGOs and consumer groups, companies and sectors are increasingly adopting codes of conduct covering working conditions, human rights and environmental aspects, in particular those of their subcontractors and suppliers. They do so for various reasons, notably to improve their corporate image and reduce the risk of negative consumer reaction. Codes of conduct however are not an alternative to national, European Union and international laws and binding rules:

binding rules ensure minimum standards applicable to all, while codes of conduct and other voluntary initiatives can only complement these and promote higher standards for those who subscribe to them.

The Confederation of Danish Industries has launched a set of guidelines for industry on human rights, inviting companies to pursue the same level of social responsibility in their new host country as in their home country.

An increasing number of multinationals have explicitly committed themselves to human rights in their codes of conduct while a growing number of retailers in Europe apply ethical standards of production to the goods they import. In 1998 Eurocommerce adopted a Recommendation on Social Buying Conditions covering child, forced and prison labour.

There are also several examples of codes of conduct signed by the social partners at European level, particularly in the [textile, clothing](#) and [commerce](#) sectors, which the Commission welcomes.

55. It is also increasingly recognised that the impact of a company's activities on the human rights of its workers and local communities extends beyond issues of labour rights. This is the case, for example, in insecure situations where companies work with state security forces with a record of human rights abuses.

The UK government, in co-operation with the US, convened a working group of leading corporations in the oil, gas and mining industries, together with human rights NGOs. The result was the December 2000 adoption of Voluntary Principles on Security and Human Rights for companies in the Extractive and Energy Sectors.

56. While voluntary codes of conduct can contribute to promote international labour standards, their effectiveness however depends on proper implementation and verification. Codes of conduct may for instance face sub-contractors producing for a number of different multinational companies with the need to fulfil many different criteria regarding wages, working hours and other social conditions. Codes of conduct should therefore be based on the ILO fundamental Conventions, as identified in the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises, involving the social partners and those in developing countries covered by them.

57. Codes of conduct should be applied at every level of the organisation and production line. Full disclosure of information by companies is important, including to local communities, as part of an ongoing dialogue with them. Training for local management, workers and communities on implementation is equally important. Furthermore, the emphasis must be on a “developmental approach” - one which stresses continuing gradual improvements to standards, and to the code itself. In the case of child labour, companies should not just respect the letter of the ILO conventions by dismissing contractors who use child labour, but should also, for example, help to tackle child poverty by assisting children into education.

58. With respect to human rights there is a need for ongoing verification where the implementation and compliance with codes is concerned. The verification should be developed and performed following carefully defined standards and rules that should apply to the organisations and individuals undertaking the so-called “social auditing”. Monitoring, which should involve stakeholders such as public authorities, trade unions and NGOs, is important to secure the credibility of codes of conduct. A balance between internal and external verification schemes could improve their cost-

effectiveness, in particular for SMEs. As a result there is a need to ensure greater transparency and improved reporting mechanisms in codes of conduct.

On 15/1/1999 the European Parliament adopted a Resolution on “EU standards for European enterprises operating in developing countries: towards a European Code of Conduct” calling for a European code of conduct which would contribute to a greater standardisation of voluntary codes of conduct based on international standards and the establishment of a European Monitoring Platform, including provisions on complaint procedures and remedial action.

2.2.4. *Global Environmental concerns*

59. Through the transboundary effect of many business-related environmental problems, and their consumption of resources from across the world, companies are also actors in the global environment. They can therefore pursue social responsibility internationally as well as in Europe. For example, they can encourage better environmental performance throughout their supply chain within the IPP approach and make larger use of European and international management and product-related tools. Investment and activities of the companies on the ground in third countries can have a direct impact on social and economic development in these countries.
60. The debate on the role of business in achieving sustainable development is gaining importance on the global stage. The UN Secretary General has launched a “Global Compact” initiative which seeks to make business a partner in achieving social and environmental improvements globally. The OECD Guidelines for multinational enterprises also promote sustainable development. The Commission Communication “Ten years after Rio – Preparing for the World Summit on Sustainable Development” (COM 2001/53) contains further details on how business can contribute to global sustainable development.

3. **A HOLISTIC APPROACH TOWARDS CORPORATE SOCIAL RESPONSIBILITY**

61. While companies increasingly recognise their social responsibility, many of them have yet to adopt management practices that reflect it. Where they have to integrate it in their day-to-day management involving their whole supply chain, companies' employees and managers need training and retraining in order to acquire the necessary skills and competence. Pioneering companies can help to mainstream socially responsible practice by disseminating best practice.
62. While corporate social responsibility can only be taken on by the companies themselves, stakeholders, particularly employees, consumers and investors, can play a decisive role - in their own interest or on behalf of other stakeholders in areas such as working conditions, the environment or human rights - in prompting companies to adopt socially responsible practices. They require effective transparency about companies' social and environmental performance.

3.1. **Social responsibility integrated management**

63. Companies' approaches in dealing with their responsibilities and relationships with their stakeholders vary according to sectoral and cultural differences. At the start companies tend to adopt a mission statement, code of conduct, or credo where they state their purpose, core values, and responsibilities towards their stakeholders. These values then need to be translated into action across the organisation, from strategies

to day-to-day decisions. This involves practices such as adding a socially or environmental dimension in plans and budgets and evaluating corporate performance in these areas, creating “community advisory committees”, carrying out social or environmental audits and setting up continuing education programmes.

64. As issues of corporate social responsibility become an integral part of corporate strategic planning and routine operational performance, managers and employees are required to make business decisions based on additional criteria to those they were traditionally trained to expect. Traditional models of organisation behaviour, strategic management and even business ethics do not always give sufficient preparation for managing companies in this new environment.
65. In response to the need to integrate corporate social responsibility into the training of existing managers and employees and to anticipate the skills that will be required of the managers and employees of the future, courses or modules in business ethics become quite a common element of business degrees. They tend, however, to cover only a limited part of what is meant by corporate social responsibility.

CSR Europe and the Copenhagen Centre have launched a programme with the aim to bring the business and academic community together to identify and address the training needs of the business sector on Corporate Social Responsibility so as to introduce and diversify courses on corporate social responsibility at all levels of study.

http://www.csreurope.org/csr_europe/Activities/programmes/Universities/universities.htm

3.2. Social responsibility reporting and auditing

66. Many multinational companies are now issuing social responsibility reports. While environmental, health, and safety reports are common, reports tackling issues such as human rights and child labour are not. Moreover companies’ approaches to social reporting are as varied as their approaches to corporate social responsibility. In order for these reports to be useful, a global consensus needs to evolve on the type of information to be disclosed, the reporting format to be used, and the reliability of the evaluation and audit procedure.
67. Few of them provide much detail on their policies and performance on human resource management and on employment issues such as bargaining and recognition, staff consultation and training and board accountability. In 1998, the [High Level Group on Economic and Social Implications of Industrial Change](#) set-up at the invitation of the European Council, invited thus companies of more than 1000 employees to publish voluntarily a “Managing change report” i.e. an annual report on employment and working conditions. The Group indicated that the report should be developed in consultation with employees and their representatives in accordance with national traditions. The Group suggested a framework, which would deal with policies, practices and performance regarding employment and working conditions, particularly anticipation of structural change, communication, employee involvement and social dialogue, education and training, employee health & safety and equal opportunities.
68. Furthermore, as suggested by the High Level Group on Change the Commission proposed in its Social Policy Agenda the establishment of a Monitoring Centre on Change as a means to develop a proactive approach to anticipating and managing change. The Dublin Foundation has now included this initiative in its Four Year Rolling Programme, stressing its role in understanding and anticipating change so as

to make better decisions, as well as assisting key actors in their understanding, anticipation and management of industrial change through the provision of reliable and objective information.

69. Increasingly public initiatives are supporting the development of social and environmental reporting.

The Commission's Recommendation on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies, adopted on 30 May 2001, is expected to contribute significantly to the development of meaningful and comparable information with regard to environmental issues in the EU. (http://europa.eu.int/comm/internal_market/en/company/account/news/01-814.htm).

In the context of trade negotiations, the Commission has launched a Sustainability Impact Assessment of the proposed New round WTO negotiations, and committed itself to undertaking SIAs of other trade negotiations such as the ongoing EU-Chile/Mercosur negotiations.

The Danish [Social Index](#) is a self-assessment tool developed by the Ministry of Social Affairs for measuring the degree to which a company lives up to its social responsibilities. Where the Social Index is shown as a number between 0 and 100 it makes it easy to communicate to the employees and external stakeholders just how socially responsible the company is.

Article 64 of the French law concerning the new economic regulations requires companies to take into account the "social and environmental consequences" of their activity in their annual report. This text will apply to listed companies on the first market for their 2001 report and to the other companies for their 2002 report. The contents of the reports will be defined in the application decree.

70. In addition, a variety of organisations are developing standards for social accounting, reporting and auditing. These standards pursue varied approaches from process to performance standards, from voluntary to mandatory standards, from single-issue to multiple issues standards, and only a handful cover the full spectrum of corporate social responsibility issues.

71. Major international initiatives are focusing on the globalization of social standards, public disclosure of information and the development of social reports, i.e. the Social Accountability 8000 standard and the Global Reporting Initiative. The complexity of creating global standards applicable to any culture and country has, however, created a lot of controversy. Internationally agreed standards, such as the ILO fundamental conventions, as identified in the 1998 Declaration, constitute by their universal nature the most appropriate basis for such initiatives.

In response to the diversity of codes of conduct, SAI (Social Accountability International) has developed a standard for labour conditions and a system for independently verifying factories' compliance. The standard, [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/introduction.htm) (<http://www.cepaa.org/introduction.htm>), and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and add several elements that international human rights experts have identified as being essential to social auditing.

On the environmental side, the Global Reporting Initiative is currently seen as best practice. Its sustainability reporting guidelines is allowing for inter-company comparability. The Global reporting initiative sustainability reporting guidelines also includes ambitious guidelines on social reporting. The Commission's Communication on a sustainable development strategy stated that "*All publicly-quoted companies with at least 500 staff are invited to publish a "triple bottom line" in their annual reports to shareholders that measures their performance against economic, environmental and social criteria*".

72. Furthermore, there is a need to provide companies, and in particular SMEs, with guidance and tools that enable them to report on their corporate social responsibility policies, processes and performance in an effective manner. By sharing their expertise and offering capacity building skills large pioneering companies can support SMEs in this area.
73. Verification by independent third parties of the information published in social responsibility reports is also needed to avoid criticism that the reports are public relations schemes without substance. Indeed such services are already beginning to be offered by a variety of companies, which would need to perform them following agreed standards. The involvement of stakeholders, including trade-unions and NGOs, could improve the quality of verification.

3.3. Quality in work

74. Employees are major stakeholders of companies. In addition, implementing corporate social responsibility needs commitment from the top management, but also innovative thinking and, thus, new skills and closer involvement of the employees and their representatives in a two-way dialogue that can structure permanent feedback and adjustment. Social dialogue with workers' representatives, which is the main mechanism of definition of the relationship between a company and its workers, therefore plays a crucial part in the wider adoption of socially responsible practices.
75. Furthermore, as the issues related to corporate social responsibility are wide-ranging and affect practically all company activities, workers' representatives need to be consulted extensively on policies, plans and measures, as proposed in the Commission's draft Directive establishing a general framework for informing and consulting employees in the European Community (COM(98)612). In addition, social dialogue needs to be widened to cover issues and instruments for improving companies' social and environmental performance, e.g. through awareness raising among management and workers, training schemes, schemes aimed at guiding companies on their social and environmental performance, and strategic management systems integrating economic, social and environmental considerations.
76. Some companies are also recognising the link between environmental performance and better quality jobs. Increased environmental performance can come about through the adoption of clean technology. Clean technology is itself usually associated with more high-tech and rewarding jobs for employees. Thus, the adoption of clean technology can improve environmental performance and job satisfaction simultaneously, whilst increasing profitability.
77. At a time when skill shortages are becoming a problem in some sectors and when more candidates are asking about companies' employment policies, various instruments can help improve information and transparency about best practice in the area of human resources management. Some countries already contribute to promoting companies that are good workplaces by publishing lists of best employers.

The "[50 Best Companies to Work For in the UK](#)" survey, which is sponsored by both the Department of Trade and Industry (DTI) and Learndirect a unit of the University for Industry (UFI) shows that small family-run enterprises can be as socially responsible as hi-tech multinational companies.

Possible initiative at EU level: the annual publication of a list of Best European Employers could be an effective instrument to reward companies, which through the attitudes and actions of the management are seeking to become good workplaces.

78. At the invitation of the European Council in Lisbon, which stressed the importance of investing in people, the Commission is exploring ways to introduce a European award for particularly progressive companies, in order to give higher priority to lifelong learning as a basic component of the European social model. Similar prizes will recognise companies, which have developed good practice to promote gender equality or provide opportunities for people with disabilities.

3.4. Social and eco-labels

79. Surveys⁴ have shown that consumers do not only want good and safe products, but they also want to know if they are produced in a socially responsible manner. For a majority of European consumers a company's commitment to social responsibility is important when buying a product or service. This creates interesting market opportunities, as a significant number of consumers say they would be very willing to pay more for such products, although at present only a minority actually do so. The issues European consumers care about the most are protecting the health and safety of workers and respecting human rights throughout company operations and the chain of suppliers (for example not using child labour), safeguarding the environment in general, and the reduction in emissions of greenhouse gases in particular.
80. As a response to this trend, a growing number of social labels have originated from either individual manufacturers (self-declared labels or brands) or industrial sectors, NGOs and governments. These are a market-based (rather than regulatory) incentive, which can help to deliver positive social change among enterprises, retailers and consumers. Social and eco labelling initiatives are however limited in scope and potential impact, as they are generally restricted to particular niches within the retail market and, with regard to social labels, usually limited to imported products and only accessible to affluent consumers. Consequently, their market share is growing, but remains relatively low, indicating a need to improve their effectiveness.
81. Social and eco labels, implying a guarantee that the item was produced free of exploitation and abuse, tend to lack transparency and independent verification of their claims. Unlike product content or safety labels, such claims cannot be verified by testing the product itself. In order to be credible social and eco labels would require permanent verification of the workplace performed following agreed standards.

The European eco-label deals with the environmental performance of particular products. The number of companies with eco-labelled products is increasing rapidly. (<http://europa.eu.int/comm/environment/ecolabel/>)

82. In addition, the growing number of social labels schemes in Europe may be detrimental to their effectiveness as confusion may arise among consumers, from the conflicting diversity of criteria used and lack of clarity of meaning among various labels.

⁴ source: MORI (2000)

[Fairtrade Labelling Organizations International](#) is an umbrella organisation set up to co-ordinate national fair-trade initiatives, run the monitoring programmes more efficiently, and introduce a single international Fairtrade label.

83. There is also increasingly a need for a debate regarding the value and desirability - in the context of the Internal Market and international obligations - of public actions aimed at making social and eco labels more effective. Examples of such actions include support for education and awareness raising around labour conditions issues, promotion of best practice through sponsorship of company awards, facilitation of the development of multi-stakeholder partnerships, development of standards in social labelling, and use of public procurement and fiscal incentives in promoting labelled products.

3.5. Socially responsible investment

84. In recent years, socially responsible investing (SRI) has experienced a strong surge in popularity among mainstream investors. Socially and environmentally responsible policies provide investors with a good indication of sound internal and external management. They contribute to minimising risks by anticipating and preventing crises that can affect reputation and cause dramatic drops in share prices. As the demand for SRI funds in Europe increases rapidly, mainstream investment houses are responding by bringing out more of them, but there is little information published on their number, size, and performance except in the United Kingdom where socially responsible investing accounts for 5% of all funds invested.
85. SRI funds invest in companies complying with specific social and environmental criteria. Criteria can be negative, thus excluding tobacco, alcohol and armament industries. Criteria can also be positive, including socially and environmentally proactive companies. Another important option for investors is to engage in shareholder activism to induce company management to adopt socially responsible practices. Shareholder activism is expected to increase together with the importance of corporate governance issues and the development of pension funds.
86. For SRI to grow further however, financial markets need to improve their awareness of its potential returns. Following the Social Investment Forum established in 1991 in the UK Social Investment forums (SIF) have been recently set up in France, Germany, the Netherlands and Italy to provide information on corporate social responsibility policies and to promote and encourage the development of SRI. The planned European Social Investing Forum, a network of national SIF, is expected to support the further development of SRI.

In May 2000, the European Commission organised the First European Conference on Triple Bottom Line Investing in Europe in Lisbon.

(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_conf_lisbon.htm)

In 2000 the [UK Social Investment Taskforce](#) was set-up to identify obstacles to the expansion of socially responsible investing and identify solutions to eliminate them.

Since July 2000, the UK “Trustee Act” requires all pension fund trustees to disclose their policies on socially responsible investing.

The French law on Employee Saving Plans requires mutual funds, which collect money from the Employee Saving Plans, the Inter-companies Saving Plans and the Voluntary Partnership Employee Saving Plans, to report on their policies on socially responsible investing.

87. SRI is an emerging market with many specialised screening agencies (non-financial analysts) using a number of different tools and metrics. As a consequence companies seem overloaded with excessive and divergent information requests. Thus a further expansion of SRI may encounter a growing aversion and non-co-operation from companies. A positive response to this can be found in preliminary standardisation efforts in social reporting, which are joined by major screening agencies. There is, however, a need for more convergence between indicators developed by companies and the criteria used by analysts to assess a company's social and environmental performance. Furthermore, the lack of transparency in evaluation methods used by screening agencies may also restrain large investors from making significant socially responsible investments. There is, therefore, a need for further standardisation, harmonisation and transparency in screening tools and metrics used by screening agencies.

In August 2000, 11 investment research groups combined their competencies in the [SIRI Group](#) to publish harmonised company profiles in comparable formats.

In September 2000 the "Global Partners for Corporate Responsibility Research" coalition announced "Ten requirements for higher standards of disclosure in the 21st century", advocating a mix of voluntary, regulatory and market approaches in order to improve significantly the access to data on companies, as well as information integrity and completeness thereby allowing proper auditing and benchmarking.

88. The European Council in Stockholm recognised the need to create a dynamic and efficient European Securities Market by the end of 2003. In this context European market indices identifying companies with the strongest social and environmental performance will become increasingly necessary as a basis for launching SRI funds and as a performance benchmark for SRI. To ensure the quality and objectivity of these indices the assessment of the social and environmental performance of companies listed in them should be done on the basis of the information submitted by the management but also by the stakeholders. Furthermore, external audit and internal quality assurance procedures should be used to monitor and maintain the accuracy of the input data, assessment procedures and results.

4. THE CONSULTATION PROCESS

89. The Green Paper invites public authorities at all levels, including international organisations, enterprises from SMEs to multinational enterprises (MNEs), social partners, NGOs, other stakeholders and all interested individuals to express their views on how to build a partnership for the development of a new framework for the promotion of corporate social responsibility, taking account of the interests of both business and stakeholders. Enterprises need to work together with public authorities to find innovative ways of developing corporate social responsibility. Such a partnership could make a significant contribution to achieving the objective of promoting a model of corporate social responsibility based on European values.
90. The word "framework" should be given a broad interpretation. Proposals should build on the voluntary nature of corporate social responsibility and identify ways in which it can contribute to achieving sustainable development and a more effective way of governance. The level and content of such a framework should be clarified through discussions during the consultation period of the Green Paper.

91. The European institutions - the Parliament, the Council of Ministers, the Commission - as well as the Economic and Social Committee and the Committee of Regions can stimulate the debate, give political support and organise an exchange of information and knowledge about corporate social responsibility.

92. The main questions are:

The Role for the EU

What could the European Union do to promote the development of corporate social responsibility at European and international level? In particular, should the EU add value and complement existing socially responsible activities by:

- Developing an overall European framework, in partnership with the main corporate social responsibility actors, aiming at promoting transparency, coherence and best practice in corporate social responsibility practices?
- Promoting consensus on, and supporting, best practice approaches to evaluation and verification of corporate social responsibility practices?
- and/or by which other means?

Companies and CSR

- What is the role of corporate social responsibility in corporate business strategies?
- What are the driving forces for companies to assume their social responsibility? What are the expectations behind such engagements? On which areas do these engagements focus? What is the benefit for companies?
-
- What are the most important best-practice ways to implement and manage corporate social responsibility? What best practice exists for SMEs?
- How best can we take forward the invitation to business in the Commission's proposal for a sustainable development strategy to publish a "triple bottom line" in their annual reports to shareholders that measures their performance against economic, environmental and social criteria?
- What are the best ways to build links between the social and environmental dimensions of corporate social responsibility?
- What are the best means to promote further knowledge about the business case for corporate social responsibility and its value-added?
-

Main Actors and Stakeholders

- What are the best ways to establish and develop a process of structured dialogue between companies and their various stakeholders on corporate social responsibility?

- What should be the respective roles of the main actors, i.e. companies, social partners, public authorities, NGOs in promoting corporate social responsibility?
- How can the European Union promote greater application of corporate social responsibility principles through its policies both within European and internationally, including its political dialogue and partnership agreements, as well as its programmes, and its presence in international fora?

Evaluation and Effectiveness

- What are the best means to develop, evaluate and ensure the effectiveness and reliability of corporate social responsibility instruments such as codes of conduct, social reporting and auditing, social and eco-labels, socially responsible investing?

Actions to Support CSR

- What actions are most appropriate to promote and support the development of corporate social responsibility? What levels (the firm, local, regional, sectoral, national, European and international) are most appropriate to implement such actions?

Such actions could include:

- support for training and retraining, to ensure managers have the skills and competences necessary to develop and promote corporate social responsibility;
- dissemination and exchange of information, in particular in relation to good corporate social responsibility practice, standard setting, benchmarking and monitoring, accounting, auditing and reporting;
- medium-term social policy analysis and research;
- analysis of the role of the legal framework.

93. As stated in the introduction, the main aim of this Green Paper is to raise awareness and stimulate debate on new ways of promoting corporate social responsibility. At this stage the Commission does not wish to pre-judge the outcome of that debate by making concrete proposals for action. The Green Paper is being given a wide circulation and it is hoped that it will be discussed at local and national level, as well as at European level.

94. Written comments should be sent by 31st December 2001, to

European Commission
 CSR Green Paper Consultation
 Rue de la Loi/Wetstraat 200
 B - 1049 Bruxelles/Brussel

CSR@CEC.EU.INT

ANNEX

CONCEPTS

- **Cause-based or community investing:** Supporting a particular cause or activity by financing it through investment. Unlike making a donation, cause-based investors require that the original investment can be returned by either repayment (for loans) or trading (for shares).
- **Code of conduct:** a formal statement of the values and business practices of a company and sometimes its suppliers. A code is a statement of minimum standards together with a pledge by the company to observe them and to require its contractors, subcontractors, suppliers and licensees to observe them. It may be a sophisticated document, which requires compliance with articulated standards and have a complicated enforcement mechanism.
- **Corporate citizenship:** the management of the totality of relationships between a company and its host communities, locally, nationally and globally.
- **Corporate governance:** a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (OECD Code - 1999).
- **Eco-efficiency:** the concept that improving the way in which it uses resources can reduce environmental damage and reduce costs.
- **Eco-audit:** the application of non-financial, environmental criteria to investment decision.
- **Environmental Impact Assessment :** analysis of the impact of a business project or operation on the environment.
- **Ethical audit:** The application of non-financial, ethical criteria to investment decision.
- **Ethical screening:** inclusion or exclusion of stocks and shares in investment portfolios on ethical, social or environmental grounds.
- **Ethical trade:** Aims to ensure that conditions within mainstream production chains meet basic minimum standards and to eradicate the most exploitative forms of labour such as child and forced labour and 'sweatshops'. Labelling criteria are generally based on core ILO conventions.
- **Fair trade:** Defines itself as an alternative approach to conventional international trade. It is a trading partnership that promotes a sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, awareness raising and campaigning. The criteria for Fair Trade marked products differ between products but cover issues such as guaranteed prices, pre-payment and direct payment to growers or their co-operatives.

- **Human rights:** Human Rights are based on the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world. They are defined in the Universal Declaration of Human Rights (1948). At the European level, Article 6 of the Treaty on European Union reaffirms that the European Union “is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States”. In addition the European Convention of Human Rights adopted by the Council of Europe is legally binding in all Member States. Moreover, the European Charter of Fundamental Rights adopted in Nice in December 2000 is the instrument inspiring respect for fundamental rights by the European institutions and the Member States where they act under Union law.
- **Monitoring:** the process of regularly collecting information to check performance against certain criteria.
- **Responsible entrepreneurship:** a concept put forward by the United Nations which recognises the business role for the accomplishment of sustainable development and that companies can manage their operations in such a way as to enhance and economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility.
- **Shareholder influence:** seeking to improve a company’s ethical, social and/or environmental behaviour as a shareholder by means of dialogue, pressure, support for responsible management and voting at Annual General Meetings.
- **Social audit:** the systematic evaluation of an organisation’s social impact in relation to standards and expectations.
- **Social capital:** the stock of shared meaning and trust in a given community. Social capital is a pre-requisite for co-operation and organised human behaviour, including business. Social capital can be transformed, consumed or replenished, just as financial capital.
- **Social Impact Assessment :** systematic analysis of the impact of a business project or operation on the social and cultural situation of affected communities.
- **Social label:** words and symbols on products which seek to influence the purchasing decisions of consumers by providing an assurance about the social and ethical impact of a business process on other stakeholders.
- **Social report:** a document communicating the findings of a social impact assessment.
- **Stakeholder:** an individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community).
- **Standard:** a widely agreed set of procedures, practices and specifications.

- **Triple bottom line:** the idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital.
- **Verification:** certification by an external auditor, of the validity, meaningfulness and completeness of an organisation's records, reports or statements.

USEFUL INTERNET LINKS

International organisations

- [United Nations Global Compact \(http://www.unglobalcompact.org/\)](http://www.unglobalcompact.org/): a code of conduct for large companies launched by Kofi Annan, the United Nations Secretary-General in 2000. The Nine UN' Principles for multinational and transnational companies recognise various forms of human rights, labour/worker rights, and environmental rights.
- [United Nations research programme on CSR \(http://www.unrisd.org/engindex/research/busrep.htm\)](http://www.unrisd.org/engindex/research/busrep.htm): a project aiming to promote research and policy dialogue on issues of corporate social and environmental responsibility in developing countries
- [ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(http://www.ilo.org/public/english/employment/multi/tridecl/index.htm\)](http://www.ilo.org/public/english/employment/multi/tridecl/index.htm)
- [ILO database on Business and Social Initiatives \(http://oracle02.ilo.org:6060/vpi/vpisearch.first\)](http://oracle02.ilo.org:6060/vpi/vpisearch.first): database on Business and Social Initiatives includes comprehensive information on private sector initiatives, which address labour and social conditions in the workplace and in the community where enterprises operate.
- [OECD Guidelines for Multinational Enterprises \(MNEs\) \(http://www.oecd.org/daf/investment/guidelines/\)](http://www.oecd.org/daf/investment/guidelines/): recommendations to enterprises, made by the Governments of OECD Member countries, as well as Argentina, Brazil and Chile, covering corporate social responsibility issues ranging from employment relations to competition, taxation, and bribery (2000).
- [OECD Principles for Corporate Governance \(http://www.oecd.org/daf/governance/principles.htm\)](http://www.oecd.org/daf/governance/principles.htm): standards and guidelines for shareholder rights and other governance issues (1999)

European Union Institutions

- [DG Employment and social Affairs webpage on CSR \(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm\)](http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm)
- [DG Trade webpage on CSR and OECD Guidelines for multinational enterprises \(http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm\)](http://www.europa.eu.int/comm/trade/miti/invest/oecd.htm)

- Secretariat General's webpage on Sustainable Development (<http://www.europa.int/comm/environment/eussd/index.htm>)
- DG Environment webpage containing the 6th Environmental Action Programme of the Community 2001-2010 "Our Future, Our Choice" (<http://europa.eu.int/comm.environnement/newprogr/index.htm>)
- DG Environment website containing details on the Integrated Product Policy (IPP) (<http://europa.eu.int/comm/environment/ipp/home.htm>)

Multi-stakeholders organisations

- [Copenhagen Centre](http://www.copenhagencentre.org/) (<http://www.copenhagencentre.org/>): an international, autonomous institution established by the Danish Government in 1998 to encourage voluntary partnerships between government and business so as to promote social cohesion.
- [Business Partners for Development](http://www.bpdweb.org/) (<http://www.bpdweb.org/>): an informal global network of business, government and civil society that aims to promote good examples of tri-sector partnerships in social and economic development around the world.
- CERES (<http://www.ceres.org/>): non-profit coalition of investors, public pensions funds foundations, labour unions, and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide.
- The International Institute for Sustainable Development (www.iisd.ca), Business and Sustainable Development (BSD) site is a comprehensive source on sustainable development for the private sector.
- Tomorrow: The Sustainable Business Toolkit (www.tomorrow-web.com): contains the latest global business environmental news, links to corporate environmental reports and other information of interest to business.
- Sustainable Business.com (www.sustainablebusiness.com): comprehensive site that contains useful resources for those interested in sustainable business.

Product Design And Resource Efficiency

- The Centre for Sustainable Design (www.cfsd.org.uk): facilitates discussion and research on eco-design and broader sustainability considerations in product and service development.
- Working Group on Sustainable Product Design, UNEP <http://unep.frw.uva.nl/>: research into sustainable products and services, including a database of sustainable product and services.
- The Rocky Mountain Institute - (www.rmi.org) -The home of factor 4 and natural capitalism.

- Greening of Industry – (www.greeningofindustry.org): an international network, research and policy institute focusing on issues of industry, environment and society.

Business-driven organisations

- [WorldCSR \(http://www.worldcsr.com\)](http://www.worldcsr.com): shared portal linking the websites of major business-driven CSR organisations.
- [CSREurope \(http://www.csreurope.org/\)](http://www.csreurope.org/): a European business-driven membership network launched in 1996 as a result of the European Declaration of Business against Social Exclusion, initiated by former President of the European Commission, Jacques Delors and 20 business leaders
- national business-driven organisations promote Corporate Social Responsibility at national, regional and local level in [Belgium](#); [Finland](#); [France](#); [Greece](#); [Ireland](#); [Italy](#); the [Netherlands](#); [Portugal](#); [Sweden](#) and the [UK](#)
- [Social Venture Network \(SBN\) Europe](#): a network of socially and environmentally engaged entrepreneurs and business leaders
- European Foundation for Quality Management (EFQM) (<http://www.efqm.org/>): non-profit organisation, supported by the European Commission, aiming at assisting the development of quality improvement activities in customer satisfaction, employee satisfaction, impact on society and business results.
- [Business Impact Taskforce \(http://www.business-impact.org/\)](http://www.business-impact.org/): a taskforce set up in 1998 to provide a reference on the business case, best practice and measurement methodologies encompassing all aspects of corporate social responsibility.
- Conference Board (<http://www.conference-board.org/>): business membership and research network aiming at improving business enterprise and enhancing the contribution of business to society.
- [International Business Leaders Forum \(IBLF\) \(http://www.csrforum.com/\)](http://www.csrforum.com/): an international not-for-profit organisation set up in 1990 to promote responsible business practices that benefit business and society, and which help to achieve social, economic and environmentally sustainable development, particularly in new and emerging market economies.
- [The European Bahá'í Business Forum \(EBBF\) \(http://www.ebbf.org/framinfo.htm\)](http://www.ebbf.org/framinfo.htm): a global business network with a focus in Europe
- [The World Business Council for Sustainable Development \(WBCSD\) \(http://www.wbcds.ch/\)](http://www.wbcds.ch/): an international business network set up in 1995 with the aim to develop closer co-operation between business, government and all other organisations concerned with the environment and sustainable development.
- [Business for Social Responsibility \(BSR\) \(http://www.bsr.org/\)](http://www.bsr.org/): international business network set up in 1992 to provide members with innovative products and

services that help companies be commercially successful in ways that demonstrate respect for ethical values, people, communities and the environment.

- [Association of Chartered Certified Accountants \(ACCA\)](http://www.acca.co.uk/index.html) (<http://www.acca.co.uk/index.html>): a global professional accountancy body promoting ethical and governance standards in all aspects of financial, social and environmental accounting.
- [Society and Business](http://www.societyandbusiness.gov.uk) (<http://www.societyandbusiness.gov.uk>): guide - launched in March 2001 by the UK's Department of Trade and Industry - to the business case for CSR and resources available across business and the UK Government.
- International Chamber of Commerce :
(www.iccwbo.org/home/menu_environment.asp) : Business Charter for Sustainable Development provides businesses a basis for sound environmental management.

NGO-driven organisations

- [Human Rights Watch](http://www.hrw.org) (<http://www.hrw.org>): an NGO dedicated to protecting the human rights of people around the world.
- [Transparency International](http://www.transparency.de/) (<http://www.transparency.de/>): an NGO dedicated to curbing both international and national corruption.
- [International Alert \(IA\)](http://www.international-alert.org/) (<http://www.international-alert.org/>): an NGO based in the UK seeking to strengthen the ability of people in conflict situations to make peace by facilitating dialogue at different levels.
- [International Corporate Governance Network](http://www.icgn.org/) (<http://www.icgn.org/>): a network for the exchange of views and information about corporate governance issues internationally and for the development of corporate governance guidelines.
- [European Corporate Governance Network](http://www.ecgn.ulb.ac.be/ecgn/) (<http://www.ecgn.ulb.ac.be/ecgn/>): a European non-profit research network involved in European and comparative corporate governance issues.

Codes of conduct

- [Codes of conduct](http://www.codesofconduct.org/) (<http://www.codesofconduct.org/>): a web site providing a useful resource for those interested in the full text of various codes of conduct, and their provisions, sponsors, and effects on business practices.
- [IEPCE \(European Initiative for Ethical Production and Consumption\)](http://www.iepce.org/) (<http://www.iepce.org/>): a European forum between the main social and economic players who wish to encourage ethical production and consumption (employers, trade unions, NGOs, public institutions).
- [Social Accountability 8000 \(SA8000\)](http://www.cepaa.org/sa8000.htm) (<http://www.cepaa.org/sa8000.htm>): a voluntary standard for corporate social responsibility launched in 1997 by the Council on Economic Priorities Accreditation Agency (CEPAA), recently renamed Social Accountability International (SAI). Focuses mainly on labour

practices, e.g. child labour, freedom of association, hours of work and wages. This global corporate responsibility code is modelled after ISO 9000 and includes accreditation of auditors and independent monitoring.

- [Caux Round Table Principles for Business \(http://www.cauxroundtable.org/\)](http://www.cauxroundtable.org/): a code of conduct focusing on global corporate responsibility adopted by a trilateral business organisation.
- [Global Sullivan Principles \(http://www.globalsullivanprinciples.org/\)](http://www.globalsullivanprinciples.org/): a set of principles drafted by the Rev. Leon H. Sullivan to guide corporate social, economic, political, and environmental policies.
- [ICFTU Basic Code of Labour Practice \(http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN\)](http://www.icftu.org/displaydocument.asp?Index=991209513&Language=EN): the International Confederation of Free Trade Unions' model code regarding worker rights (1997).
- [Investors in People \(http://www.iipuk.co.uk/\)](http://www.iipuk.co.uk/): a UK quality standard which sets a level of good practice for improving an organisation's performance through its people.
- [Ethical Trading Initiative \(ETI\) \(http://www.eti.org.uk/\)](http://www.eti.org.uk/): a UK code developed through partnership between retail and consumer goods companies, NGOs, Trade Unions and the UK Government.
- [Amnesty International's Human Rights Principles for Companies \(http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm\)](http://www.amnesty.org/ailib/aipub/1998/ACT/A7000198.htm): an international code requiring companies to protect human rights and abide by several labour standards in countries in which they have facilities.
- [Clean Clothes Campaign Code of Labor Practices for the Apparel Industry \(http://www.cleanclothes.org/codes/ccccode.htm\)](http://www.cleanclothes.org/codes/ccccode.htm): a model code for labour standards and a monitoring system for companies in the apparel industry.

Social labels

- [International Federation of Alternative Trade \(IFAT\) \(http://www.ifat.org/\)](http://www.ifat.org/): federation of producers and "alternative" trading organisations (ATOs).
- [European Fair Trade Association \(EFTA\) \(http://www.eftafairtrade.org/\)](http://www.eftafairtrade.org/): a European network of Fair Trade organisations which import Fair Trade products from economically disadvantaged producer groups in Africa, Asia and Latin America.
- [Network of European World Shops \(NEWS!\) \(http://www.shared-interest.com/cust/news.htm\)](http://www.shared-interest.com/cust/news.htm): a network dealing both with the commercial and the education aspect of Fair Trade.
- [Fairtrade Labelling Organizations International \(FLO\) \(http://www.fairtrade.net/\)](http://www.fairtrade.net/): an umbrella organisation aiming to co-ordinate the work of national fair-trade initiatives, more efficiently run the monitoring programmes and to introduce a

single international Fair-trade label. The national initiatives retain responsibility for marketing and promoting Fair-trade in their respective countries.

- [The Fairtrade Mark \(http://www.gn.apc.org/fairtrade/\)](http://www.gn.apc.org/fairtrade/): a fair trade label awarded by a foundation aiming at improving the terms of trade for third world producers, to products which meet internationally recognised standards of fair trade.
- [Max Havelaar \(http://www.maxhavelaar.nl/english/\)](http://www.maxhavelaar.nl/english/): a fair trade label awarded by a Dutch foundation aiming at offering access to international trade with good conditions for farmers and workers in disadvantaged parts of the Third World (1986).
- [Transfair International \(http://www.transfair.org/\)](http://www.transfair.org/): a fair trade labelling initiative of EFTA and Transfair Germany.
- [Rattvisemarkt \(http://www.raettvist.se/\)](http://www.raettvist.se/): a Swedish Fair Trade label.

Social Reporting

- [Social & Ethical Reporting Clearinghouse \(http://cei.sund.ac.uk/ethsocial/index.htm\)](http://cei.sund.ac.uk/ethsocial/index.htm): a website providing links to social and ethical reporting guidelines, organisations and surveys.
- [Global Reporting Initiative \(GRI\) \(http://www.globalreporting.org/\)](http://www.globalreporting.org/): an international, multi-stakeholder effort to create a common framework for voluntary reporting of a company's global economic, environmental, and social practices. CERES and the United Nations' Environment Program convened the GRI in 1997. In June 2000, the GRI released the new Sustainability Reporting Guidelines.
- [AccountAbility 1000 \(AA1000\) \(http://www.accountability.org.uk/\)](http://www.accountability.org.uk/): a standard for measuring the social and ethical achievements of companies against objective criteria issued by the U.K.-based Institute of Social and Ethical Accountability in November 1999.

Socially responsible investment

- [UK Social Investment Forum \(http://www.uksif.org/\)](http://www.uksif.org/): a UK membership network for socially responsible investment.
- [Dow Jones Sustainability Group Index \(DJSGI\) \(http://www.sustainability-index.com/\)](http://www.sustainability-index.com/): an index of sustainability-driven companies provided by Dow Jones in association with SAM Sustainable Asset Management.
- [FTSE4Good \(http://www.ftse4good.com/frm0101.asp\)](http://www.ftse4good.com/frm0101.asp): an index of ethically responsible companies launched by FTSE in association with the Ethical Investment Research Service (EIRIS) and the United Nations Children's Fund (Unicef).
- [Sustainable Investment Research International Group \(SIRI\) \(http://www.sirigroup.org/\)](http://www.sirigroup.org/): a coalition of 10 research organisations aiming to

provide and promote high quality social investment research products and services throughout the world.

**Competitiveness Effects of Trading Emissions and
Fostering Technologies to Meet the EU Kyoto Targets:
A Quantitative Economic Assessment**

Industrial Policy and Economic Reforms Papers No.4

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European Commission**

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Executive summary

Under the Lisbon process, the European Union aims at becoming the most competitive and dynamic knowledge-driven economy in the world. At the same time, the EU pursues ambitious climate policies in order to fulfil its emissions reduction targets under the Kyoto Protocol. Two policy actions that have been proposed in order to achieve the environmental goals are a strengthening of the EU Emissions Trading Scheme (ETS) and accelerating the development of renewable energy sources such as biofuels. Reflecting the parallel EU priorities concerning the Lisbon strategy and international climate policy, this study addresses the competitiveness effects of trading emissions and fostering technologies in order to meet the EU's emissions reduction targets under the Kyoto Protocol. Moreover, we assess future EU climate policy strategies in 2020. In order to analyze these issues, we develop a comprehensive quantitative economic assessment framework.

Our analysis is based on the development and application of suitable methodologies: We apply two complementary economy-wide general equilibrium models featuring the EU ETS and alternative biofuels production technologies, respectively. Furthermore, we carry out an ex-post empirical policy analysis to detect the competitiveness effects of the EU ETS using firm-level data. As the first assessment of the EU ETS we integrate data on allowance allocation for the first trading period (2005 to 2007) from the EU Community Independent Transaction Log into the model-based approach. We analyse the effects of a further tightening of the national emission caps under the second trading period (2008 to 2012) as imposed by the European Commission, as well as linking the EU ETS emerging domestic ETS outside Europe. Finally, we assess future EU climate policy strategies in 2020.

Trading Emissions: Competitiveness effects of the EU ETS

Our quantitative assessment of the competitiveness effects of the EU ETS is based on the PACE model, a computable general equilibrium model of international trade and global energy use. Assessing the emissions-market and macroeconomic impacts of strengthening the EU trading scheme, we find that while under the current National Allocation Plans (*NAP I*) the CO₂ value within the EU ETS lies below one US\$ per ton of CO₂, the permit price is substantially increased under a more stringent *NAP II* emissions allocation in the year 2010 (please see Table 1 for all EU ETS results). The lower level of emissions allocation in the second phase of the trading scheme induces relative welfare gains for EU economies, as in this case a larger part of the national abatement efforts is undertaken by sectors covered by the EU ETS. These sectors exhibit relatively low-cost abatement options and benefit from larger efficiency gains through international emissions trading under *NAP II*. At the same time the non-covered industries have to be regulated by less stringent complementary domestic abatement policies, i.e. carbon taxes, in order to fulfil the national targets under the Kyoto Protocol. The access to project-based emissions reductions in developing countries via the Clean Development Mechanism (CDM) for companies covered by the EU ETS has no significant impact on central macroeconomic indicators and social welfare, as CDM credits may only flow into parts of the EU economies which already face low emissions constraints. However, government CDM as facilitated under the Kyoto Protocol may substantially decrease the permit price and the environmental-regulation induced macroeconomic burden for European economies, as in this case the entire economy is granted access to low-cost abatement options in developing countries.

Regarding the economy-wide competitiveness effects of the emissions regulation under the EU ETS, we find that the terms of trade of EU-15 Member States are decreased by 1.5% under *NAP I* and 1.2% under *NAP II*. While for the new Member States these negative effects are much less pronounced under *NAP I*, they are comparable to those of the old Member States under *NAP II*. In general, the losses in economy-wide competitiveness for the EU can be largely neutralized by means of government CDM access for the European economies. In order to decompose the national competitiveness effects on the sectoral level, we assess three explicit indicators: Revealed Comparative Advantage (RCA), Relative World Trade Shares (RWS) and Relative Trade Balance (RTB). Our simulation results with respect to the RCA indicator show that the environmental regulation under *NAP I* induces large competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining (non-covered) industries of EU economies who face losses in competitiveness: Given a relatively high allowance allocation, it is the non-covered sectors that – in the absence of the CDM – account for the major emissions reductions and economic burden. A stricter allowance allocation under *NAP II* increases the burden on ETS sectors, thereby eliminating the competitiveness gains of the covered sectors and reducing the competitiveness losses of the non-covered sectors. Regarding the RWS indicator, we find that decreasing the allocation may turn a low competitiveness gain for the covered EU ETS sectors vis-à-vis comparable sectors outside Europe under *NAP I* into a competitiveness loss under *NAP II*. While CDM access for covered industries leaves these results unchanged, government CDM can largely balance these opposed effects of covered and non-covered EU industries, compensating the latter by importing low-cost emissions abatement from developing countries. In this case, all sectoral competitiveness impacts are relatively low.

In order to complement the model-based analysis of EU emissions trading, we assess the competitiveness implications of the European ETS with an empirical policy analysis. By means of a statistical ex-post assessment for selected European companies covered by the EU ETS as well as a statistical and econometric case study for a large sample of German ETS firms, we assess the stringency of environmental regulation of the EU trading scheme as well as the employment and competitiveness impacts of EU ETS emissions allocation in the year 2005. The European dataset implies that the total EU emissions trading scheme was generally long in 2005. The long position is very large in Lithuania, while other countries were short in emissions allowances. Our empirical results suggest that, on the one hand, sectoral affiliation of European firms had an important impact on their relative allocation. In this respect, the energy firms of our EU sample exhibit an amount of EU emissions allowances that exceed their actual emissions level in 2005, while in particular electricity companies were in a short position due to stricter environmental regulation. Furthermore, we find a positive relationship between financial firm performance (as measured by cash flows in the year 2004) and their relative allowance allocation. Our empirical results thus suggest that for regulated companies the competitiveness impacts of the emissions allocation within the first phase of the EU ETS were not pronounced. This empirical conclusion is consistent with the general results of our model-based assessment.

Assessing a future international linkage of the EU ETS, we find that linking to emerging schemes in Japan, Canada and Russia in each case decreases the allowance price in 2010. It shows that while the overall economic effects of linking the EU ETS internationally are considerably small, a permit-price decreasing linkage to emerging domestic ETS in Japan and Canada results in an unchanged welfare situation for the EU-27 (as compared to a purely EU

scheme). Due to a lower allowance price, permit-importing EU-15 Member States slightly benefit in terms of lower welfare losses and the permit-exporting EU-12 aggregate faces lower absolute welfare gains. A further linkage to Russia leaves the welfare situation of the EU-27 and EU-15 Member States unchanged, whereas the welfare gain of the EU-12 aggregate shrinks further in this policy setting. Accounting for government access to low-cost reduction options in developing countries via the CDM decreases the level of welfare losses, while the qualitative effects across scenarios reflect the allowance-price implications discussed above.

We find that linking the EU ETS internationally does not significantly affect the economy-wide competitiveness effects for EU Member States. However, the covered European ETS sectors may face slight decreases in their competitiveness gains through linking to emerging schemes in Japan and Canada – both vis-à-vis the remaining industries of EU economies (RCA) and comparable sectors in non-EU regions (RWS). For the non-covered sectors we observe the opposite (and less pronounced) effects. Further regional flexibility in emissions trading – due to a permit-price decreasing linkage to Russia – may however alleviate the losses of the covered sectors. Also under a linking strategy the CDM serves as an efficiency mechanism that is not only able to reduce economy-wide comparative losses, but also balance heterogeneous sectoral competitiveness effects within EU economies, especially for the old Member States.

As a future policy scenario, we analyse the EU climate policy strategy proposed by the European Council in March 2007 to achieve a unilateral 20% reduction of greenhouse gas emissions by 2020 versus 1990 levels. In this context, we assume a stricter allowance allocation in a potential third trading period (*NAP III*) of the EU ETS, which we approximate by a 20% decrease of relative allowance allocation compared to *NAP II*. Table 1 shows that the stricter reduction targets and tighter allowance allocation in 2020 result in a substantially higher allowance price and induce larger levels of production and aggregate welfare losses than under *NAP II* emissions regulation and the national Kyoto targets in 2010. However, it shows that [facilitating](#) government CDM under a (post) Kyoto Protocol leads to comparable price and macroeconomic effects in 2010 and 2020. The extensive economic flexibility in emissions abatement by means of CDM access for all sectors of the economy thus enables EU Member States to implement far stricter climate policy measures at comparable macroeconomic adjustment costs. Our simulated competitiveness implications of EU climate policy in 2020 confirm these findings at the economy-wide level. Moreover, it shows that the stricter climate policy in 2020 induces competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining industries of EU economies, while it may generate losses vis-à-vis comparable sectors outside Europe.

Table 1: Competitiveness effects of the EU ETS: Central results by policy scenario for the aggregate EU-27 region and respective sectors

<i>NAP I</i>		<i>NAP I_CDM_dir</i>		<i>NAP I_CDM_all</i>		<i>NAP II</i>		<i>NAP II_CDM_all</i>		<i>NAP III</i>		<i>NAP III_CDM_all</i>	
<i>2005</i>						<i>2010</i>				<i>2020</i>			
<i>CO₂ value in DIR sectors (in constant \$US per ton of CO₂)</i>													
0.20		0.21		0.00		9.53		4.19		49.64		5.26	
<i>Production impact (in % vs. BAU)</i>													
-0.86		-0.86		-0.04		-0.54		-0.05		-2.06		-0.07	
<i>Welfare impact (in % of HEV)</i>													
-0.37		-0.37		-0.02		-0.10		-0.02		-1.34		-0.05	
<i>Terms-of-Trade impact (in % vs. BAU)</i>													
-1.40		-1.40		-0.10		-1.20		-0.10		-2.80		-0.10	
<i>Revealed Comparative Advantage – RCA (in % vs BAU)</i>													
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
3.40	-0.39	3.42	-0.40	0.22	-0.03	0.84	-0.10	-0.38	0.05	1.84	-0.22	-0.31	0.04
<i>Relative World Trade Shares – RWS (in % vs BAU)</i>													
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
0.24	0.01	0.23	0.01	-0.06	0.00	-0.50	0.10	-0.29	0.03	-0.95	0.23	-0.39	0.03
<i>Relative Trade Balance – RTB (in % vs BAU)</i>													
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
92.62	-59.51	93.63	-59.55	7.57	-2.87	-13.09	-35.57	-18.32	-1.43	-28.69	-77.58	-10.74	-0.73

Note: In the table, scenario *NAP I_CDM_dir* represents *NAP I* allowance allocation combined with CDM access only for sectors covered by the EU ETS directive, while *NAP I_CDM_all* represents government CDM under the Kyoto Protocol enabling CDM access for all sectors of the economy. Moreover, those sectors covered by the EU ETS directive are denoted *DIR* sectors, while the remaining industries are denoted *NDIR* sectors. The simulation results presented in the table are measured relative to the benchmark situation – termed business-as-usual (BAU) – where no emissions regulation is imposed.

Fostering technologies: The potential for biofuels alongside the EU ETS

Parallel to strengthening the EU ETS, the comprehensive EU climate policy strategy aims at ensuring that 20% of total energy use originates from renewable sources. One important measure for this objective is to increase the share of biofuels up to at least 10% of total fuel use in transportation. We therefore assess the impacts of raising the share of conventional (first generation) biofuels to at least 10% within the policy environment of the EU ETS, making use of simulation outcomes from the global general equilibrium model WorldScan.

Within this specific policy environment our analysis shows that the emissions price of the EU ETS is hardly affected when various targets for the share of biofuels in transport fuels are met. Hence, promoting biofuel use in road transport is a form of enhancing the use of renewables that will not – by lowering the emissions price – hinder the commercial advent of cleaner technologies in EU ETS sectors. Increasing biofuel shares in transport fuel use does have a mitigating effect on the policy efforts needed to curb emissions in the other sectors. This is reflected by a drop in the carbon taxes at the Member State level. Hence, the negative impacts of these distortionary taxes on economic welfare will decline. The introduction of biofuels may, depending on the biofuel excise regime and the impact on the carbon tax, raise the user price of transport fuels. This affects economic welfare negatively. On balance the net effect on economic welfare turns out to be very small, being either slightly positive or negative. When carbon taxes are very small the benefits of reducing them fall short of the extra burden of raising biofuel usage. Hence, overall economic welfare is declining in the new Member States. When biofuel targets are increased above 10% the negative impacts on welfare tend to dominate: the additional benefits of reducing distortionary carbon taxes tend to fall short of the extra costs of raising biofuel usage. The impacts on food prices of conventional biofuel promotion up to the 10% target turn out to be negligible. Here one should bear in mind however, that the WorldScan model does not focus on the peculiarities of agricultural production and food production. Meeting the 10% target would require an increase of the biofuel feedstock share in current global arable acreage from 1% to approximately 3%. Hence, large impacts on food prices are hardly to be expected. Full liberalisation of biofuel trade will make biofuels cheaper (enhancing welfare) but leave carbon taxes in non-ETS sectors at a higher level (reducing welfare). On balance economic welfare does increase when biofuels are imported rather than produced domestically, but the change is rather small. For ethanol-exporting Brazil the welfare increase will be most noticeable.

These results are quantified with various counterfactual WorldScan simulations and are summarized in Table 2 with some selected indicators in percentage deviations from the policy baseline: the EU ETS emissions price, the carbon taxes and arable land rents averaged at EU-level, and economic welfare. In the summary table three different ways of taxing biofuels are distinguished: no excise, a competitive biofuel excise equating the user costs of biofuels and fossil fuels in transportation, and a full excise equal to existing transport fuel taxes. Moreover three targets for the share of biofuel use in transport fuel use are represented: 10%, 15% and 20%. For each of the scenarios either existing biofuel import tariffs are maintained (no trade liberalization) or put to zero (full trade liberalization). Finally, we report scenarios with a fuel tax that achieves the same emission reduction within the transport sector as would be accomplished with a 10% biofuel target. Table 2 illustrates (at the level of EU-27) our main findings: biofuel promotion does hardly affect the emissions price, has large impacts on carbon taxes, raises arable land rents to some extent and has limited impacts on economic welfare. The latter are raised almost negligibly by the liberalization of biofuel trade.

Achieving transport specific emission targets by a fuel tax instead of biofuel targets drives average carbon related taxes up and is detrimental to economic welfare.

Table 2: Biofuel scenarios – Selected indicators in % deviation from baseline in 2020

	<i>Emissions price</i>	<i>Carbon tax (EU average)</i>	<i>Arable land rents (EU average)</i>	<i>Economic welfare</i>
<i>No trade liberalisation</i>				
No excise, target 10%	0.2	-10.9	2.2	0.03
Competitive excise, target 10%	0.2	-14.7	2.3	0.02
Full excise, target 10%	0.1	-21.6	2.2	-0.00
Full excise, target 15%	0.2	-31.8	3.4	-0.01
Full excise, target 20%	0.2	-41.2	4.6	-0.03
Raising fossil fuel excises	-0.3	10.1	0.3	-0.06
<i>Biofuel trade liberalised</i>				
No excise, target 10%	0.2	-10.6	1.5	0.03
Competitive excise, target 10%	0.2	-14.8	1.6	0.02
Full excise, target 10%	0.2	-20.8	1.6	-0.00
Full excise, target 15%	0.2	-30.8	2.4	-0.01
Full excise, target 20%	0.3	-40.0	3.3	-0.02
Raising fossil fuel excises	-0.3	9.7	0.3	-0.06

General insights

Our analyses suggest that the overall competitiveness effects of strengthening the EU Emissions Trading Scheme and accelerating the development of sustainable biofuels are limited. Moreover, we find that the interactions between these two environmental policies are not pronounced. A central insight of our analysis is that the scope of economic impacts and competitiveness effects crucially depends on the design of the respective policy instrument – such as the target share of biofuels in total transportation fuel use or the stringency of allowance allocation within the EU ETS. Moreover, the national and EU-wide economic impacts are determined by complementary environmental policy measures applying to the same or other segments of European economies, such as unilateral energy taxation of EU Member States. Our methodology-based analysis suggests that while assessing the national competitiveness effects of environmental regulation is of great importance, the respective (heterogeneous) sectoral impacts may provide extensive insights as they are able to decompose the economy-wide effects.

1 Background and motivation

In March 2000, the European Council agreed at the Lisbon summit to make the European Union (EU) the most competitive and dynamic knowledge-driven economy in the world by the year 2010. At the same time, the EU pursues ambitious climate policies in order to fulfil its emissions reduction targets under the Kyoto Protocol (UNFCCC, 1997) and limit global climate change to two degrees Celsius in the long run. Two policy actions that could help achieve these goals are a strengthening of the EU Emissions Trading Scheme (ETS) and a reduction of transport fuel emissions by accelerating the development of sustainable biofuels (European Commission, 2007). Reflecting the parallel EU priorities concerning the Lisbon strategy and international climate policy, this study addresses the competitiveness effects of trading emissions and fostering technologies in order to meet the EU's emissions reduction targets under the Kyoto Protocol. Moreover, we assess future EU climate policy strategies in 2020. In order to analyze these issues, we develop a comprehensive quantitative economic assessment framework.

Aiming at a cost-efficient achievement of the EU emissions reduction commitments under the Kyoto Protocol, the European Commission launched the EU Emissions Trading System (ETS) which is operating since January 2005 (European Commission, 2003). The envisaged trading scheme consists of several temporal stages: a first phase from 2005 until 2007, a second one from 2008 until 2012, coinciding with the first Kyoto commitment period, and subsequent five-year-periods covering potential post-2012 commitment periods. In its initial stage, the trading system only applies to energy-intensive (downstream) sectors that include all major CO₂ producing sites such as power, heat and steam generation, oil refineries, coke ovens in iron and steel production, mineral industries (e.g., glass, cement), as well as pulp and paper plants. Besides emissions trading the amending directive linking the European trading scheme with the Kyoto Protocol's project-based mechanisms (European Commission, 2004) enables European ETS companies to generate emissions reductions by means of the Clean Development Mechanism (CDM) and Joint Implementation (JI). While the former facilitates project-based investments in emissions reductions in developing countries, the latter enables project-based abatement in other Annex B regions. Imports of CDM and JI credits may serve as substitutes for ETS allowances.

As a policy option to strengthen the EU ETS the Commission proposes linking the EU trading system to emerging compatible schemes outside Europe (European Commission, 2007). This strategic issue of EU climate policy may become relevant in the near future. At present, non-European countries like Canada or Japan are contemplating the set up of domestic ETS with the intention of linking up to the European scheme – which would enable companies outside the EU to trade emissions with European firms. Employing explicit indicators, in this study we therefore aim at a first assessment of the competitiveness effects of trading emissions at the European level and beyond in order to meet the European Union's emissions reduction targets under the Kyoto Protocol. Moreover, the EU recently committed itself to “achieve at least a 20% reduction of greenhouse gas emissions by 2020 compared to 1990” (Council of the European Union (2007)). In order to fulfil these stricter emissions reduction targets, it can be expected that the EU ETS – as the central instrument of current EU climate policy – will be designed more stringently, i.e. featuring a stricter allowance allocation.

On its March 2007 summit the European Council further agreed to embark on an ambitious energy policy that establishes several targets for the year 2020. Amongst others this policy

aims to reduce greenhouse gas emissions by at least 20% compared to 1990 and to ensure that 20% of total energy use comes from renewable sources, partly by increasing the share of biofuels up to at least 10% of total fuel use in transportation. In meeting the 20% reduction ceiling for greenhouse gas emissions the EU ETS will play a central role as the ‘pricing engine’ for CO₂ emissions. The higher the emissions price will be the sooner technological emissions reduction options will tend to be commercially adopted. The 20% target for renewable energy may undermine this role of the EU ETS. The fostering – by costly subsidization or prescription – of renewables has the danger to depress the emissions price and to prevent (or postpone) the commercial advent of cleaner technologies. However, the promotion of the use of biofuels in road transport will not directly affect the functioning of the EU ETS as long as the scheme will not cover fuel use for transportation itself. In this study we assess the impacts of raising the share of conventional biofuels to at least 10% within this specific policy environment, making use of simulation outcomes from the global general equilibrium model WorldScan.

This report is structured as follows. Section 2 presents a model-based and empirical analysis of the competitiveness effects of trading emissions under the EU ETS. Section 3 analyses the efficiency implications of fostering technologies and exploiting the biofuel potential. In Section 4, we conclude.

2 Competitiveness effects of the EU Emissions Trading Scheme

In 2005, the European Union Greenhouse Gas Emissions Trading Scheme (EU ETS) was launched. The scheme represents a cornerstone of the efforts by EU Member States to fulfil the emissions reduction targets under the Kyoto Protocol, which requires European countries to reduce their greenhouse gas emissions on average by eight per cent until 2012 compared to 1990 emissions levels. Subject to the EU ETS are European producers in four sectors, namely energy (e.g. electric power, direct emissions from oil refineries), production and processing of ferrous metals, minerals (e.g. cement, glass), as well as pulp and paper. Furthermore, the amending directive linking the EU ETS with the Kyoto Protocol’s project-based mechanisms enables EU companies to generate emissions reductions by means of CDM or JI. As a strategic issue of EU climate policy, linkage of the EU ETS to emerging schemes outside Europe may become relevant in the near future. At present, non-European countries like Canada or Japan are contemplating the set up of domestic ETS with the intention of linking up to the European scheme – which would enable companies outside the EU to trade emissions with European firms. In March 2007 the EU committed itself to “achieve at least a 20% reduction of greenhouse gas emissions by 2020 compared to 1990” (Council of the European Union (2007)). In order to fulfil these stricter emissions reduction targets, it can be expected that the EU ETS – as the central instrument of current EU climate policy – will be designed more stringently, i.e. featuring a stricter allowance allocation.

Since its implementation, the EU ETS has been accompanied by discussions on potential losses in competitiveness in international markets of companies that are covered by the EU ETS legislation. Against this background, this section evaluates the competitiveness effects of the EU ETS at the sectoral and economy-wide level employing a computable general equilibrium modelling framework. The model covers the central energy inputs for production

as well as recent projections for regional CO₂ emissions, features a detailed specification of international emissions trading and accounts for complementary environmental regulation through domestic carbon taxation.

2.1 Modelling approach and prerequisites

We conduct a static counterfactual scenario analysis, which is suitable to provide insights into the relative impacts of alternative designs of the EU ETS on macroeconomic and competitiveness indicators. For our quantitative analysis of competitiveness implications of the EU ETS, we employ the *PACE* model (*Policy Assessment based on Computable Equilibrium*; see Böhringer and Vogt, 2003), a large-scale computable general equilibrium model of international trade and global energy use. The core model framework is described in detail in Annex 1a.¹ The main activities aiming at the adaptation of the core PACE model included

- § the regional disaggregation of the PACE model to cover EU-27 Member States as well as central non-EU regions (see Annex 1b for all model regions and sectors);
- § the explicit modelling of export and import flows at the sectoral and economy-wide level; and
- § the implementation of sectoral and economy-wide competitiveness indicators.

Besides our benchmark data sources (which are presented in Annex 1c), the set of relevant inputs for our numerical analysis includes allocation of emissions allowances, CDM transaction costs and investment risk indicators. In order to incorporate the emissions allocation of the first trading period (2005-2007) into our model framework we employ empirical data from the Community Independent Transaction Log (European Commission, 2007a) containing information on allowances allocated in accordance with the final National Allocation Plans, as well as verified emissions for about 12,000 installations of EU Member States. Regional “allocation factors” are then calculated as the ratio between allocated permits and verified emissions and implemented into our model framework – thus implying the required emissions reductions of the covered ETS sectors versus business-as-usual levels. To our knowledge, this incorporation renders the first model-based analysis of the EU ETS based on empirical emissions allocation. In order to derive NAP II allocation factors we rely on allocation data for the second trading period (2008 to 2012) as well as emissions projections for 2010. Due to lacking information for Finland, Sweden, Bulgaria and Romania we assume a neutral allocation factor equal to one. Our data shows that for most EU regions the (overall heterogeneous) NAP I allocation factors are larger than one – especially for new Member States – implying that the respective allocated allowances exceed the business-as-usual emissions levels. In contrast, the far lower NAP II allocation factors reflect a substantially decreased allowance allocation in the second trading period.

¹ An earlier version of this model was employed within the research project “Technology Transfer and Investment Risk in International Emissions Trading” (TETRIS) funded by the European Commission under the 6th Framework Programme.

The potential economic benefits of CDM access for industrialized countries in order to achieve their Kyoto targets may be substantially reduced by *transaction costs* associated with abatement projects in developing countries. Transaction costs in emissions trading may arise from a variety of activities associated with market exchange, e.g. search and information acquisition, bargaining over prices, as well as negotiation, monitoring and enforcement of contracts. In our quantitative model framework, constant transaction costs are represented by an absolute premium on marginal abatement costs of CDM host countries, amounting to 1 US\$/tCO₂.²

As a second barrier to CDM investments we account for *investment risk* involved in financing carbon-abatement projects. Following Böhringer and Löschel (2002) host-country-specific investment risk for CDM projects, e.g. resulting from country and project risks, is derived by region-specific bond-yield spreads between long-term government bonds of the respective developing country and the United States (as a risk-free reference region). It is assumed that investors are risk-neutral and discount emissions reduction credits generated by CDM projects with the mean risk value of the respective host country.

2.2 Policy scenarios

In order to assess the competitiveness effects of trading emissions to meet the European Union's emissions reduction targets under the Kyoto Protocol, we implement alternative policy scenarios into the model framework. These scenarios reflect the sectoral coverage of the EU ETS as well as National Allocation Plans of EU Member States. The policy scenarios presented in Table 3 are compared to the benchmark situation – usually termed business-as-usual (*BAU*) – where no emissions regulation is imposed.

First we introduce the *Notrade* scenario, which represents a cost-efficient domestic emissions regulation (in order to meet the national reduction targets under the Kyoto Protocol) by means of a uniform carbon tax on the entire economy, i.e. reflecting the absence of any flexible mechanism of the Protocol. In the following we denote those sectors covered by the EU ETS directive as *DIR* sectors, while the sectors not covered by the directive are denoted *NDIR* sectors.

² The magnitude of transaction costs is in line with recent estimates (see Michaelowa and Jotzo, 2005).

Table 3: Policy scenarios for 2005, 2010 and 2020

Policy scenario	Reference year	EU CO ₂ regulation		CDM access	
		DIR	NDIR	DIR	NDIR
Notrade	2005	<i>Tax</i>	<i>Tax</i>	<i>No</i>	<i>No</i>
NAP I		<i>Permits (NAP I allocation)</i>		<i>No</i>	<i>No</i>
NAP I_CDM_dir				<i>Yes</i>	<i>No</i>
NAP I_CDM_all				<i>Yes</i>	<i>Yes</i>
NAP II	2010	<i>Permits (NAP II allocation)</i>		<i>No</i>	<i>No</i>
NAP II_CDM_dir				<i>Yes</i>	<i>No</i>
NAP II_CDM_all				<i>Yes</i>	<i>Yes</i>
Linking				<i>No</i>	<i>No</i>
Linking_CDM				<i>Yes</i>	<i>Yes</i>
NAP III	2020	<i>Permits (NAP III allocation)</i>		<i>No</i>	<i>No</i>
NAP III_CDM_dir				<i>Yes</i>	<i>No</i>
NAP III_CDM_all				<i>Yes</i>	<i>Yes</i>

Note: For policy scenarios involving *Notrade* and *NAP I* (reference year 2005) we assess EU-25 Member States, for scenarios involving *NAP II* and *Linking* (reference year 2010) as well as *NAP III* (reference year 2020) we assess EU-27 Member States. Moreover, the *Linking* scenarios will be further specified with respect to regional linking constellations in Table 4.

EU Emissions Trading and the CDM

Accounting for the current EU emissions regulation, scenarios *NAP I* and *NAP II* stand for the first (2005-2007) and second trading period (2008-2012) allocation of the EU ETS. We apply 2005 and 2010 as the respective reference years – 2005 as the reference year of the empirical NAP I allocation data and 2010 as the central year of the second trading period. While the *DIR* sectors are regulated by allocating tradable emissions permits, in the absence of the CDM the remaining *NDIR* sectors have to be regulated via domestic abatement measures (here: unilateral carbon taxation) in order to meet the national emissions reduction targets under the Kyoto Protocol.

Furthermore, we provide a representation of the CDM that distinguishes private and public CDM investments. Firstly, the amending directive linking the EU ETS with the Kyoto Protocol's project-based mechanisms enables European *companies* (here: the *DIR* sectors) to generate emissions reductions by means of CDM or JI and using the respective credits as a substitute for EU ETS allowances. We capture this regulation through scenarios *NAPI_CDM_dir* and *NAPII_CDM_dir*, respectively. Secondly, the Kyoto Protocol enables

Annex B *governments* to undertake CDM and JI in order to fulfil their national commitments under the agreement, implying CDM access for all (*DIR* and *NDIR*) sectors.³ This regulation is captured through scenarios *NAPI_CDM_all* and *NAPII_CDM_all*, respectively. As described in the previous section, our CDM representation considers transaction costs and investment risk as central barriers to CDM investments.

Linking the EU ETS

In the future, carbon trading may not be limited to Europe. The EU ETS directive proposes that “agreements should be concluded with third countries listed in Annex B to the Kyoto Protocol which have ratified the Protocol to provide for the mutual recognition of allowances between the Community scheme and other greenhouse gas emissions trading schemes” (European Commission, 2003). At the same time, non-EU countries are indeed contemplating the set up of domestic ETS with the intention of linking up to the European scheme. This would enable European firms to trade emissions with companies outside the EU.

Canada is promoting the Large Final Emitter System to cover energy-intensive companies which account for almost 50 percent of total Canadian greenhouse gas emissions (CEPA Environmental Registry, 2005). Japan has started the Pilot Project of Domestic Emissions Trading Scheme on a voluntary basis, with about 30 private companies participating in the program (Japanese Ministry of the Environment, 2004). Russia could have incentives to develop a domestic emissions trading system in order to be linked to the European scheme and exploit a larger market for the sale of excess emissions permits – so-called “Hot Air” – due to lower business-as-usual (BAU) emissions than the committed target emissions. Hence, there are strong signs for future ETS to be established in non-EU countries and potentially linked with the European scheme by 2020.⁴

Table 4 presents the set of regional scenarios of our analysis, showing the corresponding constellations of linking the EU ETS internationally. As a reference case, scenario *EU* represents the current EU ETS. In this case, all non-EU linking candidates fulfill their Kyoto commitment by imposing a cost-efficient carbon tax on their economies. Scenario *EU*⁺ analyses the potential linkage of the current EU ETS to emerging ETS in Japan and Canada, two countries that ratified the Kyoto Protocol. Scenario *EU*⁺⁺ assumes that also the Kyoto-ratifier Russia is joining the linked ETS. Furthermore, Table 4 presents the set of CDM host countries of our analysis.

³ Note that in our model framework JI corresponds to international emissions trading, as it exclusively involves Annex B parties.

⁴ For an economic impact assessment of linking the EU ETS to Australia and the United States in the context of a Post-Kyoto agreement see Anger (2006).

Table 4: Regional scenarios of linking the EU ETS and CDM host countries

Regional scenario	Regions participating in emissions trading	CDM regions
<i>EU</i>	EU-27	China India Rest of East South Asia Brazil Central + South America South Africa
<i>EU⁺</i>	EU-27 Japan Canada	
<i>EU⁺⁺</i>	EU-27 Japan Canada Russian Federation	

For the case of a future linkage between the EU ETS and emerging non-EU schemes (the three linking scenarios) we apply the reference year 2010 and assume the NAP II allowance allocation for EU-27 Member States. Regarding the allocation for the non-EU regions Japan and Canada in 2010, we start from a neutral current allocation factor equal to one which is then downscaled along with EU regions by 6%, yielding an allocation factor of 0.94 in 2010. For Russia we assume an allocation factor equal to one in 2010, implying no allocation of excess permits (“Hot Air”) to installations covered by a Russian ETS.⁵ Regarding national emissions constraints, unlike in our scenarios of EU emissions trading, here we assume the respective emissions reduction targets for all signatory countries under the Kyoto Protocol. In this setting, for transparency the CDM is covered as *government* CDM only, represented by the three scenarios *EU_CDM_all*, *EU⁺_CDM_all*, *EU⁺⁺_CDM_all*.⁶

EU Emissions Regulation in 2020

In March 2007, the EU committed itself to “achieve at least a 20% reduction of greenhouse gas emissions by 2020 compared to 1990” (Council of the European Union (2007)). In order to fulfil these stricter emissions reduction targets, it can be expected that the EU ETS – as the central instrument of current EU climate policy – will be designed more stringently, i.e. featuring a stricter allowance allocation to the covered sectors. In our set of scenarios *NAP III* we therefore assume a *unilateral* future EU climate policy target of 20% emissions reduction versus 1990 levels and a stricter relative allowance allocation in a potential third trading period which is reflected by a 20% decrease of *NAP II* allocation factors in 2020. All other scenario characteristics (such as the sectoral scope of the EU ETS, carbon taxation of *NDIR* sectors and CDM specifications) are comparable with scenario *NAP II*.

⁵ The reason is that a grandfathered allowance allocation of “Hot Air” would imply an indirect subsidy for Russian installations, as the allocated permits could be exported to other ETS regions. It is not unambiguous if such an ETS design may prevail or even be linked to an EU scheme.

⁶ Note again that all simulation results of the economic effects of our policy scenarios are measured against the benchmark (BAU) situation, where no policy changes apply.

2.3 Economic impacts of the EU Emissions Trading Scheme

This section presents the simulation results of our model-based policy assessment regarding the macroeconomic and competitiveness effects of the emissions regulation under the EU ETS. A detailed description of the employed competitiveness indicators is given in Annex 1d. The whole set of corresponding quantitative simulation results is presented in Table 16 to Table 18 in Annex 1e.

Emissions-market and macroeconomic effects

As a prerequisite for our assessment of competitiveness effects of EU emissions trading, we start our analysis with the corresponding effects on the market for emissions permits and the macro economy. We first focus on the European market for emissions allowances. Figure 1 shows the EU ETS permit price resulting from our alternative policy scenarios. We find that the CO₂ value results in less than 0.5 US\$ per ton CO₂ for all NAP I scenarios: Due to a high allocation of emissions allowance to covered installations in the first trading period in total, demand and price for emissions permits is very low. Our empirical result corresponds to the actual price development for allowances at the European Energy Exchange (EEX) during the period April to May 2007, when this study was conducted (EEX, 2007).

Considering CDM access for sectors covered by the EU ETS (*DIR* sectors) only by means of the EU linking directive (scenario *NAP I_CDM_dir*) does not change the permit price as due to the already low CO₂ value of *NAP I* there is no additional demand for CDM credits – the permit price within the EU ETS is even lower than the CDM transaction costs of one US\$ per ton of CO₂. If we allow for *government* CDM under the Kyoto Protocol (scenario *NAP I_CDM_all*), implying CDM access for all sectors of EU economies, the ETS permit price falls to zero. This result can be explained from a terms-of-trade perspective: Compared to the case of *NAP I_CDM_dir* in which the non-covered *NDIR* sectors had to be regulated by domestic carbon taxation, marginal abatement costs for *NDIR* sectors are now substantially lower due to their access to low-cost emissions abatement options in developing countries through government CDM. As a consequence, the demand of these EU sectors for emission-producing fossil fuels is higher than under *NAP I_CDM_dir*, and so is the associated international price for fossil fuels. In turn, due to the higher international price, the fossil-fuel demand of European *DIR* sectors will be lower under *NAP I_CDM_all* – implying a lower demand for emissions permits and a lower corresponding EU permit price. The formerly small excess demand of *DIR* sectors for emissions permits under *NAP I_CDM_dir* thus vanishes in the case of *NAP I_CDM_all*, yielding a permit price of zero. Since the CO₂ value is lower than the CDM transaction costs, no CDM projects are undertaken by *DIR* sectors in this policy setting.

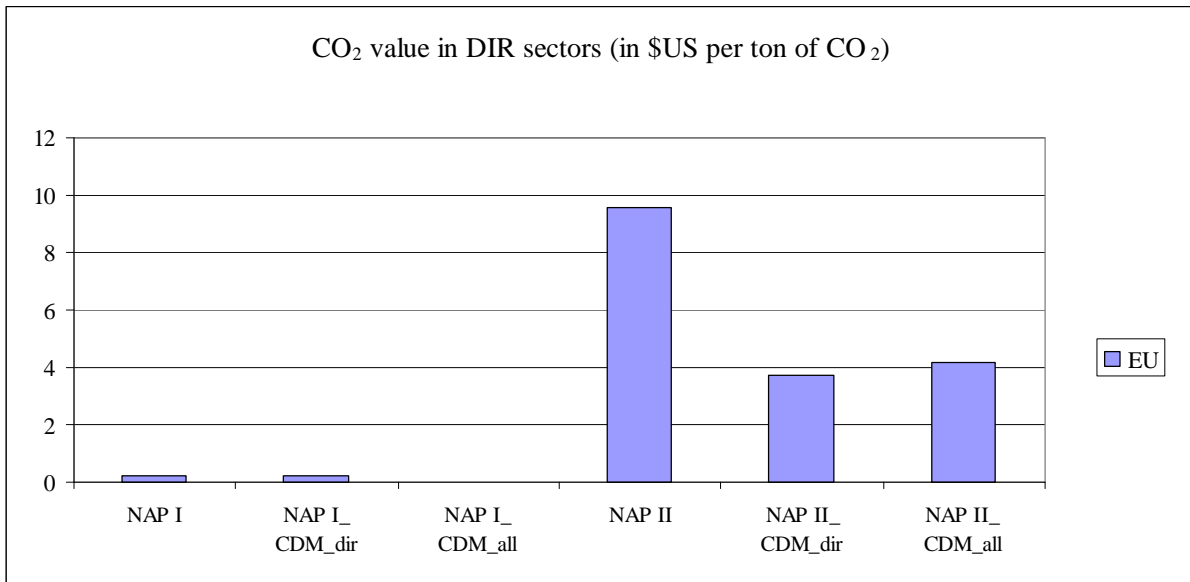


Figure 1: CO₂ permit price within EU ETS by scenario

Under the *NAP II* trading scenario we observe a permit price of 9.53 US\$ per ton CO₂ (Figure 1). This price increase in the second trading period is due to a much stricter allowance allocation and the corresponding increase (decrease) in demand (supply) for emissions permits. Allowing for CDM access for *DIR* sectors causes the EU allowance price to fall to 3.70 US\$, implying that less costly emissions reduction projects are undertaken via the CDM by *DIR* sectors under this policy scenario. If we account for government CDM under the Kyoto Protocol, enabling CDM access to the entire economy, the CO₂ value rises slightly to 4.19 US\$ due to the additional demand for CDM credits originating from the non-covered *NDIR* sectors.

From a general equilibrium perspective, economic effects of climate change policies surpass the emissions market. First, the domestic emissions market and the goods market are interlinked. For potential emissions permit importers, carbon abatement policies may decrease production levels by the associated decreased energy use due to increased domestic abatement or a policy-induced increased permit price. Second, carbon abatement in large open economies may not only cause adjustment of domestic production and consumption patterns, but also influence international prices via changes in exports and imports. These *terms-of-trade*-changes, i.e. changes in the ratio between export and import prices, imply a secondary benefit or burden that can significantly alter the economic implications of the domestic emission policy. The most important *terms-of-trade* effects are changes on international fuel markets: The cutback in global demand for fossil fuels due to carbon emission constraints implies a significant drop of the respective prices, providing economic gains to fossil fuel importers and losses to fossil fuel exporters. In order to analyze these general equilibrium impacts from climate policy in greater detail, we assess aggregate macroeconomic indicators such as production and social welfare.⁷

⁷ Note that we pursue a cost-effectiveness analysis that quantifies adjustment costs of environmental regulation as compared to an unconstrained business-as-usual situation. The deliberate neglect of economic benefits from controlling global warming implies that the macroeconomic effects resulting from the imposition of emissions constraints on the respective economies will necessarily be negative.

In the following, we concentrate our discussion about macroeconomic impacts on social welfare impacts. Social welfare – conceptually measuring aggregate utility – serves as an overarching economic indicator that quantifies the overall economic impacts resulting from policy interferences. Welfare changes are expressed by the Hicksian Equivalent Variation (HEV), which measures the income change that is equivalent to the induced change in utility, i.e. expresses welfare change in terms of income change. The welfare indicator thereby summarizes both economic impacts on the emissions market as well as macroeconomic impacts. Figure 2 presents welfare impacts for aggregate EU regions across policy scenarios.

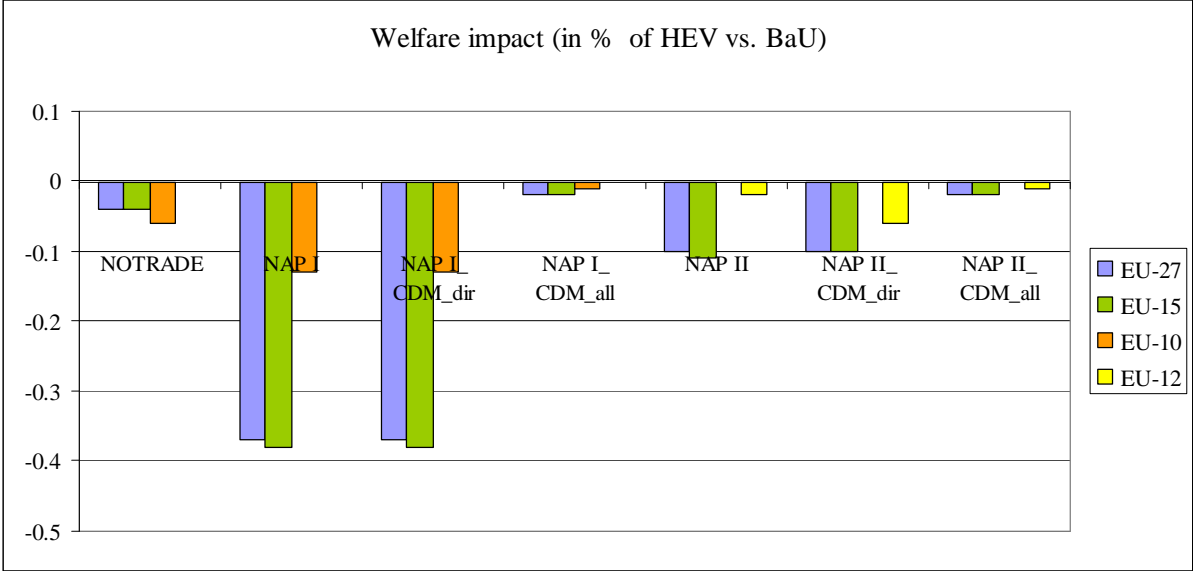


Figure 2: Welfare impacts for EU aggregates by scenario

According to Figure 2, the overall level of EU welfare losses from environmental regulation for EU aggregates is relatively low across all scenarios (below 0.4%). Comparing the alternative policy settings, we find that welfare losses under *NAP I* regulation substantially exceed those under *NOTRADE*. On pure efficiency grounds the current ETS design is economically inferior to a fictitious cost-efficient, economy-wide carbon tax. The central reason is that – in the absence of the CDM – the high level of allowance allocation to the covered *DIR* sectors within the first trading period imposes high reduction efforts for the non-covered *NDIR* sectors by means of complementary domestic carbon taxation in order to achieve the national emissions reduction targets under the Kyoto Protocol. Considering the relatively costly abatement options in the non-covered sectors (such as households or transport), these sectors face a major share of the economic burden resulting from the national reduction commitment. While CDM access for *DIR* sectors leaves welfare impacts unchanged, government CDM induces a substantial decrease in welfare losses due to the access of all sectors to low-cost abatement options in developing countries (and the associated alleviation of the formerly burdened non-covered sectors).

Regarding the design of the EU ETS in the second trading period, we find that a stricter allowance allocation under *NAP II* lowers welfare losses by a considerable amount as compared to *NAP I*. In this case a larger part of the national abatement efforts is undertaken by *DIR* sectors, which have lower-cost abatement options and additionally benefit from

efficiency gains through international emissions-trading. The corresponding relative welfare changes of the CDM scenarios are comparable to those under *NAP I*.

Effects on international competitiveness

In the following, we focus on the competitiveness effects of the EU ETS at the national and sectoral level. Figure 3 reports relative changes in the national terms of trade for aggregate EU regions across alternative policy scenarios.

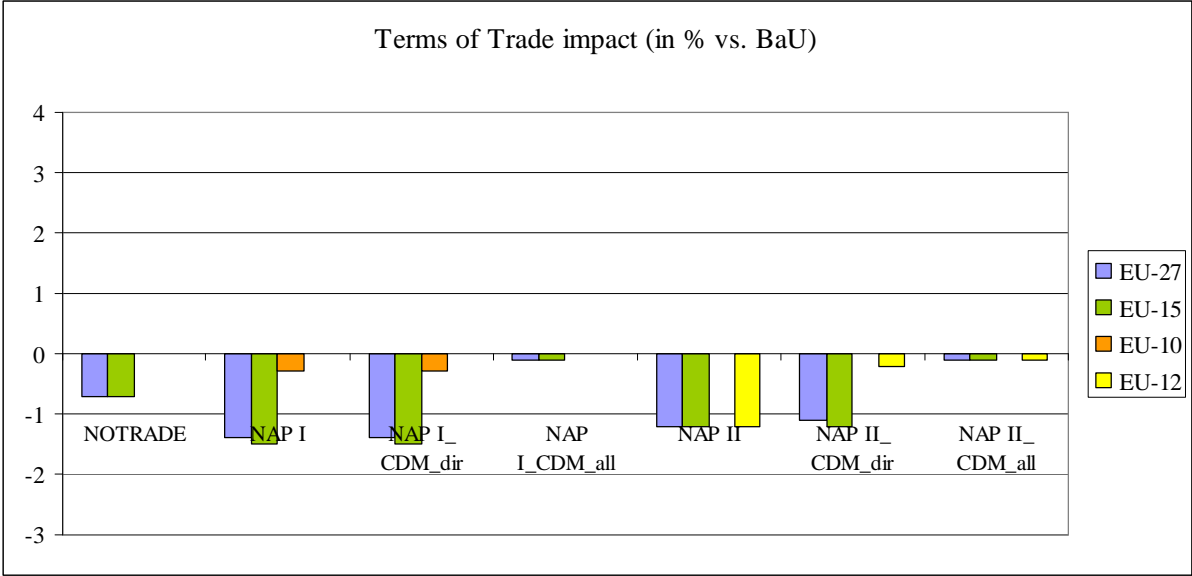


Figure 3: Terms-of-Trade impacts for EU aggregates by scenario

Figure 3 shows that – consistent with our findings on welfare effects of the EU ETS – the economy-wide competitiveness of EU economies is deteriorated through the sectoral coverage and the relatively high allowance allocation of the EU ETS as compared to efficient domestic action. Moreover, compared to the BAU situation the terms of trade of EU-15 Member States are decreased by 1.5% under *NAP I* and 1.2% under *NAP II*. While for the new EU-10 Member States these negative effects are much less pronounced under *NAP I*, for the EU-12 they are comparable to those of the old Member States under *NAP II*. In general, the losses in economy-wide competitiveness for the EU can be largely neutralized by means of government CDM imports. Corresponding to our findings regarding social welfare, only the access of all sectors to low-cost abatement options in developing countries may substantially reduce the costs of compliance with the Kyoto targets, thereby alleviating the negative competitiveness implications for EU economies.

In order to decompose the national competitiveness effect at the sectoral level, we assess well-known indicators such as Revealed Comparative Advantage (RCA), Relative World Trade Shares (RWS) and Relative Trade Balance (RTB). For an appropriate interpretation of the results on sectoral competitiveness, it is important to note that alternative indicators measure competitiveness implications using a different reference point. The RCA indicator compares

the performance of a *DIR* (*NDIR*) sector with an average performance of all sectors within the respective EU aggregate. The RWS indicator shows how the relative performance of a *DIR* (*NDIR*) sector in the European Union changes compared to the relative performance of *DIR* (*NDIR*) sectors across the world. Finally, changes in the RTB index indicate how the export-import performance of a *DIR* (*NDIR*) sector varies through the environmental regulation relative to the performance of the same sector in the BAU situation.

Figure 4 outlines sectoral competitiveness effects as measured by the RCA and the RWS indicator. The RCA indicator shows that the environmental regulation under *NAP I* induces large competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining (non-covered) industries of EU economies, which face losses in competitiveness. The main reason is that given a relatively high allowance allocation, it is the non-covered sectors that – in the absence of the CDM – account for the major emissions reductions and economic burden. A stricter allowance allocation under *NAP II* increases the burden on ETS sectors, thereby eliminating the competitiveness gains of the covered sectors and reducing the competitiveness losses of the non-covered sectors. The RTB indicator confirms these findings at an even more pronounced level due to increased (decreased) exports and falling (rising) imports for *DIR* (*NDIR*) sectors. Regarding the RWS indicator, we find that decreasing the allocation may turn low competitiveness gains for the covered EU ETS sectors vis-à-vis comparable sectors outside Europe under *NAP I* into competitiveness losses under *NAP II*.

While CDM access for covered industries leaves these results unchanged, government CDM can largely balance competitiveness effects between covered and non-covered EU industries, compensating the latter by importing low-cost emissions abatement from developing countries. In this case, all sectoral competitiveness impacts are relatively low for all three indicators.

Regarding the competitiveness for non-EU countries we find that the United States, China and India obtain gains in their terms of trade due to the unilateral European environmental regulation under the EU ETS. If we, however, consider government access to CDM projects for the EU, the gains in national competitiveness of the USA are much less pronounced, while the gains for China and India even turn into competitiveness losses. The sectoral competitiveness effects for individual non-EU countries are heterogeneous. According to the RCA and RTB indicators, we find that the EU ETS may induce a structural change also in the respective non-EU countries.

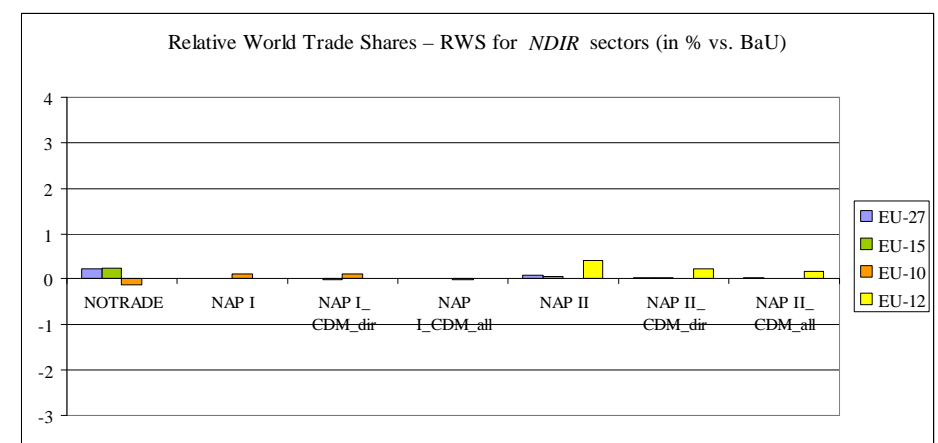
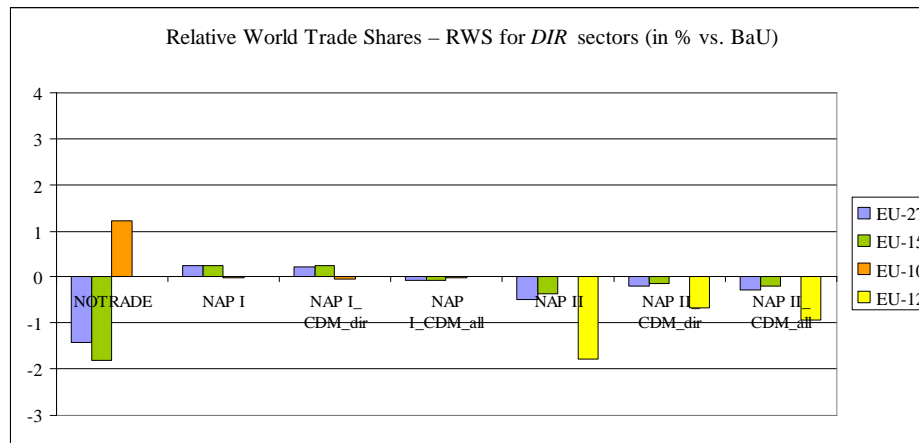
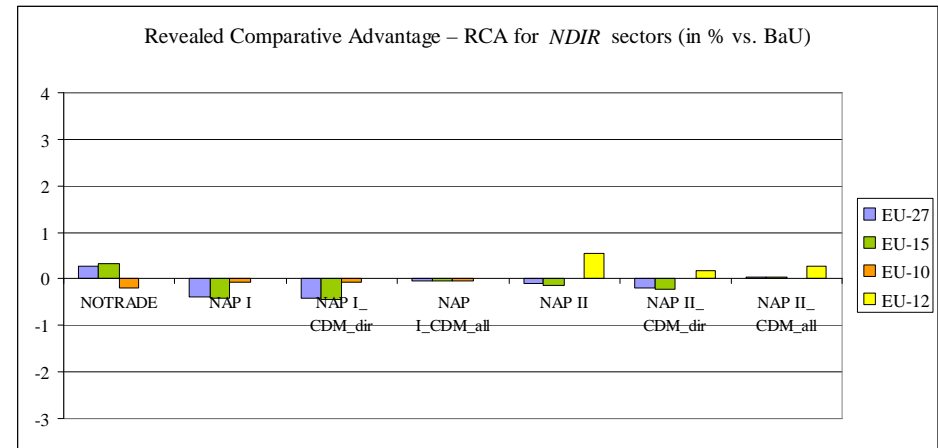
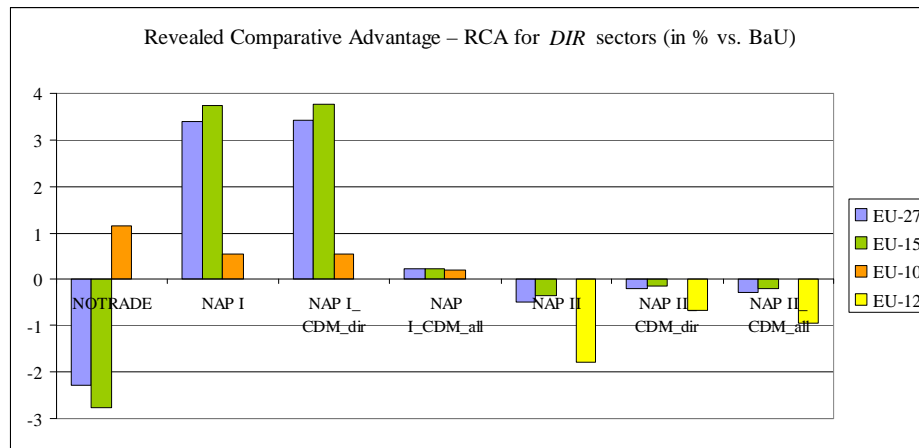


Figure 4: Sectoral competitiveness effects w.r.t. RCA and RWS indicators for EU aggregates by sector and scenario

Box 1: Empirical Policy Analysis: Emissions Allocation in Europe

In order to complement the model-based analysis of economic impacts of the EU ETS, we assess its competitiveness effects with an empirical policy analysis. We employ a statistical assessment for selected European companies as well as a statistical and econometric case study for Germany, which to our knowledge represent the first empirical assessments of their kind. Thereby, we assess the factors of regulation stringency of the EU ETS as well as the associated employment and competitiveness impacts. Details on our database as well as on the empirical approach are given in Annex 2.

EU-wide Assessment

In our analysis, relative allowance allocation is measured by the so-called *allocation factor*. The allocation factor gives the allocation of EU emissions allowances relative to the actual emissions of the respective entity and is calculated as the ratio between allocated allowances and verified emissions. Thereby, it also represents the stringency of EU ETS regulation. The following figure presents the allocation factor – based on installation level data from the *Community Independent Transaction Log* (European Commission, 2007) aggregated at the national level – for all EU ETS countries. It indicates that on average companies in most EU countries have received more allowances than their respective verified emissions. Consequently and in line with previous findings of Kettner et al. (2007) at the European level, the allowances and emissions data suggest that in 2005, the trading scheme as a whole was in a long position.

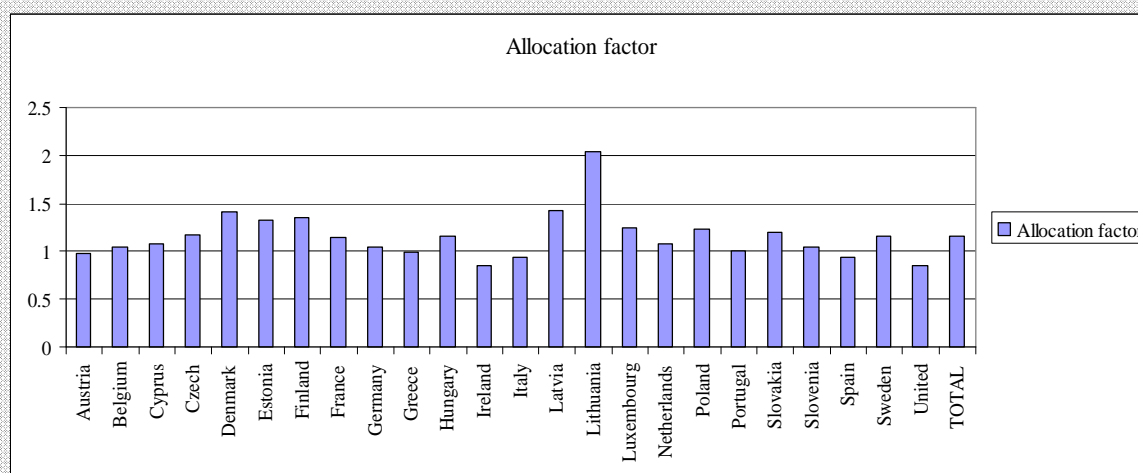


Figure: Allocation factors at the national level for EU ETS countries in 2005

By means of a statistical analysis for selected EU ETS companies, we aim to assess the relationship between regulation stringency of the EU ETS and economic factors of those firms. Our selection of firms at the European level is based on their importance within the EU ETS as measured by the amount of allowances allocated. From each EU ETS country the “Top 20” of companies within the EU ETS was selected. We compute the (Pearson’s) correlation coefficient between economic variables and the allocation factor at

the firm level, which gives information about the (linear) relationship between regulation stringency for the most important firms within the EU ETS and their economic and sectoral characteristics (the latter being covered by sectoral variables, see Table 1).

Overall, the results from our EU-wide assessment suggest that:

- § *There is no strong relationship between the level of employment in 2004 and the relative allowance allocation for the respective firms.*
- § *In contrast, 2004 cash flows and the allocation factor are positively linked, i.e. firms with higher cash flows received relatively more allowances.*
- § *Sectoral affiliation plays a substantial role for the relative allowance allocation.*

Table 1: Selected results of correlation analysis for the EU

	<i>Allocation Factor</i>	<i>Cash Flow 2004</i>	<i>No. Employees 2004</i>	<i>Mining</i>	<i>Electricity</i>	<i>Energy</i>	<i>Business</i>	<i>Pulp & Paper</i>	<i>Coke & Petrol.</i>	<i>Other Manuf.</i>
<i>Allocation Factor</i>	1.00	0.31	0.01	0.26	-0.26	0.25	0.05	0.06	-0.11	-0.07

Note: 106 observations. Pearson's correlation coefficients for the respective variable pairs are given.

Given their baseline emissions in our EU-wide sample, firms belonging to the coke and petroleum sector and in particular to the electricity sector seem to have received relatively few allowances. A relative shortage in allowances especially of the electricity sector indicates a stricter regulation of these sectors within the trading scheme. Buchner et al. (2006) attribute this phenomenon to the quasi absence of international (i.e. non-EU) competition and to the general conjecture that power plants are able to abate emissions at relatively low cost. In contrast to the case of the electricity sector, we observe a positive relationship between the affiliation to (other) energy as well as the mining sector and the relative firm allocation.

Case Study for Germany

Using a large German firm sample, we firstly conduct a statistical (correlation) analysis analogously to the EU sample. Secondly, within the framework of an econometric analysis, we aim to assess the impact of regulation stringency in terms of relative allowance allocation on competitiveness and employment at the firm level. This econometric analysis may offer important insights into the economic effects of the EU ETS in Europe as a whole, as German companies represent about 24 per cent of all allocated allowances. As in the statistical analysis for selected EU ETS companies, the correlations of our interest are those between economic variables and the allocation factor.

For our German sample, the values of the correlation coefficients remain however low in most cases. These results suggest that:

- § *Economic and sectoral characteristics of the respective firms are less related to the allocation of EU emissions allowances at a firm level in Germany.*
- § *However, electricity companies in Germany were relatively highly allocated, both given their level of emissions and compared to other German sectors.*

The higher burden of the German electricity sector, indicated by the positive and relatively high correlation coefficient between the sectoral indicator variable and the allocation factor, is differing to our results at the EU level. Therefore, the correlation analysis shows that there are major differences between allowance allocation at the EU level and in Germany, underpinning the findings of Buchner et al. (2006). The authors attribute this phenomenon to the fact that in the German National Allocation Plan (NAP), process emissions – in contrast to combustion emissions – were assigned their historic baseline amounts without involving projections. As electricity generation is principally combustion, the German electricity sector received a relatively small regulatory burden.

Within the econometric analysis of the EU ETS, we employ an ordinary least squares (OLS) regression estimation in order to test whether the relative allocation had an impact on competitiveness. Following the competitiveness concept “ability to sell”, as an empirical indicator for competitiveness we employ firm revenues. As a second economic indicator we use employment changes of the respective firms. The central results of our regression analysis for Germany suggest that:

- § *There is no significant competitiveness (“ability to sell”) impact of the relative allocation of EU emissions allowances at the firm level in Germany.*
- § *Regulation stringency of the EU ETS did not affect employment of the respective German firms in 2005.*

From a theoretical point of view, a positive effect of regulation stringency on the development of firm revenues and employment in 2005 could have been expected, i.e. a high relative burden due to EU ETS regulation could have had negative impacts on the ability to sell of a firm and, consequently, on its revenues and number of employees. However, the estimated coefficient of the allocation factor does not significantly differ from zero. This result suggests that EU ETS companies that received a relatively high amount of allowances could not, consequently, increase their revenues as compared to other German companies within the trading scheme, which may be due to the modest overall burden in the first ETS phase and the low allowance prices. Correspondingly, we do not find a significant impact of the relative allowance allocation on employment in 2005 either, suggesting that firms with a higher regulatory burden within the trading scheme did not react with respective worker layoffs.

2.4 Economic impacts of linking the EU ETS internationally

This section presents the simulation results of our model-based policy assessment regarding the competitiveness effects of linking the EU ETS internationally. Unlike in the previous section on the EU ETS, in order to provide a consistent reference scenario we have to assume compliance with the Kyoto Protocol for the regions that are not (yet) involved in international emissions trading, which yields a different reference situation than in the previous section. We will discuss the economic implications of this new setting below. The whole set of corresponding quantitative simulation results is presented in Table 19 to Table 22 in Annex 1e.

Emissions-market and macroeconomic effects

As a prerequisite for our competitiveness assessment of linking the EU ETS internationally we start our analysis with the corresponding effects on the market for emissions permits and the macro economy. Figure 5 presents the international permit price resulting from our alternative policy scenarios.

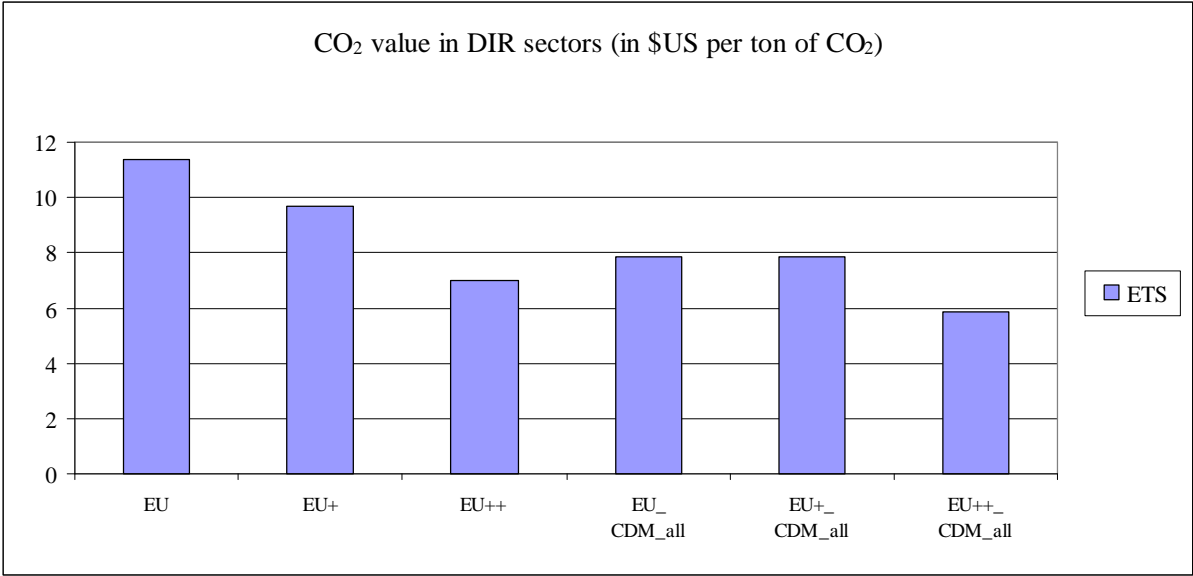


Figure 5: CO₂ permit price within linked ETS by scenario

We observe a CO₂ value for the reference case of the European ETS (scenario *EU*) of 11.37 US\$ per ton CO₂, which is almost two dollars higher than the corresponding permit price under NAP II in the previous section – a result that is due to a differing reference situation of regional compliance to the Kyoto Protocol. The reason is that in all linking scenarios we assume compliance with the Kyoto Protocol and domestic abatement policies (i.e. cost-efficient taxation) for the regions that are not (yet) involved in international emissions trading. As a consequence, the demand for emissions and energy of these regions is lower than in the previous section assessing pure EU climate policies. This implies a lower international fossil fuel price, a corresponding higher energy and emissions demand of EU ETS sectors and thus a higher price for CO₂ emissions permits.

Linking the EU ETS to emerging domestic ETS in Japan and Canada (scenario EU^+) decreases the permit price to 9.68 US\$ due to lower marginal abatement costs within the newly linked schemes. Through an additional linkage to Russia (scenario EU^{++}) the CO_2 value decreases further to 7 US\$, as Russia features lower-cost abatement options than the EU regions – and consequently exports emissions permits to Europe. This result holds although we abstract from the allocation of Russian excess emissions permits (“Hot Air”) to the covered installations. Given a Russian allocation factor of one, the lower permit price in scenario EU^{++} therefore only originates from low-cost Russian abatement options.

For transparency in our linking scenarios we concentrate on *government* CDM, i.e. access to abatement options in developing countries for all sectors of the linked economies. We find that the CO_2 values within those sectors covered by the respective ETS are only slightly decreased, which is due to the price-driving high demand for CDM of governments in order to compensate the non-covered sectors of the respective economies. Here, this effect is stronger than the terms-of-trade effects on fossil-fuel markets discussed in the previous section. Moreover, we observe that accounting for government CDM, linking the EU ETS to Canada and Japan does not change the permit price, while a further linkage to Russia leads to a substantial price decrease also in a CDM setting.

In the following, we concentrate our discussion about macroeconomic impacts on the social welfare indicator. Figure 6 presents the corresponding welfare effects for aggregate EU regions across alternative policy scenarios.

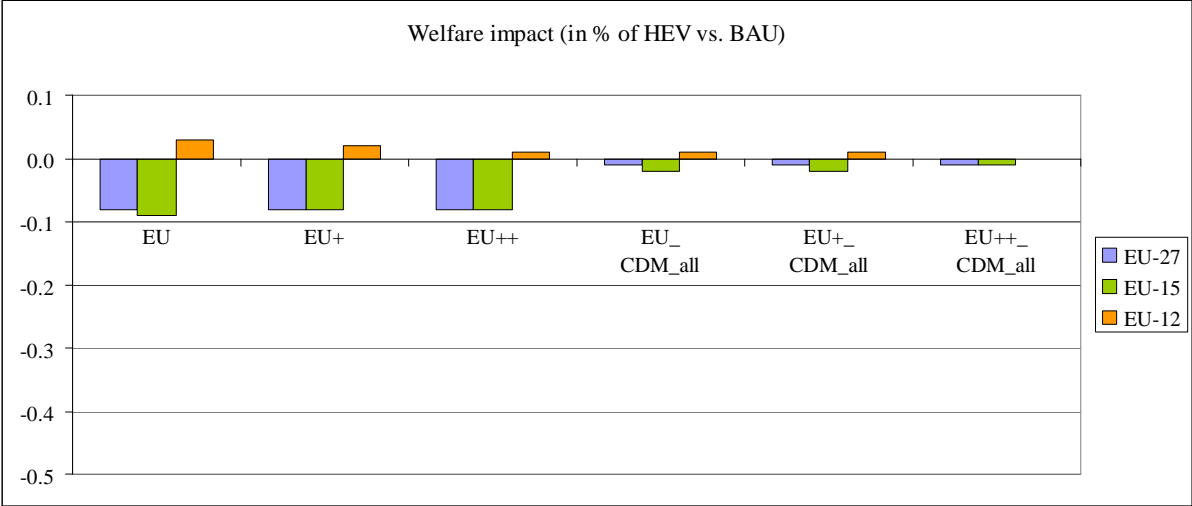


Figure 6: Welfare impacts for EU aggregates by scenario

The figure shows that while the overall economic effects of linking the EU ETS internationally are generally small, the welfare impacts differ considerably between alternative Member State aggregates and depend on the policy setting regarding the CDM. A permit-price decreasing linkage to emerging domestic ETS in Japan and Canada (scenario EU^+) results in an unchanged welfare situation for the EU-27 (as compared to a pure EU scheme). Due to a lower allowance price, permit-importing EU-15 Member States slightly benefit in terms of lower welfare losses and the permit-exporting EU-12 aggregate faces slightly lower welfare gains.

A further linkage to Russia leaves the welfare situation of the EU-27 and EU-15 Member States unchanged, while the welfare gain of the EU-12 aggregate shrinks further. For these regions, competing with permit-exporting Russia, the falling CO₂ value diminishes the potential benefits from exporting emissions rights. Accounting for government access to low-cost reduction options in developing countries via the CDM decreases the level of welfare losses towards zero, while the qualitative effects across scenarios still reflect the allowance-price implications discussed above.

Effects on international competitiveness

In the following, we assess the effects of linking the EU ETS with emerging schemes outside Europe on national and sectoral competitiveness of EU and non-EU countries. Starting with the impacts on the European Union, Figure 7 shows that linking the EU ETS internationally does not significantly affect the economy-wide competitiveness effects for EU Member States. Further, we find that also under a linking strategy the CDM serves as an efficiency mechanism that is able to largely reduce economy-wide competitiveness losses.

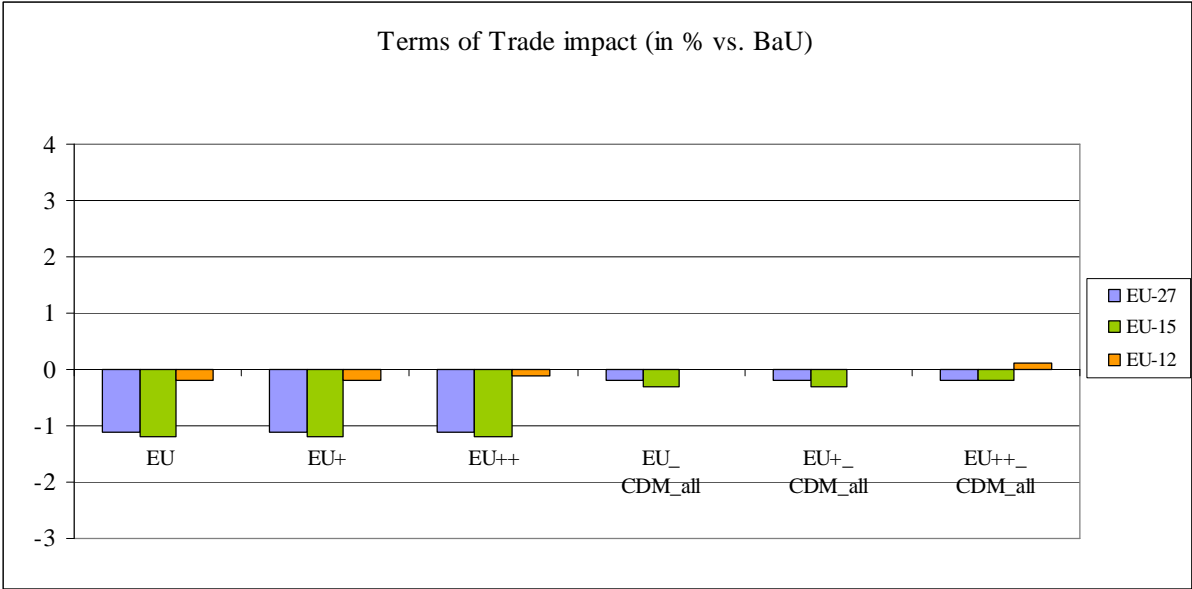


Figure 7: Terms-of-Trade impacts for EU aggregates by scenario

While the economy-wide impacts of linking the EU ETS internationally are limited, the simulated sectoral competitiveness implications show a differentiated picture. We find that the covered European *DIR* sectors may face slight decreases in their competitiveness gains through linking to emerging schemes in Japan and Canada – both vis-à-vis the remaining industries of EU economies (*RCA*) and comparable sectors in non-EU regions (*RWS*). For the non-covered *NDIR* sectors we observe the opposite (but less pronounced) effects. Further regional flexibility in emissions trading – due to a permit-price decreasing linkage to Russia – may however alleviate the losses of *DIR* sectors. Moreover, it shows that also under a linking strategy the CDM serves as a flexible instrument that balances heterogeneous sectoral competitiveness effects within EU economies, especially for the old Member States.

Figure 8 presents the prospects for the non-EU linking candidates of joining the European system with respect to national competitiveness impacts. The economy-wide terms-of-trade impacts show to be relatively heterogeneous. While a linkage to Japan and Canada (scenario EU^+) induces an increase of the original competitiveness gains for Canada, Japan is facing a further decrease in its terms of trade. For Russia joining the trading scheme (scenario EU^{++}) results in a decrease of its competitiveness gains under BAU.

These heterogeneous results can be explained as follows: A linkage to Japan and Canada implies the introduction of an inefficient domestic emissions regulation in these two countries which is due to a relatively high allowance allocation and the associated abatement-burden shifting to non-covered sectors. As for the EU, for these countries with effective emissions reduction targets such a policy design implies competitiveness gains for covered (energy-intensive) sectors and competitiveness losses for non-covered (energy-extensive) sectors. This burden-shifting effect is more pronounced in Japan than in Canada. As a consequence of its inefficient domestic regulation, the original terms-of-trade loss of Japan is further increased by linking to the European ETS. In contrast, Canada is benefiting from linking to the EU in overall competitiveness terms. This linking candidate may compensate its inefficient domestic regulation by competitiveness gains in sectors covered by the domestic ETS.

A further linkage to Russia (scenario EU^{++}) leaves the terms-of-trade situation of Canada unchanged, slightly alleviates the losses of Japan and substantially decreases the competitiveness gains of Russia. In this policy setting Russia has an incentive to reduce emissions at relatively low marginal cost in order to export permits to the emissions-trading partners. Although this reaction generates welfare benefits for Russia, by inducing a decreased international fossil-fuel demand and price it decreases the terms of trade of this energy-exporting region.

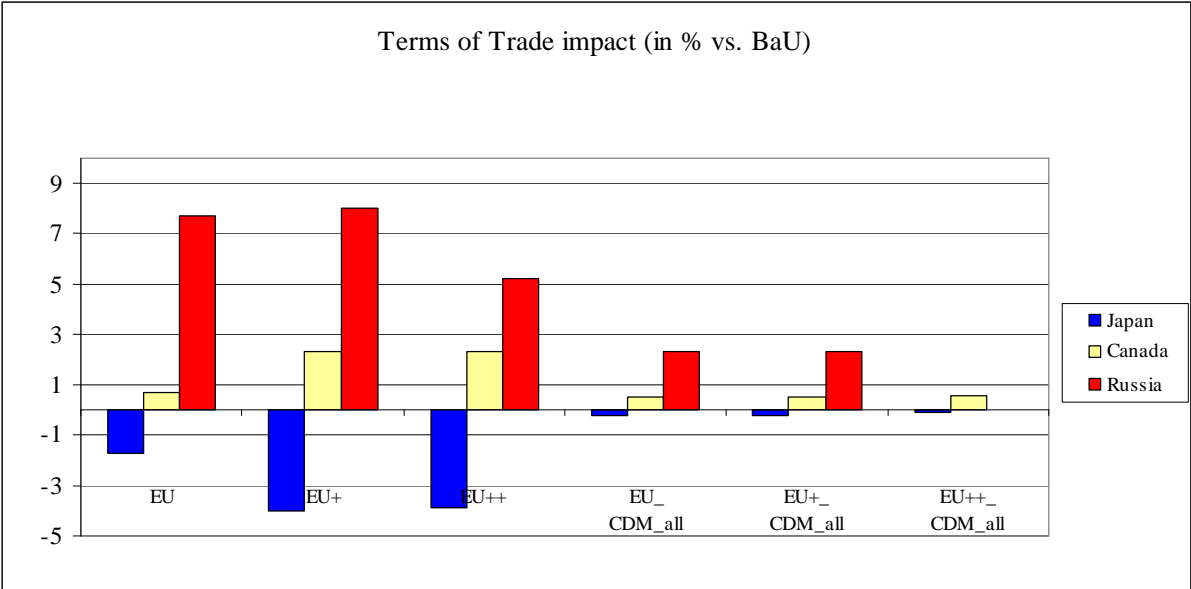


Figure 8: Terms-of-Trade impacts for linking candidates by scenario

2.5 Economic impacts of EU emissions regulation in 2020

In this section we analyse future EU climate policy strategies in the year 2020 as proposed by the European Council in March 2007, implying more ambitious national emissions reduction targets of EU Member States. Given the ambitious unilateral EU emissions reduction target of 20% versus 1990 levels, we also assume a stricter relative allowance allocation to energy-intensive sectors which we approximate by a 20% decrease of *NAP II* allocation factors. Note again that regional “allocation factors” reflect the ratio between allocated permits and BAU emissions levels, implying the required emissions reductions of the covered ETS sectors versus BAU levels (as opposed to committed national target emissions). In our case, the approximated allocation factors in 2020 induce an average emissions reduction of about 30% versus BAU levels of EU Member States. In order to compare our results with our findings in section 2.3, also in this section all non-EU regions are assumed to not having committed to binding emissions reduction targets in 2020.⁸ Table 5 presents the corresponding simulation results for the EU-27.

The table below shows that the stricter relative allowance allocation in 2020 results in a substantially higher allowance price of 50 US\$ per ton of CO₂, amounting to more than five times the CO₂ value under the *NAP II* allocation in 2010 (compare section 2.3). This large price difference is due to the strong increase (decrease) in demand (supply) for emissions permits under the stricter allocation regime in 2020. However, the results in Table 5 suggest that allowing for CDM access in the covered *DIR* sectors (scenario *NAP III_CDM_dir*) may substantially lower the CO₂ value to a comparable level as under *NAP II* allocation. In this case, the allowance prices under *NAP II* and *NAP III* almost align as permit demand is largely diverted to CDM credits in both policy settings. When accounting for government CDM under a post-Kyoto Protocol (scenario *NAP III_CDM_all*), the CO₂ value rises only moderately due to the additional demand for CDM credits originating from the non-covered *NDIR* sectors – who are represented on the emissions market by their national governments.

⁸ Note that *NAP II* (2010) and *NAP III* allowance allocation (2020) apply to a different reference year.

Table 5: Simulation results by policy scenario for the aggregate EU-27 region in 2020

<i>NOTRADE</i>		<i>NAP III</i>		<i>NAP III_ CDM_dir</i>		<i>NAP III_ CDM_all</i>	
2020							
<i>CO₂ value in DIR sectors (in constant \$US per ton of CO₂)</i>							
–		49.64		4.18		5.26	
<i>Production impact (in % vs. BAU)</i>							
-0.65		-2.06		-1.95		-0.07	
<i>Welfare impact (in % of HEV)</i>							
-0.28		-1.34		-1.27		-0.05	
<i>Terms of Trade impact (in % vs. BAU)</i>							
-1.40		-2.80		-2.50		-0.10	
<i>Revealed Comparative Advantage – RCA (in % vs BAU)</i>							
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
-4.61	0.57	1.84	-0.22	7.04	-0.80	-0.31	0.04
<i>Relative World Trade Shares – RWS (in % vs BAU)</i>							
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
-3.08	0.52	-0.95	0.23	0.86	-0.06	-0.39	0.03
<i>Relative Trade Balance – RTB (in % vs BAU)</i>							
<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
-173.28	-20.85	-28.69	-77.58	120.94	-84.91	-10.74	-0.73

Regarding the macroeconomic impacts for the EU-27 economies in 2020, Table 5 shows that – in the absence of the CDM – the negative impact on both production and aggregate welfare is much more pronounced than under *NAP II* emissions regulation and the national Kyoto targets in 2010. Although the allowance allocation to the covered ETS sectors is stricter in 2020 – and thus represents a more cost-efficient EU emissions regulation than in 2010 – the more ambitious national emissions reduction targets for 2020 which lead to larger aggregate, i.e. economy-wide, adjustment costs. The reason is that the higher abatement efforts of the covered sectors induced by the stricter allocation in 2020 are not sufficient to reach the ambitious future EU reduction targets. In order to fulfil the national emissions targets in 2020 the non-covered industries therefore have to be regulated by far higher levels of domestic carbon taxation than in 2010. This is illustrated in Table 6 which presents the level of carbon taxes in the non-covered sectors for central EU economies. It shows that the carbon tax levels for *NAP III* regulation and the more ambitious national emissions targets in 2020 are substantially higher than for the *NAP II* scenario in 2010, inducing more pronounced macroeconomic adjustment costs for the EU-27 economies.

Table 6: Simulated carbon taxes in non-covered sectors by scenario (\$US per ton of CO₂)

Scenario \ Region	<i>NAP II</i> (2010)	<i>NAP III</i> (2020)	<i>NAP II_CDM_all</i> (2010)	<i>NAP III_CDM_all</i> (2020)
France	85.46	604.84	4.17	5.67
Germany	39.01	231.11	4.17	5.67
United Kingdom	22.17	18.65	4.17	5.67
Italy	140.56	304.09	4.17	5.67
Spain	130.53	549.11	4.17	5.67

Table 6 further shows a pronounced heterogeneity across regional carbon taxes for the non-covered sectors. This heterogeneity can be explained by regionally diverse stringencies of allowance allocation to the covered sectors – a stricter allocation (such as in the case of the United Kingdom) inducing higher abatement efforts of the covered sectors, thereby implying a lower carbon tax for the non-covered sectors (and vice versa). Furthermore, heterogeneous tax levels may originate from different stringencies of national emissions targets in 2020 as well as from the availability of emissions abatement options: The observed high carbon taxes for the non-covered sectors of the French economy can thus also be explained by high marginal abatement cost levels of this region (generating the major fraction of electricity supply by carbon-neutral nuclear power plants).

Table 5 suggests that CDM access which is restricted to the covered sectors is not able to substantially reduce these negative macroeconomic impacts. However, we find that facilitating government CDM under a post-Kyoto Protocol leads to comparable welfare and production effects as *NAP II* emissions regulation given the EU's Kyoto targets in 2010. Thus, the extensive economic flexibility in emissions abatement by means of CDM access for all sectors of the economy enables EU Member States to implement far stricter climate policy measures at comparable macroeconomic adjustment costs. This finding is underpinned by the results in Table 6, showing that the carbon taxes in non-covered sectors of EU economies may be drastically decreased (and regionally harmonised) by government CDM access, and that the CO₂ value falls to a comparable level in 2010 and 2020.

The simulated economy-wide competitiveness implications of EU climate policy in 2020 confirm our findings on macroeconomic impacts (see Table 5). The terms-of-trade losses of EU-27 Member States in scenarios *NAP III* and *NAP III_CDM_dir* amount to more than twice their losses under *NAP II* emissions regulation and the Kyoto targets. Allowing for government CDM may, however, equalize the terms-of-trade effects between climate policies in 2010 and 2020. Decomposing these economy-wide impacts at the sectoral level shows that – in the absence of the CDM – the environmental regulation in 2020 induces far larger competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining industries of EU economies (RCA indicator): The non-covered sectors face stronger relative losses in competitiveness, as the stricter national emissions targets in 2020 induce higher economic

burdens for these industries. Moreover, these sectors are not able to participate in international emissions trading in order to improve their relative competitiveness position.

By contrast, Table 5 illustrates that the more ambitious climate policy measures in 2020 may augment the competitiveness losses for the covered EU ETS sectors in 2010 vis-à-vis comparable sectors outside Europe (RWS indicator) in 2020, whereas the non-covered industries may further increase their former competitiveness gains under *NAP II* regulation and the Kyoto targets. Finally, as for the economy-wide impacts we find that allowing for government CDM roughly equalizes sectoral competitiveness effects between the two climate policy strategies in 2010 and 2020.

2.6 Conclusions

Assessing the economy-wide competitiveness effects of the emissions regulation under the EU ETS, we find that the terms of trade of EU-15 Member States are decreased by 1.5% under *NAP I* and 1.2% under *NAP II*. While for the new Member States these negative effects are much less pronounced under *NAP I*, they are comparable to those of the new Member States under *NAP II*. In general, the losses in economy-wide competitiveness for the EU can be largely neutralized by means of government CDM access for the European economies. In order to decompose the national competitiveness effect on the sectoral level, we assess three explicit indicators: Revealed Comparative Advantage (RCA), Relative World Trade Shares (RWS) and Relative Trade Balance (RTB). Our simulation results with respect to the RCA indicator show that the environmental regulation under *NAP I* induces large competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining (non-covered) industries of EU economies who face losses in competitiveness. Given a relatively high allowance allocation, it is the non-covered sectors that – in the absence of the CDM – account for the major emissions reductions and economic burden. A stricter allowance allocation under *NAP II* shifts a part of the burden towards ETS sectors, thereby eliminating their competitiveness gains and reducing the competitiveness losses of the non-covered sectors. Regarding the RWS indicator, we find that decreasing the allocation may turn a low competitiveness gain for the covered EU ETS sectors vis-à-vis comparable sectors outside Europe under *NAP I* into a competitiveness loss under *NAP II*. While CDM access for covered industries leaves these results unchanged, government CDM can largely balance these opposed effects of covered and non-covered EU industries, compensating the latter by importing low-cost emissions abatement from developing countries. In this case, all sectoral competitiveness impacts are relatively low.

In order to complement the model-based analysis of EU emissions trading, we assess the competitiveness implications of the European ETS with an empirical policy analysis. All in all, our empirical assessment shows that the EU ETS was in an overall long position of allowances in 2005. Moreover, sectoral affiliation was a decisive factor of relative allocation to the covered installations, revealing a particularly high burden for the electricity sector at the EU level. However, industry affiliation played a different and less pronounced role in Germany. Moreover, our econometric analysis suggests that in 2005 relative allowance allocation did not have a significant impact on competitiveness and employment at the firm level in Germany, a result that might also be due to the modest overall burden.

We further find that linking the EU ETS internationally does not significantly affect the economy-wide competitiveness effects for EU Member States. However, the covered European ETS sectors may face slight decreases in their competitiveness gains through

linking to emerging schemes in Japan and Canada – both vis-à-vis the remaining industries of EU economies (RCA) and comparable sectors in non-EU regions (RWS). For the non-covered sectors we observe the opposite (but less pronounced) effects. Further linkage to Russia may however alleviate the losses of the covered sectors. Also under a linking strategy the CDM serves as an efficiency mechanism that is not only able to reduce economy-wide comparative losses, but also balance heterogeneous sectoral competitiveness effects within EU economies, especially for the old Member States.

Finally we assess the proposed EU climate policy strategy to achieve a 20% reduction of greenhouse gas emissions by 2020 versus 1990 levels combined with a stricter allowance allocation in a potential third trading period of the EU ETS (which we approximate by a 20% decrease of *NAP II* allocation factors). We find that the stricter reduction targets and tighter allowance allocation in 2020 results in a substantially higher allowance price and induces larger levels of production and aggregate welfare losses than under *NAP II* emissions regulation and the national Kyoto targets in 2010. However, it shows that **facilitating** government CDM under a (post) Kyoto Protocol leads to comparable price and macroeconomic effects in 2010 and 2020. The extensive economic flexibility in emissions abatement by means of CDM access for all sectors of the economy thus enables EU Member States to implement far stricter climate policy measures at comparable macroeconomic adjustment costs. Our simulated competitiveness implications of EU climate policy in 2020 confirm these findings at the economy-wide level. Moreover, it shows that the stricter climate policy in 2020 induces competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining industries of EU economies, while it may generate losses vis-à-vis comparable sectors outside Europe.

3 The potential for biofuels alongside the EU ETS

3.1 Introduction

On its March 2007 summit the European Council agreed to embark on an ambitious policy for energy and climate change. The aims of this policy which may be called the three times 20 targets for 2020, are the following: the EU will reduce greenhouse gas emissions by at least 20% compared to 1990, will ensure that 20% of total energy use comes from renewable sources and will accomplish a 20% decrease in energy intensity over and above business as usual developments. Part of the target for renewable energy will be covered by increasing the share of biofuels up to 10% of total transport fuel use in 2020.

With the target to reduce greenhouse gas emissions by at least 20% in 2020, if need be unilaterally, the EU demonstrates that it takes its ambition seriously to limit global warming to 2° Celsius above pre-industrial levels. According to current knowledge this temperature target can only be met if emissions are reduced by this order of magnitude in all industrialized countries and if large and fast-growing emitters as China, India and Brazil are starting soon to curb emissions as well (Boeters et al., 2007). The EU initiative may not only bring afloat the international negotiations about post-2012 climate policies, but also conveys a significant signal to EU energy users and producers that greenhouse gas emissions will become

increasingly costly in the medium term. This signal is instrumental to the long-term decision making process on transitions to cleaner technologies, in particular in power generation.

The EU Emissions Trading Scheme (EU ETS) can be considered as the ‘pricing engine’ for CO₂-emissions. Though its current coverage is confined to large combustion installations that together emit about halve of EU fossil CO₂ emissions, other greenhouse gases and emitters are scheduled to be brought into the scheme as well. The higher the emissions price will be the sooner technological emission reduction options will tend to be adopted commercially.

The 20% target for renewable energy may potentially undermine this role of the EU ETS. Subsidization of renewable electricity generation will reduce the demand for permits, and lower the permit price, unless the cap is tightened simultaneously. Hence, the fostering – by costly subsidization or prescription – of renewables has the danger to depress the emissions price and to prevent (or postpone) the commercial advent of cleaner technologies. The promotion of biofuels for transport will, however, not directly affect the functioning of the EU ETS as long as the scheme will not cover fuel use for transportation. Yet, without further investigation, it is not clear whether a policy that fosters the use of biofuels is more or less costly than alternatives, such as a further rise in fuel excises.

In this section the impacts of alternative policy measures are assessed that aim to exploit the biofuel potential, using a climate change version of the global general equilibrium model WorldScan (Lejour et al., 2006)⁹. The outcomes of WorldScan are of a long-term nature as the model does not reflect the temporary costs of structural adjustments, which has to be borne in mind when interpreting the simulation outcomes.

The policy options are assessed for the year 2020 against a policy baseline with modest economic growth in which all Annex I countries impose ceilings on fossil CO₂ emissions. It is assumed that within the EU an ETS is operational that does not cover CO₂ emissions from road transport. This policy baseline is briefly described in Section 3.2 and compared to a business as usual scenario. The impacts of alternative biofuel promotion policy measures are assessed in Section 3.3 against the policy baseline. Raising transport fuel excises to curb emissions from road traffic is also analysed here as an alternative. Conclusions are drawn in Section 3.4.

3.2 The climate policy baseline

We consider a climate policy baseline scenario that has both the EU ETS in place and emission reduction targets in the other countries of Annex I of the Kyoto Protocol. As the EU ETS covers only part of the economy (hereinafter: the regulated sector), other policy measures must ensure that the part that is not covered (henceforth: the non-regulated sector) reduces emissions as well to meet the overall reduction targets. Through the EU Burden

⁹ The WorldScan version used in this chapter distinguishes twenty markets for goods and services and factor markets for labour, capital and agricultural land in each of the twenty model countries and regions. Six different energy carriers are distinguished: coal, oil refinery products, natural gas, biodiesel, ethanol, and other renewable energy. Only the first three of these contribute to the CO₂ emissions generated by the model. See Annex 3a for more details on the WorldScan version used for this study.

Sharing Arrangement each Member State has taken on a reduction target for total emissions. Hence, permit allocation to the regulated sectors implicitly puts a complementary, national cap on emissions from the non-regulated sectors. Reduction of emissions from the non-regulated sectors is to be addressed by a large variety of policies at EU and national levels. We represent these policy efforts with separate carbon taxes for the non-regulated sector at the Member State level.

We implement the EU ETS in a rather coarse way and assume that the scheme covers the following sectors: electricity, energy intensive and chemical products and capital goods and durables. These sectors emit somewhat less than half of EU-27 fossil CO₂ emissions. Households and the remaining production sectors belong to the non-regulated sector.

In the policy baseline it is assumed that the EU puts a cap on greenhouse gas emissions in 2020 that is 20% below the level of 1990. In addition, post-2012 cap-and-trade systems are also assumed to operate in the other Annex I countries, though here the caps are assumed to be more modest. Permits are assumed to be internationally tradable within the EU ETS only. Moreover, *no use* is made of CDM or JI. Though one may question the likelihood of the mere reliance on domestic reductions in the Annex I parties in this policy baseline, this assumption was deliberately made in order to enable a focus on internal EU impacts, without having the need to account for the influences of international permit trade.

The policy baseline has been constructed against a business as usual (BaU) scenario with moderate economic growth that describes how the economies would develop in the absence of such policies. The BaU scenario does not include climate change policies or carbon taxation, but it does include actual biodiesel and ethanol production over the period 2001-2004, keeping the share of biofuel use fixed from 2004 onwards until 2020. The impacts of the policy baseline in 2020 vis-à-vis the policy-free BaU scenario are as follows (see Table 7). First, within Annex I, the distribution of emission abatement efforts is rather skew. In particular, the USA profits from its withdrawal from the Kyoto Protocol. The USA target in terms of 1990 emissions is 17% up, while the targets of EU-27 and the rest of the OECD are 20% and 22% down respectively. Emission prices are especially high for the rest of the OECD which has to reduce emissions by almost 50% compared to the BaU scenario and meets abatement costs of 125 €/per ton CO₂.

Table 7: Policy baseline impacts vis-à-vis BaU scenario, 2020

	Percentage CO ₂ reduction			Emission price or carbon tax a)	Economic welfare
	Target compared to 1990 emissions (%)	Target compared to BaU emissions (%)	Emissions compared to BaU emissions (%)		
Annex I	-7	-24	-24	41	-0.63
EU-27	-20	-33	-33	54	-0.62
Germany	-31	-35	-33	66	-0.63
France	-13	-36	-33	68	-0.47
United Kingdom	-23	-30	-30	83	-0.56
Italy	-18	-42	-34	116	-1.06
Spain	0	-41	-36	80	-0.72
Other EU-15	-14	-40	-33	90	-0.77
Poland	-18	-1	-34	6	1.00
Bulgaria and Romania	-20	0	-25	4	1.19
Other EU-12	-19	-32	-39	46	-0.64
USA	17	-9	-9	6	-0.07
Rest of OECD	-22	-48	-48	125	-1.56
Former Soviet Union	-8	14	2	0	-1.07
Non-Annex I			2		-0.14
Brazil			4		-0.04
China			2		-0.09
India			3		0.03
World			-12		-0.51

a) The emissions price for EU-27 is the price of the EU ETS; at Member State level the carbon tax is shown of the non-regulated sectors

The EU-reduction with respect to the BaU scenario is more than 30% and the EU ETS emission price is above 50 Euro per ton CO₂. In the USA emissions prices are, at 6 Euro per ton, about ten times smaller than in the EU. In Annex I countries, economic welfare is on average 0.6% less than in the BaU scenario. Welfare losses are higher than average for the rest of the OECD (1.6%) while some of the new EU economies experience welfare gains of 1 to 1.2% because of permit exports. The welfare level in the USA remains almost unchanged reflecting their assumed limited effort in emissions reduction.

Because permits are tradable within the EU ETS, Member States need not reduce their emissions in the regulated sectors by the full amount indicated by their emission targets. The Member States of EU-15 tend to reduce their emissions less than targeted, importing the permits from the new Member States. Hence, in some countries, notably Poland and Bulgaria and Romania, sizable reductions are induced by the high emissions price of the EU ETS. In the non-regulated sectors trade in reduction obligations is not possible. Hence, the carbon taxes for these sectors vary by Member State and are in general higher in EU-15 than in the new Member States. In EU-15 the carbon tax generally reaches levels that are above the emissions price of the EU ETS, whereas in the new Member States the tax is relatively small.

In non-Annex I countries emissions increase, mainly because of the relative decrease in prices of energy carriers in comparison to the BaU scenario. With the exception of India, these countries experience minor welfare losses due to the increased prices of non-energy imports. Globally, emissions are 12% lower than in the BaU scenario. According to Boeters et al. (2007) – which use the same baseline – such a reduction tends to fall short of meeting the 2°C temperature target.

3.3 Promoting the use of biofuels

Our assessments focus on conventional biofuels that are produced from food or feed crops. Biodiesel is produced from vegetable oils and ethanol from cereals or sugar crops. Thus, raising biofuel production puts extra claims on arable land. As in all scenarios the availability of arable land is kept constant at 2001 base-year levels, land rents will increase when biofuel feedstocks are expanding. We do not assess the prospects of the so-called ‘second-generation’ biofuels that are produced from cellulosic and ligno-cellulosic material and from biowaste. Though these fuels would reduce the biofuel claim on arable land, they are still too costly to be competitive with conventional biofuels.

Though the direct use of conventional biofuels does not add to greenhouse gas emissions, using conventional biofuels is not climate-neutral as fossil CO₂ is emitted in biofuel crop production and in the extraction of biofuels from these crops. Moreover, the strain on arable land use may induce farmers to raise the use of nitrogen fertilizers, which would increase the emissions of the greenhouse gas nitrous oxide (N₂O). The latter emissions, however, are not reflected in WorldScan. The use of biofuels has some advantages. Large investments need not be required in distribution infrastructure nor in car engine adjustments. Promoting the use of biofuels will increase energy security as it reduces oil demand. Biofuels have some air quality benefits as well. Finally, the production of biofuels may bring economic benefits to rural communities. Yet, large scale production may raise food prices and have negative impacts on the long-term sustainability of biofuel crop production and on biodiversity.

In establishing a breakdown of production costs we assumed that those biofuel technologies are applied that operate at lowest cost, neglecting greenhouse gas emissions. In our scenarios biofuels are promoted to various degrees and with various supporting policy measures. In addition to the EU, we also account for biofuel targets in some other countries, where explicit biofuel promotion policies exist (cf. UNCTAD, 2006).

In general our scenarios follow one of three ways of fostering the increase of biofuel use:

- § full exemption of transport fuel excises (this assumption is also made in the policy baseline);
- § competitive excise on biofuels to establish equality of the biofuel user price with the user price of fossil transport fuels (this tax is determined endogenously in the model);
- § full taxation of biofuels with existing fossil transport fuel excises.

Table 8: Prices and economic welfare, in % difference with respect to the policy baseline, for a biofuel target of 10% with biofuels fully exempted from fuel excises, 2020

	Emission price a)	Arable land price	Agricultural producer price	Food consumer price	Economic welfare
Annex I		0.9	0.2	0.1	0.01
EU-27	0.2	2.2	0.5	0.1	0.03
Germany	-8.1	2.4	0.6	0.1	0.03
France	-9.3	2.4	0.5	0.0	0.03
United Kingdom	-17.7	6.1	1.0	0.1	0.07
Italy	-9.1	2.5	0.5	0.1	0.04
Spain	-14.3	2.6	0.4	0.0	0.01
Other EU-15	-8.8	2.1	0.2	0.1	0.02
Poland	-36.1	1.8	0.7	0.2	-0.05
Bulgaria and Romania	-100.0	0.7	0.3	0.2	-0.15
Other EU-12	-11.0	2.1	0.6	0.1	-0.02
USA	-0.1	0.5	0.2	0.0	0.00
Rest of OECD	0.0	0.5	0.1	0.1	0.00
Former Soviet Union		0.2	0.1	0.1	-0.01
Non-Annex I		0.3	0.1	0.1	0.00
Brazil		0.6	0.2	0.1	0.01
China		0.2	0.1	0.1	-0.01
India		0.1	0.1	0.1	0.00
World		0.5	0.2	0.1	0.01

a) The deviation of the emissions price for EU-27 is with respect to the price of the EU ETS; at Member State level the deviation with respect to the carbon tax is shown for the non-regulated sectors

Imposing a biofuel share of 10% in 2020, *leaving biofuels fully exempted* from transport fuel excises, has rather limited impacts on economic welfare (see Table 8). The table shows the percentage deviations with respect to the policy baseline for emissions prices, the price of arable land, the agricultural producer price, the food consumer price and economic welfare. The impact of imposing targeted biofuel shares in transport fuel use on EU national carbon taxes is relatively large. These taxes decrease in all Member States (in Bulgaria and Romania they vanish altogether) because road transport belongs to the non-regulated sector. The biofuel target reduces emissions in road transport. Therefore a lower carbon tax suffices to meet the cap of the non-regulated sectors. The EU ETS emissions price rises slightly due to increased demands for fossil fuels in the regulated sectors.

In all countries the price of arable land increases because the biofuel feedstocks compete for arable land with other agricultural activities. The land rent increase is particularly high in the United Kingdom. Presumably this is due to the high base-year share of permanent pastures and meadows in total agricultural area of the United-Kingdom, leaving a relatively small acreage for crop production. In the wake of rising land prices agricultural producer prices and food consumer prices also rise, but to a much smaller extent. Overall economic welfare is affected positively to a minor extent in the Member States of EU-15 and negatively in the new Member States.

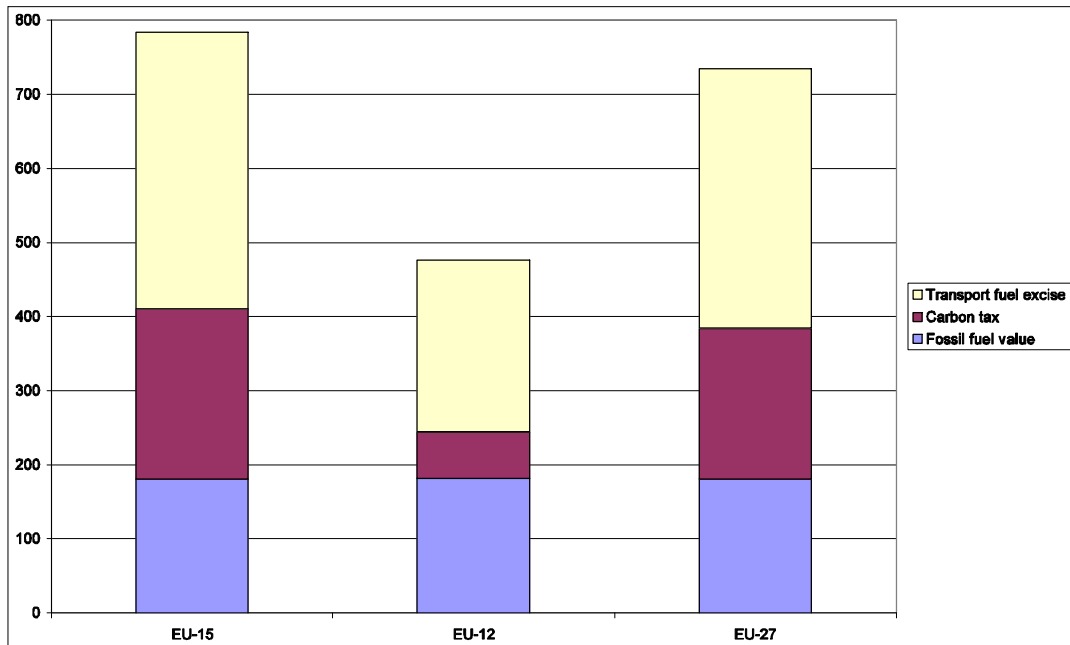


Figure 9: User costs of fossil transport fuels in Euro per Mtoe, policy baseline, 2020

By increasing the biofuel share to 10% transport fuel users can evade both the carbon tax and the fossil fuel tax, which improves welfare. In the new Member States these taxes are relatively small (see Figure 9). In these countries the benefits of tax evasion fall short of the extra costs of biofuel consumption. Hence, on balance welfare declines in the new Member States.

How do the impacts of imposing a 10% EU biofuel share differ under the three alternative ways of fostering the increase of biofuel use (no excise, competitive excise and full excise)? Unsurprisingly, as fuel blends become more expensive, less fuel will be consumed. Hence, emission taxes will fall if excises are imposed that make biofuels just competitive with fossil fuels and they fall even more when biofuels are taxed on just the same basis as fossil fuels (see Table 9). As the transport fuel bill in the Member States is heavily distorted by fossil fuel excise taxes, welfare losses are to be expected when the excise burden is raised. The latter tend to outweigh the gains from reduced carbon taxes as economic welfare decreases in all Member States when taxes on biofuels rise.

Alternative targets

The economic impacts of biofuel targets become the larger, the more ambitious biofuel targets are. In the next table we show the consequences of raising the targets to 15% and 20% compared to the 10% target in the scenarios discussed thus far. In all these counterfactual scenarios *full taxation* of biofuels is assumed.

Table 9: Emission prices in Euro per ton CO₂ and economic welfare with respect to the policy baseline, for a biofuel target of 10% in three excise variants, 2020

	No excise		Competitive excise		Full excise	
	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare
EU-27 a)	54	0.03	54	0.02	54	-0.00
Germany	60	0.03	58	0.02	54	-0.01
France	62	0.03	60	0.02	55	-0.00
United Kingdom	68	0.07	61	0.05	49	0.02
Italy	105	0.04	100	0.04	95	0.03
Spain	69	0.01	66	0.01	61	-0.01
Other EU-15	83	0.02	80	0.01	76	-0.00
Poland	4	-0.05	3	-0.06	2	-0.13
Bulgaria and Romania	0	-0.15	0	-0.15	0	-0.26
Other EU-12	42	-0.02	41	-0.04	38	-0.09

a) The emissions price for EU-27 is the price of the EU ETS; at Member State level the carbon tax is shown of the non-regulated sectors

Higher biofuel targets lead to substantially lower carbon taxes in the non-regulated sector, the most striking example being the United Kingdom where the tax is more than halved when the target is doubled. However, the consequences for economic welfare are rather small.

Table 10: Emission prices in Euro per ton CO₂ and economic welfare with respect to the policy baseline, for biofuel targets of 10%, 15% and 20%, with full excises on biofuels, 2020

	10%		15%		20%	
	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare
EU-27	54	-0.00	54	-0.01	54	-0.03
Germany	54	-0.01	48	-0.02	43	-0.03
France	55	-0.00	49	-0.01	43	-0.01
United Kingdom	49	0.02	34	0.01	20	-0.01
Italy	95	0.03	85	0.05	74	0.06
Spain	61	-0.01	51	-0.02	41	-0.03
Other EU-15	76	-0.00	68	-0.01	61	-0.02
Poland	2	-0.13	0	-0.20	0	-0.27
Bulgaria and Romania	0	-0.26	0	-0.40	0	-0.54
Other EU-12	38	-0.09	34	-0.14	30	-0.20

a) The emissions price for EU-27 is the price of the EU ETS; at Member State level the carbon tax is shown of the non-regulated sectors

In general, increasing the targets leads to a deterioration of welfare. The welfare losses are again highest in the new Member States, especially in the countries where the carbon tax is very small or even absent.

Though a doubling of the biofuel target from 10% to 20% has substantial impacts on land rents our simulations fail to show the dramatic agricultural price increases that have been reported by studies making use of partial equilibrium agricultural models (OECD, 2006; European Commission, 2006). In WorldScan arable land allocation is not founded on a detailed representation of agricultural production possibilities. Hence, the increase of land rents may be understated. A sensitivity analysis with respect to the elasticity of transformation for arable land does, however, show no sizable impacts on land rents when land allocation is made less flexible.

Zero biofuel import tariffs

Thus far we kept the import tariffs on biofuels at their baseline levels of 2006. Biofuel trade is hindered by tariffication. This is particularly relevant for ethanol, where the EU import tariff appears to be prohibitive. For biodiesel, the import tariffs seem less restrictive. A biofuel promotion policy aiming to obtain biofuels at minimal costs would leave the decision whether to produce the fuels domestically or to import them from elsewhere to the market. We simulate the situation of improved opportunities for sourcing from abroad in additional scenarios in which the EU tariffs on biofuels are put to zero. Biofuel trade liberalization tends to raise the carbon taxes of the non-regulated sectors because lower transport fuel costs will induce more fuel consumption. The impacts are very small however (compare Table 11 and Table 9).

Table 11: Emission prices in Euro per ton CO₂ and economic welfare with respect to the policy baseline, for a biofuel target of 10% in three excise variants, at zero biofuel import tariffs, 2020

	No excise		Competitive excise		Full excise	
	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare	Emissions price a)	Economic welfare
EU-27	54	0.03		0.02	54	-0.00
Germany	60	0.03	58	0.02	54	-0.01
France	62	0.03	60	0.02	55	-0.00
United Kingdom	69	0.07	61	0.05	51	0.02
Italy	106	0.05	100	0.04	96	0.04
Spain	69	0.01	66	0.01	61	-0.00
Other EU-15	81	0.02	78	0.01	75	-0.00
Poland	4	-0.05	3	-0.06	2	-0.12
Bulgaria and Romania	0	-0.14	0	-0.14	0	-0.24
Other EU-12	41	-0.01	41	-0.03	38	-0.08

a) The emissions price for EU-27 is the price of the EU ETS; at Member State level the carbon tax is shown of the non-regulated sectors

Economic welfare in general improves, but – again – the impacts are very small. Yet, the shift from domestic production to imports from abroad is substantial in the case of ethanol. The EU share of domestic production decreases from almost 100% to about 50%. For biodiesel the shift to imports is less pronounced as the tariffs on biodiesel imports are considerably lower than those on ethanol. Biofuel trade liberalization reduces the share of agricultural value

added somewhat in the EU, and raises the share elsewhere. The change is most pronounced for Brazil that benefits most from the abolition of the high tariff on ethanol. The welfare effects on exporters are negligible, with the exception of Brazil.

Increasing transport fuel taxes as an alternative

One of the purposes of the biofuel target is to reduce CO₂ emissions from road transport. It is therefore interesting to compare biofuel promotion with the impacts of alternative policies that would obtain emission reductions of the same magnitude.

Table 12: Emissions price in Euro per ton CO₂ and economic welfare with respect to the policy baseline, 10% target with full excise versus increased transport fuel taxation, 2020

	Biofuel target 10%		Emission reduction equivalent transport fuel tax		
	Emissions price a)	Economic welfare.	Emissions price a)	Carbon tax in transport	Economic welfare
EU-27 a)	54	0.00	54		-0.06
Germany	54	-0.01	53	114	-0.08
France	55	0.00	54	110	-0.05
United Kingdom	49	0.02	48	139	-0.09
Italy	95	0.03	94	154	-0.01
Spain	61	-0.01	59	105	-0.03
Other EU-15	76	0.00	76	134	-0.04
Poland	2	-0.13	2	52	-0.15
Bulgaria and Romania	0	-0.26	0	46	-0.25
Other EU-12	38	-0.09	37	85	-0.11

a) The emissions price for EU-27 is the price of the EU ETS; at Member State level the carbon tax is shown of the non-regulated sectors

We therefore explore the consequences of raising transport fuel excises to the extent that the CO₂ emission reductions originating from road traffic become similar to the case of a 10% biofuel target. Specifically, we assume that biofuel use is kept at policy baseline levels. We calculate the reduction in CO₂ emissions in the transport sector due to a 10% biofuel target (with fully excised biofuels and current import tariffs), correct it for the indirect emissions in biofuel production and impose this modified target on the transport sector. Thus, we obtain a scenario that imposes three emissions caps: one for the EU ETS at the EU-level, a second one for the transport sector (separately in each Member State) and a third one for the remainder of the non-regulated sectors (again separately in each Member State). Raising fuel excises instead of imposing a 10% biofuel target to reduce transport CO₂ emissions implies a rise of carbon taxes for the non-regulated sectors, substantially larger increases in the taxation of road fuel use and a small decrease of the EU ETS emissions price (see Table 12). The impacts of a further rise of transport fuel excises on economic welfare are negative in all Member States (except for Bulgaria and Romania). Apparently, further increasing distortionary taxation of the transport sector is detrimental for economic welfare and hence an unattractive alternative to promoting a 10% biofuels share.

3.4 Conclusions

Our assessment of fostering biofuel use is against a policy baseline which has the EU ETS in place and a 2020 reduction target that is 20% below 1990 emissions. In all other countries of Annex I emission caps are present too, though generally the targets are less ambitious. Our analysis shows that the emissions price of the EU ETS is hardly affected when various targets for the share of biofuels in transport fuels are imposed. Hence, promoting biofuel use in road transport is a form of enhancing the use of renewables that will *not* affect the EU ETS price and therefore will not prevent (or postpone) the commercial advent of cleaner technologies in the regulated sectors.

Increasing biofuel shares in transport fuels will have a mitigating effect on the policy efforts needed to curb emissions in the non-regulated sectors. In our assessments this is reflected by a drop in the carbon taxes of the non-regulated sectors in all Member States where this tax is positive. Hence, the negative impacts of these distortionary taxes on economic welfare will decline. The introduction of biofuels will, in general and depending on the biofuel excise regime and the lowering of the carbon tax, raise the price of transport fuels, which affects economic welfare negatively. On balance the net effect on economic welfare is very small compared to the policy baseline. When carbon taxes are small or even zero the benefits of reducing them fall short of the burden of raising biofuel usage. Hence, overall economic welfare declines in the new Member States. When the targets for biofuel use are raised above 10% the beneficial impacts on welfare disappear: the additional benefits of reducing distortionary carbon taxes tend to outweigh the additional costs of raising biofuel usage.

In our study the impacts of biofuel promotion on food prices turn out to be small. Land rents may rise considerably, but agricultural producer prices are affected rather modestly and food consumer prices almost negligibly. Though these results are robust for alternative values of the relevant model parameter (see Annex 3c), partial equilibrium agricultural models show larger impacts on agricultural prices. Here one should bear in mind however, that the WorldScan model does not focus on the peculiarities of agricultural production and food production. In our 10% biofuel target scenarios biofuel use is raised from 16 Mtoe in 2004 to 63 Mtoe in 2020 globally. According to IEA (2006) 13.8 mln ha was devoted to biofuel crop production in 2004. This is about 1% of the global arable area. Without any yield improvements 54.3 mln ha would be needed worldwide in 2020 according to our 10% scenarios. With an annual yield increase of 1.5% of biofuel crops still 42.8 mln ha would be needed. Though this area is enormous, it would amount to only 3% of current global arable acreage. Hence, large impacts on food prices are hardly to be expected.

When existing biofuel tariffs are slashed, biofuels become cheaper (enhancing welfare) but carbon taxes in the non-regulated sectors remain at a higher level (reducing welfare). On balance the improvement of economic welfare is rather small when biofuels are imported rather than produced domestically. Due to the relatively high tariffs on ethanol the increase of ethanol imports is relatively large when biofuel trade is fully liberalised. Liberalisation yields a noticeable welfare increase for ethanol-exporting Brazil. Biofuel targets aiming to reduce emissions are to be preferred to a further increase of excise taxes on transport fuels targeted at obtaining similar emissions reductions. The latter policy further raises the tax distortions of transport services that are already very distortionary due to high existing transport fuel excises.

4 General conclusions

Under the Lisbon process, the European Union aims at becoming the most competitive and dynamic knowledge-driven economy in the world. At the same time, the EU pursues ambitious climate policies in order to fulfil its emissions reduction targets under the Kyoto Protocol. Two policy actions that have been proposed in order to achieve the environmental goals are a strengthening of the EU Emissions Trading Scheme (ETS) and accelerating the development of sustainable biofuels. In order to assess the competitiveness effects of trading emissions and fostering technologies for meeting the EU's Kyoto targets, we apply two complementary methodological approaches: (i) a quantitative macroeconomic modelling approach using two general equilibrium models and (ii) an ex-post empirical policy analysis to detect the competitiveness effects of the EU ETS using firm-level data. As the first assessment of the EU ETS we integrate data on allowance allocation from our empirical assessment into the model-based approach.

Assessing the economy-wide competitiveness effects of emissions regulation under the EU ETS, we find that the terms of trade of EU-15 Member States are decreased by 1.5% under *NAP I* and 1.2% under *NAP II*. While for the new Member States these negative effects are much less pronounced under *NAP I*, they are comparable to those of the new Member States under *NAP II*. In general, the losses in economy-wide competitiveness for the EU can be largely neutralized by means of government CDM access for the European economies. In order to decompose the national competitiveness effect on the sectoral level, we assess three explicit indicators: Revealed Comparative Advantage (RCA), Relative World Trade Shares (RWS) and Relative Trade Balance (RTB). Our simulation results with respect to the RCA indicator show that the environmental regulation under *NAP I* induces large competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining (non-covered) industries of EU economies who face losses in competitiveness: Given a relatively high allowance allocation, it is the non-covered sectors that – in the absence of the CDM – account for the major emissions reductions and economic burden. A stricter allowance allocation under *NAP II* increases the burden on ETS sectors, thereby eliminating the competitiveness gains of the covered sectors and reducing the competitiveness losses of the non-covered sectors. Regarding the RWS indicator, we find that decreasing the allocation may turn a low competitiveness gain for the covered EU ETS sectors vis-à-vis comparable sectors outside Europe under *NAP I* into a competitiveness loss under *NAP II*. While CDM access for covered industries leaves these results unchanged, government CDM can largely balance these opposed effects of covered and non-covered EU industries, compensating the latter by importing low-cost emissions credits from developing countries. Here, sectoral competitiveness impacts are relatively low.

We analyse the proposed EU climate policy strategy to achieve a 20% reduction of greenhouse gas emissions by 2020 versus 1990 levels combined with a stricter allowance allocation in a potential third trading period of the EU ETS (which we approximate by a 20% decrease of *NAP II* allocation factors). We find that the stricter reduction targets and tighter allowance allocation in 2020 results in a substantially higher allowance price and induces larger levels of production and aggregate welfare losses than under *NAP II* emissions regulation and the national Kyoto targets in 2010. However, it shows that [facilitating](#) government CDM under a (post) Kyoto Protocol leads to comparable price and macroeconomic effects in 2010 and 2020. The extensive economic flexibility in emissions abatement by means of CDM access for all sectors of the economy thus enables EU Member

States to implement far stricter climate policy measures at comparable macroeconomic adjustment costs. Our simulated competitiveness implications of EU climate policy in 2020 confirm these findings at the economy-wide level. Moreover, it shows that the stricter climate policy in 2020 induces competitiveness gains for the covered EU ETS sectors vis-à-vis the remaining industries of EU economies, while it may generate losses vis-à-vis comparable sectors outside Europe.

We also assess the impacts of raising the share of conventional biofuels to at least 10% within the policy environment of the EU ETS. Within this specific policy environment our analysis shows that the emissions price of the EU ETS is indeed hardly affected when various targets for the share of biofuels in transport fuels are met. Hence, promoting biofuel use in road transport is a form of enhancing the use of renewables that will not – by lowering the emissions price – hinder the commercial advent of cleaner technologies in EU ETS sectors. Increasing biofuel shares in transport fuel use does have a mitigating effect on the policy efforts needed to curb emissions in the other sectors, which is reflected by a drop in the carbon taxes at the Member State level. Hence, the negative impacts of these distortionary taxes on economic welfare will decline. The introduction of biofuels may, depending on the biofuel excise regime and the impact on the carbon tax, raise the user price of transport fuels, which affects economic welfare negatively. On balance the net effects on economic welfare turn out to be very small. When carbon taxes are very small the benefits of reducing them fall short of the extra burden of raising biofuel usage. Hence, overall economic welfare is declining in the new Member States. When biofuel targets are increased above 10% the negative impacts on welfare tend to dominate: the additional benefits of reducing distortionary carbon taxes tend to fall short of the extra costs of raising biofuel usage. The impacts on food prices of conventional biofuel promotion up to the 10% target turn out to be negligible. However, one should bear in mind however, that the WorldScan model does not focus on the peculiarities of agricultural production and food production. Meeting the 10% target would require an increase of the biofuel feedstock share in current global arable acreage from 1% to approximately 3%. Hence, large impacts on food prices are hardly to be expected. Full liberalisation of biofuel trade will make biofuels cheaper (enhancing welfare) but leave carbon taxes in non-ETS sectors at a higher level (reducing welfare). On balance economic welfare does increase when biofuels are imported rather than produced domestically, but the change is rather small. For ethanol-exporting Brazil the welfare increase will be most noticeable.

All in all, our policy analyses suggest that the overall competitiveness effects of strengthening the EU Emissions Trading Scheme and accelerating the development of sustainable biofuels are limited. Moreover, we find that the interactions between these two environmental policies are not pronounced. A central insight of our analysis is that the scope of economic impacts and competitiveness effects crucially depends on the design of the respective policy instrument – such as the target share of biofuels in total transportation fuel use or the stringency of allowance allocation within the EU ETS. Moreover, the national and EU-wide economic impacts are determined by complementary environmental policy measures applying to the same or other segments of European economies, such as unilateral energy taxation of EU Member States. Our methodology-based analysis thus suggests that while assessing the national competitiveness effects of environmental regulation is of great importance, the respective (heterogeneous) sectoral impacts may provide extensive insights as they are able to decompose the economy-wide effects.

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Annex 1: Competitiveness effects of the EU ETS

Annex 1a: Nontechnical description of the core PACE model

In order to quantify the competitiveness effects of EU ETS at the sectoral and economy-wide level, it is crucial to account for complexities such as detailed production structures and various market interactions. Computable general equilibrium (CGE) models have become the standard tool for applied economy-wide analysis of policy measures (for surveys on applications to environmental policies see Conrad 1999, 2001). The main virtue of the CGE approach is its comprehensive representation of price-dependent market interactions based on rigorous microeconomic theory. The simultaneous explanation of the origin and spending of agents' incomes makes it possible to address both economy-wide efficiency as well as distributional impacts of policy interference.

For our numerical analysis of competitiveness implications of EU ETS, we adapt the *PACE* model (*Policy Assessment based on Computable Equilibrium*; see Böhringer and Vogt 2003), a standard CGE model of open economies, in order to reflect key features of the EU ETS from a single country perspective: EU Member States are committed to specific carbon emissions constraints $\overline{CO2}$ agreed upon in the EU Burden Sharing Agreement. Each Member State must specify a cap \overline{E} and the allocation rule for free emissions allowances to energy-intensive installations in five downstream sectors that are eligible for international emissions trading (electricity, oil refineries, iron and steel, non-ferrous mineral industries, and paper and pulp production). As the EU trading system covers only energy-intensive industries, it implies complementary domestic abatement policies for the remaining sectors in order to comply with the remaining national emissions budget $(\overline{CO2} - \overline{E})$.

Figure 10 provides a diagrammatic structure of the generic open-economy model. A representative agent RA_r in each region r is endowed with three primary factors: labour \overline{L}_r , capital \overline{K}_r , and fossil-fuel resources $\overline{Q}_{ff,r}$ (used for fossil fuel production). The representative agent maximizes utility from consumption of a composite good C_r which combines demands for energy and non-energy commodities at a constant-elasticity-of-substitution (CES). Production Y_{ir} of commodities i in region r is captured by nested separable CES functions that describe the price-dependent use of capital, labour, energy and material in production. Carbon emissions are linked in fixed proportions to the emissions-relevant use of fossil fuels with carbon coefficients differentiated by the specific carbon content of fuels. Carbon abatement can take place by fuel switching or energy savings in production and final consumption.

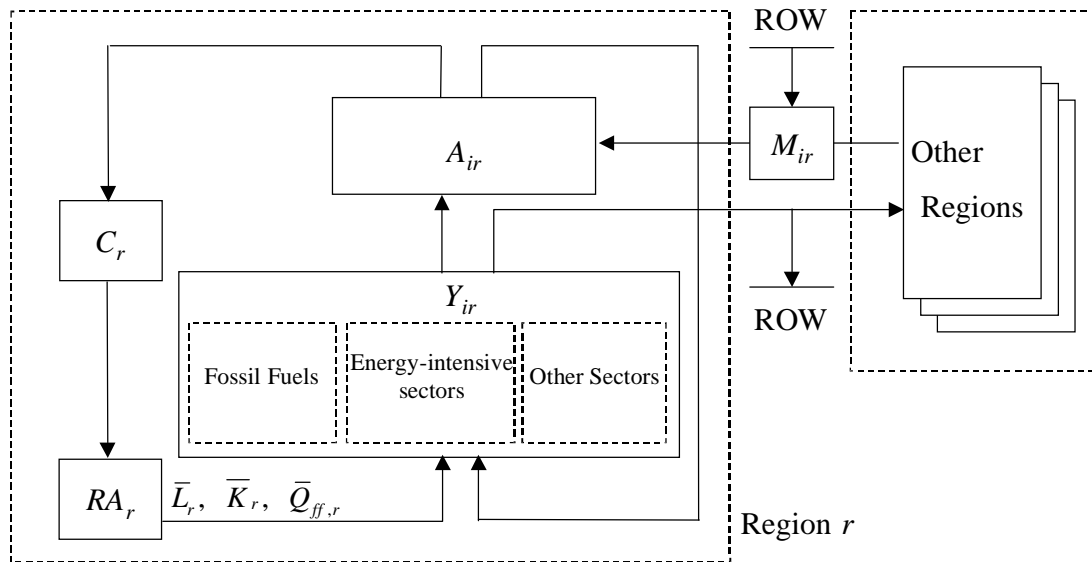


Figure 10: Diagrammatic overview of the model structure

Trade is specified using the Armington approach of product heterogeneity (Armington, 1969), so domestic and foreign goods of the same variety are distinguished by origin. All goods used on the domestic market in intermediate and final demand correspond to a CES composite A_{ir} that combines the domestically produced variety Y_{ir} and imports M_{ir} of the same variety from other regions. Domestic production Y_{ir} either enters the formation of the Armington good A_{ir} or is exported to satisfy the import demand of other regions. Trade with other regions is represented by a set of horizontal export demand and import supply functions at exogenous world import and export prices. A balance of payment constraint, which is warranted through flexible exchange rates, incorporates the benchmark trade deficit or surplus.

The model is based on consistent accounts of national production and consumption, trade and energy flows for 2001 as provided by the GTAP database (for an introduction to GTAP data see Dimaranan and McDougall 2002). The GTAP database version 6 that represents global production and trade data for 87 regions and 57 sectors in the baseyear 2001. For this application, the data set will be aggregated regionally and sectorally in order to reduce the dimensionality of the computational problem, but at the same time keep sufficient detail for the carbon-relevant regions and sectors. Reconciliation of these data sources yields the benchmark data of our model.

Annex 1b: Model regions and sectors

Table 13: PACE model regions

<i>Abbr.</i>	<i>Region</i>
aut	Austria
bel	Belgium
deu	Germany
dnk	Denmark
fin	Finland
fra	France
gbr	United Kingdom
grc	Greece
irl	Ireland
ita	Italy
nld	Netherlands
prt	Portugal
esp	Spain
swe	Sweden
hun	Hungary
pol	Poland
cze	Czech Republic
svk	Slovakia
bgr	Bulgaria
rom	Romania
bal	Baltic States (Estonia, Latvia, Lithuania)
reu	Rest of EU (Slovenia, Luxembourg, Malta, Cyprus)
jpn	Japan
can	Canada
rus	Russian Federation
xsu	Rest of Former Soviet Union
aus	Australia
nzl	New Zealand
usa	United States
chn	China including Hong Kong
ind	India
xes	Rest of East South Asia
bra	Brazil
csa	Central and South America
zaf	South Africa
xrw	Rest of World

Table 14: PACE model sectors

<i>Sectors covered by the EU ETS directive (DIR):</i>	
oil	Refined oil products
ele	Electricity
ore	Iron and steel industry
ppp	Paper products and publishing
nfm	Non-ferrous metals
nmm	Mineral products
<i>Other energy-intensive sectors:</i>	
coa	Coal
cru	Crude oil
gas	Natural gas
<i>Sectors not covered by the EU ETS directive (NDIR):</i>	
roi	Rest of Industry - Other manufactures and services

Annex 1c: Benchmark data sources

The main data source underlying the model is the GTAP version 6 database that represents global production and trade data for 87 regions and 57 sectors in the baseyear 2001. For this application, the data set has been aggregated to 36 regions and 10 sectors in order to reduce the dimensionality of the computational problem, but at the same time keep sufficient detail for the carbon-relevant regions and sectors (see Table 13 and Table 14 in Annex 1b). Reconciliation of these data sources yields the benchmark data of our model.

In a second step, we perform a forward calibration of the 2001 economies to the target years, which are 2005, 2010 and 2020 for our assessments of current and future EU ETS designs. For this purpose we employ baseline estimates for GDP growth, energy demand and future energy prices as well as carbon emissions. We rely on energy trends for EU Member States (European Commission, 2003) and on international energy projections for non-European economies (US Department of Energy, 2005). The magnitude and distribution of costs associated with the implementation of future emissions constraints depend on the baseline projections for GDP, fuel prices, energy efficiency improvements etc. In our comparative-static framework, we measure the costs of abatement relative to a baseline, i.e. relative to the BAU structure of the model regions for the target year.

As an overview on the emissions data underlying our analysis, Table 15 shows baseline emissions and reduction requirements of Annex-B countries in 2005 and 2010. Contrasting baseline carbon emissions in the respective year to the respective Kyoto reduction target vs. 1990 emissions levels yields the effective emissions reduction requirement of a region.

Table 15: Baseline emissions and Kyoto reduction requirements of ratifying Annex-B regions

Year	Baseline CO ₂ Emissions (Mt of CO ₂)			Kyoto reduction target (% vs. 1990)	Effective reduction requirement (% vs. baseline)	
	1990	2005	2010	2010	2005	2010
Austria	55.1	60.3	60.7	13.0	20.5	21.0
Belgium	106.3	113.6	112.2	7.5	13.4	12.4
Denmark	52.8	48.4	46.6	21.0	13.8	10.5
Finland	53.2	55.4	51.4	0.0	4.0	-3.5
France	354.1	389.9	406.4	0.0	9.2	12.9
Germany	943.0	815.6	823.6	21.0	8.7	9.5
United Kingdom	569.1	526.9	519.4	12.5	5.5	4.1
Greece	71.1	97.8	105.6	-25.0	9.1	15.8
Ireland	29.7	44.6	46.5	-13.0	24.8	27.8
Italy	390.8	416.7	422.2	6.5	12.3	13.5
Netherlands	152.9	164.6	174.0	6.0	12.7	17.4
Portugal	39.0	61.2	67.9	-27.0	19.1	27.1
Spain	203.8	292.6	302.6	-15.0	19.9	22.5
Sweden	50.6	52.6	54.0	-4.0	0.0	2.5
Luxemburg	10.6	10.6	11.6	28.0	28.0	34.2
Hungary	68.5	57.7	62.2	6.0	-11.6	-3.5
Poland	340.1	272.5	286.2	6.0	-17.3	-11.7
Cyprus	4.5	7.5	8.1	-	-	-
Czech Republic	158.8	103.2	103.1	8.0	-41.6	-41.7
Malta	2.5	2.9	3.3	-	-	-
Slovakia	51.4	37.3	41.6	8.0	-26.8	-13.7
Slovenia	10.9	14.2	14.0	8.0	29.4	28.4
Estonia	36.6	15.6	14.2	8.0	-115.8	-137.1
Latvia	16.9	7.5	8.3	8.0	-107.3	-87.3
Lithuania	32.2	13.7	17.2	8.0	-116.2	-72.2
Bulgaria	73.6	42.2	42.9	8.0	-60.5	-57.8
Romania	168.6	82.7	90.3	8.0	-87.6	-71.8
Canada	473.0	613.0	681.0	6.0	27.5	34.7
Japan	990.0	1229.2	1211.0	6.0	24.3	23.2
Russia	2347.0	1586.8	1732.0	0.0	-47.9	-35.5
Rest of FSU	1452.0	914.4	1072.0	0.0	-58.8	-35.4
Australia	294.0	467.1	520.0	-8.0	32.0	38.9
United States	4989.0	5995.9	6561.0	7.0	22.6	29.3

Sources: European Commission (2003): *European Energy and Transport Trends to 2030*; US Department of Energy (2005): *International Energy Outlook*; own calculations

The table shows a mixed picture of effective reduction requirements for EU-27 Member States, ranging from reductions of over 30 percent versus baseline emissions levels to negative requirements of over 100 percent for Eastern European states. This translates into a relatively low emissions constraint for the aggregate EU-27. Taking into account other Annex B countries that ratified the Kyoto Protocol such as Canada and Japan, however, increases the aggregate reduction requirement. For Russia and Ukraine we observe large negative effective reduction requirements. For the non-ratifying Annex B countries Australia and the United States Table 15 shows relatively large effective reduction requirements versus BAU implied by their (non-binding) emissions reduction targets.

Annex 1d: Competitiveness indicators

We implement the following indicators into the PACE model in order to account for sectoral and economy-wide competitiveness effects:

- Terms of Trade (ToT):

$$ToT_i = \frac{P_{X_i}}{P_{M_i}}$$

where P_{X_i} denotes the price of exports and P_{M_i} denotes the price of imports, for a particular region i the ToT index expresses the price of its exports in terms of its imports. The Terms of Trade deteriorate as the index falls.

- Revealed Comparative Advantage (RCA)

For a particular region and sector, this index compares the ratio of exports by a specific sector over its imports with the ratio of exports over imports across all sectors of the region. Letting X denote exports, M imports, i the region and j the sector, the index for revealed comparative advantage (RCA) for region i in sector j can be presented as follows:

$$RCA_{ij} = \frac{X_{ij} / M_{ij}}{\sum_j X_{ij} / \sum_j M_{ij}}$$

If the sectoral export-import ratio is identical to the economy-wide ratio, the RCA index takes the neutral value of one ($RCA_{ij} = 1$). Thus, a region i is said to have a revealed comparative advantage in sector j if the RCA index exceeds unity ($1 < RCA \leq \infty$). By contrast, a region i has a revealed comparative disadvantage in sector j if the RCA index takes the values between zero and one ($0 \leq RCA < 1$).

- Relative World Trade Shares (RWS)

This index compares the ratio of country's exports in a certain sector over the world's exports in this sector with the ratio of country's overall exports over the world's exports in all sectors:

$$RWS_{ij} = \frac{X_{ij} / \sum_i X_{ij}}{\sum_j X_{ij} / \sum_i \sum_j X_{ij}}$$

The RWS indicator lies in the same value range as the RCA indicator ($0 \leq RWS_{ij} \leq \infty$) and thus may be interpreted in a similar way.

- Relative Trade Balance (RTB)

This index compares the trade balance (exports minus imports) for a product to the total trade (exports plus imports) of that product.

$$RTB_{ij} = \frac{X_{ij} - M_{ij}}{X_{ij} + M_{ij}}$$

The RTB index has the neutral value of zero ($RTB_{ij} = 0$) and lies in the value range of $-1 \leq RTB_{ij} \leq 1$.

Annex 1e: Quantitative simulation results

Table 16: EU Emissions Trading Scheme – Emissions-market and macroeconomic indicators for aggregate EU regions

Scenario Region	<i>NOTRADE</i>	<i>NAP I</i>	<i>NAP I_ CDM_dir</i>	<i>NAP I_ CDM_all</i>	<i>NAP II</i>	<i>NAP II_ CDM_dir</i>	<i>NAP II_ CDM_all</i>
	2005				2010		
	<i>CO₂ value in DIR sectors (in constant \$US per ton of CO₂)</i>						
<i>EU-27</i>	–	0.20	0.21	0	9.53	3.70	4.19
<i>EU-15</i>	–	0.20	0.21	0	9.53	3.70	4.19
<i>EU-10</i>	–	0.20	0.21	0	–	–	–
<i>EU-12</i>	–	–	–	–	9.53	3.70	4.19
	<i>Production impact (in % vs. BaU)</i>						
<i>EU-27</i>	-0.24	-0.86	-0.86	-0.04	-0.54	-0.52	-0.05
<i>EU-15</i>	-0.25	-0.91	-0.91	-0.05	-0.56	-0.55	-0.05
<i>EU-10</i>	-0.16	-0.25	-0.25	-0.01	–	–	–
<i>EU-12</i>	–	–	–	–	-0.21	-0.15	-0.04
	<i>Welfare impact (in % of HEV)</i>						
<i>EU-27</i>	-0.04	-0.37	-0.37	-0.02	-0.10	-0.10	-0.02
<i>EU-15</i>	-0.04	-0.38	-0.38	-0.02	-0.11	-0.10	-0.02
<i>EU-10</i>	-0.06	-0.13	-0.13	-0.01	–	–	–
<i>EU-12</i>	–	–	–	–	-0.02	-0.06	-0.01

Table 17: EU Emissions Trading Scheme – Economy-wide and sectoral competitiveness indicators for aggregate EU regions

Scenario Region	<i>NOTRADE</i>				<i>NAP I</i>				<i>NAP II</i>					
	<i>CDM_dir</i>		<i>CDM_all</i>		<i>CDM_dir</i>		<i>CDM_all</i>		<i>CDM_dir</i>		<i>CDM_all</i>			
	2005								2010					
	Terms of Trade impact (in % vs. BAU)													
<i>EU-27</i>	-0.70	-1.40	-1.40	-0.10	-1.20	-1.10	-0.10	-	-	-	-	-	-	-
<i>EU-15</i>	-0.70	-1.50	-1.50	-0.10	-1.20	-1.20	-0.10	-	-	-	-	-	-	-
<i>EU-10</i>	0	-0.30	-0.30	0	-	-	-	-	-	-	-	-	-	-
<i>EU-12</i>	-	-	-	-	-1.20	-0.20	-0.10	-	-	-	-	-	-	-
	Revealed Comparative Advantage – RCA (in % vs BAU)													
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	-2.29	0.28	3.40	-0.39	3.42	-0.40	0.22	-0.03	0.84	-0.10	1.64	-0.20	-0.38	0.05
<i>EU-15</i>	-2.77	0.32	3.74	-0.42	3.76	-0.43	0.22	-0.03	1.30	-0.16	1.91	-0.23	-0.22	0.03
<i>EU-10</i>	1.15	-0.19	0.54	-0.08	0.55	-0.08	0.19	-0.03	-	-	-	-	-	-
<i>EU-12</i>	-	-	-	-	-	-	-	-	-3.10	0.55	-0.86	0.17	-1.67	0.28
	Relative World Trade Shares – RWS (in % vs BAU)													
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	-1.42	0.23	0.24	0.01	0.23	0.01	-0.06	0	-0.50	0.10	-0.20	0.05	-0.29	0.03
<i>EU-15</i>	-1.81	0.26	0.26	0	0.25	-0.01	-0.07	0	-0.35	0.07	-0.16	0.04	-0.20	0.02
<i>EU-10</i>	1.22	-0.12	-0.02	0.12	-0.03	0.12	-0.02	-0.01	-	-	-	-	-	-
<i>EU-12</i>	-	-	-	-	-	-	-	-	-1.78	0.42	-0.68	0.21	-0.94	0.16
	Relative Trade Balance – RTB (in % vs BAU)													
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	-145.54	-12.37	92.62	-59.51	93.63	-59.55	7.57	-2.87	-13.09	-35.57	19.93	-36.49	-18.32	-1.43
<i>EU-15</i>	-550.06	-12.96	329.08	-64.9	332.29	-64.94	22.75	-3.16	4.57	-39.64	61.88	-40.33	-27.99	-2.07
<i>EU-10</i>	14.97	-4.33	3.54	-7.76	3.78	-7.77	2.80	-0.06	-	-	-	-	-	-
<i>EU-12</i>	-	-	-	-	-	-	-	-	-24.76	1.87	-7.46	-1.21	-12.09	4.54

Table 18: EU Emissions Trading Scheme – Economy-wide and sectoral competitiveness indicators for central non-EU regions

Scenario Region	<i>NOTRADE</i>				<i>NAP I</i>				<i>NAP II</i>							
	<i>NAP I_CDM_dir</i>		<i>NAP I_CDM_all</i>		<i>NAP II_CDM_dir</i>		<i>NAP II_CDM_all</i>									
	2005								2010							
	Terms of Trade impact (in % vs. BAU)															
<i>USA</i>	0.30		0.50		0.50		0.10		0.40		0.40		0.10			
<i>Japan</i>	0		-0.10		-0.10		0		0.00		0.00		0.00			
<i>China</i>	0.20		0.20		0.20		-0.10		0.20		0.10		0.00			
<i>India</i>	0.20		0.40		0.40		-0.20		0.20		0.10		-0.10			
	Revealed Comparative Advantage – RCA (in % vs BAU)															
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>		
<i>USA</i>	1.38	-0.11	-1.82	0.14	-1.78	0.14	0.13	-0.01	-0.50	0.04	-0.80	0.06	0.40	-0.03		
<i>Japan</i>	0.88	-0.07	-2.38	0.20	-2.33	0.19	0.28	-0.02	-0.93	0.08	-1.12	0.09	0.50	-0.04		
<i>China</i>	0	-0.07	0	0.18	0	0.18	0	0.07	0.00	0.06	0.00	0.11	0.00	0.04		
<i>India</i>	0	-0.17	0	0.24	0	0.24	0	0.08	0.00	0.06	0.00	0.14	0.00	0.03		
	Relative World Trade Shares – RWS (in % vs BAU)															
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>		
<i>USA</i>	39.81	-0.07	38.44	-0.08	38.44	-0.08	37.88	-0.01	40.53	-0.07	40.18	-0.07	39.77	-0.01		
<i>Japan</i>	39.81	-0.08	38.73	-0.09	38.74	-0.09	38.06	-0.02	40.72	-0.08	40.44	-0.07	39.93	-0.02		
<i>China</i>	0	-0.05	0	-0.08	0	-0.09	0	0.01	0.00	-0.06	0.00	-0.06	0.00	0.01		
<i>India</i>	0	-0.11	0	-0.02	0	-0.02	0	0.03	0.00	-0.05	0.00	-0.03	0.00	0.01		
	Relative Trade Balance – RTB (in % vs BAU)															
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>		
<i>USA</i>	-10.75	1.90	8.62	6.66	8.30	6.68	-1.39	0.82	0.45	4.99	2.73	5.10	-3.66	0.77		
<i>Japan</i>	15.26	-1.07	-43.85	1.60	-42.82	1.55	4.93	-0.32	-8.13	0.67	-9.78	0.87	4.24	-0.62		
<i>China</i>	0	0.95	0	4.20	0	4.22	0	-0.49	0.00	2.63	0.00	2.33	0.00	-0.07		
<i>India</i>	0	0.11	0	2.28	0	2.27	0	-0.41	0.00	0.89	0.00	0.82	0.00	-0.31		

Table 19: Linked Emissions Trading Schemes – Emissions-market and macroeconomic indicators for aggregate EU regions

Scenario Region	<i>EU</i>	<i>EU⁺</i>	<i>EU⁺⁺</i>	<i>EU₋ CDM_{-all}</i>	<i>EU⁺₋ CDM_{-all}</i>	<i>EU⁺⁺₋ CDM_{-all}</i>
	2010					
	<i>CO₂ value in DIR sectors (in constant \$US per ton of CO₂)</i>					
<i>EU-27</i>	11.37	9.68	7.01	7.86	7.86	5.86
<i>EU-15</i>	11.37	9.68	7.01	7.86	7.86	5.86
<i>EU-12</i>	11.37	9.68	7.01	7.86	7.86	5.86
	<i>Production impact (in % vs. BaU)</i>					
<i>EU-27</i>	-0.54	-0.51	-0.51	-0.12	-0.12	-0.12
<i>EU-15</i>	-0.57	-0.55	-0.54	-0.13	-0.13	-0.12
<i>EU-12</i>	-0.16	-0.11	-0.10	-0.04	-0.04	-0.03
	<i>Welfare impact (in % of HEV)</i>					
<i>EU-27</i>	-0.08	-0.08	-0.08	-0.01	-0.01	-0.01
<i>EU-15</i>	-0.09	-0.08	-0.08	-0.02	-0.02	-0.01
<i>EU-12</i>	0.03	0.02	0.01	0.01	0.01	0.00

Table 20: Linked Emissions Trading Schemes – Economy-wide and sectoral competitiveness indicators for aggregate EU regions

Scenario Region	<i>EU</i>		<i>EU⁺</i>		<i>EU⁺⁺</i>		<i>EU₋ CDM_{all}</i>		<i>EU⁺₋ CDM_{all}</i>		<i>EU⁺⁺₋ CDM_{all}</i>	
	2010											
	Terms of Trade impact (in % vs. BAU)											
<i>EU-27</i>	-1.10		-1.10		-1.10		-0.20		-0.20		-0.20	
<i>EU-15</i>	-1.20		-1.20		-1.20		-0.30		-0.30		-0.20	
<i>EU-12</i>	-0.20		-0.20		-0.10		0.00		0.00		0.10	
	Revealed Comparative Advantage – RCA (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	2.11	-0.25	1.27	-0.15	1.89	-0.23	0.06	-0.01	0.06	-0.01	0.53	-0.06
<i>EU-15</i>	2.64	-0.31	1.73	-0.21	2.25	-0.26	0.33	-0.04	0.33	-0.04	0.72	-0.08
<i>EU-12</i>	-2.44	0.43	-2.71	0.48	-1.29	0.24	-2.19	0.37	-2.19	0.37	-1.08	0.18
	Relative World Trade Shares – RWS (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	1.53	0.00	0.50	0.05	0.98	-0.01	-0.25	0.01	-0.25	0.01	0.13	-0.03
<i>EU-15</i>	1.75	-0.03	0.68	0.02	1.09	-0.02	-0.10	0.00	-0.10	0.00	0.22	-0.04
<i>EU-12</i>	-0.30	0.35	-0.99	0.38	-0.03	0.22	-1.39	0.21	-1.39	0.21	-0.63	0.08
	Relative Trade Balance – RTB (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>EU-27</i>	36.94	-38.51	5.44	-35.52	30.30	-36.61	-6.79	-6.62	-6.78	-6.62	12.28	-7.57
<i>EU-15</i>	123.60	-43.17	45.21	-40.08	92.27	-40.92	6.37	-8.29	6.37	-8.29	42.32	-9.02
<i>EU-12</i>	-18.53	4.43	-20.19	6.38	-9.63	2.96	-15.07	8.76	-15.07	8.77	-6.86	5.81

Table 21: Linked Emissions Trading Schemes – Economy-wide and sectoral competitiveness indicators for ratifying non-EU regions

Scenario \ Region	<i>EU</i>		<i>EU⁺</i>		<i>EU⁺⁺</i>		<i>EU₋ CDM_{all}</i>		<i>EU⁺₋ CDM_{all}</i>		<i>EU⁺⁺₋ CDM_{all}</i>	
	2010											
	Terms of Trade impact (in % vs. BAU)											
<i>Japan</i>	-1.70		-4.00		-3.90		-0.20		-0.20		-0.10	
<i>Canada</i>	0.70		2.30		2.30		0.50		0.50		0.60	
<i>Russia</i>	7.70		8.00		5.20		2.30		2.30		0.00	
	Revealed Comparative Advantage – RCA (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>Japan</i>	-3.44	0.29	15.31	-1.05	16.40	-1.12	1.71	-0.14	1.71	-0.14	2.39	-0.19
<i>Canada</i>	-13.62	2.11	15.38	-2.01	16.83	-2.20	-0.73	0.08	-0.73	0.08	0.30	-0.07
<i>Russia</i>	2.69	-1.69	0.86	-0.82	-9.26	3.22	2.48	-1.25	2.48	-1.25	-6.05	2.05
	Relative World Trade Shares – RWS (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>Japan</i>	38.31	0.17	43.82	-0.22	44.61	-0.26	40.42	-0.06	40.42	-0.06	41.01	-0.09
<i>Canada</i>	31.66	1.29	52.34	-1.40	53.63	-1.56	38.89	0.04	38.89	0.04	39.85	-0.07
<i>Russia</i>	45.82	-1.73	43.86	-0.98	37.32	2.41	41.23	-1.13	41.23	-1.13	41.23	1.64
	Relative Trade Balance – RTB (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>Japan</i>	-43.95	-25.73	84.53	-90.55	92.92	-90.43	12.76	-5.45	12.76	-5.45	18.78	-5.44
<i>Canada</i>	-30.85	-25.63	35.51	-1.95	38.24	-0.62	-0.48	-5.43	-0.48	-5.43	1.96	-4.72
<i>Russia</i>	7.67	-5.69	6.54	-6.88	-3.65	-8.32	3.66	-1.02	3.66	-1.02	-4.96	-2.01

Table 22: Linked Emissions Trading Schemes – Economy-wide and sectoral competitiveness indicators for non-ratifying non-EU regions

Scenario \ Region	EU		EU ⁺		EU ⁺⁺		EU ₋ CDM _{-all}		EU ⁺ ₋ CDM _{-all}		EU ⁺⁺ ₋ CDM _{-all}	
	2010											
	Terms of Trade impact (in % vs. BAU)											
<i>USA</i>	-1.10		-1.20		-1.20		0.30		0.30		0.30	
<i>Australia</i>	1.40		1.10		1.10		2.80		2.80		2.80	
<i>China</i>	0.60		0.60		0.60		-0.50		-0.50		-0.50	
<i>India</i>	0.90		0.80		0.80		-1.10		-1.10		-1.10	
	Revealed Comparative Advantage – RCA (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>USA</i>	-5.23	0.45	-10.43	0.92	-10.54	0.94	-0.56	0.05	-0.56	0.05	-0.65	0.06
<i>Australia</i>	-42.14	10.25	-43.40	10.61	-43.30	10.58	-7.88	1.67	-7.88	1.67	-7.66	1.61
<i>China</i>	0.00	-0.21	0.00	-0.02	0.00	-0.03	0.00	0.15	0.00	0.15	0.00	0.13
<i>India</i>	0.00	-0.32	0.00	-0.12	0.00	-0.12	0.00	0.22	0.00	0.22	0.00	0.21
	Relative World Trade Shares – RWS (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>USA</i>	38.75	0.12	34.43	0.28	34.44	0.28	38.95	0.03	38.95	0.03	38.95	0.03
<i>Australia</i>	-4.53	8.31	-6.49	8.57	-6.23	8.53	31.49	1.40	31.49	1.40	31.89	1.34
<i>China</i>	0.00	-0.16	0.00	-0.10	0.00	-0.10	0.00	0.02	0.00	0.02	0.00	0.02
<i>India</i>	0.00	-0.20	0.00	-0.12	0.00	-0.13	0.00	0.08	0.00	0.08	0.00	0.07
	Relative Trade Balance – RTB (in % vs BAU)											
	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>	<i>DIR</i>	<i>NDIR</i>
<i>USA</i>	46.75	-6.98	87.67	-2.84	88.56	-2.73	2.02	3.43	2.02	3.43	2.67	3.58
<i>Australia</i>	-81.33	-51.19	-85.37	-51.20	-85.14	-50.88	-7.90	-20.10	-7.90	-20.10	-7.54	-19.90
<i>China</i>	0.00	4.00	0.00	6.16	0.00	6.02	0.00	-3.43	0.00	-3.43	0.00	-3.52
<i>India</i>	0.00	1.91	0.00	2.36	0.00	2.30	0.00	-2.83	0.00	-2.83	0.00	-2.85

Annex 2: Empirical policy analysis – data and approach

Data on EU ETS allocation

Our analysis is based on data on approximately 12,000 installations being covered by the EU ETS legislation. Each installation has an "operator holding account" in its national registry to which the allowances are submitted, and each Member State of the European Union has an obligation to interlink the national registry with the EU-wide databank *Community transaction log*. The Community transaction log's web pages contains information on allowances that have been allocated in accordance with the final National Allocation Plans, verified emissions, surrendered allowances and compliance status for all installations in Member States with registries. We assessed the emissions data from the Community Transaction Log in two steps:

- Data extraction from the Community transaction log and data processing
- Aggregation of installation-level data on the sectoral and national level

The AMADEUS database

Besides the emissions data from the Community transaction log, economic data is of great importance for assessing the competitiveness effects of the EU ETS. AMADEUS is a comprehensive, pan-European database containing economic and financial information on 9 million public and private companies. In this analysis, cash flow data, calculated as net income (profits) plus changes in deferred taxes, as well as information on the number of employees of the respective firms, both from 2003 and 2004, is used. Sectoral information is based on the four digit NACE (industry) codes of the firms provided by AMADEUS. According to this, we have created several indicator variables that are given the value 1 for a company that forms part of the respective industry, and 0 otherwise. The indicator variables are "electricity" (13% of the sample firms; NACE code between 4000 and 4020, "production and distribution of electricity"), "energy" (7% of the sample firms; NACE code between 4020 and 4500, "manufacture of gas; distribution of gaseous fuels through mains", "steam and hot water supply", "collection, purification and distribution of water"), "pulp and paper" (10% of the sample firms; NACE code between 2100 and 2200, industry subsection "manufacture of pulp, paper, and paper products"), "mining" (10% of the sample firms; NACE code between 1000 and 1500, industry subsection "mining and quarrying"), "coke & petroleum" (2% of the sample firms; NACE code between 2300 and 2400, "manufacture of coke, refined petroleum products and nuclear fuel"), "other manufacturing" (24% of the sample firms; NACE code between 2600 and 3700, manufacture of non-metallic mineral products, basic metals and fabricated metal products, machinery and equipment, electrical and optical equipment, transport equipment, other manufacturing), and "business" (5% of the sample firms; NACE code between 7000 and 7500, section "real estate, renting, and business activities").

The CREDITREFORM database

This database is a financial and economic database that includes information of sales and employment of German firms. It is coherent with the AMADEUS database. From the

CREDITREFORM database, we use levels and differences from firm revenue and employment data between 2002 and 2005, from AMADEUS, we use generated sectoral indicator variables (see above). Those data have been matched with the allocation factor (allowances allocated divided by verified emissions) from the “community transaction log”.

Empirical Approach

For our regression analysis, we apply ordinary least squares (OLS) technique. Given that, following a Breusch-Pagan test, the null hypothesis of no heteroskedasticity can be rejected in our regressions at the 1%- (dependent variable: revenues 2005-2004) and 10%-level (no. employees 2005-2004), respectively, we use White robust standard errors so that significance tests for the estimated model parameters are valid under circumstances of heteroskedasticity. The results obtained are robust to controlling for outliers that could have a strong influence on the regression results. This has been tested in a so-called “robust regression” using Huber-weights in order to control for outliers.

Annex 3: The potential for biofuels alongside the EU ETS

Annex 3a: The WorldScan model

The quantitative, economic characteristics of the various scenarios are based on simulation outcomes from WorldScan (Lejour et al., 2006), which is a general equilibrium model for the world economy. This model was developed in the 1990s for scenario construction and is often used both for scenario studies and policy analyses, also in the field of energy markets and global warming (see, for example, Bollen et al., 2004, Bollen et al., 2005, and Boeters et al., 2007). The model is based on neo-classical theory and shows the outcome of microeconomic behaviour of the agents, subject to equilibrium conditions and additional restrictions. In establishing an equilibrium for the global economy, the welfare of the various consumers is maximised and all balance equations and eventual policy restrictions (such as CO₂ emissions ceilings or biofuel targets) are met.

Table 23: Overview of regions, sectors and production inputs in WorldScan

<i>Regions</i>	<i>Sectors</i>	<i>Inputs</i>
Germany	Cereals	<i>Factors</i>
France	Oilseeds	Low-skilled labour
United Kingdom	Sugar crops	High-skilled labour
Italy	Other agriculture	Capital
Spain	Minerals	Land
Netherlands	Oil	Natural resources
Other EU-15	Coal	
Poland	Petroleum, coal products	<i>Energy carriers:</i>
Bulgaria and Romania	Natural gas	Coal
Other new Member States	Electricity	Petroleum, coal products
United States	Energy intensive and chemical goods	Natural gas
Other OECD	Vegetable oils	Biodiesel
Former Soviet Union	Other food products	Ethanol
Brazil	Non-food consumer goods	Other renewables
China	Capital goods and durables	
India	Road and rail transport	<i>Other intermediates</i>
Other South East Asia	Other transport	Cereals
Rest of World	Other services	Oilseeds
	Biodiesel	Sugar crops
	Ethanol	Other agriculture
		Minerals
		Oil
		Electricity
		Energy intensive and chemical goods
		Vegetable oils
		Other food products
		Non-food consumer goods
		Capital goods and durables
		Road and rail transport
		Other transport
		Other services

General equilibrium models generally take account of the interdependencies between individual markets for various goods and production factors. It is usually assumed that there are no frictions in these markets, so that each of the production factors is fully utilised. In addition, the use of production factors can be immediately reallocated across the various sectors. This means that the model outcomes for the policy scenarios can be seen as ‘long-term’ reactions to the policy used: the costs of restructuring and modifications in the medium term are not taken into account.

WorldScan takes its data for the base year (2001) from the GTAP-6 database (Dimanaran and McDougall, 2006), which contains integrated data of bilateral trade flows and input-output data for 57 sectors and 87 countries (or groups of countries). The WorldScan version used in this study distinguishes twenty markets for goods and services and factor markets for labour, capital and agricultural land in each of the 20 countries and regions shown in Table 23. Six different energy carriers are distinguished: coal, oil refinery products, natural gas, biodiesel, ethanol, and other renewable energy. Only the first three of these contribute to the CO₂ emissions generated by the model.

Annex 3b: Details of conventional biofuel implementation

Table 24: Biofuel production costs in euro per toe produced

<i>Biodiesel from crude vegetable oils (EU-27)</i>			672	
Inputs				
Crude vegetable oil		596		
Energy		52		
Alcohol		27		
Capital		46		
Labour		11		
Byproduct				
Glycerin		-61		
<i>Ethanol from sugar cane (Brazil)</i>			368	
<i>Ethanol from sugar beet (EU-27)</i>				628
Inputs				
Sugar crops		217		515
Chemicals		20		22
Energy				38
Capital		17		113
Labour		114		27
Byproducts				
Animal feed				-88
<i>Ethanol from maize (USA)</i>			478	
<i>Ethanol from wheat (EU-27)</i>				544
Inputs				
Cereals		348		502
Chemicals		44		-31
Energy		75		22
Capital		63		147
Labour		60		37
Byproducts				
Animal feed		-112		-134

Sources: IES, 2006; OECD, 2006; Smeets *et al.*, 2005

Compilation: CPB

At the basis of the biofuel modelling in WorldScan are the cost data about biofuel production technologies from well-to-wheel analyses as compiled in Table 24. We selected from the cost assessments of IES (2006) the ones that correspond to an oil price of 25 euro per barrel as this price was closest to the oil price in our base year data for 2001. Table 24 gives information only for specific regions (EU, USA, Brazil). We assume that all regions can use these technologies, whenever the respective agricultural inputs are locally available. The availability assumptions about agricultural inputs are summarised in Table 25.

Table 25: Availability of agricultural inputs to biofuel production

	Biodiesel from veg. oil	Ethanol from sugar beet	Ethanol from wheat	Ethanol from corn	Ethanol from sugar cane
Germany	home	(home)	home	yes	no
France	home	(home)	home	yes	no
United Kingdom	home	(home)	home	yes	no
Italy	home	(home)	home	yes	no
Spain	home	(home)	home	yes	no
Netherlands	home	(home)	home	yes	no
Other EU 15	home	(home)	home	yes	no
Poland	home	(home)	home	yes	no
Other EU 25	home	(home)	home	yes	no
Bulgaria and Romania	home	(home)	home	yes	no
United States	yes	no	yes	home	no
Other OECD			yes	yes	
	yes	no	(Australia)	(Australia)	no
Brazil	yes	no	no	no	home
China	yes	no	no	no	yes
India	yes	no	no	no	yes
Other South East Asia	yes	no	no	no	yes
Former Soviet Union	no	no	no	no	no
Rest of the World	no	no	no	no	no

“home”: original data available for active technology

“(home)”: original data available, but inactive because too expensive

“yes”: technology available, price of main input relative to home region necessary for calibration

“no”: technology not available

In those regions where a technology is assumed to be in use, but where no original data on cost structures are available, we adjusted the cost of the main agricultural input according to Table 26. The costs of the other inputs are left unchanged.

Table 26: Prices of main agricultural inputs (2001, in US\$ per kg)

	Biodiesel from veg. oil	Ethanol from sugar beet	Ethanol from wheat	Ethanol from corn	Ethanol from sugar cane
Germany	0.40	0.040	0.13	--	--
France	0.40	0.040	0.13	--	--
United Kingdom	0.40	0.040	0.13	--	--
Italy	0.40	0.040	0.13	--	--
Spain	0.40	0.040	0.13	--	--
Netherlands	0.40	0.040	0.13	--	--
Other EU 15	0.40	0.040	0.13	--	--
Poland	0.40	0.040	0.13	--	--
Other EU 25	0.40	0.040	0.13	--	--
Bulgaria and Romania	0.40	0.040	0.13	--	--
United States	0.38	--	0.12	0.10	--
Other OECD	0.42	--	0.16	0.11	--
Brazil	--	--	--	--	0.011
China	0.31	--	--	--	0.023
India	0.23	--	--	--	0.018
Other South East Asia	0.26	--	--	--	0.032
Former Soviet Union	--	--	--	--	--
Rest of the World	--	--	--	--	--

Sources: Trade Analysis System for vegetable oil, FAOSTAT for other products

For vegetable oil prices we took export prices for rapeseed oil (EU), palm oil (China, India, Rest of South East Asia), soya bean oil (USA) and specific other oils (Other OECD).

For ethanol, we choose for each country/region the cheapest available technology.

Table 27: Biofuel production costs by region (before and after adjustment) in euro/toe

	Biodiesel		Ethanol		production technology
	before adjustment	after adjustment	before adjustment	after adjustment	
Germany	672	470	544	343	wheat
France	672	449	544	321	wheat
United Kingdom	672	490	544	362	wheat
Italy	672	461	544	333	wheat
Spain	672	457	544	329	wheat
Netherlands	672	531	544	403	wheat
Other EU 15	672	459	544	331	wheat
Poland	672	457	544	330	wheat
Other EU 25	672	468	544	340	wheat
Bulgaria and Romania	672	480	544	352	wheat
United States	642	426	478	262	maize
Other OECD	701	529	513	341	maize
Brazil	538	336	369	167	sugar cane
China	419	239	544	365	sugar cane
India	463	251	507	295	sugar cane
Other South East Asia	448	257	783	591	sugar cane
Former Soviet Union	672	470	544	343	wheat
Rest of the World	672	449	544	321	wheat

The technologies chosen are applied for the whole time span of the scenario. Hence, the possibility of an endogenous switch of technologies due to adjustments of relative prices is

not considered. With these specifications, we arrive at production technologies and total production costs given in Table 27.

The basic cost input data (columns “before adjustment” in Table 27) had to be adjusted because the implicit GTAP average energy prices for petroleum products considerably deviate from the (before-tax) price of transport fuels in the IEA data (van Leeuwen, 2006). In this situation, there are in principle three options for introducing biofuel prices into the model: keeping the price relation constant, keeping the absolute deviation constant or keeping the absolute biofuel price constant. We chose the second option because we consider the absolute price difference as most important for welfare analysis. As a consequence, the relative price difference between biofuels and conventional fuels is too high, and the absolute biofuel prices are too low in the model.

Biofuels and conventional fuels are inputs to the production sector “road and rail transport” and the consumption good “consumer transportation” (the share of consumer transportation in the total use of petroleum products by private households is listed in Table 28). All transport fuels are modelled as perfect substitutes. The split between biofuels and conventional fuels is exogenously determined by the biofuel targets, the split between biodiesel and ethanol follows the actual split between diesel and gasoline in 2001 (see Table 28). These shares do not respond endogenously to the relative price of the fuel varieties. The user price of the fuel aggregate is determined as the weighted average of the prices of the individual fuel varieties.

Table 28: Road traffic fuel shares in WorldScan

	Share of gasoline in total fuel use for transport	Share of transport in total use of petroleum products by households
Germany	0.53	0.48
France	0.33	0.42
United Kingdom	0.57	0.17
Italy	0.48	0.33
Spain	0.33	0.27
Netherlands	0.44	0.02
Other EU 15	0.46	0.41
Poland	0.59	0.21
Other EU 25	0.47	0.06
Bulgaria and Romania	0.46	0.17
United States	0.78	0.12
Other OECD	0.66	0.16
Brazil	0.36	0.32
China	0.70	0.37
India	0.27	0.64
Other South East Asia	0.46	0.34
Former Soviet Union	0.75	0.22
Rest of the World	0.56	0.40

Source: IEA

For the calculations of the policy alternative of raising fossil fuel excises, we need information about the indirect CO₂ emissions in biofuel production. Though this information is implicit in the model, it is difficult to extract because the indirect effects extend over all sectors and countries, and because it is almost impossible to disentangle quantity and price induced effects. Therefore we used exogenous information about the indirect emissions of

biofuels (Table 29) to arrive at assessments of the emissions reductions involved in imposing a 10% biofuel share.

	gCO ₂ /km	in % of fossil fuel average
Ethanol from wheat	100	64.52
Ethanol from sugar beet	75	48.39
Ethanol from sugar cane	25	16.13
Ethanol from corn	100	64.52
Gasoline	160	103.23
Biodiesel	65	41.94
Diesel	150	96.77
Fossil fuels	155	

Source IES, 2006, WTW 2b

Note: corn taken from wheat

Biofuel targets are imposed on top of what is already used in the policy baseline. From 2004 onwards the biofuel shares are frozen in this baseline (see Table 30).

	Biodiesel	Ethanol
Germany	1.22	0
France	0.74	0.16
United Kingdom	0	0
Italy	0.62	0
Spain	0	0.42
Netherlands	0	0
Other EU 15	0.16	0.09
Poland	0	0.59
Other EU 25	0.59	0.05
Bulgaria and Romania	0	0
United States	0	1.16
Other OECD	0	0.07
Brazil	0	23.22
China	0	0.35
India	0	0.32
Other South East Asia	0	0
Former Soviet Union	0	0
Rest of the World	0	0

Source: EurObservER, June 2005

The import shares for biofuels are a highly speculative issue. This is because actual flows are low and erratic, so they cannot be used to extrapolate the structure of international trade in biofuels in a situation where these fuels would make up a considerable share of total fuel use and would be produced in many countries. We assume that in a reference situation where prices are the same for all import varieties, the biofuel import shares would mirror trade in vegetable oils (for biodiesel) and the production of the relevant inputs of ethanol (plus a home-market bias of 80%). The resulting reference shares are listed in Table 31.

Table 31: Reference import shares for biofuels

	domestic	Biodiesel		domestic	Ethanol	
		EU	outside EU		EU	outside EU
Germany	97.19	2.14	0.67	80.00	3.66	16.34
France	82.25	15.81	1.94	80.00	3.26	16.74
United Kingdom	71.97	24.22	3.81	80.00	3.85	16.15
Italy	82.03	14.03	3.94	80.00	4.05	15.95
Spain	94.86	1.91	3.23	80.00	4.07	15.93
Netherlands	36.45	19.99	43.56	80.00	4.21	15.79
Other EU 15	82.55	14.68	2.77	80.00	3.88	16.12
Poland	96.08	3.43	0.50	80.00	4.00	16.00
Other EU 25	90.06	8.54	1.40	80.00	3.92	16.08
Bulgaria and Romania	97.82	1.57	0.61	80.00	4.00	16.00

Annex 3c: Sensitivity analysis with respect to land allocation

The modelling of agricultural land supply for biofuel production is a key element of the comprehensive assessment of biofuel promotion. In partial equilibrium studies (OECD, 2006; Economic Commission, 2006) even moderate increases in biofuel use may have significant effects on land and food prices.

A global general equilibrium model like WorldScan cannot be expected to give a picture of land allocation that is as accurate as in specialised partial-equilibrium agricultural studies. Similar to the representation of production processes with aggregate, smooth constant-elasticity-of-substitution (CES) production functions, we must take resort to a relative coarse way of land supply modelling. The usual way of representing the intricacies of different sorts of land with varying yield coefficients per crop within a CGE framework is through constant-elasticity-of-transformation (CET) functions (see OECD, 2003, Golub et al., 2007). The CET setup assumes that transformation between different uses is possible, but not frictionless. The more land is claimed by a specific use, the higher becomes the marginal rate of transformation, i.e. the more units of land in other uses have to be sacrificed to generate one unit of land for the use in question.

It is obvious that such a modelling approach produces difficulties in interpretation. After all, one hectare of land remains one hectare, irrespectively of how exactly it is used. The outcome of the CET modelling approach is thus usually interpreted in terms of “efficient land units”. However, there remains an interpretation problem. There is no straightforward way to recover the land use in hectares from the efficient units without an explicit assumption about the distribution of the yield coefficients over the area available.

Even if we agree that CET is a reasonable representation of land supply in efficient units within a general equilibrium framework and restrain from being explicit about land use in hectares, we are left with the choice of the elasticity parameter. Unfortunately, empirical estimates that lend themselves to an interpretation of a CET elasticity are rare, and actual CGE models apply widely varying elasticities. Golub et al. (2007) start from an empirically based elasticity of transformation (EOT) between agricultural and forestry land of 1.5 and set

the elasticity between crops and livestock at 3.0. The EOT between different sort of crops (not specified in the Golub et al. model) should then even be higher. In contrast, the OECD “PEM” model (OECD, 2003) uses significantly lower elasticities: 0.1 between COP (cereals, oil seeds and protein) crops and other farm uses, 0.4 between the three COP crops. (In a “high” variant for sensitivity analysis, the respective values are 0.3 and 0.8, still far below what seems reasonable according to Golub et al.)

We explore the consequences of this wide range of elasticities in a sensitivity analysis. The core version of WorldScan (used for the simulations in the main text) uses an EOT of 2.0, which can be considered middle ground between the high Golub et al. and the low OECD numbers. We contrast this with simulation runs where we put the EOT at 0.5 and 15 (close to perfect transformability) respectively (see Table 32).

Table 32: Arable land rents and economic welfare, in % deviation from the policy baseline, 2020, Sensitivity analysis with respect to the elasticity of transformation for arable land

	EOT = 0.5		EOT = 2.0		EOT = 15	
	Arable land rents	Economic welfare	Arable land rents	Economic welfare	Arable land rents	Economic welfare
No excise, target 10%						
No trade liberalization	2.2	0.03	2.2	0.03	2.1	0.03
Full trade liberalization	1.4	0.03	1.5	0.03	1.5	0.03
Competitive excise, target 10%						
No trade liberalization	2.2	0.02	2.3	0.02	2.1	0.02
Full trade liberalization	1.5	0.02	1.6	0.02	1.5	0.02
Full excise, target 10%						
No trade liberalization	2.2	-0.01	2.2	0.00	2.1	0.00
Full trade liberalization	1.5	0.00	1.6	0.00	1.6	0.00
Full excise, target 15%						
No trade liberalization	3.4	-0.02	3.4	-0.01	3.2	-0.01
Full trade liberalization	2.3	-0.01	2.4	-0.01	2.4	0.00
Full excise, target 20%						
No trade liberalization	4.6	-0.03	4.6	-0.03	4.3	-0.02
Full trade liberalization	3.1	-0.02	3.3	-0.02	3.2	-0.01
Raising fossil fuel excises						
No trade liberalization	0.3	-0.06	0.3	-0.06	0.3	-0.06
Full trade liberalization	0.3	-0.06	0.3	-0.06	0.2	-0.06

Source: WorldScan

Table 32 shows that, as we would expect, land prices are in general lower and welfare is higher if land can be transformed more easily from one use to another (from left to right in the table). However, in quantitative terms, the differences between the variants of the model are hardly noticeable. They become somewhat larger if we move on to higher biofuel quotas (as we explored in some additional scenario runs), but even then the conclusions do not change fundamentally. We conclude that within the CET framework of land use modelling, our simulation results are fairly robust. We cannot be certain, though, that this would remain the case if we substituted the CET function by a representation of land-use patterns that would reflect more agricultural detail.

Laurent Abadie: Towards an oil-free economy



In this [Enterprise 2020](#) interview, **Panasonic Europe's** Chairman and CEO **Laurent Abadie** talks about the role of young generations in Panasonic's vision for the future, and the environmental challenge facing companies today.

[Read more](#)

Craig Mundie: Technology for 9 billion people



In this [Enterprise 2020](#) interview, **Microsoft's** chief research and strategy officer **Craig Mundie** talks about the role of information technology in addressing societal challenges around the world.

[Read more](#)

New members-only reports on integrating CSR



CSR Europe has recently published two new members-only reports: a report on the integration of **CSR and sustainable development in the performance assessment and remuneration** mechanisms of multinational corporations, and a report on **assurance of social data** in the CSR reports of French CAC40 companies. CSR Europe regularly provides members with issue-specific reports

on integrating CSR.

[Read more](#)



Businesses combat poverty and social exclusion

2010 is the [European Year for Combating Poverty and Social Exclusion](#). Today, 79 million people in Europe live at risk of poverty - 16% of the population. In line with the theme of the Year, many CSR Europe members are addressing poverty and social exclusion issues as part of their CSR strategy, and several collaborative CSR Laboratories have brought together companies and stakeholders to develop joint approaches to combating social exclusion.

[Read more](#)

CSR Europe and national partners release a guide to CSR in Europe



CSR Europe's network of national partner organisations has released **A Guide to CSR in Europe**, providing insight into the state of CSR and current trends and priorities in different European countries. Topics covered include national CSR policies and legislation, key drivers of CSR, main organisational actors, and recent developments in various thematic areas including environment, supply chain, human rights, equal opportunities, community engagement, and sustainable products and services.

[Read more](#)

Report urges new approaches to valuing businesses

A new report from a European research team suggests that the traditional focus on narrowly defined shareholder value poses a set of obstacles to **assessing companies' environmental, social and governance (ESG) performance**. The report looks at how ESG factors impact business success, how



companies explain these linkages to investors, and how the investment community treats this data. It goes on to argue that growing sustainability pressures are likely to make these linkages more important in the future.

[Read more](#)

Barroso: 'We need a new culture of ethics and responsibility'



In the current exceptional circumstances, corporate social responsibility is even more crucial than ever, said European Commission President **José Manuel Barroso**, speaking at CSR Europe's General Assembly in Brussels on 11 June 2009. Calling for a "new culture of ethics and responsibility", Barroso stressed the importance of re-building trust in business. "People still want markets - but they want markets with a conscience", Barroso said.

[Read more](#)

More news from CSR Europe

- [CSR in public procurement - New members-only report](#)
- [CSR in China - Building responsible competitiveness in global supply chains](#)
- [CSR in the downturn - CSR Europe interview on China Radio International](#)
- [Croatian partner joins CSR Europe's network](#)
- [Valuing non-financial performance: A European framework for company-investor dialogue](#)
- [Leading companies launch online portal for responsible supply chain management](#)
- [CSR Europe launches toolbox for responsible business](#)
- [Interview with Günter Verheugen: "CSR is an undeniable must to cope with bad times"](#)
- [New Chair for CSR Europe's Board of Directors](#)
- [Empowering communities - focus on community investment](#)
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About Us

CSR Europe is the leading European business network for corporate social responsibility with around [75 multinational corporations](#) and [27 national partner organisations](#) as members.

Its mission is to support member companies in integrating CSR into the way they do business, every day.

CSR Europe is a platform for:

- Connecting companies to share best practice on CSR
- Innovating new projects between business and stakeholders
- Shaping the modern day business and political agenda on sustainability and competitiveness

The organisation was founded in 1995 by senior European business leaders in response to an appeal by the European Commission President Jacques Delors. It has since grown to become an inspiring network of business people working at the very forefront of CSR across Europe and globally.












Learn more about our [activities](#) and [membership](#)


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[Download our Activity Overview 2009-2010 \(pdf\)](#)

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<u>Alcatel-Lucent</u>	<u>Alpro</u>	<u>Applied Materials</u>	<u>ArcelorMittal</u>
			
<u>Aviva</u>	<u>Bank of America</u>	<u>BASF</u>	<u>Belgacom</u>
			
<u>BT Group</u>	<u>Burson-Marsteller</u>	<u>Caisse des Dépôts</u>	<u>Canon</u>
			
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Our National Partners

- Austria: [respACT - Austrian Business Council for Sustainable Development](#)
- Belgium: [Business & Society Belgium](#)
- Croatia: [Croatian Business Council for Sustainable Development](#)
- Czech Republic: [Business Leaders Forum \(BLF\)](#)
- Finland: [Finnish Business & Society](#)
- France: [IMS - Entreprendre pour la Cité](#)
- France: [ORSE \(Observatoire sur la Responsabilité Sociétale des Entreprises\)](#)
- Germany: [Econsense](#)
- Greece: [Hellenic Network for Corporate Social Responsibility](#)
- Hungary: [KÖVET, Association for Sustainable Economies](#)
- Ireland: [Business in the Community Ireland \(BITCI\)](#)
- Italy: [Impronta Etica](#)
- Italy: [Sodalitas](#)
- Luxembourg: [IMS Luxembourg](#)
- Netherlands: [Samenleving & Bedrijf \(Community & Business\)](#)
- Norway: [Green Business Network Norway](#)
- Poland: [Responsible Business Forum](#)
- Portugal: [RSE Portugal](#)
- Scotland: [Scottish Business in the Community](#)
- Slovakia: [Slovak Business Leaders Forum/Pontis Foundation](#)
- Spain: [Club de Excelencia en Sostenibilidad](#)
- Spain: [Forética](#)
- Sweden: [CSR Sweden](#)
- Switzerland: [Philiias Foundation](#)
- Turkey: [CSR Turkey](#)
- United Kingdom: [Business in the Community](#)

Activities

At the core of CSR Europe are our [corporate members](#) and [national partner organisations](#). The expertise and diversity that this unique group of organisations and individuals bring together form the platform upon which CSR Europe undertakes its activities.



[CSR Laboratories](#)



[B2B Working Groups](#)



[EU & Stakeholder Dialogue](#)



[MarketPlace & Solutions](#)



[Information & Publications](#)



[Helpdesk Services](#)

Themes and Issues

In all its activities and in its interaction with stakeholders, CSR Europe works on the themes and issues that it set out in its [European Roadmap for CSR](#) and which are today also reflected in the [European Alliance for CSR](#) and CSR Europe's [Toolbox for a Competitive and Responsible Europe](#). These are:

- Innovation and Entrepreneurship
- Skills and Competence Building
- Equal Opportunities and Diversity
- Health and Safety
- Environmental Protection
- Mainstreaming CSR
- Stakeholder Engagement
- Leadership and Governance
- Communications and Reporting
- Business Partnerships

CSR Europe's Toolbox

Equipping Companies and Stakeholders for a Competitive and Responsible Europe



[Hide all topics](#)

CSR Europe's Toolbox includes information, ideas and advice designed to help companies and their stakeholders address socio-economic and environmental challenges and integrate corporate social responsibility (CSR) into mainstream business practice. The Toolbox is based on the first results of the [CSR Laboratories](#), cross-sectoral business-stakeholder cooperation projects under the umbrella of the [European Alliance for CSR](#).

Toolbox Sponsors



[Read more about our sponsors' CSR initiatives](#)

CSR Laboratories

CSR Laboratories are business-driven and action-oriented projects that address socio-economic challenges by bringing together business practitioners, stakeholders and EU representatives to share experience and explore joint operational projects.

Since the beginning of 2007, twenty Laboratories have been set up under the umbrella of the [European Alliance for CSR](#). Together, they involve hundreds of business and stakeholder representatives throughout Europe.



The CSR Laboratories are designed to explore innovative models of business-stakeholder cooperation and produce practical tools for tackling CSR challenges. The first results of the Laboratories were launched in December 2008 as part of CSR Europe's [Toolbox for a Competitive and Responsible Europe](#).

Read more about [all Laboratories](#) or visit the Laboratories currently facilitated by CSR Europe:

- [Base of the pyramid](#)
- [Supply chain management](#)
- [Skills for employability](#)
- [Enhancing science teaching in schools](#)
- [Mainstreaming diversity in the company](#)
- [Wellbeing in the workplace](#)
- [Corporate responsibility and market valuation of financial and non-financial performance](#)

For further information, please contact Colleen M. Fletcher, cf@csreurope.org.

B2B Working Groups

CSR Europe organises and facilitates a number of business-to-business working groups in which members can engage in a confidential B2B setting in order to exchange practical solutions to specific CSR challenges.

Currently active working groups include:

- [Communicating CSR](#)
- [Responsible Finance](#)

Past working groups include:

- [Sustainable Marketing](#)
- [Women in Leadership Positions](#)
- [Reporting and Assurance](#)
- [Multi-Business Partnerships with NGOs](#)
- [CSR Reporting in EU/US Context](#)
- [Sustainable Procurement](#)
- [Sports and Social Integration](#)

The B2B working groups are demand driven: any CSR Europe member company can approach the secretariat to initiate a working group on a specific topic. CSR Europe will then explore interest among other member companies to engage in such a group.

The lead member, with input from CSR Europe, initially determines composition and content of a B2B working group, and hosts a first session. Participants subsequently identify further contents angles and continuity of the group. Each B2B group is managed through meetings, conference calls and a dedicated online community.



EU and Stakeholder Dialogue

Through its pan-European network, CSR Europe pools together a wealth of services and solutions on CSR. In doing so, CSR Europe has always adopted a proactive attitude of dialogue and engagement with EU institutions, governments, social partners, civil society and academia, both in and beyond Europe.



Roadmap Appeal

In 2005, CSR Europe and its national partner organisations launched the European Roadmap for Businesses, presenting an appeal to the EU and stakeholders to develop action and forge partnerships allowing business to manage change in a sustainable and competitive way. [Read more](#)

European Dialogue

Since CSR Europe's inception, there has been ongoing interaction between CSR Europe and the European Commission as well as other EU institutions and stakeholders. [Read more](#)

Global Dialogue

CSR Europe engages in dialogue with stakeholder organisations across the world. [Read more](#)

Updates for Members

Given the numerous CSR activities that are continuously taking place involving EU institutions and other stakeholders, CSR Europe organises [dial-in update sessions](#) to allow members to stay informed on, review and debate present and upcoming initiatives which might influence their CSR strategy and practice.

Roadmap Appeal

In 2005 CSR Europe and its national partner organisations led an open initiative for all enterprises across Europe entitled the "European Roadmap for Businesses - Towards a Sustainable and Competitive Enterprise".

Built on ten years of business engagement, solutions and dialogue with the European Union and other stakeholders, the Roadmap embodied three key elements:

- A **shared vision** towards a European enterprise built on short and long-term value creation, stakeholder engagement, new skills, and innovation in every compartment of business activity
- A **commitment** to 10 strategic goals and processes articulating corporate responsibility and competitiveness
- An **appeal** to the European Union and stakeholders to develop action and forge partnerships allowing business to manage change in a sustainable and competitive way

CSR Europe acted as the liaison for regular meetings between top EU leaders and CEOs supportive of the Roadmap, offering the opportunity for businesses to participate in the debate on European competitiveness and sustainable development and to provide visibility for the contribution of corporate responsibility to the achievement of the renewed Lisbon Strategy 2010.

Today, CSR Europe continues to work on the themes and issues set out the Roadmap:

- Innovation and Entrepreneurship
- Skills and Competence Building
- Equal Opportunities and Diversity
- Health and Safety
- Environmental Protection

- Mainstreaming CSR
- Stakeholder Engagement
- Leadership and Governance
- Communications and Reporting
- Business Partnerships

Since 2006, the goals and strategies embodied in the Roadmap are also key drivers of the [European Alliance for CSR](#).

[Read the Roadmap](#)

The European Alliance for CSR

The European Alliance for Corporate Social Responsibility is an open partnership for enterprises to promote and encourage CSR. The Alliance was launched in 2006 as a joint initiative of the European Commission and the business community.

News

- European Commission hosted a meeting of the [European Multi-Stakeholder Forum on CSR](#) on 10 February 2009
- CSR Europe launched its [Toolbox for a Competitive and Responsible Europe](#) at the [European Alliance for CSR Event](#) in Brussels on 4 December 2008
- Alliance partners CSR Europe, BusinessEurope and UEAPME have released the [Alliance Progress Review 2007 \(pdf\)](#)
- Business leaders and European Commissioners Günter Verheugen and Vladimir Spidla met at the second [High Level Meeting](#) of the Alliance on 4 March 2008



The European Commission has chosen three organisations to coordinate and facilitate the Alliance: [CSR Europe](#), [BusinessEurope](#) and [UEAPME](#). This website www.csreurope.org/alliance is part of CSR Europe's contribution to the Alliance.



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Go for growth

In a major policy document presented on 4th February 2010, BUSINESSEUROPE and all its members propose an agenda for the European Union in 2010-2014. **Go for growth** should be more than just a slogan. It should inspire every political decision.

GO FOR GROWTH

AN AGENDA FOR THE EU IN 2010-2014



[Next](#)



Increase in public debt a major stumbling block
(15/03/2010)

Ahead of the Eurogroup and ECOFIN Council and in preparation of the Spring Summit, BUSINESSEUROPE presented its European Reform Barometer, evaluating the EU's performance and individual country position on key structural indicators in 2009, and their relative evolution since 2008. It also presented a report on the sustainability of public finances which spells out the parameters of a common exit strategy, restoring fiscal sustainability and redirecting resources where it matters for future growth and job creation.

The conclusion from these two reports is clear: tackling the structural impediments to growth at EU and national level is the key to our future.

[Previous news](#)

News

Reform Barometer and sustainability of public finances
15/03/2010

Keep **better regulation** at the top of the political agenda
08/03/2010

EU 2020: a growth strategy is the answer
03/03/2010

Competitiveness Council urged to double growth potential
01/03/2010

ACEI calls for a new industrial partnership
26/02/2010

KEY ISSUES

- Red tape
- Growth
- Social Dialogue
- Services
- Single Market
- Finance
- Energy
- Innovation
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- Entrepreneurship
- China
- Flexicurity
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- Economy
- Intellectual Property

VIDEOS



Benchmarking our way out of the crisis
President Thumann presents the European Reform Barometer and our report on sustainability of public finances
Date: 15/03/2010

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HEADLINES

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Participation of BUSINESSEUROPE

2010
05
MAY

Go for Growth EP reception
An event in the European Parliament

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- Campaign for healthy workplaces

Go for growth

Do not miss our large policy document, presented to José Manuel Barroso, Jerzy Buzek and Herman van Rompuy.

GO FOR GROWTH

PRINT 

Mission and Priorities

Mission

BUSINESSEUROPE plays a crucial role in Europe as the main horizontal business organisation at EU level. Through its 40 member federations, BUSINESSEUROPE represents 20 million companies from 34 countries. Its main task is to ensure that companies' interests are represented and defended vis-à-vis the European institutions with the principal aim of preserving and strengthening corporate competitiveness. BUSINESSEUROPE is active in the European social dialogue to promote the smooth functioning of labour markets.

Priorities: go for growth

In a large policy document presented on 4 February 2010, BUSINESSEUROPE and all its members propose an agenda for the European Union in 2010-20. Go for growth should be more than just a slogan. It should inspire every political decision.

BUSINESSEUROPE counts on the EU institutions to implement this agenda for sustainable growth. Companies for their part bring their contribution to achieve a dynamic and innovative resource-efficient economy.

Brochure



Download the full brochure (.pdf/2.6 MB).

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The political message

by Jürgen R. Thumann and Philippe de Buck

- The crisis has generated many questions
- Going back to the fundamental values of the economy
- Go for growth should be more than a slogan
- Development of companies is central
- The post-crisis world will be different
- The key to success



Download the chapter (.pdf/243 kB).



Five key challenges

- Get out of the crisis
- Tackle demographic ageing
- Fight climate change
- Ensure access to energy and raw materials
- Strengthen Europe's role in the global economy



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Four conditions for recovery

- Stabilise financial markets
- Return to sound public finances
- Speed up structural reforms
- Keep markets open

→ Key policy recommendations



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Three drivers of business opportunities

- Revitalise the single market
- Put in place an ambitious international trade policy



- Support innovation, research and education
- Key policy recommendations



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Two ingredients for boosting employment

- Promote job creation
- Increase the supply of skilled workers
- Key policy recommendations



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One integrated policy for entrepreneurship and industry

- Go for growth
- Key policy recommendations



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Video



Watch President Jürgen R. Thumann present the message, 4 February 2010.

THEY also said it:

- "My policy is to go for growth" - Gordon Brown during an interview by Reuters, 11/02/2010
- "First priority must be to restore robust growth" - Over 20 British and American universities, incl. LSE, Berkeley, Oxford, Cambridge and Harvard, in Financial Times, 19/02/2010
- "Nous avons du mal à relever notre croissance potentielle, qui n'est que de 2%, un niveau insuffisant pour parvenir au plein emploi" - Jacques Delors, in l'Echo, 19/02/2010
- "A kormányfő három nemzeti cél kitűzését javasolta: elsonek a magyar euró bevezetését, másodíknak a foglalkoztatás bővítését, a harmadíknak pedig a gyors gazdasági növekedés beindítását jelölte meg." - Gordon Bajnai, speaking in the Hungarian Parliament, 22/02/2010

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BOSMIP
Campaign for healthy workplaces 2008-2009



The voice of SMEs in Europe

UEAPME is the employers' organisation representing the interests of European crafts, trades and SMEs at EU level. UEAPME is a recognised European Social Partner. It is a non-profit seeking and non-partisan organisation.

As the European SME umbrella organisation, UEAPME incorporates 82 member organisations from 34 countries consisting of national cross-sectorial SME federations, European branch federations and other associate members, which support the SME family.

UEAPME represents more than 12 million enterprises, which employ around 55 million people across Europe.

Recent press releases

- [Parliament's ok to accounting exemptions a step back for the internal market](#)10 March 2010
- [EU 2020 strategy must now earn Member States' full support, say SMEs](#)3 March 2010
- [SMEs deeply concerned by Parliament Committee's vote on maternity leave](#)23 February 2010

Recent position papers

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- [UEAPME's position for the second reading of the Proposal for a Directive on Industrial \(...\)](#)March 2010
- [UEAPME's comments on the discussion document "A new framework for the tourism policy in the \(...\)"](#)March 2010
- [UEAPME position on the review of the Package Travel Directive](#)February 2010

Latest newsflash: 12/03/10

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- **EP vote on accounting exemptions disappoints UEAPME**
- **Employment Council adopts parental leave agreement**
- **SMEs publish comments on industrial emissions directive**
- **SMEs speak at seminar on Ombudsman's new mandate**
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- **Forward planning: key events ahead**

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European Dialogue

CSR Europe's Dialogue and Engagement with EU Institutions

Since CSR Europe's inception, there has been ongoing interaction between CSR Europe and the European Commission as well as other EU institutions and stakeholder organisations.

European Council

In 1999, the Portuguese EU Presidency, in the presence of 100 representatives of business and government, invited Etienne Davignon and other leaders of CSR Europe to provide input into the European Council Summit on Employment, Economic Reform and Social Cohesion, held in Lisbon in March 2000.

In response to this invitation, top European business leaders prepared 12 concrete proposals for combining economic competitiveness and social responsibility, which were addressed to Heads of State and Governments.

In the conclusions of the spring European Council Summit, 15 Heads of State and Governments responded by making an appeal to business sense of responsibility, thereby placing CSR at the heart of the Lisbon Strategy 2010: "*to make Europe the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010*".

Today CSR Europe's relationship with the European Council is largely realised through our participation in regular meetings of the [High Level Group of National Representatives on CSR](#). CSR Europe is invited to discuss progress with regard to the European Alliance on CSR, based on our activities, and to explore the potential to bridge respective initiatives of businesses and public authorities.



European Parliament

CSR Europe has established regular contacts with members of the European Parliament, especially those responsible for producing the Parliament's CSR reports. This relationship has materialised through

- CSR Europe's participation in parliament hearings on CSR
- specific meetings between business and Members of Parliament
- hosting of European Parliament representatives at major events, such as CSR Europe's European MarketPlace on CSR.

The European Parliament has also specifically invited CSR Europe to deliver on the CSR Laboratories by the end of 2008. Read the [Parliament's resolution of 13 March 2007 on corporate social responsibility](#).

European Commission

Since CSR Europe's inception, there has been ongoing interaction between CSR Europe and the European Commission, resulting in a strong cross-fertilisation of business and EU initiatives on CSR. Read more in the [history section](#).

Today, the [European Commission's CSR strategy](#) is embodied in a communication addressed to the European Parliament, the Council and the European Economic and Social Committee, which was released in March 2006. This renewed CSR strategy contains three key elements that provide a framework for action:

- The European Alliance for CSR
- The European Multi-Stakeholder Forum and initiatives
- Integration of CSR within European policy

The European Alliance for CSR

This framework of action is a new political approach on CSR by the European Commission, which encompasses the objectives of aiding in the achievement of the European Strategy for Growth and Jobs.

The Alliance is based on a dual commitment: that the European Commission and members states strengthen a business friendly environment in which enterprises can flourish and grow; and that, through a voluntary approach, more enterprises in Europe and internationally will further learn and innovate with regards to their governance, management, stakeholder dialogue and product development.

Members of CSR Europe practically engage in the Alliance in five ways:

- Engaging in thematic CSR Laboratories
- Exchanging and disseminating CSR best practices
- Participating in High Level Meetings with other business leaders and European Commissioners
- Supporting the European Multi-Stakeholder Forum on CSR
- Engaging with universities and business schools to promote research and education on CSR



Read more about the [Alliance](#).

The European Multi-Stakeholder Forum on CSR

This framework of action within the European Commission's CSR strategy has the mission of "fostering CSR through innovation, transparency and convergence of CSR practices."



The main objectives of the European Multi-Stakeholder Forum on CSR are to improve knowledge of CSR and sustainable development, while exploring opportunities for establishing common guiding principles.

The participants of the Forum vary from trade unions to business networks and organisations, employer organisations, and civil society groups.

CSR Europe is one of four initial members of the coordination group for the Forum, established in 2002, and has always been a strong advocate. We have contributed to the objectives, process and rules of the Forum and, together with the European Social Platform, Business Europe and ETUC, have collaborated in the preparation of the Forum's final report and recommendations released in June 2004.

CSR Europe also actively participated in the first review meeting that took place in December 2006, contributing more than 140 initiatives that the European Commission included in the Forum Compendium.

Today, CSR Europe will continue to participate in the coordination committee of the Forum with a view to preparing the next conference, scheduled for end December 2008. Read more about the European Multi-Stakeholder Forum on the [European Commission's](#) website.

Integration of CSR within European Policy

This is the more political area of the European Commission's entire CSR strategy. It is intended to ensure that legislation or actions taken at two levels, member states and EU level, are correlated with developments in the other frameworks of action within the CSR strategy.

In light of this process, CSR Europe members meet officials of the European Commission on a regular basis. Examples include the following:

- Once a year, CEOs of companies supporting the European Alliance on CSR meet with the Vice President of the European Commission (Günter Verheugen) and the Commissioner for Employment and Social Affairs (Vladimir Spidla) to review progress of the Alliance and to discuss strategic issues with regard to the challenges that businesses and the EU are facing on demographic change, competitiveness and sustainable development
- On 10 October 2007, CSR Europe and representatives of member companies held a high level meeting with 13 Director Generals of the European Commission to explore how to better link some key CSR priority areas - set out in the Alliance text and currently being addressed through Laboratories - with specific European policies and initiatives

- CSR Europe secretariat is regularly invited to meet with various services of the European Commission who are part of the Inter-Service Group on CSR

CSR Europe's Dialogue and Engagement with Other European Stakeholders

CSR Europe engages with multiple stakeholders through a number of different channels:

- The [European Multi-Stakeholder Forum on CSR](#), a dialogue to review progress and gaps regarding CSR from a European perspective. Partners include for example ETUC, Business Europe, EUROSIF, Eurocadres.
- The [European MarketPlace on CSR](#), a forum for the exchange of best practice solutions to CSR challenges, shared among company representatives, European policy makers and other stakeholders.
- Thematic [CSR Laboratories](#) that bring together business practitioners, stakeholders and EU representatives to share experience and engage in joint operational projects. Participants include for example: the Foreign Trade Association, the Global Alliance for Improved Nutrition, the Dutch ministry of Economic Affairs, the European Federation of Financial Analysts.
- Provision of [CSR helpdesk services](#) to member companies, including facilitation of dialogue and engagement with stakeholders.
- CSR Europe and the Copenhagen Centre teamed up in 2002 with universities and business schools across Europe to found the [European Academy of Business in Society](#). EABIS and CSR Europe share the same President, Viscount Etienne Davignon, as well as many corporate members, including the core founding members IBM, Johnson & Johnson, Shell, Microsoft and Unilever.

TERMS OF REFERENCE OF THE HIGH LEVEL GROUP ON COMPETITIVENESS, ENERGY AND THE ENVIRONMENT

CONTEXT

The Commission announced in its Communication on “Implementing the Community Lisbon Programme: a policy framework to strengthen EU manufacturing - towards a more integrated approach for industrial policy” the creation of a High Level Group on Competitiveness, Energy and the Environment.

OBJECTIVE

The Commission decided to establish a High Level Group on Competitiveness, Energy and the Environment to contribute to examining the links between industrial, energy and environmental policies and ensuring the coherence of individual initiatives, whilst improving both sustainability and competitiveness, notably building upon input from research in this field.

The High Level Group will give advice:

- to foster consistency of policy and legislative initiatives in the domains of competitiveness, energy and environmental policies, through closer coordination and the development of an integrated approach;
- to contribute to creating a more stable and predictable regulatory framework.

MANDATE

The High Level Group is mandated to provide advice to policy makers at Community and national levels, industry and civil society organizations in the most appropriate format on issues where competitiveness, energy and environmental policies interrelate and impact on basic and intermediate product industries. The mandate is given for two years: it may be extended by Commission Decision.

In this context, the Commission will invite the High Level Group to provide advice for action, in particular, in connection with the following issues:

- The functioning of energy markets, particularly the electricity and gas markets;
- Climate change, particularly the emissions trading scheme, energy-efficiency and renewables, including energy taxation and removal of harmful subsidies;
- The implementation of the Thematic Strategy on the prevention and recycling of waste and related legislation;
- Improvement of resource efficiency;
- The development and uptake of environmental and other innovative technologies;
- Concrete implementation of better regulation principles

The High Level Group will fully integrate the international aspects into their reflections and opinions.

PROPOSED APPROACH

The High Level Group will establish its own working method and will decide on the items to be included in the agenda for discussion. Discussions on the different topics will be conducted on the basis of documents prepared by the Commission, industry, NGOs, other participating parties or by external consultants, where appropriate.

Each member of the High Level Group will nominate a personal representative to the *sherpa* sub-group.

The *sherpa* sub-group will prepare the discussions, position papers and advice for actions and/or policy measures to be endorsed by the High Level Group; it will work in close contact with the Commission services.

The High Level Group may decide on the most appropriate way to feeding its reflections with any substantive studies or contributions, including the creation, where appropriate, of a limited number of ad-hoc groups. The members of the *sherpa* sub-group may be involved in this process.

The High Level Group will be co-chaired by the Commissioners for Enterprise and Industry, Environment, Competition and Energy, according to the subjects being addressed and on the basis of a revolving chairmanship. The Commissioners will chair the meetings or parts of meetings pertaining to their portfolio competencies. The practical implementation of this principle will be decided on a case by case basis ahead of every meeting.

The secretariat of the High Level Group, the Sherpa sub-group and the ad-hoc groups will be provided by DG ENTR, DG ENV and DG TREN.

REPORTING AND DELIVERABLES

The High Level Group shall provide advice, in the most appropriate format (e.g. statement, report). This advice may be addressed to policy makers at Community and national level, industry, and civil society organisations. The Group may also decide to make publicly available the non-confidential conclusions of the meetings, outlining decisions taken and progress made.

MEMBERSHIP

The Vice-President of the European Commission, responsible for Enterprise and Industry, Mr. Gunter Verheugen

The Member of the European Commission, responsible for Environment, Mr. Stavros Dimas

The Member of the European Commission, responsible for Competition, Ms. Neelie Kroes

The Member of the European Commission, responsible for Energy, Mr. Andris Piebalgs

The High Level Group of up to 28 participants is as wide as required to ensure that relevant stakeholders are represented, and as targeted as possible to ensure that they can contribute relevant input.

Representation is at the highest level from different administrations and organisations including the Commission, Member States, European Parliament, and relevant stakeholders, notably industry and civil society, inter alia, consumers, trade unions, NGOs and regulators. Members of the High Level Group are appointed for their expertise in a personal capacity, without replacement by deputies or nominated representatives.

WORK PLAN AND INDICATIVE TIMETABLE

The High-level Group will meet whenever appropriate as often as required and as long as relevant matters within the scope of its mandate will require debate and advice by the HLG. It shall conclude its work 24 months after the adoption of the Commission's Decision creating it. The Commission may decide, in the meantime, on a possible extension of the duration. About two meetings of the *sherpa* sub-group are expected to be necessary to prepare the debates at the High Level Group.

The *sherpa's* sub-group will set up a work plan to be approved by the High Level Group in its first meeting.



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Corporate social responsibility

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European Parliament resolution of 13 March 2007 on corporate social responsibility: a new partnership (2006/2133(INI))

The European Parliament,

- having regard to the Commission communication implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility (**COM(2006)0136**) (Commission communication on CSR),
- having regard to the two most authoritative internationally agreed sets of standards for corporate conduct: the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy by the International Labour Organization (ILO), last revised in 2001, and the Guidelines for Multinational Enterprises by the Organisation for Economic Co-operation and Development (OECD), last revised in 2000 and having regard to codes of conduct agreed under the aegis of other international organisations such as the UN Food and Agriculture Organization, the World Health Organization and the World Bank and to efforts under the auspices of UN Conference on Trade and Development with regard to the activities of enterprises in developing countries,
- having regard to the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, and ILO conventions establishing universal core labour standards with regard to the abolition of forced labour, C29 (1930) and C105 (1957); freedom of association and the right to bargain collectively, C87 (1948) and C98 (1949); the abolition of child labour, C138 (1973) and C182 (1999); and non-discrimination in employment, C100 (1951) and C111 (1958),
- having regard to the United Nations' 1948 Universal Declaration of Human Rights and in particular the proclamation that every individual and every organ of society is called upon to play its part in securing universal observance of human rights; its 1966 International Covenant on Civil and Political Rights; its 1966 Covenant on Economic, Social and Cultural Rights; its 1979 Convention of the Elimination of All Forms of Discrimination Against Women; its 1989 Convention on the Rights of the Child; and its 1994 Draft Declaration on the Rights of Indigenous Peoples,
- having regard to the OECD's 1997 Anti-Bribery Convention,
- having regard to the Global Reporting Initiative's G3 Sustainability and Reporting Guidelines, 2006,
- having regard to the UN Global Compact, launched in July 2000,
- having regard to the announcement on 6 October 2006 that Global Compact and the Global Reporting Initiative formed a "strategic alliance",
- having regard to the UN norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights, 2003,
- having regard to the outcome of the 2002 Johannesburg World Summit on Sustainable Development, in particular the call for intergovernmental initiatives on the question of corporate accountability and the Council conclusions of 3 December 2002 on the follow-up to the Summit,
- having regard to the UN Secretary-General's report, "Towards global partnerships - Enhanced cooperation between the United Nations and all relevant partners, in particular the private sector", of 10 August 2005,

- having regard to the appointment of a UN Secretary-General Special Representative on business and human rights, to his interim report of 22 February 2006 on the issue of human rights and transnational corporations and other business enterprises, and to the regional consultations held in Johannesburg on 27 and 28 March 2006 and in Bangkok on 26 and 27 June 2006,
- having regard to its resolution of 15 January 1999 on EU standards for European enterprises operating in developing countries: towards a European Code of Conduct⁽¹⁾, which recommends creating a European Model Code of Conduct supported by a European Monitoring Platform,
- having regard to Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters⁽²⁾, which superseded the 1968 Brussels Convention save as regards relations between Denmark and other Member States,
- having regard to Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS)⁽³⁾,
- having regard to the Council Resolution of 3 December 2001⁽⁴⁾ on the follow-up to the Green Paper on promoting a European framework for Corporate Social Responsibility,
- having regard to its resolution of 30 May 2002 on the Commission Green Paper on promoting a European framework for corporate social responsibility⁽⁵⁾,
- having regard to its resolution of 13 May 2003 on the Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development⁽⁶⁾,
- having regard to the Commission recommendation 2001/453/EC of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies⁽⁷⁾,
- having regard to its resolution of 4 July 2002 on the Commission Communication to the Council, the European Parliament and the Economic and Social Committee entitled "Promoting Core Labour Standards and Improving Social governance in the context of globalisation"⁽⁸⁾,
- having regard to the Council Resolution of 6 February 2003 on corporate social responsibility⁽⁹⁾,
- having regard to the Commission communication on Governance and development (**COM(2003)0615**),
- having regard to Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 on the annual consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings⁽¹⁰⁾,
- having regard to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts⁽¹¹⁾,
- having regard to the final report of the European Multistakeholder Forum (MSF) on CSR of 29 June 2004, in particular the seventh recommendation, which promotes creating a legal framework for CSR,
- having regard to the Commission communication on the Social Dimension of Globalisation - the EU's policy contribution on extending the benefits to all (**COM(2004)0383**),
- having regard to Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ("Unfair Commercial Practices Directive")⁽¹²⁾,
- having regard to the Spring European Council of 22 and 23 March 2005, which re-launched the Lisbon strategy, focusing the partnership between the EU institutions, Member States and civil society on "Working together for growth and jobs",
- having regard to its resolution of 5 July 2005 on the exploitation of children in developing countries, with a special focus on child labour⁽¹³⁾,
- having regard to the Commission communication on the review of the Sustainable Development Strategy - A platform for action (**COM(2005)0658**), and the renewed EU Sustainable Development Strategy adopted by the European Council on 15 and 16 June 2006,
- having regard to the joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission of 20 December 2005 on European Development Policy: "The European Consensus"⁽¹⁴⁾,

- having regard to the new General System of Preferences (GSP+), in force since 1 January 2006, first implemented by Council Regulation (EC) No 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences⁽¹⁵⁾, which grants duty-free access or a tariff reduction for an increased number of products and also includes a new incentive for vulnerable countries faced with specific trade, financial or development needs,
- having regard to the Commission communication "Promoting decent work for all - the EU contribution to the implementation of the decent work agenda in the world" (**COM(2006)0249**) (Commission communication on decent work),
- having regard to the Commission Green Paper on the European Transparency Initiative (**COM(2006)0194**),
- having regard to its resolution of 6 July 2006 on Fair Trade and development⁽¹⁶⁾,
- having regard to the Commission communication on Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward (**COM(2003)0284**) (Corporate Governance Action Plan),
- having regard to the hearing on 5 October 2006 conducted by its Committee on Employment and Social Affairs, "Corporate Social Responsibility - is there a European approach?",
- having regard to Rule 45 of its Rules of Procedure,
- having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Industry, Research and Energy and the Committee on Women's Rights and Gender Equality (**A6-0471/2006**),

A. whereas companies should not be considered a substitute for public authorities when these fail to exercise control over compliance with social and environmental standards,

1. Is convinced that increasing social and environmental responsibility by business, linked to the principle of corporate accountability, represents an essential element of the European social model, Europe's strategy for sustainable development, and for the purposes of meeting the social challenges of economic globalisation;
2. Welcomes the fact that the Commission communication on CSR enables new impetus to be given to the EU debate on corporate social responsibility (CSR) but notes the concerns expressed by some key stakeholders about the lack of transparency and balance of the consultation procedure undertaken before adoption;
3. Recognises that a debate remains open among different stakeholder groups on an appropriate definition of CSR and that the concept of 'beyond compliance' may enable some companies to claim social responsibility while at the same time not respecting local or international laws; believes that EU assistance to the governments of third countries in implementing social and environmental regulation consistent with international conventions, together with effective inspection regimes, are a necessary complement to advancing the CSR of European business worldwide;
4. Recognises the Commission definition that CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations; believes that CSR policies should be promoted on their own merits and should represent neither a substitute for appropriate regulation in relevant fields, nor a covert approach to introducing such legislation;
5. Notes that the variety of voluntary CSR initiatives could be perceived as an obstacle to the adoption of CSR policies as well as a disincentive for companies to pursue more credible CSR actions or more ambitious CSR policies, though it could be argued that such variety provides companies with further inspiration; calls on the Commission to encourage the dissemination of good practices resulting from voluntary CSR initiatives; believes that the Commission should also consider establishing a list of criteria for enterprises to respect if they claim to be responsible;
6. Believes that the credibility of voluntary CSR initiatives is further dependent on a commitment to incorporate existing internationally agreed standards and principles, and on a multi-stakeholder approach, as recommended by the MSF, as well as on the application of independent monitoring and verification;
7. Believes that the EU debate on CSR has approached the point where emphasis should be shifted from 'processes' to 'outcomes', leading to a measurable and transparent contribution from business in combating social exclusion and environmental degradation in Europe and around the world;
8. Recognises that many companies already make a considerable and increasing effort to meet their social responsibilities;
9. Notes that markets and companies are at different stages of development across Europe; considers, therefore, that a one-size-fits-all method for corporate behaviour is not appropriate and will not lead to a meaningful uptake of CSR by companies; considers, furthermore, that emphasis should be placed upon the development of civil society and in particular consumer awareness about responsible production to promote the uptake of corporate responsibility which is both long-lasting and of relevance to the particular national or regional context;

10. Points out that CSR should tackle new areas such as lifelong learning, the organisation of work, equal opportunities, social inclusion, sustainable development and ethics, so as to operate as an additional instrument for managing industrial change and restructuring;

The EU debate on CSR

11. Notes the Commission's decision to set up a European Alliance for Corporate Social Responsibility in partnership with several business networks (Alliance); recommends that the Commission itself ensure a single point of coordination to maintain awareness of the Alliance's membership and activities, as well as agree clear objectives, timetables and strategic vision to inform the work of the Alliance; encourages European companies and third-country companies operating in Europe, large and small, to embrace that initiative, and the Alliance to be enhanced through the participation of other stakeholders;

12. Believes that social dialogue has been an effective means of promoting CSR initiatives and that European works councils have also played a constructive role in developing best practices in relation to CSR;

13. Suggests that a substantial increase in the uptake of CSR practices amongst EU companies, the development of new models of best practices by genuine leaders among companies and trade union bodies regarding different aspects of CSR, the identification and promotion of specific EU action and regulation to support CSR, and the assessment of the impact of such initiatives on the environment and on human and social rights could comprise the Alliance's core benchmarks of success; suggests also that a deadline of two years be set for completion of the work of the 'laboratories' set up under its umbrella as suggested by CSR Europe;

14. Notes that reconvening the MSF was a late addition to the Commission communication on CSR and that measures need to be taken to build the confidence of different stakeholders in the fact that a genuine dialogue will take place leading to a real impact of EU policies and programmes to incentivise and apply CSR in EU business; believes that lessons should be learnt in relation to the two years during which the MSF previously operated, which were positive in terms of the "no fame, no shame" rule and in particular the use of independent rapporteurs; points out, however, that improvements are needed in relation to consensus-building; also urges the case for Commission representatives to engage more actively in the debate;

15. Calls on the Commission to invite representatives from a number of national, regional and local governments committed to using procurement and other public policy tools to advance CSR to form their own laboratory within the framework of the Alliance and to integrate its findings in the future work of the Alliance;

16. Backs efforts by the Commission to extend membership of the MSF to include investors, the education sector and public authorities, whilst insisting that there must remain the opportunity for a sustained dialogue to achieve agreed goals;

17. Calls on the Commission to encourage, in the monitoring of progress of CSR, greater female participation in the MSF and the exchange of information and good practices in the field of gender equality;

18. Supports calls for mandatory disclosure for corporate and other lobbyists and for balanced access between business groupings and other stakeholder groups towards EU policy-making itself;

The link between CSR and competitiveness

19. Welcomes the objective of the Commission communication on CSR to link CSR to the economic, social and environmental aims of the Lisbon strategy, precisely because it considers that a serious approach to CSR by companies may contribute both to increasing job numbers and improving working conditions and ensuring respect for workers' rights and promoting research and development as regards technological innovations; supports the principle of 'responsible competitiveness' as an integral part of the Commission's Competitiveness and Innovation Programme (CIP); challenges European companies to include in their reporting how they are contributing to the Lisbon objectives;

20. Recognises that effective competition rules, inside and outside Europe, are an essential element of ensuring responsible business practice, in particular by enabling the fair treatment of and access for locally-based SMEs;

21. Reiterates that the implementation, within CSR, of responsible and non-discriminatory recruitment practices that promote the employment of women and disadvantaged persons contribute to the achievement of the Lisbon objectives;

22. Notes a contradiction between competitive sourcing strategies by companies seeking continuous improvements in flexibility and cost on the one hand and voluntary CSR commitments seeking to avoid exploitative employment practices and promote long-term relationships with suppliers on the other; welcomes further dialogue on this point;

23. Suggests, in this connection, that the assessment and monitoring of European companies acknowledged as being responsible be extended to cover their activities and those of their subcontractors outside the European Union in order to ensure that CSR also benefits third countries and in particular developing countries, in accordance with the ILO conventions concerning, in particular, the freedom to form trade unions, the ban on child labour and that on forced labour, and more specifically those relating to women, migrants, indigenous peoples and minority groups;

24. Recognises CSR as an important driver of business and calls for the integration of social policies such as the respect for workers' rights, a fair wages policy, non-discrimination, and lifelong learning, and environmental issues focusing particularly on the dynamic promotion of sustainable development, both in support for new products and processes through EU innovation and trade policies, as well as in drawing up sector, sub-regional and city-based competitiveness strategies;

25. Emphasises that undertakings demonstrating social responsibility make an important contribution towards redressing the inequalities that affect, in particular, women and disadvantaged persons, including disabled people, on the job market, not least as regards access to employment, welfare benefits, training, career development and a fair wages policy; emphasises that undertakings should conduct their recruitment policy in accordance with Council Directive 76/207/EEC of 9 February 1976 on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions⁽¹⁷⁾ ;

CSR instruments

26. Welcomes the trend in recent years for larger companies to publish voluntary social and environmental reports; notes that the number of such reports has been rising since 1993 but has now become fairly static and that only a minority of the reports use internationally accepted standards and principles, cover the company's full supply chain or involve independent monitoring and verification;

27. Reminds the Commission of Parliament's invitation to put forward a proposal to amend the Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies (the Fourth Company Law Directive)⁽¹⁸⁾ so that social and environmental reporting is included alongside financial reporting requirements; considers that it is important to raise awareness of the provisions concerning social and environmental reporting within the 2001 Commission Recommendation 2001/453/EC on environmental disclosure, Directive 2003/51/EC on accounts modernisation, and Directive 2003/71/EC⁽¹⁹⁾ on prospectuses; supports the timely transposition of the Recommendation and Directives in all Member States, and calls for studies into their effective implementation in order to develop such awareness;

28. Recognises the current limitations of the CSR 'industry' in relation to corporate behaviour measurement, social audit and certification, especially in relation to cost, comparability and independence, and believes that it will be necessary to develop a professional framework including specific qualifications in this field;

29. Recommends that the Commission extends the responsibility of directors of companies with more than 1 000 employees to encompass the duty for the directors themselves to minimise any harmful social and environmental impact of companies' activities;

30. Reiterates its support for the EU's Eco-Management and Audit Scheme, in particular its requirement for external verification and the obligation on Member States to promote the scheme, and believes that there is scope for developing similar schemes concerning the protection of labour, social and human rights;

31. Supports the Code of Good Practice of the International Social and Environmental Accreditation and Labelling Alliance, as a leading example of promoting collaboration between existing labelling initiatives, in preference to the creation of new social labels at the national or European level;

32. Calls on the Commission to implement a mechanism by which victims, including third-country nationals, can seek redress against European companies in the national courts of the Member States;

33. Notes the omission from the Commission communication on CSR of the issue of socially responsible investment; backs full participation by investors as stakeholders in the CSR debate at the EU level including within the framework of the MSF; supports industry calls for transparency rather than prescription through the introduction of EU-wide "statement of investment principles" for investment funds;

34. Points out that consumers play an important part in the creation of incentives for responsible production and responsible business practices; believes, however, that the current situation is impenetrable for consumers because of the confusion between different national product standards and labelling schemes, all of which help to undermine the existing social product labels; draws attention to the fact that, at the same time, considerable costs are incurred by companies when switching between many different national requirements and standards; also points out that it is expensive to set up monitoring mechanisms to oversee social product labelling, particularly for smaller countries;

35. Supports the efforts of Eurostat to develop indicators to measure performance related to CSR in the context of the EU Sustainable Development Strategy as well as the Commission's intention to develop new indicators in order to measure awareness and the consumption of EU eco-labelled products and the share of production from EMAS-registered enterprises;

36. Recalls previous consideration given to the appointment of an EU ombudsman on CSR to undertake independent enquiries on CSR-related issues at the request of companies or any stakeholder group; invites further reflection about this and similar proposals in the future;

Better regulation and CSR

37. Believes that CSR policies can be enhanced by better awareness and implementation of existing legal instruments; calls on the Commission to organise and promote awareness campaigns and monitor the implementation of the application of foreign direct liability according to the Brussels Convention, and on the application of Directives 84/450/EEC⁽²⁰⁾ on misleading advertising and 2005/29/EC on unfair commercial practices to adherence by companies to their voluntary CSR codes of conduct;

38. Reiterates the need to use simple, easily understandable language so as to encourage companies to promote CSR;

39. Restates that major efforts should be undertaken by the Commission and Member State governments at national, regional and local level to use the opportunities provided by the revision of the public procurement Directives in 2004 to support CSR by promoting social and environmental criteria amongst potential suppliers, while recognising the need to avoid imposing additional administrative burdens on small enterprises, which might dissuade them from tendering, and to disqualify companies where necessary including in instances of corruption; calls on the Commission, the European Investment Bank and the European Bank for Reconstruction and Development to apply strict social and environmental criteria to all grants and loans allocated to private sector companies, backed by clear complaints mechanisms, building on the example linking public procurement and compliance with the ILO Core Conventions and OECD Guidelines for Multinational Enterprises in the Netherlands and with the SA8000 CSR standard by several Italian provinces; recalls that Member States should take steps to ensure that any export credit guarantees comply with the highest environmental and social criteria and should not be used for projects that run counter to agreed EU policy goals concerning, for example, energy or armaments;

Mainstreaming CSR in EU policies and programmes

40. Welcomes the commitments of the Commission, repeated in its communication on CSR to support and promote CSR across all of its fields of activity and calls for a major effort to translate these commitments into concrete actions across the board;

41. Believes that the CSR debate must not be separated from questions of corporate accountability, and that issues of the social and environmental impact of business, relations with stakeholders, the protection of minority shareholders' rights and the duties of company directors in this regard should be fully integrated into the Commission's Corporate Governance Action Plan; points out that these issues should form part of the debate on CSR; asks the Commission to take these particular points into consideration and to advance firm proposals to address them;

42. Welcomes direct financial support from the Commission for CSR initiatives, in particular to encourage innovation, to enable stakeholder involvement and to assist potential victims' groups in relation to alleged malpractice including corporate manslaughter; encourages the Commission to develop, in particular, mechanisms that ensure that communities affected by European companies are entitled to a fair and accessible process of justice; underlines the importance of the EU-budget line B3-4000 (item 04 03 03 01) for pilot projects such as those involving employee community engagement, hypothecated funds to support CSR within the CIP, and for 3 % of social sciences and humanities research to be devoted to business in society under the Seventh Research Framework Programme; calls for far greater efforts to be made by the Commission to support CSR in relation to EU companies operating in third countries through its external assistance programmes;

43. Welcomes the commitment to make education one of eight priority action areas, calls for a deeper integration of CSR in the Socrates programme, the provision of a broad range of CSR materials in a future European teaching resource centre, and the creation of a European online directory of business schools and universities on CSR and sustainable development;

44. Encourages initiatives at EU and Member State level to improve the teaching of responsible management and production in Europe's business schools;

45. Points out that social and environmental responsibility applies to governmental and non-governmental organisations as much as it does to business, and calls on the Commission to fulfil its commitment to publish an annual report on the social and environmental impact of its own direct activities, as well as developing policies to encourage the staff of EU institutions to undertake voluntary community engagement;

46. Considers that, as part of CSR, companies could sponsor cultural and educational activities that offer added value to European policies in the field of culture and lifelong learning;

47. Calls on the Commission better to integrate CSR in its trade policies, whilst respecting WTO rules and not creating unjustified trade barriers by seeking to introduce provisions in all bilateral, regional or multilateral agreements binding articles in compliance with internationally agreed CSR standards such as the OECD Guidelines for Multinational Enterprises, the ILO's Tripartite Declaration and Rio Principles, as well as reservation of regulatory powers on issues of human rights, social and environmental responsibility; welcomes the support given to these objectives in the Commission communication on decent work; repeats its call for Commission delegations in third countries, acting within their competence, to promote and act as contact points in relation to the OECD Guidelines; calls on the Commission and Member States to improve the functioning of national contact points (NCPs) in particular in dealing with specific instances raised concerning alleged violations throughout operations and supply chains of European companies worldwide;

48. Notes the contribution made by the international fair trade movement in pioneering responsible business practices for sixty years and proving that such practices are viable and sustainable throughout the supply chain; calls on the Commission to take the experience of the fair trade movement into account and to explore systematically how that experience could be used in the context of CSR;

49. Asks the Commission to make sure that EU-based transnational companies with production facilities in third countries, in particular those participating in the GSP+ scheme, abide by core ILO standards, social and environmental covenants and international agreements to achieve a worldwide balance between economic growth and higher social and environmental standards;

50. Welcomes the commitment of the European Consensus on Development to support CSR as a priority action; calls for practical action for the Commission's Directorate-General for Development to play an active role in the debate, to examine working conditions and conditions in using natural resources in the developing world, to work with domestic enterprises as well as the overseas operations of EU companies, sub-contracting enterprises and their stakeholders, to tackle abuse and malpractice in supply chains, to combat poverty and to create equitable growth;

51. Suggests that the Commission target the participation of SMEs in CSR through joint working with intermediary bodies, offering specific support for the participation of cooperatives and social economy businesses through their specialist associations, use the network of European Information Centres to promote CSR initiatives directly, and consider the appointment of a CSR envoy, similar to the SME Envoy within the Commission's Directorate-General for Enterprise and Industry;

52. Recommends that the Commission conduct an in-depth Europe-wide study on the different ways in which SMEs might participate in CSR and on the incentives for them to adopt CSR principles on a voluntary individual basis, and that it learn the proper lessons from the experience acquired and good practice in this area;

53. Welcomes the commitment in the Commission communication on CSR to enhance the participation of employees and their trade unions in CSR and reiterates its call for the Commission and social partners to build on the successful negotiation of now 50 International Framework Agreements and 30 European Framework Agreements in relation to mainly core labour standards for individual companies or sectors as one approach to developing corporate responsibility in Europe and the world; refers to the European works councils which are particularly suited to promoting CSR and, in particular, to advancing workers' fundamental rights in multinational companies;

54. Stresses the importance of the role of the social partners in promoting women's employment and combating discrimination; encourages the social partners to take initiatives, within a CSR framework, to encourage increased participation of women in company boards, works councils and social dialogue bodies;

55. Recommends that future CSR research go beyond the simple 'business case' for CSR, to focus on the link between competitiveness and sustainable development, at the macro level (the EU and the Member States), the meso level (industry sectors and supply chains) and the micro level (SMEs), and the interrelationship between them, as well as the impact of current CSR initiatives and possible violations of CSR principles; supports the leading role played by the European Academy of Business in Society in this respect; calls on the Commission to publish an authoritative 'Annual State of CSR' drawn up in cooperation with independent experts and researchers collating existing information, describing new trends and providing recommendations for future actions;

Europe's contribution to global CSR

56. Believes that the potential impact of CSR policies remains greatest in relation to companies' global supply chains, to enable responsible investment by companies to assist in the fight against poverty in developing countries, to promote decent working conditions, to support principles of fair trade and good governance, as well as to reduce the incidence of breaches of international standards, including labour standards, by corporations in countries where regulatory regimes are weak or non-existent;

57. Calls on the Commission to launch specific research into the impact of CSR policies and to put forward proposals to increase responsible investment by firms and their responsibility;

58. Recognises that a number of international CSR initiatives are more deeply rooted and have attained a new maturity, including the recent publication of the Global Reporting Initiative's G3 Sustainability and Reporting Guidelines, the removal of 200 companies by UN Global Compact and the appointment of a UN Secretary-General Special Representative on business and human rights;

59. Expresses disappointment that the Commission did not accord greater priority to promoting global initiatives in its communication on CSR and calls on the Commission working with Member States and stakeholders both to develop a strategic vision and to contribute to the development of CSR initiatives at a global level, as well as a major effort significantly to raise participation in such initiatives by EU companies;

60. Calls on the Member States and the Commission to support and promote respect for ILO core standards as a factor in the CSR of undertakings in the areas in which they operate;

61. Believes that the international dimension of CSR should be a stimulus for guidelines to be drawn up promoting the development of such policies throughout the world;

62. Calls on the Commission, working with other relevant partners, to organise a major international initiative in 2007 to mark the fifth anniversary of the commitment agreed at the World Summit on Sustainable Development to undertake inter-governmental initiatives in the field of corporate accountability;

63. Calls on the Commission to build on the success of the transatlantic business dialogue on CSR that took place during the 1990s, by organising a similar exercise between the EU and Japan;

64. Encourages the further development of international initiatives for full revenue transparency by European companies on their activities in third countries, to uphold full respect for human rights in their operations in conflict zones and to reject lobbying including 'host-country agreements' drawn up by companies to undermine or evade the regulatory requirements in such countries;

65. Calls on the Commission and the Member States to contribute to supporting and strengthening the OECD Guidelines for Multinational Enterprises, in particular by conducting a review of the functionality of European NCPs and their role in effectively mediating between stakeholders to resolve conflicts; calls for the development of a model for European NCPs including best practices on their institutional set-up, visibility, accessibility for all stakeholders, and handling of complaints; calls for a broad interpretation of the definition of investment in the application of the OECD Guidelines to ensure supply-chain issues are covered under implementation procedures;

66. Calls for support for the development of the Global Reporting Initiative by inviting leading EU companies to participate in new sectoral approaches covering such areas as construction, chemicals and agriculture; to foster research on participation by SMEs, to enable outreach work particularly in central and eastern European countries, and to develop sustainability indices in conjunction with stock exchanges in emerging markets;

67. Calls on the Commission to include in future cooperation agreements with developing countries chapters on research, monitoring and help to remediate social, human and environmental problems in operations and supply chain of EU-based companies in third countries;

68. Welcomes, in principle, the discussions taking place in the International Organization for Standardization on the creation of a standard for social responsibility and calls on European representation to ensure that any outcome is consistent with international standards and agreements, and allows an opportunity to develop parallel methods of external assessment and certification;

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69. Instructs its President to forward this resolution to the Council, the Commission and all institutions and organisations named within it.

(1) OJ C 104, 14.4.1999, p. 180.

(2) OJ L 12, 16.1.2001, p. 1.

(3) OJ L 114, 24.4.2001, p. 1.

(4) OJ C 86, 10.4.2002, p. 3.

(5) OJ C 187 E, 7.8.2003, p. 180.

(6) OJ C 67 E, 17.3.2004, p. 73.

(7) OJ L 156, 13.6.2001, p. 33.

(8) OJ C 271 E, 12.11.2003, p. 598.

(9) OJ C 39, 18.2.2003, p. 3.

(10) OJ L 178, 17.7.2003, p. 16.

(11) OJ L 134, 30.4.2004, p. 114.

(12) OJ L 149, 11.6.2005, p. 22.

(13) OJ C 157 E, 6.7.2006, p. 84.

(14) OJ C 46, 24.2.2006, p. 1.

(15) OJ L 169, 30.6.2005, p. 1.

(16) *Texts Adopted*, **P6_TA(2006)0320**.

(17) OJ L 39, 14.2.1976, p. 40. Directive amended by Directive 2002/73/EC (OJ L 269, 5.10.2002, p. 15).

(18) OJ L 222, 14.8.1978, p.11, Directive as last amended by Directive 2006/46/EC of the European Parliament and of the Council (OJ L 224, 16.8.2006, p.1).

(19) OJ L 345, 31.12.2003, p.64.

(20) OJ L 250, 19.9.1984, p.17.

History

CSR Europe Milestones: 15 Years of Business-Policy Interaction Driving the Corporate Social Responsibility Movement

Since 1995 businesses and European policy makers have been engaged in a dynamic of reinforcing one another's efforts in developing initiatives on CSR and sustainable development. The timeline below illustrates CSR Europe's pioneering role in the European CSR movement and strategy, from the European Business Declaration against Social Exclusion in the 1990s to the current European Alliance for CSR.

Moreover, the timeline provides links to initiatives and resources pooled together through our pan-European network. These examples show how business practitioners are innovating business models and developing practical solutions to socio-economic and environmental challenges. They also highlight how CSR Europe energises the vibrant dialogue, cooperation and competition with social partners, civil society, governments and academia, in and beyond Europe.

1993 The Appeal of President Jacques Delors to business on CSR

In June 1993, President of the European Commission Jacques Delors makes an appeal to businesses' talents and solutions to address Europe's structural problems of unemployment, restructurations and social exclusion. He invites enterprises to adopt a European Declaration against Social Exclusion.

1994 Pioneering companies design first level playing field for CSR

In response to the Delors Appeal, Glaverbel, Levis, BP, Accor, Philips, Bayer, BT, the London Enterprise Agency, the Manifeste Français des Entreprises contre l'Exclusion and Uniapac - with coordination by Patrick Venturini and Jan Noterdaeme for the European Commission - define the principles, areas of action and examples for business involvement in joint efforts against social exclusion in Europe.

1995 European Business Declaration against Social Exclusion

On 10 January 1995, 20 business leaders and European Commission President Jacques Delors adopt and announce the [European Business Declaration against Social Exclusion](#). Signatories call for the development of a European network for the exchange of information and experience.

1996 A new European Business Network is born!

Under the umbrella of the King Baudouin Foundation and with the support of the European Commission, the initial group of company signatories of the Declaration appoints Ann Vandenhende and Jan Noterdaeme to set up and coordinate the European Business Network for Social Cohesion (renamed CSR Europe in 2000).

1997 Businesses engage in the European Year against Racism

Among its very first activities, the Network succeeds in mobilising a critical mass of companies across Europe for sharing best practice and building new knowledge and tools to address discrimination at work and in the community.

1998 Launch of CSR Europe's Online Resource Centre

In October 1998, business leaders together with the President of the European Commission Jacques Santer launched the European Resource Centre on CSR (now CSR Europe's website). In the same year, Viscount Etienne Davignon hosts CSR Europe's first Advisory Board including representatives from IBM, Randstad, Johnson & Johnson, Shell, Accor and Caisse des Dépôts et Consignations.

1999 The European Day - "Business & Government Joining Forces for Employment and Social Cohesion"

The forthcoming Portuguese EU Presidency invites Etienne Davignon and other leaders of CSR Europe and The Copenhagen Centre for CSR (merged in 2007 with the CSR Unit of the Danish Commerce and Companies Agency to form the Danish Centre for CSR) to provide input into the European Summit on Employment, Economic Reform and Social Cohesion to be held in Lisbon in March 2000. President of the European Commission Romano Prodi and European Commissioner Anna Diamantopoulou provide strong backing for this Portuguese invitation.

2000 European business leaders present plans for promoting CSR to Portuguese Prime Minister

Top European business leaders meet with Prime Minister Antonio Guterres on 8 March 2000. Twenty CEOs address to all Heads of State and Governments and propose 12 concrete ways to: build an entrepreneurial and inclusive knowledge society; develop a culture of communication and multiplication of best practices; expand teaching of corporate social responsibility, corporate citizenship and business ethics; invest in public-private partnerships for effective responses to economic and social challenges. For Etienne Davignon, the Lisbon Summit is the right moment for governments and the European Commission to recognise that businesses can successfully combine economic competitiveness and social responsibility.

2000 European Heads of State and Governments make an Appeal on CSR

In the conclusions of the European Lisbon Summit, 15 Heads of State and Governments make an appeal on the business case for responsibility, placing CSR at the heart of the Lisbon Strategy 2010: *"To make Europe the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010."*

2001 Belgian EU Presidency Conference on CSR

In the closing debate of the Belgian EU Presidency Conference on CSR, and in reply to ETUC's request to negotiate a European Directive on CSR Transparency, Viscount Etienne Davignon proposes to set up a European Multi-Stakeholder Platform on CSR. At the gala evening organised by CSR Europe, Mr Davignon and Alan Christie share with the 400 participants some of the European Campaign's aims, tools and planned activities. These include: preparing the future generation of tomorrow's managers through the European Academy of Business in Society; helping SMEs to evaluate and strengthen their social responsibility by using the SME Key toolkit; equipping the European investment community with the SRI Compass, an online reference guide to all 285 green and ethical funds in Europe.

2002 First European Commission Communication on CSR

In response to the Lisbon Appeal on CSR and on the basis of a wide consultation (Green Paper), the European Commission releases its [first Communication on CSR](#). Highlights include: a European definition of CSR ("*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis*"); the principle of a European Multi-stakeholder Forum on CSR; and the way in which the European Commission relates CSR to specific European policies.

2002 Launch of the European Academy of Business in Society

CSR Europe and The Copenhagen Centre team up with universities and business schools to found the [European Academy of Business in Society](#) (Eabis). Its mission is to be a world-class reference point for the integration of CSR into the mainstream of business practice, theory and education, and to enhance models for sustainable business success. Viscount Etienne Davignon, Mads Ovlisen (Chair

TCC and Novo Nordisk) and European Commissioner Philippe Busquin set the ground for new European support for CSR research through the European Research Framework Programme.

2002 European Commissioner for Trade challenges business

In December 2002, in the presence of Georg Kell from the United Nations Global Compact, European Commissioner for Trade Pascal Lamy challenges CSR Europe's General Assembly to forge business to business alliances towards trade for aid activities. He urges CSR Europe members to provide more best practice information to businesses worldwide and to contribute fully to the European Multi-stakeholder Forum on CSR.

2003 CSR Europe adopts new strategy to mainstreaming CSR

After 5 years of intense campaigning, awareness raising and knowledge building across Europe, CSR Europe member companies decide to renew the organisation's mission: to help enterprises mainstream CSR into business strategy and practice. CSR Europe's Board of Directors appoints Bernard Giraud from Danone as the first Executive Director of CSR Europe.

2004 The European Multi-Stakeholder Forum on CSR

Starting October 2002, together with ETUC, Businesseurope and the European Platform of NGOs, CSR Europe coordinates the [European Multi-Stakeholder Forum on CSR](#) hosted by the European Commission. A Final Report is presented in June 2004, including common principles and values; a base line understanding on CSR; nine recommendations for future CSR knowledge and capacity building in and beyond Europe.

2005 The first European MarketPlace and the Roadmap on CSR

CSR Europe celebrates its 10th anniversary with the [first European MarketPlace on CSR](#), where 400 business and stakeholder practitioners come together to share practical CSR solutions. At this occasion, Frank Welvaert, Chair of the Board of CSR Europe, presents the [European Roadmap for Businesses](#) - "Towards a Competitive and Sustainable Enterprise". In response to the Roadmap, European Commission President Manuel Barroso offers businesses a new partnership. Commissioners Günter Verheugen (Enterprise and Industry) and Vladimir Spidla (Employment and Social Affairs) invite Etienne Davignon and CSR Europe's member companies to elaborate on this partnership (see the European Alliance for CSR launched in 2006).

2005 First Sino-European International Conference on CSR in Beijing

Frank Welvaert, Chair of CSR Europe's Board of Directors, and European Commissioner Vladimir Spidla open the Sino-European International Forum on CSR co-organised by CSR Europe and WTO China in Beijing (September 2005). One year later, CSR Europe and ORSE release a [joint publication on CSR in China](#) aimed at supporting investors in China who are looking to combine performance requirements and sustainable development priorities.

2006 Second European Commission Communication on CSR and the European Alliance for CSR

Building upon the outcomes of the European Multi-stakeholder Forum and further consultations with business leaders, the European Commission renews its policy on CSR through a communication to the European Parliament, the Council and the European Economic and Social Committee. The communication entitled "*Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility on CSR*" entails key elements such as: the integration of CSR within relevant European policies - with a strong focus on development and trade; the European Multi-Stakeholder Forum on CSR; the [European Alliance for CSR](#); the High Level Group of Government Representatives on CSR; support for CSR Research.

2006 The second European MarketPlace and the European Cartography on CSR

More than 500 practitioners gather at CSR Europe's [second European MarketPlace on CSR](#) on 22 June 2006. More than 120 company solutions on CSR are presented in and around the ten priority areas defined in the European Business Roadmap and the European Alliance for CSR. Together with its national partner organisations, CSR Europe launches a [European Cartography on CSR](#). Based on a survey of over 500 business solutions and 140 business networking activities, it provides valuable indications on how and where in Europe CSR business innovation is occurring. It also highlights some remaining gaps in the area of CSR and identifies different types of constraints companies face when implementing CSR.

2007 Three high level meetings in light of the European Alliance for CSR

First High Level Meeting of the European Alliance for CSR

The Vice President of the European Commission Günter Verheugen and European Commissioner Vladimir Spidla invite business leaders to a first High Level Meeting of the European Alliance, in Brussels on 8 February 2007. The objective is twofold: to review progress of the Alliance and to have an open debate on the linkages between CSR and competitiveness, in support of the European Strategy for Growth and Jobs. After a fruitful discussion, the intention of the EU Commission is to convene the next meeting in March 2008.

European Commission Director Generals meet business practitioners to explore synergies

On 10 October 2007, Viscount Etienne Davignon together with Director Generals of Employment (Mr van der Pas) and Enterprise (Mr Zourek), host representatives from Suez Tractebel, BASF, Microsoft, L'Oréal, Telecom Italia, IBM, Danone and HP to meet with Director Generals and Directors from DG Development, DG Aidco, DG Trade, DG External Relations, DG Enterprise and Industry, DG Employment and Social Affairs, DG Sanco, DG Regional Policy, DG Internal Market, DG Research and Development, and DG Information and Society. Together they explore how to better link some CSR priority issues - as set in the Alliance in 2006 and currently being addressed in CSR Laboratories - with specific European policies and initiatives.

High-Level Group of National Representatives on CSR

The High-Level Group of National Representatives on CSR coordinated by the European Commission holds a meeting on 16 October in Brussels. Representatives of EU Member States, CSR Europe and BusinessEurope participate in this information and discussion session on the progress of the European Alliance for CSR, in particular on the CSR Laboratories. Expressing their interest in these initiatives, some national delegates advocate for improved and more inclusive communication about the Laboratories.

2007 The third European MarketPlace and a new website section on the European Alliance for CSR

More than 600 company and stakeholder representatives attended the [third European MarketPlace on CSR](#) in November 2007 to share innovative solutions to today's business challenges and to tackle pressing societal issues together. around 90 new CSR solutions were shared among 650 company representatives, European policy makers and other stakeholders. The event also introduced a new format of co-inventing CSR solutions in CSR Laboratories. At the MarketPlace, CSR Europe also launched its renewed website, making over 600 company CSR solutions available in the public domain.

2008 The European Toolbox for a Competitive and Responsible Europe

CSR Europe launches the [European Toolbox for a Competitive and Responsible Europe](#) based on the first results of the [CSR Laboratories](#), cross-sectoral business-stakeholder cooperation projects under the umbrella of the [European Alliance for CSR](#). The Toolbox includes information, ideas and advice designed to help companies and their stakeholders address socio-economic and environmental challenges and integrate CSR into mainstream business practice.

2009 The European Toolbox Roadshow

CSR Europe, together with its national partner organisations, organises a European Toolbox Roadshow to present the CSR Toolbox to additional companies and stakeholders across Europe.



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

**IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS:
MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
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MAKING EUROPE A POLE OF EXCELLENCE
ON CORPORATE SOCIAL RESPONSIBILITY**

1. INTRODUCTION

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis¹. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions. As such, CSR has become an increasingly important concept both globally and within the EU, and is part of the debate about globalisation, competitiveness and sustainability. In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion.

Since the end of the Cold War the market economy has prevailed throughout most of the world. While this has opened up new opportunities for business, it also creates a corresponding need for self-limitation and mobilisation on the part of the business community, in the interest of social stability and the well-being of modern democratic societies. Moreover, within the EU, better regulation and the promotion of entrepreneurial culture are now high on the European agenda, as confirmed by the Commission's 2006 Annual Progress Report on Growth and Jobs². The Commission is committed to promoting the competitiveness of the European economy in the context of the relaunched Lisbon Partnership for Growth and Jobs. In turn it calls on the European business community to publicly demonstrate its commitment to sustainable development, economic growth and more and better jobs, and to step up its commitment to CSR, including cooperation with other stakeholders. More than ever Europe needs active entrepreneurs, positive attitudes towards entrepreneurship, and confidence and trust in business. Europe needs a public climate in which entrepreneurs are appreciated not just for making a good profit but also for making a fair contribution to addressing certain societal challenges.

The Commission therefore wishes to give greater political visibility to CSR, to acknowledge what European enterprises already do in this field and to encourage them to do more. Because CSR is fundamentally about voluntary business behaviour, an approach involving additional obligations and administrative requirements for business risks being counter-productive and would be contrary to the principles of better regulation. Acknowledging that enterprises are the primary actors in CSR, the Commission has decided that it can best achieve its objectives by working more closely with European business, and therefore announces backing for the

¹ COM(2001) 366.

² COM(2006) 30.

launch of a European Alliance on CSR, a concept drawn up on the basis of contributions from business active in the promotion of CSR. The Alliance is an open alliance of European enterprises, for which enterprises of all sizes are invited to express their support. It is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. It is a political process to increase the uptake of CSR amongst European enterprises.

Backing for the new Alliance should be understood as a key component of a wider partnership that the Commission wishes to pursue with all stakeholders involved in CSR. In presenting this Communication, the Commission draws on several years of public debate and consultation with all stakeholders, most particularly in the context of the European Multistakeholder Forum on CSR, which presented its final report in 2004. The Commission continues to attach utmost importance to dialogue with and between all stakeholders, and proposes to re-convene meetings of the Multistakeholder Forum at regular intervals with a view to continually reviewing progress on CSR in the EU.

2. CSR IN SUPPORT OF SUSTAINABLE GROWTH AND MORE AND BETTER JOBS

Sustainable growth and more and better jobs are the twin challenges the EU must now address in the face of global competition and an ageing population to safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005 and renewing its Sustainable Development Strategy in December 2005. This is also why the informal meeting of Heads of State and Government at Hampton Court in October 2005 called for innovative answers to address the competitive challenge while defending European values.

The revised Lisbon strategy promotes growth and jobs in a manner that is fully consistent with sustainable development, which remains an overarching long term goal for the European Union. Enterprises, as the motor for economic growth, job creation, and innovation, are key actors in delivering the Lisbon and sustainable development objectives.

Europe needs business to do what it does best: to provide products and services that add value for society and to deploy entrepreneurial spirit and creativity towards value and employment creation. However Europe does not need just business but socially responsible business that takes its share of responsibility for the state of European affairs. In its contribution to the March 2005 Spring Council, the Commission recognised that CSR *“can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness”*³. In the Social Agenda⁴, the Commission announced that it would, in co-operation with Member States and stakeholders, present initiatives to further enhance the development and transparency of CSR. In the revised Sustainable Development Strategy⁵, the Commission called *“on the business leaders and other key stakeholders of Europe to engage in urgent reflection with political leaders on the medium- and long-term policies needed for sustainability and propose ambitious business responses which go beyond existing minimum legal requirements”*.

³ COM(2005) 24.

⁴ COM(2005) 33.

⁵ COM(2005) 658.

In March 2005, the European Council underlined that *“in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility”*. In the Integrated Guidelines for Growth and Jobs (2005-2008), the Council recommended that Member States should *“encourage enterprises in developing their corporate social responsibility”*. The European Parliament has made valuable contributions to the debate on CSR, notably in its resolutions of 2002⁶ and 2003⁷.

Against this backdrop, the Commission has reviewed the work accomplished on CSR at EU level, in order to align its approach with the priorities and working methods of the Growth and Jobs strategy. The Commission believes that the potential of enterprises can and should be better harnessed in support of sustainable development and the Growth and Jobs strategy. In keeping with the spirit and priority areas of its 2006 Annual Progress Report on Growth and Jobs, the Commission invites European enterprises to “move up a gear” and to strengthen their commitment to CSR. In doing so the Commission wishes to create a more favourable environment for all actors in CSR and to explore with all stakeholders the potential of CSR to contribute to the development of European societies.

CSR practices are not a panacea and can not on their own be expected to deliver these outcomes. They are not a substitute for public policy, but they can contribute to a number of public policy objectives, such as:

- more integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;
- investment in skills development, life-long learning and employability, which are needed to remain competitive in the global knowledge economy and to cope with the ageing of the working population in Europe;
- improvements in public health, as a result of voluntary initiatives by enterprises in areas such as the marketing and labelling of food and non-toxic chemicals;
- better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation;
- a more rational use of natural resources and reduced levels of pollution, notably thanks to investments in eco-innovation and to the voluntary adoption of environmental management systems and labelling;
- a more positive image of business and entrepreneurs in society, potentially helping to cultivate more favourable attitudes towards entrepreneurship;
- greater respect for human rights, environmental protection and core labour standards, especially in developing countries;
- poverty reduction and progress towards the Millennium Development Goals.

⁶ P5_TA(2002)0278.

⁷ P5_TA(2003)0200.

3. MAKING EUROPE A POLE OF EXCELLENCE ON CSR

Much progress has been made on CSR since the Lisbon Council made its appeal to companies' sense of social responsibility in March 2000. A Green Paper (2001)⁸, a Communication (2002)⁹, and the setting up of an EU Multi-Stakeholder Forum on CSR (CSR Forum) marked important steps in this process.

The CSR Forum brought together representatives of business, trade unions and civil society, with the Commission in a facilitating role. The Commission welcomes the Forum's work and final report of June 2004, and agrees with stakeholders that the report's recommendations, if fully implemented by the relevant actors, would help advance CSR in Europe and globally. The Forum succeeded in achieving a measure of consensus among participants, but is also revealed the significant differences of opinion between business and non-business stakeholders. A common European understanding of what CSR means has emerged on the basis of the Commission definition of CSR as *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*. The CSR Forum confirmed this definition while further exploring its scope and boundaries. The Forum also reached consensus on the need for further awareness-raising and competency-building activities. There was no consensus, however, on topics such as company reporting requirements or the need for European standards on CSR.

Awareness, understanding and uptake of CSR have improved over the past few years, partly as a consequence of the CSR Forum and other actions supported by the Commission. At the same time, initiatives by business and other stakeholders have moved forward the development of CSR in Europe and globally. Social dialogue, especially at the sectoral level, has been an effective means for promoting CSR initiatives, and European Works Councils have also played a constructive role in the development of best practice on CSR.

Nevertheless, the uptake, implementation and strategic integration of CSR by European enterprises should be further improved. The role of employees, their representatives and their trade unions in the development and implementation of CSR practices should be further enhanced. External stakeholders, including NGOs, consumers and investors, should play a stronger role in encouraging and rewarding responsible business conduct. Public authorities at all levels should further improve the consistency of their policies in support of sustainable development, economic growth and job creation.

The EU's vision of long-term prosperity, solidarity and security also extends to the international sphere. The Commission recognises the linkages between the uptake of CSR in the EU and internationally, and believes that European companies should behave responsibly wherever they operate, in accordance with European values and internationally agreed norms and standards.

The Commission has reflected on how best to give a new impulse to make Europe a pole of excellence on CSR. It has considered the final report of the CSR Forum, as well as the views of stakeholders that are not reflected in that report. The challenge has been to find a new approach that inspires more enterprises to engage in CSR, since they are the primary actors in this field.

⁸ COM(2001) 366.

⁹ COM(2002) 347.

4. A EUROPEAN ALLIANCE FOR CSR

The Commission therefore backs the launching of the European Alliance for CSR, described in the document attached to this Communication. The Alliance is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders.

The Alliance has an open nature and European enterprises of all sizes are invited to voluntarily express their support. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. There are no formal requirements for declaring support for the Alliance, and the European Commission will not keep a list of companies that support it. The Commission's contribution to the Alliance will be the further promotion of CSR in line with the points mentioned under chapter 5 of this Communication. This does not imply any new financial obligations for the Commission.

The Commission expects the Alliance to have a significant impact on the attitude of European enterprises to CSR and on their positive engagement with social and environmental issues. It should create new partnerships with and new opportunities for stakeholders in their efforts to promote CSR, and is therefore a vehicle for mobilising the resources and capacities of European enterprises and their stakeholders. The voluntary commitment of European business to the Alliance and the supportive role of the Commission within its policies and instruments where appropriate will strengthen the development of CSR within the EU and abroad. The results of the Alliance should be understood as a voluntary business contribution to achieving the goals of the relaunched Lisbon Strategy and the revised Sustainable Development Strategy. However these results will also depend on the engagement of stakeholders, who are invited to make full use of the opportunities the Alliance offers.

To enhance the transparency, visibility and credibility of CSR practices, the Commission encourages enterprises that support the Alliance to make CSR information available to all stakeholders, including to consumers, investors and the wider public. Large companies in particular should seek to present CSR strategies, initiatives and their results or best practices in a way that is easily accessible to the public. In addition, the Commission will continue to support stakeholders in developing their capacity to assess and evaluate CSR practices.

The Commission recognises that without the active support and constructive criticism of non-business stakeholders, CSR will not flourish. The Commission's backing of the Alliance is not a substitute for further dialogue with all stakeholders. The Commission remains committed to facilitating such dialogue, including through regular review meetings of the Multistakeholder Forum.

5. PROPOSED ACTIONS TO PROMOTE FURTHER TAKE-UP OF CSR PRACTICES

In further promoting CSR, the Commission will emphasise the following aspects:

- **Awareness-raising and best practice exchange.** The Commission will further raise awareness about CSR and promote the exchange of best practice as CSR continues to evolve, with an emphasis on SMEs and on Member States where CSR is a less well-known concept, as well as in acceding and candidate countries. It will do this in a strengthened partnership with business and all relevant stakeholders, including national and regional authorities. The Commission will further promote voluntary environmental instruments, such as environmental management systems and the

Ecolabel scheme. Other initiatives to make citizens aware of social and environmental issues and the impact of their consumption and investment choices will also be promoted.

- **Support to multi-stakeholder initiatives.** Involving stakeholders enhances the effectiveness of CSR initiatives, which is why the Commission will organise regular review meetings of the Multistakeholder Forum. To foster greater awareness of CSR and further enhance its credibility, the Commission will continue to promote and support CSR initiatives by stakeholders, including social partners and NGOs, and in particular at sectoral level The European Platform for Nutrition is a good example of such initiative. The sectoral social dialogue committees are also an important mechanism in this regard.
- **Cooperation with Member States.** There is a broad consensus in Europe about the definition of CSR, although its precise nature and characteristics vary between different national and cultural contexts. Moreover, Member States have at their disposal a broad range of instruments to encourage CSR. Cooperation with Member States and acceding countries, in particular through the Group of High-Level National Representatives on CSR, is therefore an important aspect of Commission policy on CSR. Within Member States, the regional level can be an appropriate level for actions in support of CSR, especially as far as SMEs are concerned.
- **Consumer information and transparency.** Consumers play an important role in providing incentives for responsible production and responsible business behaviour. They are expected to exercise critical choice and encourage good products and good companies. At the moment consumers lack clear information on the social and environmental performance of goods and services, including information on the supply chain. The Commission will examine, in consultation with all relevant stakeholders, the need for further voluntary actions to achieve the objectives of transparency and information for consumers including on issues of public health.
- **Research.** There is a need for more interdisciplinary research on CSR, in particular on: links at the macro- and meso-levels between CSR, competitiveness and sustainable development; the effectiveness of CSR in reaching social and environmental objectives; and issues such as innovation, corporate governance, industrial relations, and the supply chain. CSR as practiced by SMEs is an important research topic in its own right, but should also be adequately reflected in other areas of CSR research. Additionally, the Life Cycle Social Impacts of processes, products, and services deserve more investigation. Building on the four CSR research projects financed under the 6th Research Framework programme, the Commission will explore possibilities to support further research into CSR as part of the forthcoming 7th Framework Programme.
- **Education.** For CSR to become a mainstream business practice, the right knowledge and skills need to be developed among future entrepreneurs, business leaders, company managers and employees. CSR is also a lifelong learning issue. The Commission invites business schools, universities and other education institutions to incorporate CSR into education, as a cross-cutting issue, in particular into the curricula of future managers and graduate students.

- **SMEs.** The collective impact of CSR as practiced by SMEs is critical if the potential of CSR to contribute to growth and jobs and sustainable development in Europe is to be fully harnessed. The Commission recognises that a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR. It also requires the active cooperation of mainstream SME intermediary organisations and support providers. The Commission will facilitate the exchange of experience about how best to encourage CSR amongst SMEs in Europe.
- **The international dimension of CSR.** The Commission will continue to promote CSR globally with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals. The ILO Tripartite Declaration of Principles concerning MNEs and Social Policy, the OECD Guidelines for MNEs and the UN Global Compact, as well as other reference instruments and initiatives, provide international benchmarks for responsible business conduct. The Commission is committed to promoting awareness and implementation of these instruments and will work together with other governments and stakeholders to enhance their effectiveness.

The Commission will continue its leadership role in promoting high environmental standards internationally. The Commission aims to strengthen the sustainable development dimension of bilateral trade negotiations and to pursue the promotion of core labour standards in bilateral agreements. The Commission will encourage the inclusion of provisions to support internationally agreed CSR instruments and will seek to address CSR issues in bilateral dialogue between the parties. The Commission is also committed to using trade incentives as a means of encouraging respect for the main international human/labour rights, environmental protection and governance principles, in particular through the new EU “Generalised System of Preferences Plus” that entered into force on 1 January 2006. The Commission will strengthen its co-operation with the ILO to promote decent work, including through a pilot project on trade and decent work indicators in developing countries. The Commission will also present a communication on decent work in the course of 2006.

The Commission will discuss with partner countries and relevant stakeholders how to promote CSR in the framework of the Cotonou Agreement and the New Strategy for Africa¹⁰, and will propose that this issue be discussed during the EU-Africa Business Forum to be held in autumn 2006.

The Commission will follow other relevant international processes, such as the work of the UN Special Representative on Human Rights and Transnational Corporations and Other Business Enterprises, the possible development of an ISO guidance standard on social responsibility, and sectoral initiatives like the Kimberley Process Certification Scheme for rough diamonds.

¹⁰ COM(2005) 489.

6. CONCLUSION: THE NEED FOR A PARTNERSHIP AMONG ALL STAKEHOLDERS

The Commission strongly believes that CSR matters to each and every European, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. Further promoting CSR is central to the new partnership for "growth and jobs" as well as for implementing sustainable development objectives. The Commission calls on all parties involved to contribute to the implementation of this ambitious new initiative. The Commission offers close partnership, with Member States, with business (through the Alliance described in annex) and with all stakeholders involved to make Europe a pole of excellence on CSR since CSR mirrors the core values of the EU itself. The Commission will reassess the evolution of CSR in Europe in a year's time following the discussion within the Multistakeholder Forum.

ANNEX

MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY:

THE EUROPEAN ALLIANCE FOR CSR

CSR MATTERS TO ALL OF US

Corporate Social Responsibility (CSR) matters because it mirrors the core values of the society in which we wish to live. It matters to individual companies, big or small, who through innovative products and services, new skills and stakeholder engagement can improve their economic, environmental and social performance in the short and long term. It matters to those who work in and for companies, for whom it can help to create a more rewarding and inspiring working environment. It matters to those who buy from companies, to consumers who are paying more and more attention to the social and environmental credentials of the products and services they buy. It matters to the local communities where companies operate, who want to know that they are living amongst organisations that share their values and concerns. It matters to investors who feel that responsible business behaviour needs to be encouraged. It matters to people in other parts of the world who expect European based companies to behave in accordance with European and international values and principles. And it matters to our children and future generations who expect to live in a world which respects people and nature.

STRIVING FOR A SUSTAINABLE MARKET ECONOMY

A strong business commitment to CSR as well as an overall supportive role of public authorities towards CSR has become particularly important over the last 15 years as regard its contribution to the respect for human rights and the rule of law as well as the sustainable functioning of democracy and market economy, be it on a local, national, European or global scale. In order to be a successful economic model, the market economy needs to build on some essential prerequisites: on the one hand an effective and coherent legislative and regulatory framework; on the other hand, self limitation and self control as much as a proactive climate of innovation and entrepreneurship, fairness and trust: all these are necessary elements to combine high levels of economic success, environmental protection, social cohesion and welfare. To this end, leading enterprises in Europe are more than ever undergoing a process of searching, learning and innovating as regards their governance, management, stakeholder dialogue and product development, thereby making corporate and product responsibility a natural part of their everyday business practice and competitiveness. Small companies, as a key driver for growth and jobs in Europe, have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CSR. Against the background of globalisation and the associated structural changes, companies are making these shifts in the expectation that the other stakeholders also commit and shoulder their share of the risks and opportunities of responsibility and innovation. Dialogue with stakeholders helps companies to anticipate and deal with social and environmental issues which may affect future competitiveness.

A EUROPEAN ALLIANCE FOR CSR

In this context, the European Commission backs members of the business community that are laying the foundations of a European Alliance for CSR. This is an open Alliance for enterprises sharing the same ambition: to make Europe a Pole of Excellence on CSR in support of a competitive and sustainable enterprise and market economy. The essence of this initiative is partnership. This partnership is based on agreement that the priorities of the European Strategy for Growth and Jobs fully respond to the challenges of increasing global competition, demographic trends and a sustainable future.

The delivery of this strategy is crucial for securing Europe's sustainable growth as much as the European way of life. The Alliance is built on the understanding that CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation. The Alliance seeks to promote CSR as a business opportunity creating win-win situations for companies and society and recognises that CSR is a voluntary business approach which reflects the diversity of European business. While enterprises are the primary actors in CSR, public authorities at local, national and European level have a supportive role to play in promoting it. The Alliance initiative builds on previous discussions with business and stakeholders. In particular, it draws the lessons from the European Multi-Stakeholder Forum on CSR, a major initiative facilitated by the European Commission. The Forum provided a platform for European representatives of business, employers, trade unions and civil society organisations to engage in an innovative process of learning and dialogue and to agree recommendations for more and effective CSR practice. It will also capitalise on the European Campaign to promote CSR among SMEs and the multitude of other business and employer driven initiatives. Another key driver for this Alliance is the European Roadmap for Businesses on CSR - 2010, whereby leading companies and business networks have set out their vision and priorities for a competitive and sustainable enterprise from a European perspective.

The Alliance lays the foundations for the partners to promote CSR in the future. It evolves around the following three areas of activities:

- Raising awareness and improving knowledge on CSR and reporting on its achievements
- Helping to mainstream and develop open coalitions of cooperation
- Ensuring an enabling environment for CSR

Raising awareness and improving knowledge on CSR and reporting on its achievements

The Alliance will explore and support creative ways to exchange and disseminate CSR best practice, initiatives and tools with a view to making them relevant to business practitioners, policy leaders, consumers, investors and the wider public at all appropriate levels across Europe and abroad. Special attention will be paid to promoting CSR amongst enterprises of all sizes in a way that is better in tune with today's and tomorrow's realities and challenges.

The Alliance reaffirms that, building on existing initiatives, there is a need to further promote multi-disciplinary research on CSR at European level, in particular on its impact on competitiveness and sustainable development. Closer integration with universities and

scientific experts as well as continuous dialogue and cooperation with civil society are essential in this respect.

An important contribution to Europe's future competitiveness and sustainability will depend on education taking a leading role in the CSR agenda. The Alliance will encourage the integration of CSR and sustainable development related topics in traditional courses, in the curricula of future managers and graduate students, in executive education and in other educational institutions.

Helping to mainstream CSR and develop open coalitions of cooperation

Considering the wide-ranging nature of CSR and the diversity of the European and international business landscape, the partners of the Alliance have identified several priority areas for action:

- Fostering innovation and entrepreneurship in sustainable technologies, products and services which address societal needs
- Helping SMEs to flourish and grow
- Assisting enterprises to integrate social and environmental considerations in their business operations, especially those in the supply chain
- Improving and developing skills for employability
- Better responding to diversity and the challenge of equal opportunities taking into account the demographic changes alongside the rapid aging of the European population
- Improving working conditions, also in cooperation with the supply chain
- Innovating in the environment field with a special focus on integrating eco efficiency and energy savings in the product and service creation process
- Enhancing pro-active dialogue and engagement with all relevant stakeholders
- Further addressing the transparency and communication challenge to make the non-financial performance of companies and organisations more understandable for all stakeholders and better integrated with their financial performance
- Operating outside the borders of the European Union in a socially and environmentally responsible way as companies do inside the European Union

These priority areas will be addressed by “open coalitions of cooperation” bringing together interested companies ready to tackle these issues in the form of “laboratory meetings” in order to explore and to develop joint operational projects, in partnership with relevant experts and stakeholders and with the backing of the European Commission.

Ensuring an enabling environment for CSR

With the new European Strategy for Growth and Jobs and through its initiative on better regulation, the European Commission and EU Member States have committed themselves to set up and strengthen a business-friendly environment in which entrepreneurs and enterprises can flourish and grow.

In addition, the European Commission will step up its policy of promoting the voluntary and innovative efforts of companies on CSR, by encouraging good practices and their dissemination in a strengthened partnership with business and all relevant stakeholders as well as the national authorities. It will do this also by being consistent across the policy areas and integrating the promotion of CSR where appropriate. To succeed in their joint mission, the partners of the Alliance will capitalise on equivalent alliances developed at national level and will inspire and support similar initiatives in countries where there is interest in doing so. The Alliance supports the organisation of review meetings with all stakeholders, starting in 2006, to take stock of progress made in relation to the recommendations of the European Multi-stakeholder Forum on CSR and of other trends, developments and innovations in CSR.

CONCLUSION AND NEXT STEP

Commitment, mutual trust and dialogue are vital for the success of this Alliance. The Alliance will be what its partners will deliver on the agreed initiatives and priority areas. The partners agree that for coordination and communication purposes, the Alliance will rely on existing business driven structures actively involved in the CSR domain. The partners of the Alliance agree to take stock through high level meetings and to also communicate the Alliance results in the context of the European Strategy for Growth and Jobs.

Time has come to make Europe a Pole of Excellence on CSR. The Alliance is formed to make it happen.

European Commission

European Commission Enterprise and Industry Policies ... Sustainable and responsible business Corporate social responsibility
Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) can make a significant contribution towards sustainability and competitiveness, both in Europe and globally.

The European Commission's definition of CSR is:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

The Commission has recognised the role of CSR as a contributing factor to the Lisbon Strategy for growth and jobs. CSR can help to shape the kind of competitiveness model that Europe wants.

CSR and the economic crisis

CSR is more relevant than ever in the context economic crisis. It can help to build (and rebuild) trust in business, which is vital for the health of Europe's social market economy. It can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis.

European policy

The Commission's most recent [Communication on CSR](#)  

[158 KB] was published in 2006. It emphasises the importance of CSR and challenges business to take leadership in this field. It also outlines ways in which the Commission intends to continue to promote CSR as a voluntary concept, with an emphasis on dialogue between stakeholders.

[Speech of Vice-President Verheugen to the European Multistakeholder Forum on CSR, February 2009](#)  [72 KB]

Support the Multi-Stakeholder Forum

The European Multi-stakeholder Forum on CSR (EMSF) was launched in 2002 to provide a platform for discussions among the main stakeholder groups at European level - employers, trade unions, business organisations and the civil society - with the European Commission playing a facilitating role.

The Forum was launched with the mission of fostering CSR through promoting innovation, transparency and convergence of CSR practices and instruments.

The Forum presented its conclusions and recommendations at its final high level meeting in June 2004. Two years after the close of the Forum, close to 200 representatives of different stakeholder groups met on 7 December 2006 to review the implementation of the conclusions.

Read more about the [Forum's activities in 2002-2004](#) or about [CSR Europe's role](#) as a member of the coordination committee of the Forum.





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The case study by Robert Brown and David Grayson "**innocent Drinks: Values and Value**" won the 2010 European Case Award in the Ethics and Social Responsibility category.

View the project within which the case was written: [Mainstreaming Curriculum Development](#).

Read more about the [2010 European Case Awards](#).

Colloquium

The 2010 Colloquium will explore how Corporate Responsibility is understood and applied in Emerging Market contexts and cultures - by old and new multinationals - and its viability as a framework for tackling critical challenges ahead. Please download here the [Full Call and Submission Guidelines](#).

Upcoming



On **20-21 April**, the EABIS Mainstreaming CR through Executive Education workshop will take place at ISTUD. Participation is free for EABIS members. [Please register through the ISTUD workshop website](#)

ISTUD

Upcoming

"Symposium on the Future of Economics and Management in a post-crisis World".

15-16 April 2010, hosted by the Università Cattolica de Milano.

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Global Dialogue

CSR Europe has engaged in dialogue, and established links with, various constituents beyond Europe. Examples include the following.

United Nations Global Compact

CSR Europe participated in several meetings during the initial creation of the [UN Global Compact](#). Today we are one of the official Business Associations supporting the Global Compact through our private-sector expertise on critical issues related to sustainable development and corporate citizenship. Many of CSR Europe's member companies are closely engaged with this global initiative.

USA

Historically, CSR Europe has established a close relationship with [Business and Social Responsibility](#) (BSR), ensuring that on both sides of the Atlantic CSR could mature in accordance with the respective expectations of businesses and stakeholders operating in these two important regions.

China

In September 2005, CSR Europe and [WTO China](#) co-hosted the first Sino-European International Conference on CSR in Beijing, at which European Commissioner Vladimir Spidla was also present.

One year later, CSR Europe and [ORSE](#), CSR Europe's French national partner organisation, released a joint [publication on CSR in China](#) to support those organisations wishing to invest in China to find good sources of information, dialogue and partnership with entities in China that are striving for a more sustainable and competitive enterprise.

Currently CSR Europe continues to cooperate with WTO China and regularly hosts Chinese delegations at our offices and major events.

Japan

In 2002, CSR Europe embarked on a close cooperation with the [Japan Research Institute](#), in particular to support the Institute in setting up the first Japanese resource centre on CSR. Today, thanks to strong involvement of Japanese member companies in CSR Europe, a strategic partnership is being developed with the [Japan Business Council in Europe](#).

India

Within the framework of an EU-India partnership, Indian governmental officials have asked the European Commission to include CSR in their dialogue with the EU. It is in this context that CSR Europe, in 2007, hosted a tri-partite delegation including representatives of Indian government and social partners at our offices in Brussels.

Africa

CSR Europe welcomed the initiative of the European Commission and the African Commission of the African Union to establish an EU-Africa business forum. CSR Europe is currently exploring how it can best contribute practically to this new initiative, in particular through the European Laboratory on [Base of the Pyramid](#) and through member companies - Unilever and Microsoft - who have a facilitation role in this forum.

What is the Global Compact?

The United Nations Global Compact is a 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.

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European MarketPlace on CSR

The European MarketPlace on Corporate Social Responsibility, hosted by CSR Europe, is an innovative forum for sharing solutions to business challenges in an informal, exchange-driven and creative environment.

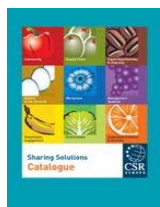
At the MarketPlace, business practitioners present their company solutions to CSR challenges and share experience with their peers.



The participants can be both "Givers" and "Takers" at the MarketPlace:

- "Givers" share their successful CSR solutions at the MarketPlace divided in thematic sections. They show how their company has tackled a particular CSR challenge by offering a brief description of the problem, the solution and the benefits achieved.
- "Takers" shop around at the MarketPlace. They have the opportunity to connect with other CSR practitioners, learn from their experiences and find inspiration from the presented solutions.

All over 600 CSR solutions collected for the MarketPlace events held in 2005-2007 are now publicly available in our [solutions database](#).



First MarketPlace

The first European MarketPlace event was held on **3-4 March 2005** in Brussels. The event brought together 200 business managers from companies across Europe and more than 100 practical solutions to CSR challenges were exchanged at the market. [Read more](#)

Second MarketPlace

Building on the success of the previous year, CSR Europe hosted its second MarketPlace on **22 June 2006**. More than 120 new CSR solutions were presented by CSR Europe's members and partners. [Read more](#)



Third MarketPlace

The third European MarketPlace on CSR took place on **29 November 2007**. The event featured around 90 new CSR solutions and introduced a new format of co-building solutions in CSR Laboratories with a record 650 select participants attending. [Read more](#)

National MarketPlaces

Some of CSR Europe's national partner organisations have hosted CSR MarketPlace events in their respective countries inspired by the original concept created by CSR Europe in 2005. [Read more](#)

For further information about the European MarketPlace on CSR, please contact Ann Vandenhende, av@csreurope.org.

First European MarketPlace on CSR



CSR Europe hosted its first European MarketPlace on Corporate Social Responsibility on March 2005 in Brussels. The MarketPlace introduced a new format of sharing experience and good practice on CSR among business practitioners. The MarketPlace brought together more than 200 business managers from around **80 multinational companies** across Europe.

More than **100 practical CSR solutions** were exchanged at the market divided in ten thematic areas. The event also marked the launch of the [European Roadmap for Businesses](#): Towards a Sustainable and Competitive Enterprise. The roadmap outlines a framework from the business community on how to improve companies' economic, social and environmental performance.



The sponsors of the first marketplace were CDC, Microsoft, IBM, Sony, Shell, Manpower, BT, P&G, Toyota, BP, ABB, ENI, Nestle and Suez.

To learn more about the first European MarketPlace on CSR, see the [press release](#) and visit the database of [CSR solutions](#) collected for MarketPlace events.



Second European MarketPlace on CSR

CSR Europe's second European MarketPlace on CSR held on **22 June 2006** was a great success. More than **120 solutions** on CSR were presented by our multinational member companies in the morning session. The afternoon session was a participatory discussion on 'Bringing CSR to Life' and CSR Beyond Europe's Borders'.



At the event, CSR Europe launched the [European Cartography on CSR](#), a document which reveals some of the trends and challenges of CSR.

A total of **450 persons attendend** to the MarketPlace and **2321 transactions** were made by the participants. The top three themes were mainstreaming CSR, stakeholder engagement and innovation.

The sponsors of the second MarketPlace were IBM, Johnson & Johnson, HP, Vodafone, Enel, Microsoft, Accor, Telecom Italia, BP, Titan, Toyota, BT, BASF, Procter & Gamble, Dow and Lloyds TSB.



To learn more about the second European MarketPlace on CSR, read the [press release](#) and visit the database of [CSR solutions](#) collected for MarketPlace events.

Third European MarketPlace on CSR

The third European MarketPlace on CSR, hosted by CSR Europe, took place in Brussels on 29 November 2007. A record number of 650 participants from companies, NGOs, national governments, media and the European Commission attended the event.

Highlights of the MarketPlace included:

- Around 90 **CSR solutions** presented by some of the world's leading companies
- Information stands and co-building sessions of 16 **CSR Laboratories** in which business and stakeholders tackle CSR challenges together
- **Awards** for the most outstanding solutions and Laboratories chosen by a stakeholder panel and the public
- Launch of CSR Europe's **new website** with a special section on the **European Alliance for CSR**



Watch the video:

The Third European MarketPlace on CSR

See also:

- [Photos](#)
- [Speeches and press releases](#)
- [MarketPlace catalogue](#)

Sharing CSR Solutions at the MarketPlace

More than 90 CSR practitioners from different companies presented their top CSR solutions at the MarketPlace divided in thematic sections.

Compared to the previous years, the third MarketPlace saw an increase in the number of solutions related to *mainstreaming CSR* and *equal opportunities*. For the first time, *skills and competence building* surpassed *environmental protection* as the category with the most solutions. This MarketPlace also featured a record number of solutions from companies in the Central and Eastern European region.

The 90 solutions presented at the event were selected among a total of 180 solutions submitted by CSR Europe's members and partners. All submitted solutions are available online in CSR Europe's [solutions database](#). CSR Europe members can also download the printed version of the [MarketPlace catalogue](#).



Co-inventing Solutions in CSR Laboratories

The [CSR Laboratories](#) launched during 2007 under the umbrella of the European Alliance for CSR were presented at the MarketPlace through information stands and co-building sessions.



The information stands allowed participants to gain insight into Laboratory projects involving companies and stakeholders across sectors and addressing key societal challenges, such as wellbeing in the workplace, responsible supply chain management, demographic change, and many others.



The co-building sessions invited participants to provide input into the work of the Laboratories and to contribute further even beyond the event itself.

Awards for Outstanding CSR Solutions and Laboratories

An international stakeholder panel of 12 participants from academia, press, NGOs, consumer organisations and public sector presented awards for the 5 most outstanding CSR solutions and the 4 most outstanding CSR Laboratories presented at the MarketPlace. In addition, all participants had the opportunity to vote for their favourite CSR solution. [See all award winners](#)



Engaging in the European Alliance for CSR

CSR Europe is a key partner of the [European Alliance for CSR](#), an open partnership for enterprises committed to innovative and responsible business practices. The MarketPlace offered Alliance partners the opportunity to exchange views on the mid-term progress of the Alliance launched in 2006.



At the opening session, European Commissioners **Günter Verheugen** and **Vladimir Spidla** stressed the important role that companies' CSR initiatives play for the success of the European Strategy for Jobs and Growth. The Commissioners also called for closer cooperation between all actors in society, a goal that the Alliance has set out to pursue. [Read the speeches](#)

At the closing session, CSR Europe invited Members of the European Parliament **Richard Howitt** and **Philip Bushill-Matthews** to share their views on the challenges and opportunities for corporate social responsibility.

As part of its contribution to the Alliance, CSR Europe launched its new website featuring a section dedicated to the Alliance.

Event Sponsors

The third European MarketPlace on CSR was made possible with the support of HP, IBM, Johnson & Johnson, Microsoft, Procter & Gamble, Suez and Volkswagen.

National MarketPlaces



Many national partners organise national **CSR MarketPlace** events inspired by the original concept created by CSR Europe in 2005. Thus far, national MarketPlaces have taken place in Italy, Portugal, Spain, Sweden, Ireland, Greece and Poland. These events contribute to one of the main objectives of the [European Alliance for CSR](#) as they are motors for exchange and dissemination of CSR practices.

Upcoming CSR MarketPlaces

Turkish MarketPlace, September 2009, Istanbul, Turkey

CSR Europe's newest national partner, CSR Turkey, with the support of CSR Europe, will be organising the first ever Turkish CSR MarketPlace at the end of September 2009 as part of the EU funded project "Accelerating CSR in Turkey". It will be a unique opportunity for European business practitioners to understand the status, trends and priorities of CSR in Turkey as well as act as a platform for exchange between Turkish business representatives and European representatives.

More information coming soon...

Portuguese MarketPlace, 2009, Lisbon, Portugal

The Second Portuguese MarketPlace on CSR will be a unique chance for attendees to shop around for the most relevant and valuable CSR initiatives while providing a platform for dynamic networking amongst CSR peers, both from business and relevant stakeholders.

More information coming soon...

Hungarian MarketPlace, May 14, 2009, Budapest, Hungary

The **first Hungarian CSR MarketPlace** will be organised on the **14th of May 2009** in **Budapest** by **KÖVET Association**, in partnership with **CSR Europe**. Taking place for the first time, the Hungarian CSR MarketPlace 2009 will give Hungarian companies the opportunity to share their CSR experiences and solutions with other Hungarian and international participants, in an informal, exchange driven, creative environment

Nearly 50 companies have sent in more than 80 proposals for the CSR MarketPlace 2009. The proposals will be evaluated by a jury and the best CSR solutions will be selected to be presented at the event.

Register now for the event and you will gain access to new ideas, experiences and solutions regarding CSR practices in Hungary. **To register**, [click here](#).

To find out more details about the **Hungarian CSR Market Place** [click here](#).

Past CSR MarketPlaces in 2007-2008

Polish MarketPlace 2008, Warsaw, Poland

Responsible Business Forum Poland organised, on 29 October, their Polish MarketPlace as part of the Responsible Business Forum 2008 - the most important CSR event in Poland. The event was addressed both to companies who wanted to present their CSR activities and best practices and those looking for inspiration to implement CSR ideas and values into their businesses. For more information, please visit <http://www.fob.org.pl/>.



Spanish MarketPlace 2008, Madrid, Spain

Foretica organised their Second Spanish MarketPlace on CSR on 9 October 2008. Over 300 participants attended the event. CSR Europe participated in the MarketPlace through a stand presenting its CSR Laboratory initiatives. The winning company CSR solution, "Corazones Menudos" ("small hearts") was presented by NH Hotels. For more information, please visit <http://www.foretica.es/>.

Greek MarketPlace 2008, Thessaloniki, Greece



In June 2008 the Hellenic Network for CSR organised, together with the Federation of Industries of Northern Greece, its second Greek MarketPlace. The exhibition presenting CSR practices from 21 companies took place in one of the most popular squares of the city to allow the general public, in addition to the business representatives, to participate. Despite the rainy weather, more than 1.500 people visited the exhibition. The Conference part of the event took place in an auditorium next to the square and was attended by more than 200 business executives. Main speakers were the Greek Minister of Development, the Minister of Northern Greece, the Mayor of Thessaloniki, the Presidents of the HNCSR and of the Federation of Industries of Northern Greece and other business executives. For more information, visit



http://www.csrhellas.org/csr_last2/portal/en/misc/91oz_2007110191.php3.

Portuguese MarketPlace 2007, Lisbon, Portugal

On 20 September 2007, the first Portuguese MarketPlace on CSR took place in Lisbon with more than 200 participants attending the event. Held in the Mercado da Ribeira em Lisboa, this event had a 'real' market flair, adding elements of originality and conviviality to the ambiance. Among the company participants were IBM Portugal, Delta Cafes, Banco Spirito Santo, Vedior and Millennium bcp. For more information, visit

<http://www.rseportugal.eu/>.

Spanish MarketPlace 2007, Madrid, Spain



2007 marked the first Spanish MarketPlace, with over 300 participants. Under the theme of textiles, CSR practitioners and other stakeholders had the opportunity to share and learn about the current trends in CSR practices. Kerstin Born, the executive director of CSR Europe, participated in the opening ceremony of the event along with Foretica's president, José Maria Velasco from Unión Fenosa and Thomas Dodd from the European Commission. The winning solution, "La cuenta cívica" (the civic account), was presented by Caja Navarra. For more information, visit <http://www.foretica.es/>.

Greek MarketPlace 2007, Athens, Greece

On 30 May, the Hellenic Network for CSR organized the first ever Greek MarketPlace in Athens with the title "Doing Business Responsibly '07 - Values and Practices of Responsible Entrepreneurship". More than 200 business managers, SMEs, academics, NGO representatives and university students were among the visitors. Around 50 CSR solutions were presented. The Greek Minister of National Economy and Economics and the Mayor of Athens were among the speakers. For more information, visit <http://www.csrhellas.gr/>.



Nordic MarketPlace 2007, Stockholm, Sweden



One of the objectives of the Nordic MarketPlace organised in Sweden was to give inspiration to the movement for corporate responsibility in the region. Around 30 different companies contributed with a presentation of their CSR solutions. In addition, 150 business executives, opinion leaders and CSR directors from prominent corporations were also present at the event. The Nordic MarketPlace was a forum to inspire and to be inspired, discuss new opportunities and witness a number of concrete hands-on activities. For more information, visit

<http://www.csrsweden.se/>.

Helpdesk Services

Account Management

Every CSR Europe member has a personal account manager who acts as a primary contact point and regularly informs members about opportunities for engagement based on their interests.

Your account manager can assist you with information requests, providing relevant documentation that CSR Europe has readily available and connect you with other practitioners in the network.



Bespoke Helpdesk Services

In addition to the account management service, CSR Europe member companies are entitled to two days credit for bespoke service annually. Examples of services CSR Europe can provide are:

- A structured **review of a CSR/sustainability report**: benchmarking a member's CSR report against company and reporting best practice and highlighting latest trends and developments
- **Issue specific research**, for example a sector/competitor benchmark research on a specific CSR issue, or an overview of the latest European policy developments in a particular area
- **CSR trainings** for practitioners from the field and/or colleagues from other business functions in their company

If a member company should wish to pursue more in-depth services that go beyond the two credit days, this can be discussed on a bilateral basis. CSR Europe can for example assist companies in:

- Organising a **stakeholder dialogue session** on a specific topic of key importance to the company, e.g. to receive feedback on a company's reporting and communication on its social and environmental performance
- Providing an **expert judging panel** for a company's internal CSR Awards

Helpdesk Reports for Members

Many of the reports resulting from the helpdesk service have an added value not only to the company initially requesting it, but also to CSR Europe's membership as a whole. Upon members' request, CSR Europe makes **selected reports available for members online**.

[Click here to access members-only reports](#)

For more information on the helpdesk service, please contact Carien Duisterwinkel, cd@csreurope.org.

CSR Solutions

Discover over 600 company CSR solutions

Find out what leading companies are doing to address CSR challenges such as:

- How to reduce the **environmental impact** of their products (Toyota, STMicroelectronics, Suez...)
- How to embed sustainable development principles across the **supply chain** (Unilever, Sanofi-Aventis...)
- How to **improve access** to new technology and services for disadvantaged communities (BT, Intel, Vodafone...)
- And many other topics

► [Search company CSR solutions](#)

CSR Europe has built this unique collection of CSR best practice examples based upon interaction with its member companies and national partner organisations in preparation for the European MarketPlace events since 2005.

See also:

- [BITC Ireland](#) Inspiring Excellence database
- [respACT](#) Business case database
- [Sodalitas](#) Best Practice
- [Pontis and Business Leaders' Forum](#) CSR Best Practices 2007-08
- [Club de Excelencia en Sostenibilidad](#) Best Practice Catalogue in CR
- [BITC](#) Directory of case studies of responsible business practice
- [ecosense](#) Extensive best practice on climate change
- [FOB](#) Responsible Business in Poland 2008 - Good Practices (English summary)
- [HNCSR](#) Catalogue of best practice (in Greek)

Publications

CSR Europe publishes a variety of publications including practitioners' reports, thematic research and a bi-weekly member newsletter summarising the latest CSR news and trends.



About CSR Europe - Key Documents

Download our brochures to learn more about CSR Europe, our national partner network and the European Roadmap for a Sustainable and Competitive Enterprise, a guiding document for the work that the organisation undertakes today. [Read more](#)



Reports and Guides

CSR Europe publishes reports ranging from practical guides on how to get more women in to leadership positions to research bringing together best practices on themes such as mainstreaming, reporting and human rights. [Read more](#)



Newsbundle

The Newsbundle is CSR Europe's bi-weekly newsletter for members. It includes information on CSR Europe's upcoming activities, news from our members and partners, CSR news from around the world, and updates on relevant EU and policy developments. [Read more](#)



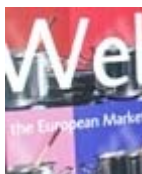
Members-Only Reports

CSR Europe makes selected research reports, based on the [helpdesk service](#) for members, available online for members only. [Read more](#)



CSR Magazine

CSR Magazine was published between 1999 and 2003. While it is no longer in publication, it was the first and only European magazine covering corporate social responsibility across Europe. Each issue has country and company profiles, interviews and special reports on topical CSR issues. [Read more](#)



Videos

Watch videos from our events on [CSR Europe's YouTube channel!](#)

Key Documents

Learn more about CSR Europe and the national partner network:

- [CSR Europe - Working with You: 2009-2010 Activity Overview \(January 2009\)](#)
- [CSR Europe brochure \(June 2008\)](#)
- [The European Network on CSR - Driving Change \(2006\)](#)

Read CSR Europe's guiding document for a sustainable and competitive enterprise:

- [A European Roadmap: Towards a Sustainable and Competitive Enterprise \(2005\)](#)

CSR Europe

Working with you
2009-2010



Innovate

Share

Connect

Who we are

CSR Europe is the leading European business network for corporate social responsibility (CSR) with around 80 multinational corporations as members and 25 national partner organisations. Originally founded in 1995, CSR Europe's mission today is to provide a platform for exchange and support companies in integrating CSR into the way they do business, every day.

Our corporate members



Our national partner organisations



CSR Europe in a nutshell

CSR Europe works with its members through a range of services, from one-to-one to membership wide activities, on both high and practical levels. Keep reading to find out more!

Enhance your expertise through our practitioners' network

Connect with peers to exchange CSR best practices at events and through our online database of 600+ CSR solutions. Stay informed through our newsletter, update calls and other information services.

Join forces with key European stakeholders

Engage in the European policy debate on CSR and participate in CSR Laboratories to address key socio-economic challenges

Participate in business to business groups

Share your experiences with peers, learn from experts and improve performance in the areas of Sustainable Marketing or CSR & the Media

Benefit from personal service

Dedicated account manager & bespoke tailored helpdesk services



Benefit from personal service

Every CSR Europe member is allocated a **personal account manager** who helps the company to engage in network activities.



Get involved!

- Receive feedback on your CSR reporting and communications
- Connect with peers in the network
- Benefit from competitor or industry benchmarks
- Access in-depth research reports online

He or she acts as a primary contact point and regularly informs you about opportunities for engagement based upon your company's interests. Your account manager can assist you with information requests, providing relevant documentation that CSR Europe has readily available and connect you with other practitioners in the network.

In addition to the account management service, CSR Europe member companies are entitled to two days credit for **bespoke helpdesk service** annually. Examples of services include:

STRUCTURED REVIEW OF CSR REPORT

- Feedback on content, structure & style
- Benchmark against reporting best practice
- Latest developments and trends

ISSUE SPECIFIC RESEARCH

- Competitor/industry benchmark research on specific CSR topics
- EU policy developments on a specific CSR issue

STAKEHOLDER DIALOGUE SESSION

- Mapping stakeholder concerns on specific issues
- Feedback on company reporting and communication

If a member company should wish to pursue more in-depth services that go beyond the two credit days, this can be discussed on a bilateral basis. CSR Europe can for example assist companies in organising a stakeholder session, providing an expert judging panel for internal CSR Awards, or setting up a CSR training workshop for colleagues from different departments.

A number of CSR Europe research reports are available for download online for all CSR Europe members. Resources include reports on women in leadership, CSR governance structures, CSR Awards in Europe, the state of play of CSR in Europe, etc. www.csreurope.org/helpdesk

"We have benefited from CSR Europe's report feedback service for the past 4 years. The evaluation gives us a lot of valuable and helpful advice, supported by best practice examples. The feedback has helped us further develop our CSR report, for which we recently received the award for Best Swedish Sustainability Report."

Åsa Pettersson, Vattenfall

Contact your account manager to discuss your interest in the helpdesk service.

Share experiences with peers

“When done properly, a genuine commitment to sustainable business practice can help to rebuild trust and foster long-term customer relationships. I very much hope that the marketing guide produced by our working group inspires marketers to start embedding sustainability into their own strategies.”

Emma Williams, BT, Chair of CSR Europe's Marketing group

Get involved!

- Improve your CSR communication by exchanging with peers
- Engage your marketing colleagues in green and social marketing
- Start a new B2B group on a topic of your choice

CSR Europe organises and facilitates a number of **business-to-business working groups** on specific CSR challenges. They allow members to engage in a confidential B2B setting, exchange practical solutions and learn from experts in the field.

The B2B working groups are demand driven, and any CSR Europe member company can approach the secretariat to initiate a working group on a specific topic. CSR Europe will then explore interest among other member companies to engage in such a group.

The lead member, with input from CSR Europe, initially determines composition and content of a B2B working group, and hosts a first session. Participants then jointly identify further content angles and continuity of the group. Currently active groups include Sustainable Marketing and CSR and the Media.

Challenging the marketer's creativity



In 2008, the Sustainable Marketing B2B group published a practitioners' guide to help marketers take the first step towards minimising the environmental impacts of their campaigns and tapping into the growing market of ethical consumers. Led by BT, the group's members include Sony, Unilever, Danone Group, Dassault Systemes, Johnson & Johnson, Bouygues and Epson Europe.

The guide emphasizes the business case for sustainable marketing and contains a toolkit of resources. The accompanying **3D online game** set in a virtual shopping mall illustrates the complexities facing the ethical shopper.

Download the guide & play the game on www.csreurope.org/sustainablemarketing

Participate in 2009!

You can contribute to the further work of this group, and help shape upcoming activities, i.e. training sessions for marketers or workshops on Cause Related Marketing.

Contact your account manager to find out more about upcoming meetings and how you and your colleagues can engage.

Engage in CSR Europe's national partner network

In addition to its corporate members, CSR Europe reaches out to the national and regional level through its national partner organisations. The national partner network is made up of 25 individual and independent organisations from 22 European countries. These membership-based, business-led organisations aim to promote and facilitate CSR. Together the network represents more than **2000 companies**.

Get involved!

- Stay up to date on national CSR developments and events
- Engage in European collaborative projects
- Connect your colleagues across Europe with national CSR experts



By providing unique insights into the national context of CSR in the different European countries, our partner organisations complement the knowledge and experience available within CSR Europe. The network allows member companies to connect colleagues in different European countries with national CSR experts and help them engage in national CSR conferences, workshops and activities.

Based upon the interest of individual organisations in the network, CSR Europe and its national partners engage in **collaborative projects** on specific CSR themes. Member companies can engage in such projects, e.g. through speaking at events or sharing company case studies.



Collaborative projects with national partners

Accelerating CSR in Turkey

CSR Europe and CSR Turkey have launched this 17-month project financed by the European Union under the framework of the European Pre-Accession Funds with the objective of bringing the topic of corporate social responsibility to the forefront in Turkey. Implemented through two awareness raising conferences and two trainings focusing on the media and SMEs, the project will culminate in a Turkish MarketPlace event on CSR at the end of September 2009. CSR Europe member companies have an opportunity to participate to events or contribute their expertise through presentations.

TRAIN4CSR

TRAIN4CSR aims to develop new CSR training courses in a modern, interactive form, combining state of the art training methodology with sustainability awareness raising and information. Supported by the Leonardo de Vinci Lifelong Learning Programme and led by CSR Europe's Hungarian partner KÖVET, the project involves CSR Europe and a number of other national partners; Scottish Business in the Community, Forética and Impronta Etica. CSR Europe will disseminate training material among its company members and wider network.

Fostering CSR in the construction sector

The project aims to demonstrate the business case for CSR in the construction sector and provide companies with effective tools for developing innovative CSR policies. This project is co-funded by the EU through 'Responsible Competitiveness: fostering CSR in Europe industrial sectors'. CSR Europe's member companies have the opportunity to provide best practice examples, participate in a stakeholder roundtable and a pilot experiment to test the performance indicators developed in the project.

Contact your account manager or Beatriz Berruga on bb@csreurope.org to find out more about our network of national partners.

Cooperate with key European stakeholders

Since its inception in 1995, CSR Europe has played an important role in providing input to the European CSR policy debate. We continue to do so today as the agendas of competitiveness and sustainability become increasingly intertwined.

The European Alliance for CSR

CSR Europe is a key player in the coordination and communication of activities under the umbrella of the European Alliance for CSR. The Alliance, launched in 2006, is an open partnership for companies and their stakeholders to promote and enhance CSR in contribution to the European strategy for Growth and Jobs.

The Alliance marks a **new political approach** to CSR, based on a double commitment. On the one hand, the European Commission will strengthen a business-friendly environment. On the other hand, through a voluntary approach, companies further their efforts to innovate their CSR strategies and initiatives, in cooperation and dialogue with stakeholders. To date, **more than 260 companies and organisations** have expressed their support to the Alliance.

Get involved!

- Enhance relationships with European stakeholders
- Play a leading role in the European Alliance for CSR
- Your company participating in high level meetings with other business leaders and European Commissioners



“Socially responsible businesses are good for our economy and important for our society. I continue to call on European companies to take a global lead on CSR”

Günter Verheugen, Vice President of the European Commission responsible for Enterprise and Industry

An Alliance for Action in 10 strategic priority areas:

- Fostering innovation and entrepreneurship
- Helping SMEs to flourish and grow
- Integrating CSR in business operations
- Developing skills for employability
- Diversity and equal opportunities
- Improving working conditions, also in the supply chain
- Innovating in the environment field
- Enhancing stakeholder dialogue and engagement
- Improving transparency & communication
- Operating responsibly outside the EU

The progress of the Alliance is assessed annually in a high level meeting with business leaders and European Commissioners, who discuss challenges facing businesses and the EU on demographic change, competitiveness and sustainable development. The third high level meeting will take place early 2009.

To find out more about European and stakeholder relations, signing up as an Alliance supporter or participating in high level meetings, contact Jan Noterdaeme on jn@csreurope.org or your account manager.

5 ways to contribute to the Alliance

- CSR Laboratories
- High level meetings with business leaders and policy makers
- CSR best practice exchange
- The European multi-stakeholder forum
- CSR research and education

The power of collaboration: CSR Laboratories

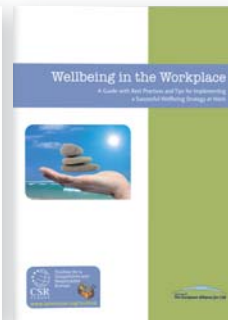
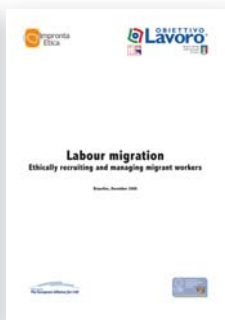
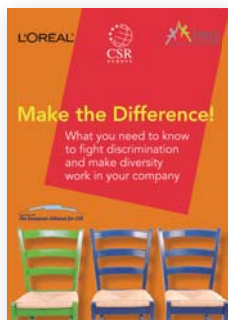
At the heart of the European Alliance are the CSR Laboratories, **business-driven and action-oriented projects** which aim to address **socio-economic challenges** by bringing together business practitioners, stakeholders and representatives of the European Union to share experience and explore joint operational projects.

Laboratories enable companies to improve management of a specific CSR issue, achieve efficiency gains and enlarge or scale up existing initiatives by pooling resources and cooperating with peers. They also provide a platform for proactive dialogue and engagement with European Commission representatives and key stakeholders and experts based on practical experience.

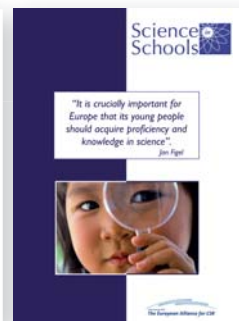


Get equipped! with CSR Europe's Toolbox

On 4 December 2008 at the 'Equipped for CSR' event, 20 CSR Laboratories facilitated by CSR Europe and its national partner organisations came together for the launch of the Toolbox for a Competitive and Responsible Europe. The Toolbox is a collection of online resources, collaborative network models, practical guides, research reports and other CSR tools produced by CSR Laboratories over the past 18 months.



Integrated Workplace
Whistling in tune



Human Capital
Empowering knowledge



Contact your account manager to find out more about how to engage in CSR Laboratories



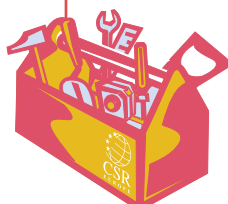
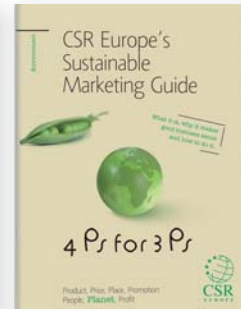
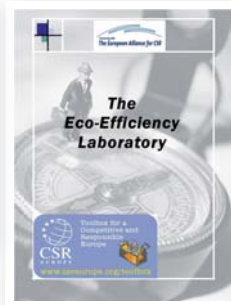
Based upon the successful multi-stakeholder cooperation over the past two years, in 2009 a number of existing Laboratories will continue to build upon the results achieved so far. Together with its national partner organisations, CSR Europe will organise Laboratory roadshows, providing trainings and workshops on the basis of the various Laboratory outputs. Additionally, every CSR Europe member can initiate a new Laboratory on a specific topic by connecting with the secretariat, which can assist in the facilitation.

Get involved!

- Build solutions to specific CSR challenges with peers and stakeholders
- Further position your company in the European CSR movement
- Get equipped with CSR Europe's Toolbox

Sustainable Production and Consumption

Treading lightly



Communication and Transparency

Competing for trust



(R)Evolutionary Business Models

Pioneering growth



Sharing and co-building solutions for a complex world

CSR Europe has a wide outreach both in Europe and internationally. As such, it brings together a unique network of CSR practitioners. Within this peer-to-peer network there is a strong emphasis on sharing CSR experience, practices and vision.

Get involved!

- Learn about hundreds of company CSR best practices
- Showcase your company's CSR solutions
- Help shape Responsible Business 2020

Upcoming MarketPlace events

- Hungarian MarketPlace: May 2009
- Turkish MarketPlace: September 2009
- 4th European MarketPlace: March 2010

Sharing CSR Solutions – MarketPlace events

The **European MarketPlace on Corporate Social Responsibility**, hosted by CSR Europe, is an innovative forum for sharing solutions to business challenges in an informal, exchange-driven and creative environment. At the MarketPlace, business practitioners present their company solutions to CSR challenges and share

experience with their peers. All over 600 CSR solutions collected for the MarketPlace events held in 2005-2007 are publicly available in our online solutions database at www.csreurope.org/solutions. CSR Europe will keep members up to date regards the preparations for MarketPlace IV, to be held early 2010.

Over the past years, various national partners have organised CSR MarketPlace events inspired by the original concept created by CSR Europe. **National MarketPlace events** have taken place in Italy, Portugal, Spain, Sweden, Ireland, Greece and Poland. These events contribute to one of the main objectives of the European Alliance for CSR as they are motors for the exchange and dissemination of CSR practices.

Responsible Business 2020 – Shaping the company of the future

In the current times of financial and socio-economic uncertainty and increased societal distrust in the present market economy, CSR Europe will look towards 2020, defining a concept and framework for CSR development that supports companies' move from risk to **opportunity** by adapting an entrepreneurial approach that seeks to build **trust**, **create value** and identify sustainable opportunities for **strategic innovation**.

All CSR Europe members are invited to actively participate in this project, endorsed by the European Commission as part of the Progress Initiative.

Responsible Business 2020 will facilitate the exchange of innovative ideas and visionary expertise from the corporate, NGO and public sector through online consultation and discussion and three Round Tables to be held in February, July and October 2009. The final concept will be launched at CSR Europe's 4th MarketPlace in March 2010 in the presence of new European Commission and European Parliament.



Contact your account manager to find out more.

Stay up to date on the latest CSR developments

CSR Europe's information services help members stay up to date on key European and international CSR developments and position their company's CSR activities. The services below are open to all employees from member companies.

In your inbox

CSR Europe's bi-weekly **Newsbundle** presents the latest CSR news and provides an opportunity for members to share information on their CSR initiatives with over 1,200 readers worldwide. In 2008, CSR Europe launched a new service, **Issue Insights**: brief quarterly updates on EU policy developments and key initiatives around specific CSR-related topics, such as Water Scarcity and Drought.

Over the phone

Members are invited to participate to dial-in update sessions, regular conference calls with updates on EU policy initiatives and other relevant CSR developments. Topics covered include European policies around sustainable consumption and production, ISO CSR Guidelines, etc. We welcome suggestions for topics for upcoming sessions from our members.

Get involved!

- Learn about CSR news and events through our Newsbundle
- Access over 600 CSR best practices online
- Dial in for the latest CSR policy developments and initiatives
- Profile your company on our website



Online: www.csreurope.org

Our website offers access to a wealth of public and members-only information available for you and your colleagues.



CSR news from Europe and around the world

Daily CSR news, events and jobs

Over 600 company CSR best practices

Members-only reports and research

Member profiles and interviews

Members-only information on Laboratories

CSR Europe, a platform for:

- Connecting companies to share best practice on CSR
- Innovating new projects between business and stakeholders
- Shaping the modern day business and political agenda on sustainability and competitiveness



CSR Europe

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tel. +32 2 541 16 10 – fax +32 2 502 84 58 – www.csreurope.org

The European Business Network for Corporate Social Responsibility



CSR
E U R O P E

Innovate

Share

Connect

Who we are

CSR Europe is the leading European business network for corporate social responsibility (CSR) with around 80 multinational corporations and 25 national partner organisations as members. its mission is to support member companies in integrating CSR into the way they do business, every day.

The organisation was founded in 1995 by senior European business leaders in response to an appeal by the European Commission President Jacques Delors. It has since grown to become an inspiring network of business people working at the very forefront of CSR across Europe and globally.

CSR Europe – A platform for:

- Connecting companies to shape the modern day business and political agenda on sustainability and competitiveness
- Sharing best practice on CSR in a peer-to-peer setting
- Innovating new projects between companies and their stakeholders

Connect, share, innovate

At the core of CSR Europe are its corporate members and national partner organisations. The expertise and diversity that this unique group of organisations and individuals bring together form the platform upon which CSR Europe undertakes its activities.

Best practice exchange

CSR Europe's secretariat connects member companies for the sharing and further development of CSR best practices through:

- **Thematic business-to-business working groups** – Demand-driven and business-led confidential groups for the exchange of company best practices around specific CSR challenges
- **MarketPlace events** – With its European MarketPlace events, CSR Europe offers a forum for the 'live' exchange of innovative company solutions to CSR challenges, with an audience of hundreds of representatives from the business community, European institutions, NGOs, academics and other stakeholders.



European stakeholder dialogue

CSR Europe has since its inception played an important role in providing input to the European CSR policy debate and continues to do so today as the agendas of competitiveness and sustainability become increasingly intertwined.

CSR Europe is a key player in the coordination and communication of activities relating to the European Alliance for CSR.

In cooperation with its national partner organisations who have a unique foothold within their respective countries, CSR Europe keeps members up to date on relevant CSR policy developments and assists companies to build relationships with European and national institutions.

Collaborative projects with stakeholders

CSR Europe and its national partner organisations connect member companies with relevant stakeholders to seek innovative solutions to socio-economic challenges through joint projects.

These CSR Laboratories bring together business practitioners, stakeholders and representatives of the European Union to share experience, co-build operational projects and explore innovative approaches to European policy initiatives.



Laboratory topics include:

- Wellbeing in the Workplace
- CR and Market Valuation of (Non-)Financial Performance
- Skills for Employability
- Base of the Pyramid
- Responsible Supply Chain Management
- ... and many others

Expertise and practical services

Every CSR Europe member is allocated a personal **account manager**, who acts as a primary contact point and helps members with network brokering and information requests.

Additionally, CSR Europe member companies are entitled to two days of **bespoke service** annually, which can be utilised according to the company's needs.

Examples of services:

- A structured review of a CSR/ sustainability report
- Competitor or industry benchmarks
- Issue specific research
- Stakeholder dialogue sessions

Information services

CSR Europe's information services help members stay up to date on latest European and international CSR developments and position their company's CSR activities.

- **Dial-In Update Sessions** – Regular conference calls with updates on EU policy initiatives and other relevant CSR developments
- **Issue Insights** – Brief updates on latest EU policy developments and other key matters
- **The Newsbundle** – Bi-weekly newsletter providing members with the latest CSR news and an opportunity to share information on their CSR initiatives with over 1,200 readers worldwide
- **Website** – Online resources for members include reports and publications, monthly member interviews and a database of more than 600 company CSR solutions



In a nutshell

As a member of CSR Europe, you can

- Engage in a broad network of practitioners to **share and further develop best practices** with peers from companies in a range of sectors and industries
- Cooperate and co-build solutions **with stakeholders** in several topic platforms
- Engage in **European CSR policy development** on high and practical level
- Benefit from practical **helpdesk and research services** to support your company's CSR strategy and initiatives
- Receive regular **information updates** on news and events and share your company's news
- Benefit from our **account management system** – your personal account manager supports you in maximising your membership benefits

Getting in touch

For more information on CSR Europe and our membership services and activities, please contact:



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CSR Europe's Corporate Members



CSR Europe's National Partner Organisations

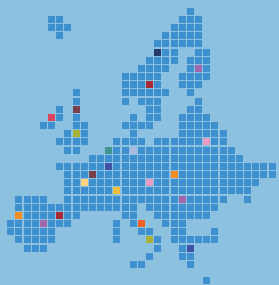


www.csreurope.org

Driving change

The European Network on CSR





Area of Focus

- Innovation & Entrepreneurship
- Skills & Competence Building
- Equal Opportunities & Diversity
- Health & Safety
- Environmental Protection
- Mainstreaming CSR
- Corporate Governance & Leadership
- Reporting, Communication & Transparency
- Community Involvement & Social Partnerships
- Sustainable Production and Consumption
- CSR in the Financial Market
- Human Rights
- Supply Chain Management
- Political Aspects of CSR & Sustainability
- Other

Process / Tools

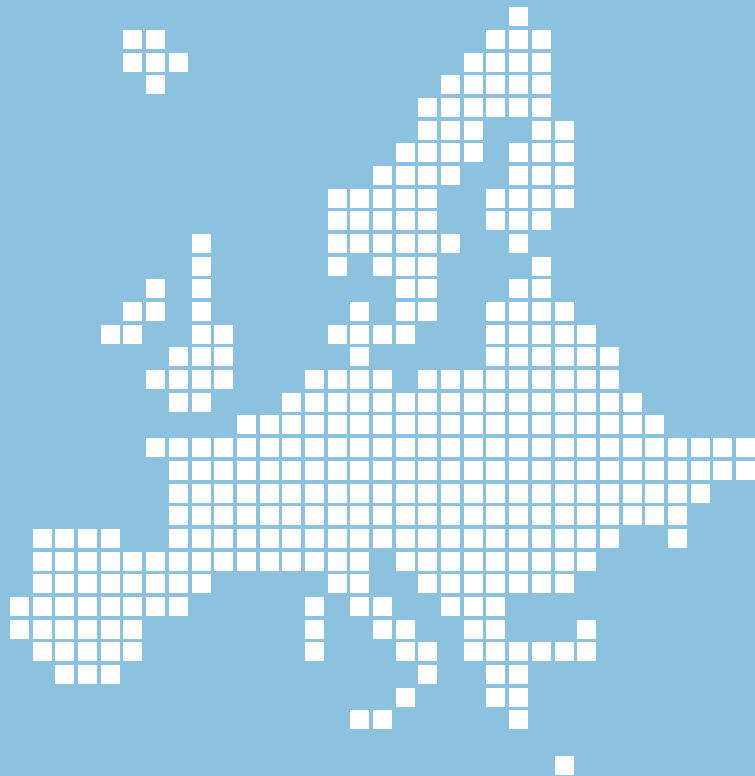
- B2B Alliances
- Stakeholder Engagement & Dialogue
- Publications & Newsletters
- Internet
- Intranet for Members Only
- Capacity Building & Training
- Political Networking
- Awareness Raising Events
- Benchmarking
- Research & Surveys
- Sharing Best Practice
- Awards
- Advisory Services & Consulting
- Other

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The European Network on CSR



“Make Europe a Pole of Excellence on Corporate Social Responsibility”

A Renewed European Strategy on CSR

In order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility. Against this statement by European Heads of State & Governments in March 2005, and on the basis of the work accomplished on CSR at European level -in particular through the European Multistakeholder Forum-the European Commission adopted a renewed strategy on CSR on 22 March 2006.

Through a strengthened partnership with governments, business and stakeholders, it wants to give a new impulse to “make Europe a pole of excellence on CSR”; thereby better harness the innovation of enterprises and stakeholders in support of sustainable development and the European strategy for growth & jobs.

In its new Communication on CSR, the Commission offers a clear definition of CSR: *a concept whereby companies integrate social & environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.* The Commission also presents clear actions to promote further take-up of CSR. For instance, the Commission commits to:

- Raise awareness and promote the exchange of best practice, with **an emphasis on SMEs and acceding and candidate countries**
- **Back up a European Alliance on CSR** as the vehicle to develop a close partnership with business
- Support CSR initiatives by stakeholders. The Commission will also **organise regular review meetings of the European Multistakeholder Forum** on CSR to take stock of progress made in relation to the recommendations of the Forum
- **Cooperate with Member States**, in particular through the High-Level National Representatives on CSR
- Examine further voluntary action to **achieve the objectives of transparency and information for consumers**
- Explore the possibilities to **support further research** into CSR as part of the forthcoming 7th Framework Programme
- Invite business schools, universities and other education institutions to **incorporate CSR as a cross-cutting issue** into the curricula of future managers and graduate students

From The European Business Roadmap to the European Alliance on CSR

The European Cartography on CSR

- **Promote CSR globally** through enhancement of international instruments (UN, OECD, ILO, Regional Agreements, etc...), trade incentives and its integration into EU initiatives such as the New European Strategy for Africa.

A key driver of the Alliance is the European Business Roadmap for a Competitive & Sustainable Enterprise, adopted by CSR Europe's members in March 2005. Both the Alliance and the Roadmap are setting a clear vision and priorities for business innovation on CSR.

Practically, the partners in the European Alliance on CSR aim to:

- **Make CSR practice and tool more relevant** to business practitioners, consumers, investors and the wider public. Here also a strong emphasis is put on multi-disciplinary research and the integration of CSR and sustainable development in traditional education
- Ensure an enabling environment for CSR, through the promotion of voluntary and innovative efforts of companies on CSR, a strengthened partnership with all stakeholders and by **being consistent across the European policy areas and integrating the promotion of CSR where appropriate**. In this respect, the partners of the Alliance also agree to take stock through high-level meetings and to communicate the Alliance results in the context of the European strategy for growth and jobs.
- Develop **open coalitions of cooperation between business, experts and stakeholders**. With the backing of the Commission, Laboratory meetings will be set up in the Roadmap and Alliance priority areas

It is in this context that CSR Europe, together with its National Partner Organisations is developing a European Cartography on CSR, based on a survey of **over 500 business solutions and 140 business networking activities**. Our ambition is to offer new insights to all those willing to engage in or up-scale innovative strategies, pro-active dialogues and collaborative actions on CSR. This Cartography is by no means exhaustive, neither academically founded. Nevertheless, it provides already valuable indications on how and where in Europe change happens within business, as much as on where constraints and gaps remain in the area of CSR. It might also serve in prioritising the activities of the European Alliance on CSR. All your comments and suggestions are therefore most useful.

CSR Europe – at the forefront of Corporate Social Responsibility

CSR Europe is the leading European business network for corporate social responsibility with over 65 leading multinational corporations as members. Since its inception in 1995 by the then European Commission President Jacques Delors and leading European companies, the mission of CSR Europe has been to help companies integrate corporate social responsibility (CSR) into the way they do business, every day.

CSR Europe is a network of CSR professionals based upon the sharing of CSR solutions and shaping the modern day business and political agenda on sustainability and competitiveness.

Today, the companies that make up CSR Europe are at the forefront of CSR globally and are setting the agenda for responsible and competitive business in Europe. CSR Europe has become an inspiring network of business people throughout Europe, willing to exchange business best practices and solutions in an innovative and enriching environment.

Through its network of **22 National Partner Organisations** (NPOs) in 19 European countries, CSR Europe reaches out to over 1800 companies, operating in a wide range of societal and economic environments. CSR Europe captures the diversity of these national CSR strategies and priorities in its dialogue with stakeholders on the European CSR movement. On the other hand, the network facilitates the transfer of expertise and CSR solutions across the network of companies and NPOs.

In 2005, CSR Europe launched a **European Roadmap for a sustainable and competitive enterprise**. This Roadmap serves as a set of goals and strategies to integrate corporate social responsibility in to daily business practices.

What is CSR Europe's outreach?

Services

The European Roadmap for Business:

- includes key points on: integrating CSR across business functions, respect for human rights, developing employees, preserving the environment, engaging with stakeholders
- is actively endorsed by CSR Europe's senior business leaders
- acts as a business appeal towards the European Institutions and the wider stakeholder community
- provided the basis for the first European Cartography on CSR, a business contribution to the **European Alliance on CSR** launched by the European Commission in March 2006

CSR Europe has a practical approach towards servicing its members. It offers:

- Helpdesk services: daily practical assistance and information on demand in addition to more in-depth services
- Business exchanges and seminars: confidential B2B setting in order to exchange practical solutions on issues such as diversity and employability
- Engaging with stakeholders: practical and high level services for members with the European institutions and leading stakeholders
- Information services: access to over 470 company CSR practices online and biweekly newsletters on the latest CSR and EU related news

- CSR Europe's corporate members and national partner organisations consist of senior and middle management executives from within disciplines such as CSR, HR, Operations, Corporate Strategy and Communications.
- CSR Europe has a strong network through partnerships with global, regional and national players as well as thematic CSR experts.

For further information about CSR Europe, please contact **Ben Davies** (Manager, Membership Services; bd@csreurope.org) or call +32 (0)2 541 1610.

The CSR Europe National Partner Network



The Power of the CSR Europe NPO Network

The largest CSR network in Europe

The CSR Europe National Partner Network is made up of 22 individual and independent organisations from 19 European countries. The National Partner Organisations (NPO) are membership-based organisations led by business, for business. Together the network represents more than 1800 of Europe's most progressive companies who are engaged in a practical way in mainstreaming responsible business practice into their organisations. The Partner Network is the largest CSR Network in Europe engaging Europe's biggest and most influential businesses.

Each European country has its own economic, cultural and political history. Therefore, the framework that embeds Corporate Social Responsibility differs greatly from country to country. The individual National Partners provide support, experience and networking capabilities that serve the specific needs of business within their national frameworks. In some countries, to ensure full coverage of the national CSR agenda, the network has partnered with more than one national organisation.

Each NPO works with companies at national level to develop and deliver effective CSR solutions to their members

Each NPO offers a range of services and support to companies who recognise the value to their business and to society of operating responsibly and sustainably. NPOs work closely with key stakeholders such as government, industry federations, NGOs, academia and the media to further the development and uptake of CSR in their countries forming a national CSR movement.

Through working with NPOs at national level, companies can access CSR tools and expertise specifically tailored to the national context, that deliver a range of business benefits from cost saving environmental management to attracting & retaining the best employees, from benchmarking to exploring new markets. It also offers companies with different national subsidiaries the opportunity to harmonise and expand their CSR and sustainability activities in those countries via the network.

Principles of the network

Combining the power of National Partner Organisations within the network offers the opportunity to enlarge the pool of knowledge and exchange experience on a variety of different thematic fields. Finally, through CSR Europe, the network accesses and influences CSR thinking at European business and political level.

- **Respect** the national diversity of CSR throughout Europe
- **Advocate** CSR across joint business networks at regional, national and European levels
- **Act** as ambassadors and reference points on CSR at European and national level for the business sector, public authorities and other interested bodies
- **Engage** in public policy dialogue at European and national level to promote responsible business strategies, practices and actions
- **Share** information, best practice and knowledge on business developments in CSR
- **Combine** efforts to increase the company membership base of the network and therefore the number of companies embracing responsible business practice.

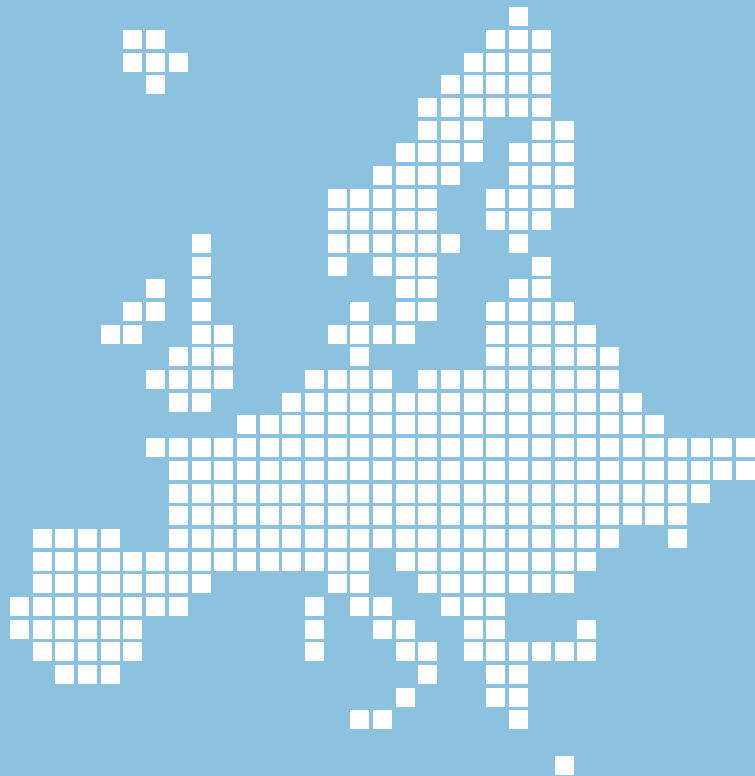
Our goal for the future is to strengthen the CSR movement in Europe, enhance activities at national and European level, combine & share national experiences and serve the member companies in the broadest and most efficient possible way. We also aim to reinforce the dialogue and engagement of companies with stakeholders to ensure a more competitive and sustainable enterprise. Joint action programmes to provide information on cutting edge CSR practices and sustainable business solutions throughout Europe will underline the strength of the network.

Each contact person in the NPO represented within the network will be happy to answer your questions on national CSR activities and membership possibilities for your company.

For contact details please see the individual NPO profiles.

For further information about CSR Europe, please contact **Pierre Echard** (Director, NPO Network pe@csreurope.org) or call +32 (0)2 541 1610.

NPO Profiles





Country	Austria
Name	respACT austria
Year of creation	2005
Members	83

Profile:

The association RespACT austria was founded in June 2005 to communicate the need for social and sustainable business action and to promote the mutual exchange on the topic of CSR among enterprises. respACT austria continues the work of the initiative "CSR Austria" and builds on their guiding vision "economic success – responsible ACTION". respACT austria is a platform and partner addressing all questions of sustainability, Corporate Social Responsibility and business ethics in Austria.

Beyond its function as a "strong voice of the enterprises towards the public", the association provides a platform for entrepreneurs to exchange experiences. The association is likewise open for international companies as for middle, small and smallest enterprises. The advantages for enterprises are various and reach from industry and topic-specific panels to reductions for further training (e.g. the training course "integrated CSR management" or the exchange program "bridging"). The "Business Case data base" can be used as well. The website www.respect.at and a monthly newsletter keep the members up to date.

respACT austria is a enterprise-led association, financed by the contributions of its member enterprises and is supported by the Federation of Austrian Industry (IV), the Austrian Chamber of Commerce (WKÖ), the Federal Ministry for Economic Affairs and Labour (BMLWB), the Federal Ministry for Agriculture, Forestry, Environment and Water, and the Federal Ministry for Social security, Generations and Consumer protection (BMSG) as promoting members.

Mission:

respACT austria: a platform of and for responsible Austrian enterprises

Services:

respACT Austria provides:

Communication and marketing – respACT austria supports the dialogue among companies and with the society. As a platform it presents examples of responsible business practices to a broad public.

Exchange of experiences – respACT austria manages the exchange of know-how and experience among companies and looks for input of practitioners and masterminds of national and international networks. Members enjoy reduced fees for workshops and training courses.

Know how transfer and training – Experienced and dedicated partners from business, science and NGOs pass on their know how in conferences and publications. respACT austria supports companies in the implementation of CSR.

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Country	Belgium
Name	Business & Society Belgium
Year of creation	1997
Members	45

Profile:

Business & Society Belgium promotes and supports every facet of Corporate Social Responsibility, both internal and external: it provides significant exposure to its members, creates new partnership opportunities, and encourages dialogue with all relevant actors. It has 45 members of which 4 employers' federations. Business & Society is a network and an inspiration to corporations and associations striving to integrate social responsibility in their management and activities.

Mission:

We are a growing action- and business-driven network, which promotes and integrates CSR into business, to contribute to sustainable development and human progress.

We want to be a driver for change by working with members, partners and social actors on specific CSR themes.

We want to be a reference center providing high quality information to our members.

We want to be a sounding board and a platform for exchange of experiences.

Services:

A proactive approach: Action and caution go hand in hand: Business & Society Belgium endeavours to continuously push back the frontiers of CSR by drawing attention to a variety of issues and laying the foundations of new cooperation opportunities.

CSR Feedback Brainstorming/micro-conferences, Q&As: You submit your Social Corporate Responsibility Charter – or any similar document like a CSR or sustainable development report – to a panel of

members and/or an expert (your choice). A collective brainstorming and exchange session allows you to share your concerns.

Your CSR strategy from A to Z: On a yearly basis, we propose various topical issues to analyse and discuss in-depth.

Workshops and training on CSR, meetings, publications: Current topics include corporate-NGO communication, corporate diversity policies, CSR and Education,...

Personalised CSR support: a professional and hands-on supervision of your projects (without offering consulting services).

Comparative audit & CSR analysis: On becoming a member, we propose an audit of your company to measure it against CSR Business & Society Belgium membership.

Look on Europe: Membership of CSR Europe and relations with its partners in 19 European countries, allow us to play a key role in European CSR politics.

Communication: Through News@, Business & Society Belgium Magazine and www.businessandsociety.be, we keep you informed on our network and Belgian CSR news.

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BUSINESS LEADERS FORUM

Country	Czech Republic
Name	Business Leaders Forum (BLF)
Year of creation	1992
Members	35

Profile:

Founded in 1992, BLF is a business network with close to 40 member companies. Our members represent both large multinational companies as well as local SMEs.

In the early 90's BLFs main focus lied within the promotion of ethical business practice and environmental awareness.

Over the past 4 years, BLF has developed into the leading organisation in the field of Corporate Social Responsibility in the Czech Republic.

Mission:

BLF's aim is to raise awareness about CSR and its principles among the enterprises and general public in the Czech Republic through:

- research and awareness-raising activities,
- creation of tools and awards to promote and mainstream CSR,
- consultancy,
- networking,
- experience and best practice sharing,
- joint actions with other partners from the public, academic and non-profit sector.

Services:

BLF runs a wide range of activities that benefit directly our members as well as contribute to general awareness raising in the field of CSR.

Main activities of BLF include:

- conducting local research in the field of CSR (both in-depth as well as occasional snapshots)
- awareness raising activities – CSR conferences, workshops,

- thematic publications and info materials
- joint-action activities with the non-profit, public and academic sector (e.g. Manager Shadowing Programme for University students)
- CSR consultancy in partnership projects supported from the EU structural funds
- annual Health safety and environment award
- creation of tools for fostering CSR among SMEs
- fostering experience and best practice sharing among our member companies (CSR online database).

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**Finnish
Business & Society ry**

Country **Finland**

Name **Finnish Business & Society**

Year of creation 2000

Members 52

Profile:

Finnish Business & Society network is the leading CSR business network in Finland and is a means for companies from different branches of business to promote corporate social responsibility.

With its 52 members, the network creates partnerships between companies, the public sector, citizens and consumers to promote socially and economically sustainable development.

Mission:

Finnish Business & Society's mission is to identify and disseminate good practice by helping companies put corporate social responsibility into their business plan and by providing companies and stakeholders with information and knowledge on CSR.

Services:

Finnish Business & Society promotes responsible human resource policies and practices and community involvement. Particular focus is placed on open communication, common projects and forums for dialogue, communication and marketing of CSR, and stakeholder engagement.

Chairperson **Ms. Ritva Ohmeroluoma**
CEO, Nordia Management Ltd.

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Country	France
Name	IMS-Entreprendre pour la Cité
Year of creation	1986
Members	134

Profile:

IMS-Entreprendre pour la Cité is:

- A French non-profit organisation created in 1986 by business leaders, operating through a network of 130 companies
- A 20-year experience, devoted to a better convergence between corporate and society interests
- A willingness to open up to regional specificities, encouraged by the success of its first branch in Lyon
- A logic of partnership with European counterparts (CSR Europe and its NPO network, BITC...) and CSR stakeholders
- A contribution to the development and increase of knowledge, practices and solutions on CSR

Mission:

IMS works to support and promote societal business practices. We encourage and help companies to implement societal practices which create value for the communities in which they operate and contribute to social equity. A two-fold objective:

- To develop dialogue and partnership between companies and their stakeholders on current issues affecting society as a whole
- To help companies define and implement their societal policies

Services:

IMS is composed of **expert teams** in 4 key areas:

- Corporate citizenship
- Diversity and inclusiveness in the workplace
- Development of disadvantaged urban areas
- Societal innovation

Within these areas we are:

An active network: IMS organises debates, seminars, working groups, cross- company programmes, etc to enhance the sharing and learning experience. IMS carries out topical studies on emerging CSR issues, and publishes companies' practices and methods, and it acts as an interface with the media and opinion leaders in order to communicate on changing corporate practices. Additionally, we collaborate with a network of local, national and European partners giving companies the opportunity to share their experience and to adapt their practices locally and internationally.

A customized follow-up: IMS offers its members various tools for the definition of their CSR policies including the inventory of societal practices, the SWOP analysis, the benchmarking of existing initiatives... IMS provides members with practical follow-up in setting up action plans, selecting partners and elaborating tools for reporting and evaluation. At companies' request, IMS organises training sessions on societal issues and company practices.

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Country	France
Name	ORSE (Observatoire sur la Responsabilité Sociétale des Entreprises)
Year of creation	2000
Members	99

Profile:

ORSE – Observatoire sur la Responsabilité Sociétale des Entreprises, is a French network aimed at researching and promoting Corporate Social Responsibility and socially responsible investment (SRI). Founded in June 2000, ORSE is a non-profit organisation working with a diverse group of stakeholders composed of businesses, trade unions, professional organisations, academics and nongovernmental organisations.

ORSE is the only French organisation constituting a think tank bringing together so many diverse actors, all committed to SRI and CSR development.

Mission:

ORSE's mission is to

- Initiate and moderate a network of actors that operate in the field of CSR
- Develop tools and instruments to help members create and implement CSR policy
- Foster the exchange of experiences between members and identifying the “best practices” that exist in France and throughout Europe
- Encourage reflection, particularly through working groups gathering corporate representatives, experts, academics, trade union members and NGOs
- Facilitate the establishment of partnerships between concerned actors and networks in France and Europe
- Disseminate best practices and other information to members

Services:

With some 100 members, ORSE provides an array of services that include the following:

- Participation in working groups, conferences and other events featuring national and international experts
- A members-only database (www.orse-info.org) with CSR related information, including documents of reference
- Minutes of major events and seminars
- Monthly newsletters
- Press reviews
- A bilingual public website (www.orse.org)
- Three clubs: one for CSR managers, one for members of the financial services sector and one for purchasing

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Country	Germany
Name	econsense Forum for Sustainable Development of German Business
Year of creation	2000
Members	23

Profile:

econsense – Forum for Sustainable Development of German Business, is the largest business-driven Forum on Corporate Social Responsibility (CSR) and Sustainability in Germany. The 23 members of econsense are globally active companies. The primary objective of the network is to offer German business a platform to exchange and learn about CSR, to mainstream CSR in business, to strengthen stakeholder dialogue and to nurture the establishment of political and economic frameworks which provide a reliable and stimulating environment for corporate innovation and investment.

Mission:

»We pledge to treat all resources in a sustainable way, and to align our actions to recognised national and international guidelines and treaties. We are willing to use our skills to promote sustainable economics. We intend to play a key role in the political decision making process on sustainable development by elaborating concrete and innovative solution strategies. Sustainable development in our interpretation includes transparency and open dialogue. We therefore make ourselves heard nationally and internationally as qualified and committed contacts open for dialogue with policy makers, science, stakeholders and business. We promote the self-initiative and innovation power of business toward sustainable development. We wish to expand our sustainable development expertise, and assist and stand by other companies, private households and public institutions as active partners in moving towards a sustainable future.«

Services:

Where we stand: We publish our standpoints in joint statements and engage in open dialogue with political, social and environmental stakeholders

Expanding expertise: The Forum allows members to engage in external dialogue and also to actively exchange know-how amongst themselves.

Discussing solutions: We discuss specific CSR and sustainability issues with experts and the general public in workshops.

"Good practice": We document numerous examples of good practice on CSR implemented by econsense companies.

Keeping in touch: Our "Sustainability Get-Togethers" in Berlin, "Good practice live!" journalists' tours and stakeholder meetings offer a wide variety of stakeholders the opportunity to discuss different CSR topics.

Nurturing partnerships: We create synergy effects by co-operating closely with our partners (WBCSD, CSR Europe, UPJ) at national and international level.

"in Dialogue": At our annual "in Dialogue" meeting, we present our main ongoing topics.

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Country	Greece
Name	Hellenic Network for CSR
Year of creation	2000
Members	85

Profile:

The Hellenic Network for Corporate Social Responsibility is a non-profit business association established in June 2000 by a group of companies and business associations, in order to disseminate the values of CSR, and promote it in both the business world and society as a whole. It consists of over 85 member companies, all sensitive to issues concerning the society and the environment, and which have incorporated in their practices programmes that:

- Contribute to the economic and sustainable development of the communities in which they operate.
- Minimise the effects that their activities may have on the environment and the natural resources.
- Create healthy and safe working conditions for their employees.
- Provide equal opportunities for employment and professional development.
- Provide their shareholders with satisfactory returns through responsible social and environmental management.

Mission:

The mission of the Hellenic Network for CSR is to help businesses in successfully combining sustainable development with social progress.

Services:

The Network offers the following services to companies:

- **Information:** the HNCSR, through its website, its electronic newsletter and by organising meetings and conferences, informs its members of the latest developments in CSR on a local, European and global level.
- **Advice and Training:** the Network provides training, undertakes

comparative evaluations of CSR activities and develops skills for the implementation of CSR programmes.

- **Participation in the CSR Debate:** the Network activates a broader debate on CSR issues between companies, business institutions, opinion-leaders, social partners, academics, etc.
- **Development of Best Practices:** the Network provides its members with the opportunity to collect, exchange and disseminate best practices on CSR activities.
- **Development of Specialised Tools:** thanks to its constant updating and contact with similar European institutions, the Hellenic Network can offer tools for better understanding, comparative evaluation and social reporting of CSR activities.
- **Promotional Opportunities in all Media:** The Network pursues maximum promotion of CSR activities undertaken by the network members.
- **Creation of Synergies:** By developing contacts with Business Associations, NGOs (e.g. UNICEF, UNHCR), Governmental Services etc. the Network gives members the opportunity of creating synergies in facing environmental or societal issues.

Chairperson **Nicolaos Analytis**
Member of the Board of the TITAN Cement company and member of the company's CSR Committee

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	Country	Republic of Ireland
	Name	Business in the Community Ireland (BITCI)
	Year of creation	2000
	Members	33

Profile:

Business in the Community Ireland (BITCI) is a business-led non-profit organisation on Corporate Responsibility. Founded in January 2000, BITCI is the first and only organisation of its kind in Ireland. Its membership includes 35 of the top 100 companies in Ireland that avail of our core services on Corporate Responsibility Integration, Strategic Corporate Community Involvement and Diversity in the Workplace.

Mission:

Our Mission statement is: "Harnessing the power of Irish business to maximise its positive impact on all stakeholders." Our Vision is: "Business in the Community Ireland will lead and inspire Irish companies to excel in responsible business practice with integrity." Recognising the importance of CSR for long-term company sustainability, BITCI members strive for business excellence in all areas that impact on its stakeholders. To achieve this, they engage in ongoing open dialogue with all stakeholders, and continuously work to improve business practices through evaluation, learning and sharing best practice.

Services:

Advisory Services on CR – One to one service and peer Learning

Through a process of systematic and comprehensive impact measurement, companies are guided to undertake a gap analysis and determine targets for improvement in the areas of workplace, marketplace, community and environment. With regard to community involvement, companies are advised on the development of a community involvement pro-

gramme combining not only cash and in-kind donations, but also staff volunteering and skills transfer. As diversity becomes an increasingly important issue for Irish business, BITCI has developed a series of seminars and workshops for member companies that help staff understand the opportunities and added value of a diverse workforce.

Programmes on social inclusion: Education and employability

Over 500 companies nationwide participate in our programmes aimed at tackling social exclusion in the areas of employability and education. The Schools' Business Partnership links business and schools with high risk of student dropout through mentoring and skills transfer both for students and school principals. The Linkage Programme works in conjunction with the Irish Probation & Welfare Service to source training and employment opportunities to former offenders, while the Ready for Work programme offers work placements and development opportunities for homeless people that are seeking to enter the workforce.

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Country	Italy
Name	Sodalitas
Year of creation	1995
Members	63

Profile:

Founded in 1995, Sodalitas is an intermediary organisation linking the corporate and non-profit sectors. Two main areas of interests are: consultancy services to civil society organisations, helping them to enhance the effectiveness and quality of programs; assistance to companies in shaping CSR and community investment initiatives.

Mission:

Sodalitas aims to act as a bridge between responsible business and civil society by promoting a culture of corporate responsibility, sustainable development and social cohesion; and by fostering partnerships between companies and NGOs in addressing community problems.

Services:

Sodalitas provides three key functions for members:

- Monitoring and researching new CSR developments in Italy and Europe, publishing a monthly newsletter and updating on-line databases of best practices.
- A Forum for exchanging of ideas and experiences via the “*Centro per lo sviluppo della CSR*” (Centre for the development of CSR):
 - Benchmarking groups (grant making corporate foundations, CSR governance and management systems),
 - Interactive workshops on main practices and tools,
 - Sodalitas Social Award prizes (6 categories: internal processes, partnerships, cause-related marketing, socially responsible finance, SMEs, sustainable innovation in products/services),

- High level conferences,
- Promotion of collaboration between business and universities (EABIS Associate),
- Providing tailored assistance to the needs of each company in mainstreaming CSR on the following issues:
 - codes of conduct
 - governance and management systems
 - accountability and reporting
 - stakeholder engagement
 - employee community involvement
 - partnerships with civil society organisations
 - education and training

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Country	Italy
Name	Impronta Etica
Year of creation	2001
Members	20

Profile:

Impronta Etica, an association made up of companies, utilities and public sector organisations, was founded as a non-profit organisation in 2001. Nowadays 20 members belong to the network. Impronta Etica aims to stimulate enterprises to develop new best practice and new tools and processes in order to implement social responsibility. In 2003 the association published a “Manifesto on corporate social Responsibility”, in which the key aspects of our approach to CSR are stated. One of the key aspects is the focus on stakeholder engagement because we believe that without dialogue and trust one cannot speak of ‘CSR’.

Mission:

Our mission is promoting social responsibility and sustainable development among companies, public organisations and civil society. The association focuses on creating networking opportunities between companies and organisations that include social commitment in their mission and act socially responsible.

Promoting the sharing of members’ experiences and activities in the field of CSR, both on national and international level through implementing communication and information channels and cooperating in international networks.

Promoting the definition of criteria, approaches and evaluation systems for correct behaviours in the administrative and economic field, by the fostering among the members the use of social accountability methodologies and facilitating the exchange of information between members and the community.

Promoting the spread of CSR knowledge, by organising public events publishing research and news.

Services:

The key services Impronta Etica provides for its members include:

- **Tailor-made Training** – geared towards developing awareness, accountability and stakeholder engagement in day-to-day business.
- **Publications and Research** – newsletter, research projects on stakeholder engagement, role of public administration to enforce CSR, role of partnership between NGO and corporations.
- **Participation** – in European projects on CSR and Italian projects on disability, lifelong-learning, employment of disadvantaged people, etc.
- **Networking** – Conferences and meetings on CSR; Organisation of benchmarking groups among its members concerning themes such as sustainable mobility, tools and strategies for CSR communication, etc.

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Country	The Netherlands
Name	Samenleving & Bedrijf (Community & Business)
Year of creation	2000
Members	30

Profile:

CSR is no longer a hype, but an ongoing development. More and more companies recognise the need to actively get involved in CSR and have a need to gain knowledge and share practical experience on this. Samenleving & Bedrijf (S&B) is the Dutch business network for large and multinational companies to put CSR into practice. S&B members employ at least 500 people. They are or want to become actively engaged in the implementation of CSR and are or want to become actively involved in the Dutch society with their core competencies.

Mission:

Samenleving & Bedrijf is the national network of major companies that are developing Corporate Social Responsibility together and that also wish to share this knowledge. The strategy of S&B is based on the following principles:

- To embed CSR in the business processes of our members
- To actively contribute to social issues in the Netherlands
- To inspire different target groups within the companies affiliated to S&B
- To influence the Dutch CSR agenda

Services:

In addition to servicing one national community investment programme focussing on the development and employment of women from ethnic minority groups, S&B organises several activities for its members focussing on four different target groups:

S&B CSR Master Classes – for functional decision-makers (direct reports to the Executive Board), in order to practically

embed CSR in the business policy and to make functional decision-makers allies for the process of implementation and change.

S&B CSR Managers Member Meetings – three (full day) meetings per year for CSR coordinators, to update on S&B developments, facilitate the exchange of professional knowledge, facilitate ‘seeing is believing’ and networking.

Meetings motto: ‘Sounding Boards and Networking’

S&B Future Leaders Event – annual major event for high potentials (age 25-32) focusing on specific CSR themes, with case studies and workshops, debate, and party.

Event motto: ‘Inspire, Have Fun, Debate and Do’

S&B Business Leaders Meetings – annual meetings with CEOs, on specific CSR topics, as prelude to the annual meeting with members of the Dutch cabinet.

Meetings motto: ‘Exchanging ideas about CSR in a Safe Environment’

S&B Food for Thought Event – annual meeting for Executive Board Members, with high level guest speakers, and debate on a specific CSR theme.

Event motto: ‘Reflection, Contemplation and Good Intentions’

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	Country	Norway
	Name	Green Business Network Norway
	Year of creation	1996
	Members	43

Profile:

GBNN is the leading Norwegian business network on Corporate Social Responsibility. GBNN focuses in particular on environmental challenges and opportunities.

GBNN has approximately 50 members and encompasses the following stakeholders:

- Companies and federations
- Governments
- Universities and R&D
- NGOs

Activities are Forum meetings, Seminars and Projects on:

- Climate and energy
- Corporate Social Responsibility
- Sustainable Consumption and Production

Mission:

GBNN is a role model and serves as inspiration for introduction of new sustainable technologies both in private and public sector.

- The network was created to go from vision to action, through sharing of information and inspiration, and by fostering co-operation between industry, government, R&D and non governmental organisations

Services:

Activities are:

- National conferences on CSR (bi-annually)
- Forum meetings (3 – 4 per year) – Meetings giving a broad perspective on the issue (e.g. Renewable energy and the need for stable terms of references)
- Impulses (2 – 3 per year)
- In depth meetings (e.g. on New national legislation on corruption)
- Projects (e.g. Green Region Norway: Export of Norwegian environmental technology and services.)

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Country	Poland
Name	Responsible Business Forum
Year of creation	2000
Members	20

Profile:

The Responsible Business Forum (FOB) was founded by a group of Polish businessmen, academics and nongovernmental organisations. The organisation was the first in Poland to provide an in-depth focus on corporate social responsibility. FOB not only creates an opportunity for managers, public administration and social activists to exchange experiences, but also researches appropriate case studies in the field of CSR for enterprises operating in Poland.

Mission:

To promote CSR as a standard among Polish businesses in order to increase a company's competitiveness, build public content and help protect the natural environment.

Services:

Responsible Business Forum has four areas of activities:

1. Promoting responsible business

- Comprehensive website www.odpowiedzialnybiznes.pl
- Monthly Newsletter ("Respo")
- Annual Conference, CSR Marketplace in Poland and other events
- Publications e.g. *Responsible business in irresponsible world, More than profit*

2. Helping companies in implementing CSR

- Partnership Program – a comprehensive cooperation with companies, which include discussions *Talking about responsible business*, workshops, meetings, newsletter, consultation and common projects

■ **Projects for SME's**

- *New competitive advantages responsible entrepreneurship in the European market (www.konkurencyjnafirma.pl) – project financed by the European Social Fund*
- *Talking about good business – series of seminars organised together with Strategic Partners*

3. Working with business to benefit society

- The Responsible Business League (programme for students, which associates 20 students' organisations)

4. Monitoring and evaluating CSR

5. Annual Report on CSR in Poland,

6. CSR Index – self-assessment tool

7. Research e.g. *Managers 500 and Responsible Business, SMEs and Responsible Business*

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Country	Portugal
Name	RSE Portugal
Year of creation	2002
Members	15

Profile:

RSE Portugal was created in May 2002 as the natural substitute of The Portuguese Business Network for Social Cohesion. This network appeared in 1996, co-ordinated by Talentum (a consultancy company), involving a small number of Portuguese companies, mainly from the public sector. RSE Portugal is now the leading association for CSR in Portugal and aims to build bridges between the private sector and key stakeholders towards a more responsible and sustainable future. To reach this objective, RSE Portugal holds a holistic view on CSR aiming to reach its set objectives of mainstreaming CSR into the global businesses strategy.

Mission:

To promote Corporate Social Responsibility as businesses contribution for sustainable development through the conception, execution and support of programs and projects in educational, formative, social, cultural, scientific, environmental, civic and economical areas in Europe and in developing countries

Services:

- RSE Portugal offers vital services to its members that include:
- Networking with other members at national and European level,
 - Volunteering initiatives
 - Benchmarking
 - CSR Advisory services
 - Brokering partnerships with educational institutions and the private sector
 - Community involvement, project management and entrepreneurship programmes.
 - B2B activities
 - Training

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Country	Scotland
Name	Scottish Business in the Community
Year of creation	1982
Members	85

Profile:

Scottish Business in the Community (SBC) is a dynamic, forward thinking, member-led organisation with a prestigious network of member and partner organisations and over 23 years of experience. SBC is the natural route for organisations wishing to drive forward the CSR agenda in Scotland. SBC is a company limited by guarantee and a registered charity. Together with our members and partners, SBC is working collectively to deliver a positive and sustainable impact on key issues for Scotland:

- Employability
- Health
- Education
- Environment
- Economy

Mission:

Our mission is to support, broker and challenge businesses to continually improve their positive impact on society to ensure a successful, sustainable economy. In doing so, we aim for Scotland to be the global example of excellence in CSR.

Services:

Representing the voice of CSR in Scotland – through strong relationships with key business, public sector and voluntary sector leaders. Along with SBC, The HRH Ambassador for CSR is driving forward CSR with Scottish policy makers.

Leading the Way – SBC Leadership Groups provide thought leadership, support and champion SBC’s work on CSR from across the sectors.

Delivering real impact – SBC is, also by working with not-for-profit sector partners, assisting business by developing practical tools for simplified, structured

engagement, such as the Ready for Work, Closing the Gap, Partners in Leadership, Number partners and Senior Executive Programmes.

Supporting member organisations – SBC proactively account manages member companies to support them along the CSR ‘lifecycle’, focus their CSR approach and activities and broker appropriate opportunities.

Celebrating excellence – SBC recognises excellence through managing the Awards for Excellence and CommunityMark programmes.

Challenging and informing – SBC has a packed calendar of events, designed to challenge and inform approaches to CSR. A CSR training package, the first of its kind in the UK, is being developed to inform the private and public sector.

Bringing people together – Our prestigious group of members brings a momentum and drive to the CSR movement in Scotland. Our Network of SBC Managers enables SBC to make a Scotland-wide impact with a focus on local needs.

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Country	Slovakia
Name	Slovak Business Leaders Forum /Pontis Foundation
Year of creation	1997 Pontis Foundation 2004 Business Leaders Forum
Members	13

Profile:

The Business Leaders Forum (BLF) is an informal association of companies established in April 2004. Its members have agreed to be leaders in promoting the principles of corporate social responsibility in Slovakia. The establishment of the Business Leaders Forum in Slovakia gave birth to a new partner for international institutions in the European and transatlantic dialog on the topic. In its initial phases, the BLF was supported by 11 companies and the Pontis Foundation, which serves as the association's administrator.

Mission:

To improve general awareness and to provide the knowledge and motivation necessary for companies in the Slovak market to act according to the principles of corporate social responsibility.

Services:

Album of Best Practice (since 2006) - A collection of CSR activities of BLF members in four categories: community, environment, supply chain, employee well-being.

Benchmarking (since 2006) - Helping members measure the full value and impact of their Corporate Community Investment, benchmarking their performance using an internationally accepted standard developed by Corporate Citizenship Company (UK).

Employee Engagement Programs (since 2005) - Our services include initial consultations, selection of project, brokerage between NGO and company team to make the corporate volunteering day happen.

CSR Knowledge Forum (since 2004) - Organising learning events of different sizes and formats focusing on various aspects of corporate social responsibility. Last issues

included: reporting, media responsibility, measuring CCI, role of CEOs...and many others.

BLF Newsletter (since 2004) - 1000 issues of bimonthly newsletter on responsible business, new opportunities, and long-term success sent to companies, NGO, academic and governmental bodies bringing current information from the area of CSR in Slovakia and abroad

Via Bona Award (since 1998) - The annual award rewarding the philanthropic activities of corporations as well as the best CSR strategy of the year

Grant Programs (since 1998) - Redistribution of companies' funds, which are determined for charity and publicly beneficial purposes of varying focus. Our services consist of recommending and designing transparent and aimed strategies of support.

Surveys and Publications - Annual Survey Perception of CSR by Slovak Citizens (since 2004), surveys Institutional Development of Slovak NGOs (1997, 2006), first Slovak publication on Corporate Social Responsibility.

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Country	Spain
Name	Club de Excelencia en Sostenibilidad
Year of creation	2002
Members	23

Profile:

The Club de Excelencia en Sostenibilidad is a business association made up of a group of major companies who believe in sustainable growth in the business, social and environmental spheres. The Club aims to be:

- A dialogue forum with stakeholders
- A benchmarking platform for sustainable development
- A channel for communicating best practices to the spanish business community

Mission:

The Club de Excelencia en Sostenibilidad is a non-profit association, whose objective is "to promote sustainable development in the corporate sector, sharing responsible practices to contribute to corporate excellence and social progress.

Vision: To be the reference forum on Sustainable Development

Services:

Conferences and Seminars

The Club de Excelencia en Sostenibilidad organises and co-organises CSR conferences on a number of issues. In 2005, for instance, these were:

- **Soria 21 World Forum on Energy, Development, Sustainable Development and Climate Change** (with Foro Soria 21, Instituto de Estudios Económicos, the Adecco Foundation for Labour Market Integration and the San Pablo CEU University).
- **5th Latin American Young Businesspeople's Congress** (Cartagena de Indias, Colombia) (with the Confederation of Young Latin American Businesspeople).
- **Results Presentation of the Spanish Corporate Responsibility Monitor** (with the support of Villafañe y Asociados and the Cinco Días newspaper).

- **3rd Conference on Benchmarking in Corporate Responsibility.**
- **3rd Conference on Corporate Responsibility for Senior Company Management;** co-organised with Vodafone.
- **II Towards Sustainable Development Conference.** Co-organised with the Balearic Islands' Sustainable Development Foundation.

Training courses for CSR managers:

- **Course on Corporate Responsibility for SMEs** (in partnership with the Regional Government of Andalucía, the Andalucía Businesspeople's Conference and the magazine Andalucía Económica)
- **Corporate Responsibility Management course,** co-organised with the Instituto de Empresa business school and the Fundación Sagardoy. First postgraduate course in Spain for managers on CSR.

Agreements

The Club de Excelencia en Sostenibilidad signed a Cooperation Agreement with the Regional Government of Andalucía with a three-fold objective: to preserve the environment, to defend good governance practices within companies and to empower the business and financial community in Andalucía.

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Country	Spain
Name	Forética
Year of creation	1999
Members	165

Profile:

FORÉTICA is an initiative that came about within the X Congress of Quality and Environmental Management in Barcelona in 1999. A diverse group of managers and opinion leaders questioned the way by which companies could possibly assess and audit their performance on business ethics and CSR, enabling them to be accountable to the society. Their works materialized on the Corporate Standard SGE 21, the first standard that can both be audited and certified by third party on CSR. Consequently, Companies and civil society joined this initiative by creating FORÉTICA where more than 150 associates were companies, NGOs, academics and universities work together to improve the knowledge of CSR in Spain.

Mission:

Promoting ethical and socially responsible policies among companies and institutions at the core of their corporate values, providing them with frameworks for auditable management systems.

Vision statement: Being the reference in value added services related to CSR in our sphere of influence

Services:

Forética's services are based in three different lines of activities:

- **CSR Certification:** Managing and operating the harmonized system for auditing companies versus the SGE 21 standard. No communication between consulting and auditing services is guaranteed by the system that separates the pool of consulting firms from audit firms.

- **Knowledge:** research and development of knowledge for our partners is our value proposition. We track the market for new ideas and opportunities in the CSR management field. That added to our in-house research studies to keep our partners in the edge of CSR via several series of publications. Foretica also organizes open door sessions for benchmarking and rising awareness among different stakeholders groups.
- **Services:** Forética provides guidance and previous assessments for companies that want to star out on the CSR field. We work in the professional education field, carrying out training programs for CSR consultants, auditors and managers.

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Country **Sweden**

Name **CSR Sweden**

Year of creation 2004

Members 13

Profile:

CSR Sweden is one of the leading business driven network in Sweden for stimulating and creating an environment for corporate social responsibility.

The main purpose of CSR Sweden is

- to inspire companies to create and improve CSR activities
- to build a network for Swedish companies
- to promote use of CSR practises
- offer practical solutions
- to develop and maintain strong links to CSR Europe and the NPO network

Mission:

CSR Sweden's mission is sustainable businesses by focus on Corporate Social Responsibility. CSR Sweden gathers, inspires and stimulates companies to do CSR activities by doing that both Society and Companies will develop. Through CSR activities companies will reach profitability, growth and personnel/HR development.

Services:

- **Organise** events for companies for sharing experiences on CSR.
- **Provide** a collection of innovative best practices on mainstreaming CSR for companies in order to incorporate them in their own business strategy.
- **Develop** practical CSR instruments in the context of the Swedish experience.
- **Arrange** stakeholder dialogue sessions between companies, NGOs, government, civil society, media and other key stakeholders.
- **Hold** B2B meetings/workshops
- **Arrange** study visits
- **Provide** Helpdesk services

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Country	Switzerland
Name	Philiias Foundation
Year of creation	2000
Members	24

Profile:

Philiias is a foundation that encourages and supports companies in developing and raising awareness of their social responsibility. In accordance with the principles of sustainable development, Philiias's activity is underpinned by economic, social and environmental considerations. For more than six years now, Philiias has been advising companies that want to adopt the principles of sustainable development. Convinced of the positive impact of any steps taken in the area of corporate responsibility, Philiias is involved in both one-off projects and long-term cooperative ventures in particular through a business driven network of 22 companies.

Mission:

Promote CSR and help companies to put it into practice.

Services:

What we do: raising awareness of CSR in Switzerland

Philiias CSR Award – Philiias invests in the future by raising awareness among the next generation of managers. The award is organized in partnership with Swiss Universities and rewards students of business administration for research in the field of CSR.

Awareness raising events – Philiias raises awareness on specific topics: In 2005 we organized a major event on the professional integration of disabled people; In 2006, we organised "Humagora," the first marketplace on corporate philanthropy in Switzerland.

What we offer: our consulting services

Community investment – Donation programmes: we identify strategies to support local communities, charities and

their target audience, be it through financial support, in-kind donations or the employees' competences. We offer ways to involve the employees in these programmes, like e.g. matched giving. Corporate volunteering: we organise volunteering activities in partnership with local community organizations where employees can work together for common and good cause.

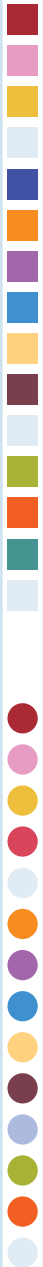
Stakeholder dialogue – we establish tools to strengthen dialogue with all the company's stakeholders: employees, shareholders, suppliers and NGOs.


CSR training – we organise trainings to raise awareness of CSR among staff and tailored-made trainings for managers.

Research and Market Studies – We offer benchmarking with CSR policies implemented in similar sectors, market studies and thematic research on social issues, and internal assessments to measure the consistency of CSR actions.

Companies Network – An active network of 22 member companies that employ together more than 50'000 employees in Switzerland.

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	Country	United Kingdom
	Name	Business in the Community
	Year of creation	1982
	Members	780

Profile:

Business in the Community is an independent business-led charity with an objective to create a public good by inspiring companies to improve the impact they have on society. Business in the Community is a membership organisation working through 11 Regional offices in the UK including Northern Ireland and Wales and participating in over 100 partnerships.

We have a current membership of over 750 companies, including 71 of the FTSE 100 and 82 per cent of the FTSE's UK leading companies in their sector. Together Business in the Community members employ 12.4 million people in over 200 countries worldwide, including 1 in 5 of the UK private sector workforce.

Mission:

Our purpose is to inspire, engage, and support and challenge companies to continually improve the impact they have on society. Membership is a public commitment of intent to improve positive impact on society and support the growing movement of responsible business practice.

Members make three commitments

- Inspire, innovate and lead by sharing learning and experience
- Impact on key social issues by engaging in collaborative action in areas of greatest need
- Integrate, manage and measure responsible business practice

Services:

We **INSPIRE** companies: We provide effective and prestigious platforms and awards to communicate companies' commitment to responsible business and inspire businesses and others to do likewise. Over 4,000

business leaders have been inspired to take action through The Prince's Seeing is Believing Programme alone.

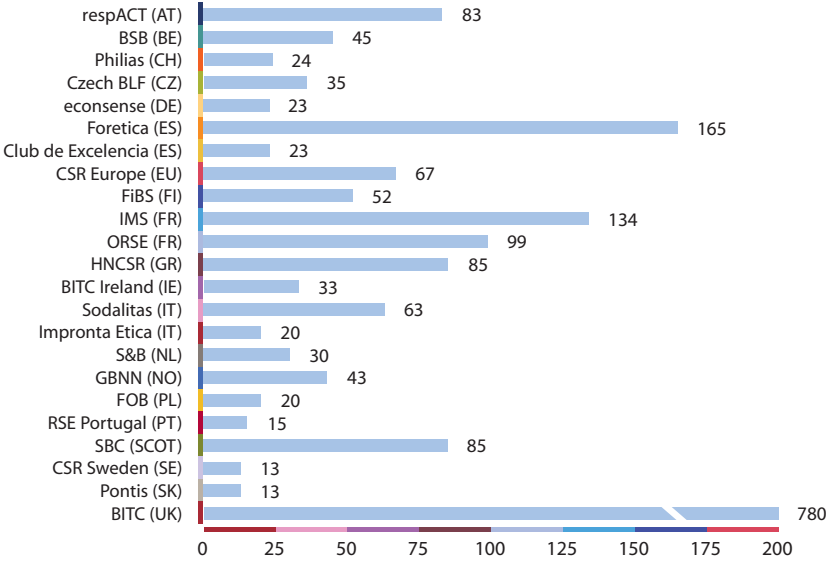
We **ENGAGE** companies in collaborative (multi-business) activities that tackle key social issues in the most deprived communities. Harnessing the power of Business in the Community's membership we help raise achievement of young people, remove barriers to work for disadvantaged individuals, and prioritise investments in the most deprived areas.

We **SUPPORT AND CHALLENGE** businesses in integrating responsible business practice across the four key impact areas of environment, marketplace, workplace and community by providing a dedicated account manager, sharing our own expertise, knowledge and experience, and that of our members; helping companies to adopt best practice to improve business performance and using a range of services and benchmarks, including the Corporate Responsibility Index and Race, Gender and Environmental indices

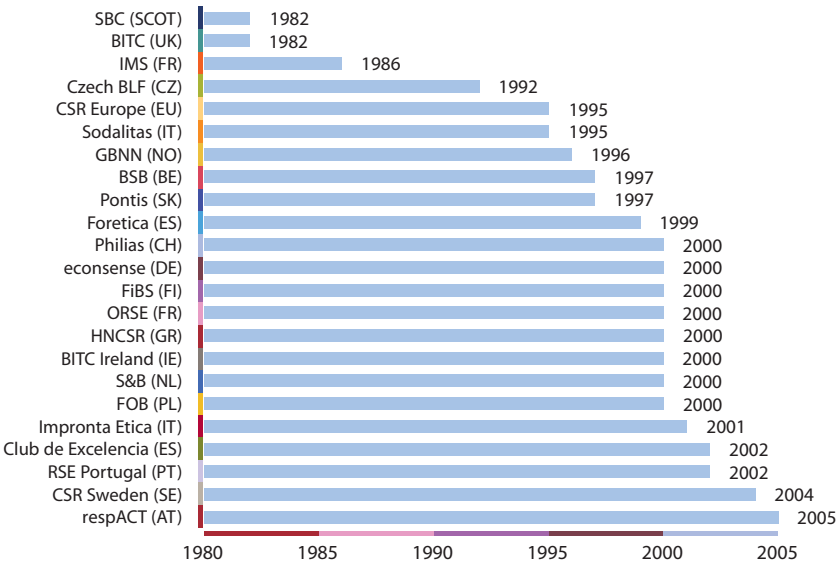
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Network Statistics

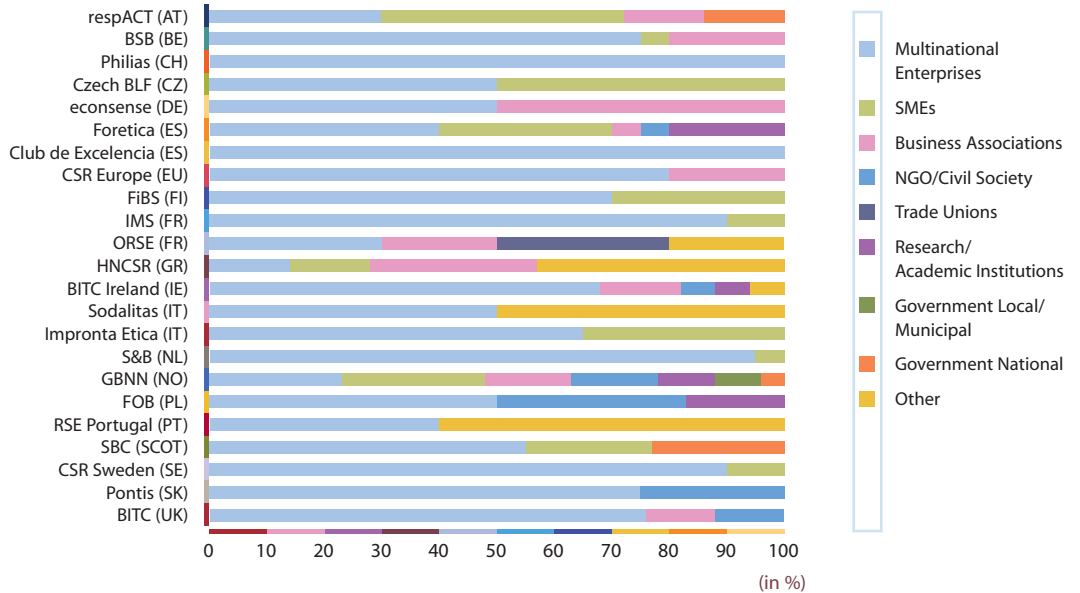
Number of members



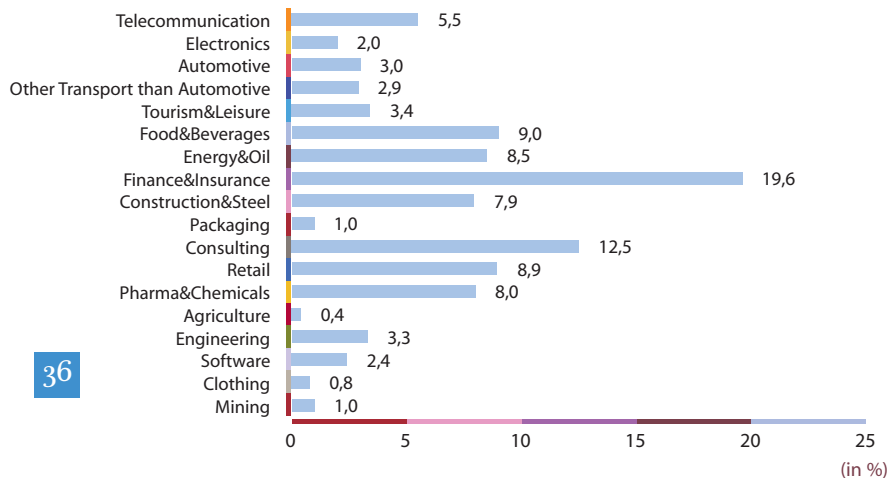
Year of creation



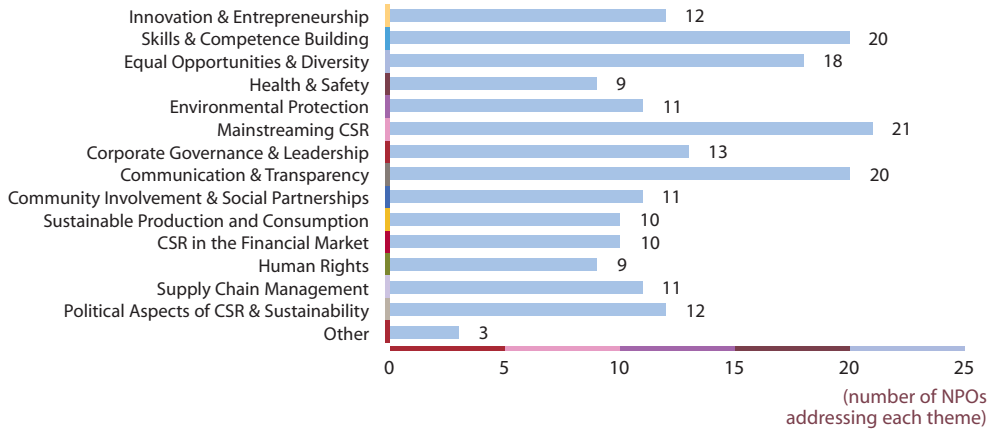
Proportion of different stakeholders represented in Governing Body



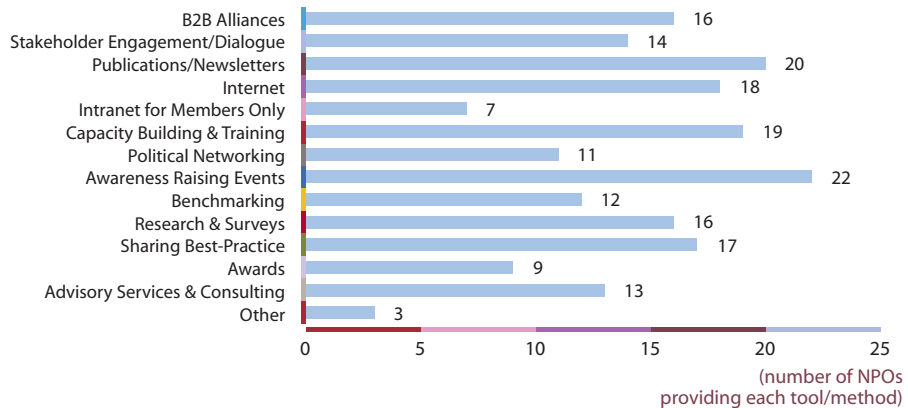
Membership per corporate sector



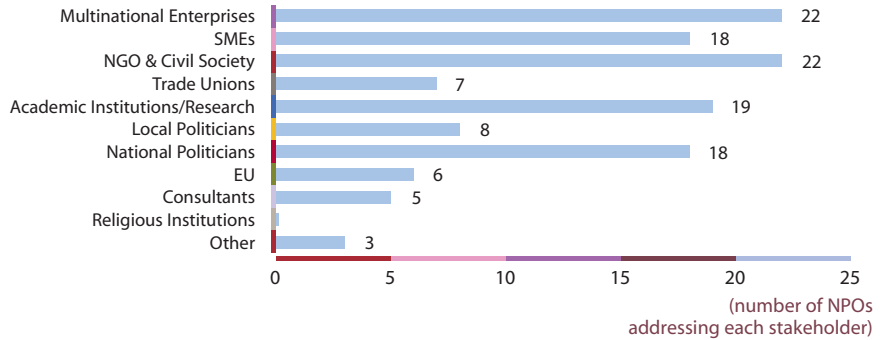
Main CSR-Themes addressed by NPOs



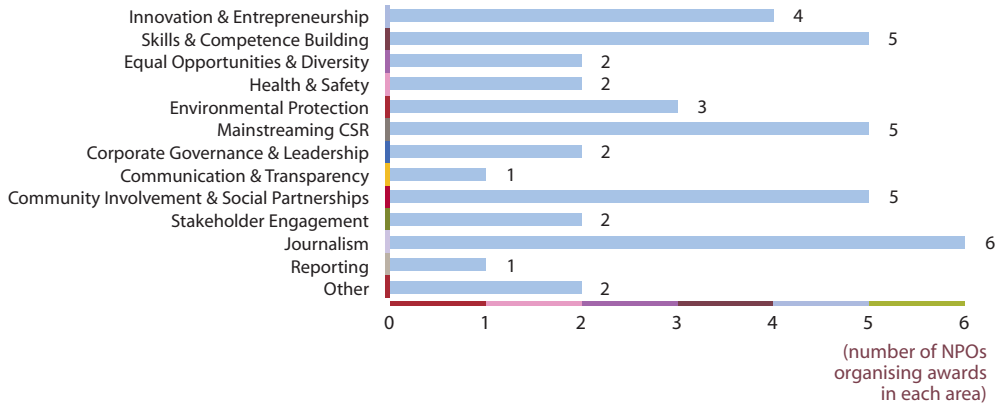
Main Tools and Methodologies used by NPOs



Main Stakeholders addressed by NPOs



Type of awards organised by NPOs






HRH The Prince of Wales, President of Business in the Community with NPO network directors at the Seeing is Believing report back held at St James Palace, London, May 2005



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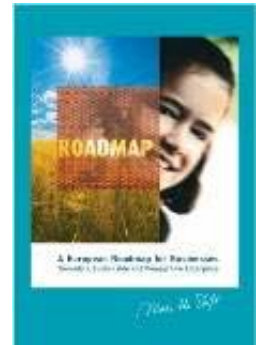
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A European Roadmap for Businesses: Towards a Sustainable and Competitive Enterprise

In 2005 CSR Europe and its national partner organisations led an open initiative for all enterprises across Europe entitled the "European Roadmap for Businesses - Towards a Sustainable and Competitive Enterprise".

Built on ten years of business engagement, solutions and dialogue with the European Union and other stakeholders, the Roadmap embodied three key elements:

- A **shared vision** towards a European enterprise built on short and long-term value creation, stakeholder engagement, new skills, and innovation in every compartment of business activity
- A **commitment** to 10 strategic goals and processes articulating corporate responsibility and competitiveness
- An **appeal** to the European Union and stakeholders to develop action and forge partnerships allowing business to manage change in a sustainable and competitive way



The Roadmap also set out the themes and issues defining CSR Europe's activities today:

- Innovation and Entrepreneurship
- Skills and Competence Building
- Equal Opportunities and Diversity
- Health and Safety
- Environmental Protection

- Mainstreaming CSR
- Stakeholder Engagement
- Leadership and Governance
- Communications and Reporting
- Business Partnerships

Read the Roadmap (pdf) in [English](#), [French](#), [Spanish](#), [Italian](#), [Portuguese](#) or [Estonian](#).



**A European Roadmap for Businesses
Towards a Sustainable and Competitive Enterprise**

Make The Shift

A EUROPEAN ROADMAP FOR BUSINESSES

“Towards a Sustainable and Competitive Enterprise”

AN OPEN INITIATIVE FOR ALL ENTERPRISES ACROSS EUROPE

TOWARDS AN ENTREPRENEURIAL, COMPETITIVE AND INCLUSIVE EUROPE

I. OUR VISION FOR A EUROPEAN CONTRIBUTION TOWARDS A SUSTAINABLE AND COMPETITIVE ENTERPRISE

II. OUR COMMITMENTS TO A SUSTAINABLE AND COMPETITIVE EUROPEAN ENTERPRISE

Our Goals

1. Innovation and entrepreneurship
2. Skills and competence building
3. Equal opportunities and diversity
4. Health and safety
5. Environmental protection

Strategies to achieve these goals

6. Corporate responsibility in the mainstream of business
7. Stakeholder engagement
8. Leadership and governance
9. Communication and transparency
10. Business-to-business co-operation and alliances

III. OUR BUSINESS APPEAL TO THE EUROPEAN UNION, GOVERNMENTS AND STAKEHOLDERS

AN OPEN INITIATIVE FOR ALL ENTERPRISES ACROSS EUROPE

This European Roadmap for Businesses is an initiative led by CSR Europe together with its National Partner Organisations in one same commitment. In our view, there cannot be a trade off between profits and people. Economic growth is vital to build a competitive, sustainable and inclusive Europe holding its rank worldwide.

Building on ten years of business engagement, solutions and dialogue with the European Union and other stakeholders, this Roadmap is an open initiative for all companies across Europe ready to

- Share our vision towards a European enterprise built on short and long-term value creation, stakeholder engagement, new skills and innovation in every compartment of business activity.
- Commit to strategic goals and processes articulating corporate responsibility and competitiveness.
- Appeal to the European Union and stakeholders to develop action and forge partnerships allowing business to manage change in a sustainable and competitive way.

Our ambition is to energise the European movement of corporate responsibility. The purpose of this Roadmap is to rally a critical number of businesses willing to contribute solutions and to innovate in line with shared vision and commitments. Cooperation with other organisations is therefore most welcome.

Companies actively supporting this initiative will be invited to sharing all necessary data allowing to assess the progress made in terms of the Roadmap's goals and strategies. The information collected will be made publicly available in the form of an Annual Roadmap Scorecard.

CSR Europe is willing to act as the Liaison for regular meetings between top EU leaders and CEOs supportive of this Roadmap. These meetings will offer the opportunity for businesses to participate in the debate on European competitiveness and sustainable development. They will also provide visibility for the contribution of corporate responsibility to the achievement of the renewed Lisbon Strategy 2010.





TOWARDS AN ENTREPRENEURIAL, COMPETITIVE AND INCLUSIVE EUROPE

In March 2000, Heads of State and Government committed to the Lisbon Strategy: to make the EU the world's most dynamic and competitive knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion. Since then, on the basis of voluntary approaches, businesses in Europe have made significant progress towards these goals.

Today, however, a cultural shift and a new impetus are required, on the part of all stakeholders, to release the full potential and dynamism of responsible companies. This is all the more necessary in the context of Europe's continuing enlargement.

To bring Europe's overarching objective of sustainable development back into sight, it is vital to make economic growth and jobs the immediate target, while delivering Europe's social and environmental objectives. Urgent reforms as well as more focused and better implemented action are needed to

- Place innovation, technology and knowledge at the heart of European growth.
- Make Europe a more attractive place for investors, entrepreneurs and workers.
- Enhance the skills and flexibility of our employees to develop business and employment opportunities.
- Turn global environmental and social challenges into business opportunities.

To anticipate and respond effectively to these challenges, this Roadmap sets forth three clear ambitions

- Promote our vision of a European enterprise towards sustainability and competitiveness.
- Determine the commitments whereby we can improve corporate responsibility and gain competitive advantage.
- Appeal to the European Union and stakeholders to develop the necessary actions and partnerships.



I. OUR VISION FOR A EUROPEAN CONTRIBUTION TOWARDS A SUSTAINABLE AND COMPETITIVE ENTERPRISE

Building on the experience of the European Declaration of Businesses against Social Exclusion initiated by President Jacques Delors in 1995, European companies have been gradually designing and implementing the business contribution to sustainable development. This is now generally referred to as Corporate Social Responsibility (CSR).

Sustainable competitiveness demands the simultaneous improvement of economic, environmental and social performance in the short and the long term. This transforms the scope of corporate responsibility, accountability and performance. Engaging with stakeholders - internal and external - becomes essential. This extension of business responsibility has a direct impact on strategy, organisation and management. It is therefore vital that new skills be developed. The process requires and generates innovation in every compartment of business activity. This innovation is key to competitiveness.

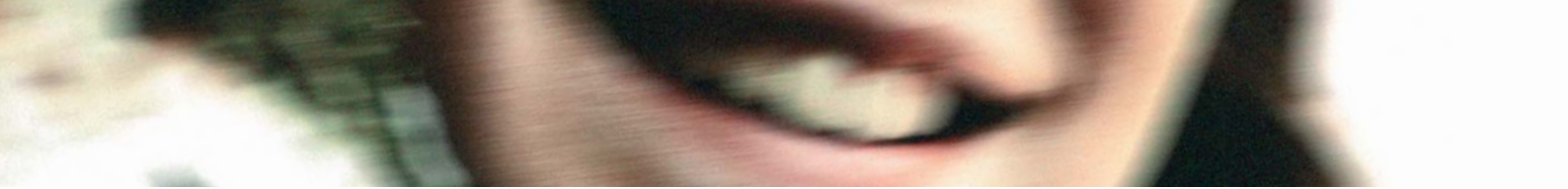
II. OUR COMMITMENTS TO A SUSTAINABLE AND COMPETITIVE EUROPEAN ENTERPRISE

10 years of business engagement within European and national CSR networks and the recent input of the European Multi-Stakeholder Forum on CSR have made it clear that voluntary commitments on the part of European businesses allowed to achieve substantial progress. European businesses are seeking to review their goals and strategies, to gain competitive advantage while aligning with the objectives of the renewed Lisbon Strategy.

The following commitments address the challenges which businesses are facing primarily in Europe. They build on two essential premises

- That corporate responsibility calls for voluntary initiative beyond legal requirements and contractual obligations, as well as translating into practice international and European principles, standards and conventions¹ in our business operations in Europe and abroad. This is essential to build trust and preserve confidence in business, thereby enhancing competitiveness over time.
- That we ensure continuous awareness and commitment of our employees and managers to apply sound standards in business ethics and integrity wherever we conduct business.

¹ e.g. Universal Declaration of Human Rights, EU Charter of Fundamental Rights, ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines



Our Goals

1. Innovation and entrepreneurship

This is an area where business has a lot to offer. Continuous innovation is a requirement for competitiveness, a vital road for us. Innovation into new technologies, into products addressing new or previously unmet needs, into a more dynamic economic model - all are essential elements to deliver.

In Europe, the demand for sustainable products and services is increasing. In developing countries, innovation into specifically suited products at affordable prices holds part of the answer to fighting poverty and raising quality of life.

New demand is key to economic development, entrepreneurship and growth. We will invest in research and development, business intelligence and skills to better meet local needs and gain competitive advantage in new markets. These new markets call for new entrepreneurs offering new employment opportunities. SME's and practices in social enterprises will also stimulate our businesses to innovate faster and improve socio-economic indices through mutual benefit.

2. Skills and competence building

Faced with the challenge of ageing societies, rapid technological advances and intensifying international competition, it is crucial that our companies continually adapt. This requires rapid innovation, higher-performance and increasing flexibility. To this end, our commitments will center on the following

- Invest in the skills and life-long learning of our employees and managers to ensure enhanced business performance and individual employability.
- Ensure a proper balance between flexibility and security, as well as between work and private life, to motivate and retain staff.
- Build on increased competence to develop business competitiveness in new market segments, thereby creating economic activity, fostering entrepreneurship and job creation.

Experienced companies are best placed to support and transfer competence to new entrepreneurs in business strategy, human and financial resources management and corporate responsibility. They can also help increase the skills and employability of future employees out in the wider community.

Enhanced entrepreneurship, job creation and employability will help to re-organise operations responsibly. Where restructuring is inevitable, they will help us to take the necessary steps allowing our employees to have access to quality jobs or activity.

3. Equal opportunities and diversity

With demographic changes under way, a growing European economy needs to call on all the energy and skills available, regardless of age, gender, disability, or cultural origin. We will implement recruiting and training systems that foster equal opportunities in the workplace. A diverse workforce, reflecting the diversity of our societies, will bring businesses closer to the markets. It will encourage productive dialogue with the greater spectrum of consumers, suppliers and other stakeholders, thereby helping business design innovative products and services that respond better to diverse market expectations.

4. Health and Safety

Alongside decent working conditions, the health and security of our people require continuous assessment and improvement. The demand on corporations now concerns health and safety along our supply chains as well as in the communities where businesses operate. We will invest in the equipment and processes necessary to ensure safe and healthy working conditions in our own operations. We will co-operate with our suppliers to help ensure health and security within their operations as well.

5. Environmental protection

Air, water and other natural resources are critical to any kind of future, and therefore essential to the future of business. Demand is growing for processes and products to be environment-friendly throughout their life cycle. Eco-design holds the potential for an innovative and positive response to this. Investment in research and innovation is key. We must take the lead

- To improve eco-efficiency, allowing to reduce/recycle/re-use material resources and minimise waste, thereby cutting costs over time.
- To reduce energy consumption, develop and implement the technologies enabling to increase the proportion of renewables and alternative sources of energy, while reducing emissions and preserving bio diversity.

Strategies to achieve these goals

6. Corporate responsibility in the mainstream of business

Corporate responsibility impacts decision-making in every aspect of business: strategy, research and development, management, processes. To be implemented effectively our corporate responsibility policies and strategy need to be aligned with our business objectives and corporate values, thus integrating corporate responsibility across the business functions and enhancing business reputation. Corporate responsibility has also to translate into collective performance goals as well as individual objectives, to be integrated into collective and individual assessment, recognition and compensation systems.

This requires training, for people to embed corporate responsibility in day-to-day operations and reach CSR-inclusive performance objectives across the different levels and functions in the company.

7. Stakeholder engagement

Dialogue with stakeholders helps companies to identify the implications and impacts of their operations. It also helps to anticipate and deal with social and environmental issues which may affect future competitiveness. It is important that we gradually build pro-active engagement with internal and external stakeholders to better tune into strategic emerging trends. Stakeholders can draw attention to new challenges. They can also play an important part in meeting them.

8. Leadership and governance

Corporate responsibility starts at the top. CEO and Board understanding of the benefits of corporate responsibility and stakeholder engagement is therefore a pre-requisite.

Their commitment is necessary and will be enacted in our companies through

- Design of CSR-friendly business strategies.
- Adjustment of governance mechanisms to implement them effectively.

9. Communication and transparency

Business integrity, communication and transparency build trust which, in turn, enhances our license to operate and, consequently, our competitiveness. These require appropriate accounting and reporting processes, while considering the commercial sensitivity of certain data. We will implement the commitment, from the top of our organisations, to

- Identify the items pertinent to risks and opportunities associated with the environmental and social footprints of our companies, through an internal and external stakeholder-inclusive process.
- Identify appropriate performance criteria and - where relevant - make use of existing tools and transparency frameworks.
- Monitor, through verification and auditing systems, the robustness, quality and comparability of data.
- Use various channels of communication to reach all concerned stakeholders in a meaningful way.
- Develop a continuous learning and evaluation process on the overall impact of our transparency and communication practice.

10. Business-to-business co-operation and alliances

Europe has built up a wealth of innovation and responsible solutions to business challenges. By sharing some of these strategic resources and transferring capabilities, businesses in Europe will be better placed to maximise the impact of corporate responsibility.

Just as community involvement, public-private and multi-stakeholder partnerships are growing and becoming desired common practice, business-to-business innovation, co-operation and alliances within and between sectors will add tremendous value.

We will create, maintain and actively engage in all necessary and relevant networks to ensure the convergence of our efforts towards CSR-enhanced European competitiveness.

III. OUR BUSINESS APPEAL TO THE EUROPEAN UNION, GOVERNMENTS AND STAKEHOLDERS

The business contribution to sustainable development, through corporate responsibility, cannot be achieved without the involvement and active support of all relevant stakeholders.

→ We appeal to the **European Union and Governments** to

Shift the Lisbon Strategy from commitments to deliveries

In our view, the European social model reviewed by the Lisbon Strategy and our vision for a competitive and sustainable enterprise are mutually reinforcing.

We appeal to the EU and Governments to implement the policies allowing to

- Make Europe a more attractive place for entrepreneurs to invest and to work.
- Ensure that high level skills and innovation are at the heart of European growth.
- Provide the flexibility necessary to create more and better jobs.
- Take further leadership in sustainable development, in particular through consistent trade and development policies.

Give credit to this Roadmap and invite interested enterprises to embrace and enact its goals and strategies

The business contribution to sustainability through voluntary approaches is a remarkable source of opportunity. It is essential that the EU and Governments recognise this further and take necessary steps, within their strategies on competitiveness and CSR, to create the environment allowing to promote this Roadmap as “a” best practice to follow.

Multi-stakeholder, voluntary and internationally recognised approaches are major assets towards continuous improvement. In the last five years, social and sustainable reporting has made tremendous progress to the benefit of stakeholders and society. At this stage, any regulatory frameworks would jeopardise the innovation and learning process required to achieve necessary consistency and credibility.

Meetings between business leaders and European policymakers on a regular basis will be welcome, to build on the interactions of Europe’s macro-economic goals and responsible business approaches towards European competitiveness and sustainability.

→ In addition, we appeal to **Stakeholders** to **actively support in business in its efforts to become more sustainable and competitive.**

Employees and their representatives are privileged partners within businesses. This is an appeal to invite them to actively cooperate and participate in the wider dialogue allowing to design and implement responsible business strategies. Their contribution to corporate responsibility is essential.

The expertise of **consumer organisations and non-governmental organisations** can add unique value to the development of long-term technical partnerships and help resolve conflicts of interest through constructive trade-offs towards sustainability. Beyond their traditional and useful “watch-dog” function, we believe that their co-operation and dialogue with businesses are essential to achieve corporate responsibility. We also appeal to these organisations to operate in the same transparency as they expect from business.

Investors are increasingly aware of the implications of sustainability on value creation over time. We appeal to the financial community to recognise and further research the impacts of corporate responsibility on business competitiveness in the short and the long term.

Finally, this is an appeal to **academia, deans and teachers** in business schools and universities to integrate in mainstream management curricula the acquisition of knowledge and skills necessary to fully exercise corporate responsibility. This will be recognised as a major contribution to European competitiveness and sustainability in the future.

Make the Shift

**If you wish to join a leading group
of companies in Europe
to actively support this
European Roadmap for Businesses
Towards a Sustainable
and Competitive Enterprise
and
If you wish to benchmark your progress,
with other businesses,
on the goals and strategies of the Roadmap**

Please contact:

**CSR Europe
Roadmap@csreurope.org**

or

**One of CSR Europe's National Partner Organisations
www.csreurope.org/partners**



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Reports and Guides

- [A Guide to CSR in Europe \(2009\)](#)
- [CSR Europe's Toolbox - User Manual \(2008/2009\)](#)
- [CSR Europe's Sustainable Marketing Guide \(2008\)](#)
- [MarketPlace Catalogue of CSR Solutions and CSR Laboratories \(2007\)](#)
- [The European Cartography on CSR Innovations, Gaps and Future Trends \(2006\)](#)
- [Women in Leadership Positions - Practitioners Report \(2006\)](#)
- [Corporate Social Responsibility in China \(2006\)](#)
- [CSR and the role of investor relations: from switchboard to catalysts \(2003\)](#)
- [Investing in responsible business: survey of European fund managers, financial analysts and investor relations officers \(2003\)](#)
- [Impacts of reporting \(2002\)](#)
- [Exploring business dynamics \(2002\)](#)
- [Business and Diversity \(2002\)](#)
- [The first ever survey of consumer attitudes in Ireland, BITC Ireland \(2002\)](#)
- [Lifelong learning at the heart of an entrepreneurial and inclusive Europe \(2001\)](#)
- [European postal services and social responsibilities \(2001\)](#)
- [Measuring and reporting corporate performance on human rights \(2001\)](#)
- [The first ever European survey of consumers' attitudes \(2000\)](#)
- [Communicating corporate social responsibility \(2000\)](#)

A Guide to CSR in Europe

The country insights included in this guide aim to provide a factual overview of the status, priorities and trends related to corporate social responsibility (CSR) in different European countries.

The objective of this document is to provide a brief, yet informative factual overview of the context for CSR in each country. It can thus serve as a guide for companies looking to initiate operations in a given European country or for individuals looking for CSR information in general.

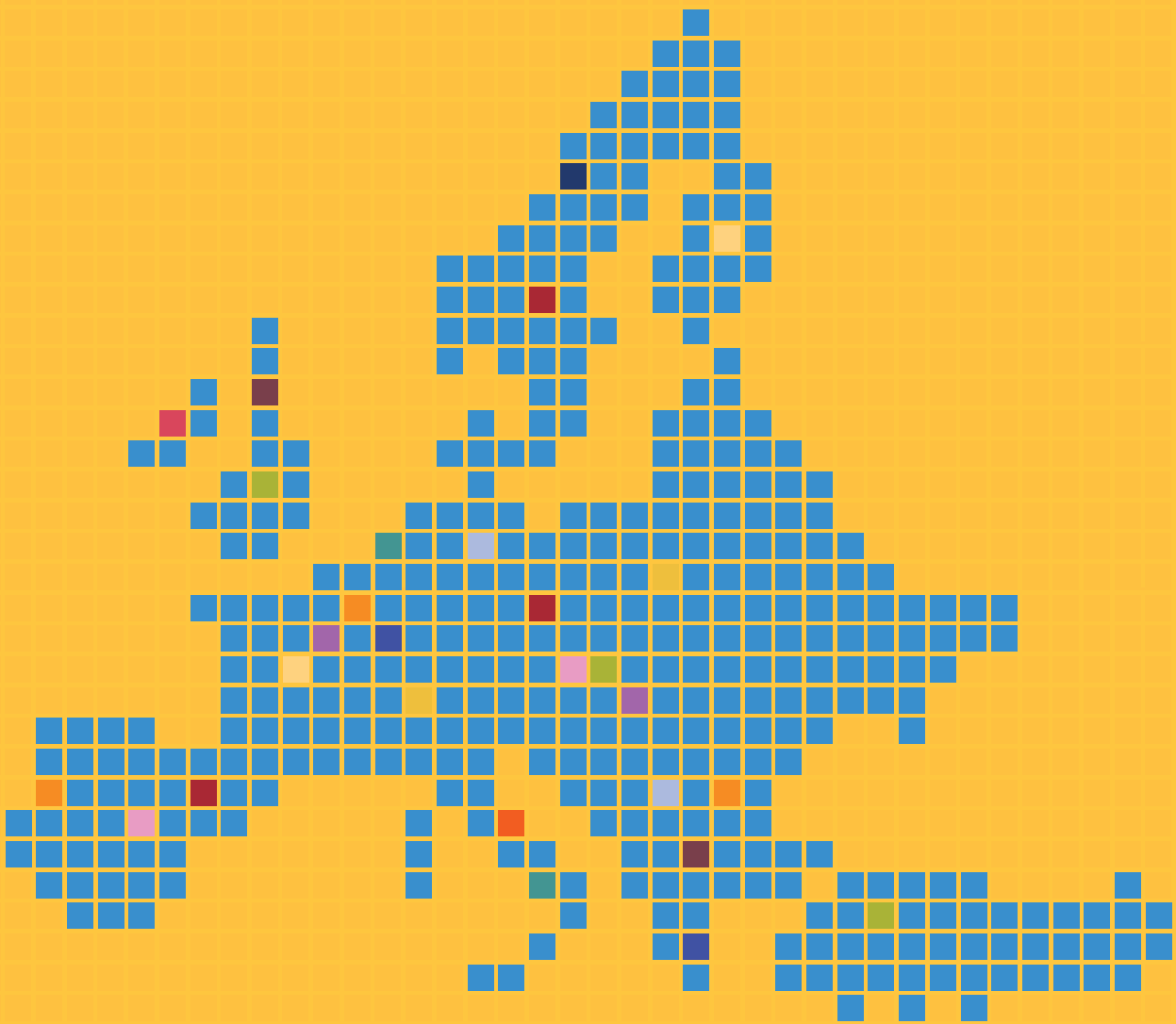
The country insights are a collaborative project between CSR Europe and its network of national partner organisations. The information in this document was provided by CSR Europe's national partners based upon their areas of operations.

To download the document, [click here](#).



A Guide to CSR in Europe

Country Insights by CSR
Europe's National Partner
Organisations



October 2009



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About this Guide

What?

The country insights included in this guide aim to provide a factual overview of the status, priorities and trends related to corporate social responsibility (CSR) in different European countries. There are numerous publications on the state of CSR in Europe and globally. The objective of this document is to provide a brief, yet informative factual overview of the context for CSR in each country. It can thus serve as a guide for companies looking to initiate operations in a given European country or for individuals looking for CSR information in general.

Who?

The country insights are a collaborative project between CSR Europe and its National Partners' Network. The information in this document was provided by CSR Europe's National Partners based upon their areas of operations.

CSR Europe and its National Partners

CSR Europe is the leading European business network for corporate social responsibility, with around 75 multinational corporations and 27 national partner organisations as members.

The Network of National Partner Organisations (NPOs) of CSR Europe works with companies and engages with key stakeholders across Europe to raise awareness, build capacity, promote and support the development and implementation of CSR practices. Through collaborative action and membership services, the network strives to lead a local, national and European movement to mainstream responsible and sustainable business.

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CSR in Europe – An Overview

The interaction between business and society in Europe is shaped by the diversity of economic, political and cultural landscapes across the continent. The development of CSR in Europe has been driven both by proactive strategies adopted by pioneering businesses and by European institutions and national governments as well as by external pressures from other stakeholders such as the civil society or the investor community, among others.

The idea that companies contribute to societal wellbeing beyond their legal obligations has a long tradition in Europe, particularly within the Anglo-Saxon context. In Western Europe, the development of the welfare state system during the second half of the 20th century emphasized the role of the state as the primary provider of welfare, while companies were expected to fulfill their societal obligations mainly by complying with laws, paying taxes, and providing employment.¹

Over the past decades, however, economic and socio-political factors in many Western European countries have led to a partial redefinition of the boundaries between the public and the private sector as well as their respective roles in the society. In this context, growing attention is being paid to the voluntary actions that companies take as part of their CSR strategies to manage their economic, social and environmental impacts and to contribute to the wider societal development.

In the post-communist Central and Eastern Europe, environmental and social concerns have long tended to receive less attention than the significant economic challenges associated with the transition to market economy. However, CSR awareness and implementation in the region are advancing rapidly. In contrast to Western Europe, it is mainly companies themselves – often foreign multinational corporations – and business organisations that are the main agents of change, whereas external pressure from the civil society, media and public authorities has so far been fairly low.²

In Europe, as well as in other parts of the world, the CSR movement has traditionally been led by large companies. Yet 99% of European companies are small and medium-sized enterprises (SMEs), and about two-thirds of jobs in the private sector are in SMEs.³ Many small companies are by nature attuned to the values of their founder or owner as well as to the needs of their local communities, but today increasing attention is being paid to the implementation of a more structured CSR approach in European SMEs.

As a relatively wealthy, stable region with a developed economic and societal structure, the current CSR issues and challenges in Europe naturally differ to some extent from those faced by the less developed regions in the world. Many social and environmental responsibilities, which may fall under companies' voluntary CSR engagement elsewhere, are in Europe legally defined. However, the increasing interest in business opportunities associated with innovative CSR approaches, together with the growing stakeholder expectations for corporate accountability

¹ See e.g. Global Education Research Network (2009), *Corporate Citizenship Around the World: How local flavor seasons the global practice*,

http://www.cccdeutschland.org/pics/medien/1_1224173416/GERN_for_web.pdf

² United Nations Development Programme (2007), *Baseline Study on CSR Practices in the New EU Member States and Candidate Countries*

³ EIM (2009), *First Section of the Annual Report on EU Small and Medium-sized Enterprises*,

http://ec.europa.eu/enterprise/entrepreneurship/craft/sme_perf_review/doc_08/spr08_annual_report.pdf

and responsible business practices both within and outside Europe, continue to push the CSR agenda forward.

Furthermore, as a result of the financial and economic crisis, the level of public trust in business has recently fallen significantly in many European countries.⁴ In this context, it can be said that the credit crisis and the ensuing recession have highlighted the need for companies to contribute to rebuilding trust in business and shaping a more responsible and sustainable economy in Europe and globally.

⁴ Edelman Trust Barometer 2009, <http://www.edelman.co.uk/files/trust-barometer-2009.pdf>



Austria

Austria's 'social market economy' is a fertile ground for CSR. Labour issues and industrial relations have been addressed through Austria's political tradition of 'economic and social partnership' since the end of World War II. This partnership calls for employers and employees to be in constant dialogue on economic and social policy issues, resolving disputes and engaging in collective bargaining about income levels.

In government, the current grand coalition is led by Werner Faymann (SPO- Social Democrats) as chancellor and Josef Proll (OVP- Austrian People's Party) as vice-chancellor. A key priority for the government in the current economic downturn is to bolster domestic demand. The coalition has set plans to implement two packages aiming to boost consumer purchasing power. The government will focus on measures to strengthen the banking sector. Real GDP growth is forecast to average 0% in 2009-13, compared with growth of 2.8% in 2004-08. Private consumption will contract by an average of 0.4% in 2009-10, and investment will fall by 3.9% over the same period.

<http://www.economist.com/countries/austria/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: Austria is a highly regulated state. There are a number of environmental, labour and social protection laws setting minimum standards for business behaviour. Even the Companies Act dating back to 1966 states that a corporation must be managed in a way that benefits not only shareholders and employees but also public interest.

In 2002, the Austrian Government adopted a joint Sustainability Strategy with 20 goals to make Austria more sustainable and a set of indicators to reach these goals. The strategy targets a variety of stakeholders, including the public and shall now be extended to the provincial governments.

<http://www.bmwfj.gv.at/BMWA/Schwerpunkte/Wirtschaftspolitik/Nachhaltigkeit/02nachhaltigkeit.htm>

A CSR policy for public procurement is currently being developed. Several guidelines on responsible public procurement exist but due to their voluntary nature, they primarily act as awareness raising and information tools.

CSR reporting is recommended in the CSR Guiding Vision from 2003 but is not mandatory and hence not enforced. Currently only an estimated 30 Austrian companies produce regularly annual CSR or sustainability reports.

<http://respact.at/content/site/service/dokumente/article/2142.html>

Key Drivers of CSR: At the moment, eco-efficiency and sustainable consumption are the most important topics. As 99.7% of all Austrian companies are SMEs there is also a focus on mainstreaming CSR amongst them.

Main CSR actors in the country:

- o respACT – Austrian business council for sustainable development www.respact.at
- o Netzwerk Soziale Verantwortung (Social Responsibility Network) www.nesove.at
- o Federation of Austrian Industries (Industriellenvereinigung) www.iv-net.at/blm50
- o Austrian Federal Economic Chamber (Wirtschaftskammer Österreich) www.wko.at/awo/chamberinfo.htm
- o Center for Corporate Citizenship Austria www.ccc-austria.at
- o ICEP Institut zur Cooperation bei Entwicklungsprojekten www.icep.at

Degree of public awareness on CSR: Consumer awareness of CSR is low and hence there is little pressure to act responsibly from consumers on companies. Only 18% of CSR leaders primarily serving domestic markets think that CSR matters to consumers, and 33% of Austrian companies overall regard this lack of consumer interest as a barrier to acting more responsibly (Ungericht, B., Raith, D., Korenjak, T. (2009). *CSR in Oesterreich*).

Consumer protection organisations, however, do demand public development of measurement and monitoring tools to guide consumers towards socially responsible businesses. Additionally, Austria is one of the fastest growing fair-trade markets and ranks fourth in terms of per capita turnover of fair-trade products.

Involvement of the Media: The concept of CSR has become more present over the last few years. While a search for 'Corporate Social Responsibility' in the Austrian Press Agency's database in 2002 would have revealed only six items mentioning CSR, this figure had increased to 42 in 2004 and to 119 in 2007.

Environment:

- **National action plan:** In 2002, the Federal Government adopted a Sustainability Strategy which targets a variety of stakeholders, including the general public.
- **Main environmental challenges:** Austria's biggest concerns are the high energy demand, which cannot be satisfied nationally and the high level of CO2 emissions.
- **Energy and eco-efficiency:** In recent years energy efficiency has become an important topic in media and society. Different types of subsidies for consumers and companies that are, for example, building in an energy efficient way, are now eligible.
- **Public awareness on environment:** There is no actual research but awareness is certainly rising as government and media are strongly pushing the issue.

Supply Chain: Companies are increasingly aware and involved in the supply chain issue although there is still uncertainty as how to deal with the topic properly.

Human Rights: Since 2006 respACT is the national focal point for the UN Global Compact, setting its focus in 2009 especially on the human rights issue. Some companies such as OMV www.omv.at, OeKB (Oesterreichische Kontrollbank) www.oekb.at, BAWAG (Bank für Arbeit und Wirtschaft) www.bawag.at are taking the lead in pushing the topic in Austria. Business in Austria could generally be considered successful in this area; although there is still work to be done (e.g. human rights in third countries' supply chains).

Equal Opportunities: There are some measures by organisations, government or companies to foster equal gender opportunities. In Austria, women still earn considerably less (about 20%) in same positions, Furthermore when it comes to childcare Austria suffers some deficits. Recently a governmental discussion about how to practically ensure equal wages for equal work has started.

Community Engagement:

- **Perceived role of businesses in the local community:** Relationships between companies and local communities are widespread throughout most areas in Austria and also perceived as embedded within Austrian business culture.
- **Level of cooperation between local communities and businesses:** Local communities and NGOs often depend on local support from companies. Primarily SMEs are strongly embedded in regional structures. Usually the cooperation between local communities

and business does not consist in huge projects but in frequent support of local activities which is not formally integrated in the companies' strategies or communicated properly.

Sustainable Products and Services: Some innovative SMEs are focusing on the creation of sustainable products and services, trying to cover market niches (e.g. Zotter www.zotter.at, Weltweitwandern www.weltweitwandern.at, Gugler www.gugler.at). Other huge corporations have also realized the need to offer sustainable products to meet consumer demands (especially in the food sector, the retailers Spar www.spar.at and REWE www.rewe.at established their own organic brands).

Company Best Practices: www.respect.at/praxisbeispiele

Main Challenges on CSR: Raising awareness amongst civil society for the contribution that companies are making to face social and ecological problems. Large companies are often faced with the challenge of how to engage their employees in CSR issues. SMEs primarily need to understand the benefits they could gain by acting strategically in terms of CSR.

What is RespACT Austria doing to contribute to CSR in Austria? respACT offers innovative concepts and projects concerning CSR and sustainability (e.g. guides and tools for companies to integrate CSR in their business strategies), a platform for companies to discuss ideas and experiences, dialogue with politics, civil society and media and the promotion of companies' successful sustainability/CSR projects.



Lisa Weber, l.weber@respect.at, Tel; 0043/1 7101077-11, www.respect.at



Belgium

Belgium is a federal country with three regions. After several months of political negotiations, currently, the federal government is led by the Prime Minister, Herman Van Rompuy, and comprises the Flemish and francophone Centrists and Liberals and the francophone Socialists.

Belgium is a highly industrialized country with an important transportation infrastructure. Its economy is characterized by a highly productive and skilled work force, high GNP and high exports per capita. The economy is mainly composed by small and medium-sized enterprises, accounting for 70% of the country's GDP. Approximately 83% of Belgian companies have less than 10 employees and 97% of the companies' employ less than 50 people. Due to the economic recession, the government is focusing on stabilizing the banking sector and implementing an economic recovery package. The recovery package aims to stimulate the economy through measures such as increasing purchasing power, supporting public investment and providing export credit support.

<http://www.economist.com/countries/Belgium/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policy and legislation: Belgium is a complex country: initiatives on CSR are organised at both federal and regional level. At federal level, there is the law on "coordination of the federal policy for sustainable development" (1997). This law foresees a cycle of continuous improvement with a Federal Plan every four years and a Report every two years. The Plan defines the framework of the strategies to be followed with six priority areas translated in 31 actions – the 31st being CSR.

To implement this action the Federal Action Plan for CSR in Belgium has been developed in October 2006 to promote CSR in Belgium and stimulate companies to integrate it in their management. Most initiatives are based on recommendations and look to foster ethical investment, to increase transparency, stimulate the exchange of information and good practices on CSR and financially assist companies active in the social economy. More information: http://www.cidd.be/FR/publications/plans_d_actions_spa_cifiques

Key Drivers of CSR: Key CSR areas are non-discrimination, public procurement, international investment, SRI, fair trade, stakeholder dialogue, transparency and reporting.

Main CSR actors:

- SPF Sustainable Development <http://www.developpementdurable.be>
- Wallonia Ministry of Economy <http://rse.wallonie.be/apps/spip>
- Flanders Ministry of Employment <http://www.werk.be/beleid/mvo/overheid.htm>
- Kauri <http://www.kauri.be>
- Guberna <http://www.guberna.be>
- IEW <http://www.iewonline.be>
- IEB <http://www.ieb.be>
- BBL <http://www.bondbeterleefmilieu.be>
- Centre for equal opportunities and opposition to racism <http://www.diversiteit.be>
- FGTB-ABVV <http://www.fgtb.be>
- ACV-CSC <http://www.acv-online.be>
- ACLVB-CGSLB <http://www.acvlb.be>
- VBO-FEB <http://www.vbo-feb.be>
- UWE <http://www.uwe.be>
- UCM <http://www.ucm.be>
- UNIZO <http://www.unizo.be>
- VOKA <http://www.voka.be>
- BECI <http://www.beci.be>
- Belsif <http://www.belsif.be>
- Network Vlaanderen <http://www.netwerkvlaanderen.be>
- RFA <http://www.financite.be>
- OIVO-CRIOC <http://www.crioc.be>
- Test achat-Test Aankoop <http://www.test-aankoop>

Environment:

- **National action plan:** In January 2009, a Belgian climate law was introduced. Its main objective is to have more coordinated and efficient policies on climate in Belgium. The main environmental challenge in Belgium is to reduce the emissions of CO₂ over time. <http://www.magnette.fgov.be>
- **Energy and eco-efficiency:** Two-thirds of Belgian companies report on environment in their annual reports and overall performance seems to be improving. Also, regional governments financially promote eco-efficiency investments such as energy saving installations and waste reduction initiatives. <http://www.vlerick.com/en/7097-VLK/version/default/part/AttachmentData/data/vlgms-wp-2007-34.pdf>
- **Public awareness on environment:** Citizens' awareness for environmental issues is increasing. Proof of this is the number of enterprises in the environmental sector, the leading position in Europe on recycling, and the decreasing amount of infractions against the environment in Belgium. http://www.statbel.fgov.be/pub/d1/p140y2007_fr.pdf

Supply Chain: The federal government just adopted a plan to foster sustainable public procurement for 2009-2011 with the objective to reach 50% of sustainable public procurement by 2011. <http://www.guidedesachatsdurables.be>

The concept of sustainable private procurement is not as developed but is increasingly on the agenda. Belgian companies doing sustainable procurement are mainly using labels like ISO 14001 or the Entreprise Eco-Dynamique in the Brussels Region. <http://www.bruxellesenvironnement.be>

Human Rights: In Belgium the concepts of collective bargaining and freedom of association are mandatory and well integrated. Multinationals in the industry sector are active in this kind of issues but only a minority report on them. Less than 5% of annual reports touch on human rights aspects. The large number of SMEs in the service sector is not confronted regularly with issues associated with forced or child labour. <http://www.vlerick.com/en/7097-VLK/version/default/part/AttachmentData/data/vlgms-wp-2007-34.pdf>

Equal Opportunities: Diversity is an increasingly important issue in Belgium and discrimination is still a problem. Several studies show ethno stratification in the Belgian labour market. This means that the market is divided into different ethnic layers and while people of a European origin are over-represented in the top layers, people with non-European roots are more concentrated in bottom layers. Other types of discriminations based on age, sex, and handicap still exist. despite the anti-discrimination legislation. http://statbel.fgov.be/studies/thesis_fr.asp?n=200
<http://www.trends.be/fr/economie/politique-economique/12-1635-45749/discrimination--carton-jaune-pour-les-entreprises.html>

In 2008, a diversity label was created in Brussels giving subsidies to companies having a diversity plan. <http://www.cerexhe.irisnet.be/fr/competences-regionales/emploi-1/08-05-2009-accord-du-gouvernement-bruxellois-sur-le-label-diversite>

Community Engagement: Various initiatives are developed to integrate and improve cooperation between local communities and businesses. These include:

- **De Tijdbank** : De Tijdbank promotes and facilitates the voluntary collaboration between employees from businesses and social, cultural or ecological organisations www.tijdbank.be
- **Solidaritest** : Solidaritest is the annual survey into the actual efforts of Belgian companies, or the Belgian branches of international companies, in the field of social solidarity. Solidaritest brings business' efforts to promote social solidarity in the spotlight. www.solidaritest.be

Sustainable Products and Services: Over the past decade, the success of sustainable products and services has been increasing in Belgium. Environmental perspective is becoming essential for consumers. Currently 9 % of the annual budget of Belgian families is spent sustainably, and this percentage is increasing. Several Belgian companies, such as Ecover, have successfully based their business model on sustainability.

http://www.statbel.fgov.be/studies/ac395_fr.pdf,

<http://www.befair.be/fr/articles/www-befair-be/2-ressources/commerce-equitable/quelques-etudes-et-rapports.cfm>

http://fr.observ.be/article/4329-le_panier_de_la_menagere_plus_vert_.html

Company Best Practices:

- B&S Belgium <http://www.businessandsociety.be/fr/documents>
- MVO Vlaanderen <http://www.mvovlaanderen.be/zoeken>
- RSE Wallonie http://rse.wallonie.be/apps/spip/rubrique.php3?id_rubrique=7

Main CSR Challenges: The main challenges include developing skills for employability, mainstreaming diversity, promoting entrepreneurship education, demographic change, eco-efficiency, stakeholder engagement, private procurement and transparency.

What is Business & Society Belgium doing to promote CSR? Business & Society Belgium is a business driven network and an inspiration to organisations striving to integrate CSR in their management and activities. With 50 members, including employers' federations, it promotes every aspect of CSR and creates new partnership opportunities and encourages dialogue with relevant actors.



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Croatia

Croatia currently has a centre-right government in place led by HDZ, the Croatian Democratic Union. The government is under EU pressure to speed up reforms in the areas of anti-corruption policy, the judiciary and the administration.

Partially due to the economic recession, but also as a result of bad management and high national debt, Croatia is facing significant decrease of GDP in 2009. The economy is forecast to grow at an annual average rate of 1.4% in 2009-13, compared with around 4% in 2004-08.

CSR policies and legislation: There is no CSR related legislation in Croatia neither in terms of procurement or tax measures. A Sustainable Development Strategy was recently launched and is due to be further developed through specific action plans.

There is no regulation regarding reporting on CSR. Reporting on issues of corporate governance is mandatory for companies listed on the Croatian stock exchange. Nevertheless, there is significant increase in CSR reporting due to the UN Global Compact requirements and presence in the country.

Key CSR Drivers: The major focus in Croatia has traditionally been environmental protection. It is very high on companies' priorities of CSR and companies often use ISO 14000 standards as a way to address their environmental impact. Croatia has very strong environmental regulation and all of the basic environmental impacts are regulated (such as waste, water and air discharges).

Recently, companies have started to address social issues such as labor and human rights. The focus on and reporting of issues like employee satisfaction, education and similar issues is increasing.

Main CSR actors:

- HR PSOR www.hrpsor.hr
- UN Global Compact <http://www.drustvena-odgovornost.undp.hr/show/jsp>
- Association for CSR in National Chamber of Economy
<http://www.hgk.hr/wps/portal/ZajednicaZaDOP>

Public awareness of CSR: Recent research undertaken by the PULS agency shows that there is almost no public awareness of CSR in Croatia. www.hrpsor.hr

Involvement of the Media: Media is not educated to support and report on CSR news. Journalists writing on CSR are generally not supported by their editors. Recently, however, there have been some improvements in media interest for CSR but reporting is usually limited to special edition of business magazines.

Environment:

- **National action plan:** Croatia has recently launched a National Sustainable Development Strategy and will be further developed through specific action plans, although this are not yet available. Previously, there has been an active waste management strategy and some other environmental strategies. A national allocation plan for CO₂ emissions has also recently been developed. Companies pay fees for CO₂ and other emissions to a Fund for environmental protection and energy efficiency.

- **Major environmental challenges:** In Croatia, the main challenge is the lack of sufficient energy sources.
- **Energy and eco-efficiency:** There is major energy inefficiency can be found in large publicly-owned companies such as oil and energy companies. Nonetheless, many individual energy efficiency projects have been launched in the country recently and private companies operating in energy intensive sectors are working to invest in better technologies and energy sources. Yet, their initiatives are often not followed by legislation or governmental support.
- **Public awareness on environment:** There is no specific research available on environmental concerns of the public. However, typically an average Croatian citizen will claim to be environmentally friendly. Such claims are not backed by behavioral changes during consumption.

Supply Chain: There have not been many examples of CSR related requirements in the supply chain contracting. In fact, most of the requirements are related to the product quality and lawful practices.

Human Rights: Human rights are not considered a priority for Croatia. Being a former socialist country, human and social rights are very high. With the recent transition to market-oriented economy, some issues of human rights, like mobbing and increase of stress at work, have surfaced.

Equal Opportunities: The issue of equal opportunities is not very public in Croatia and governmental and corporate initiatives in this area are minimal. It is a norm that the best job positions are filled by male employees. On average, only 6% of the management positions in the country have been occupied by females in comparison to companies where CSR implementation is well integrated where this percentage tends to be over 25%.

Community Engagement:

- **Perceived role of business in local communities:** Companies are not expected to engage in the local activities although companies working in smaller communities are expected to financially support local sport clubs.
- **Level of cooperation between companies and local community:** Generally, there is very low level of cooperation between these two groups. Additionally, companies are satisfied with philanthropic donations and are rarely involved in projects with local communities or NGOs. NGOs and local communities, however, tend not to be opened to cooperation with companies. This leads to very low levels of multi-sectorial partnerships.

Sustainable Products and Services: Croatia does not have much to show in this area. In the recently launched Sustainable Development Strategy, there is a chapter on sustainable production and consumption. Nonetheless, an action plan on this has not yet been made publicly available. Currently, there is no public or private institution that promotes the development of sustainable products. There are some individual companies selling sustainable products yet these are undertaken if there is financial benefit for the company.

Company Best Practices: Individual best practices, www.hrpsor.hr, www.holcim.hr, www.hartmann.hr

Main CSR Challenges: The main challenge is the perception of the value and importance of CSR. Companies still struggle to implement and understand the benefits of CSR. An additional challenge is the lack of governmental support towards CSR. Also, customers are not sensitive to

CSR and research shows that the most important criteria for purchasing products are quality and price.

What is the Croatian Business Council for Sustainable Development doing to promote CSR?

HRPSOR is promoting CSR through publication, conferences, seminars and trainings. The organisation tries to work with the government to integrate CSR in policies and has recently we have applied for the CSR Platforms project through which a consortia of CSR organisations is expected to be strengthen in their capacity and ability to foster CSR in the country.



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HRSPOR is also developing a CSR Index and will continue to work on the promotion and implementation of this project as it is an excellent educational tool for companies and a transparent information provider for customers.

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Czech Republic

May of 2009 saw the establishment of a transitional government, with elections to take place in mid-October 2009. The current white-collar cabinet is led by Prime Minister Jan Fischer. The Czech Republic has been affected by the global economic downturn, especially as it affects the Euro Zone. The Czech economy's current inflation rate is around 4.1% and expected to increase. The unemployment rate is 5.8% and GDP at -3.4%.

<http://www.economist.com/countries/CzechRepublic/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: Most legislation related to CSR priorities is implemented nationally, the most important of which are the National Labour Code, Consumer Protection Law, and Law on general product safety and Environmental Law.

The Czech government adopted the National Quality Policy in 2000 which includes CSR as a priority. The coordination responsibility of this policy at the national level lays with the Council of the quality of Professional Section for CSR composed of representatives of organisations and government working to promote the concept of CSR in the Czech Republic.

The strategic objectives for 2013 are to create the basic prerequisites for the coordination of activities of major organisations around the promotion of CSR, participation in the implementation of the National Quality Prices (Price per CSR), cooperation in the implementation of professional activities on the issue of CSR towards the public and the creation of a discussion forum on terminology and content of social responsibility in the Czech Republic.

Neither legislation nor formal policies exist that oblige companies to report on their CSR activities. While there are a few certification bodies who can verify whether a CSR report is below GRI standards, this does not aid in promoting CSR reporting.

Key Drivers of CSR: According to surveys in the business sector, it appears that the main CSR-related priorities are the environment, well-being and philanthropy.

Main CSR actors:

- Ministry of Human Rights and Minorities www.vlada.cz
- Ministry of Labour and Social Affairs www.mpsv.cz
- Ministry of the Environment www.mzp.cz
- Ministry of Industry and Trade www.mpo.cz
- Business Leaders Forum www.blf.cz;
- www.csr-online.cz
- Association of Fair Business www.korektnipodnikani.cz
- Czech Society for Quality <http://www.improvementandinnovation.com/directory/organisation-profile/czech-society-quality>

Public awareness on CSR: Awareness is widespread, but information is lacking as to specific CSR topics. Many CSR-related activities are of common public knowledge but they are understood as concepts in and of themselves and not within the CSR context. However, the broader concept of CSR is slowly taking root in educational institutions such as universities. It is often covered in courses on Corporate Governance, Business ethics and in some cases it exists as a separate course as well. The first of its kind accredited to the University of Economics in Prague.

Involvement of the Media: The role of the media is weak. There are occasional magazine/newspaper articles that make mention of CSR but offer little explanation.

Environment:

- **National action plan:** The current policy on climate change is in the process of modification. An updated version is expected to be finished by the end of 2009. http://www.mzp.cz/cz/narodni_program_zmirnovani_dopadu_zmeny_klimatu
- **Main environmental challenges:** The main challenges in the Czech Republic include lowering emissions that exist as a results of transport, home heating and CO2 incinerated fixed sources, as well as incomplete construction of a sewage treatment plant, insufficient share of renewable energy in the consumption of primary energy sources, deforestation, increase in public waste and finally, the role of environmental pollutants in the broadest sense (e.g. tobacco smoke, exhaust fumes, food additives) that contribute to the increase in childhood allergies).
- **Energy and eco-efficiency:** The focus is currently decreasing energy intensity, increasing total consumption of primary sources and decreasing domestic solid fuel (price and availability).
- **Public awareness on environment:** Environmental awareness is largely promoted through the Czech Republic's National Cleaner Production Program. In addition, there are a number of educational programs that reach out to the younger generations, introducing them to important personal practices such as sorting waste. <http://www.mzp.cz/cz/evvo>, [http://www.cenia.cz/_C12572570032F2DB.nsf/\\$pid/MZPMSFIV6FVN](http://www.cenia.cz/_C12572570032F2DB.nsf/$pid/MZPMSFIV6FVN)

Supply Chain: Czech companies are often found within the supply chain of many multinational companies. The most common issues companies when dealing with suppliers in Czech Republic are ensuring suppliers are competent in their field, legal capacity and integration of statutory bodies, financial correctness related to the state administration bodies, data security and company transparency.

Human Rights: The responsibility for monitoring and addressing this issue lays within several government councils include the Council for Human Rights, for National Minorities, for Roma Community Affairs, for Health and Safety at Work, for People with Disability, among others. <http://www.vlada.cz/cz/pracovni-a-poradni-organy-vlady/rtp/rtp-uvod-17537/>, <http://www.vlada.cz/cz/pracovni-a-poradni-organy-vlady/rnm/historie-a-soucasnost-rady-15074/>, <http://www.vlada.cz/cz/pracovni-a-poradni-organy-vlady/zalezitosti-romske-komunity/uvod-5779/>

Equal Opportunities: The main trend is for companies to focus on opportunities in work-life balance, diversity in the workplace, and ensuring inclusion of employees in the 50+ range. The latest trend is to establish company kindergartens.

The Labour Code plays a strong role in this area as well as the pressure from the Czech-Moravian Confederation of Trade Unions. <http://www.cmkos.cz/homepage>

Community Engagement:

- **Perceived role of businesses in the local community:** Czech businesses currently benefit from a positive image within local communities. This is largely due to the strict adherence of business to legal obligations.
- **Cooperation between local communities and businesses:** Business community involvement is generally not innovative. While normative projects and activities are carried out, ongoing dialogue and cooperation between businesses and communities is not common.

Sustainable Products and Services: The Czech Republic's National Trademark on Quality is given to products that meet certain standards regarding quality/sustainability. The program consists of approximately 20 trademarks, including several that focus solely on environmental impact of the product. <http://www.tmoftices.eu/czech/trademarks2.htm>

Company Best Practices: Business Leaders' Forum: www.csr-online.cz

Main CSR challenges: For large corporations, the main challenge is to ensure consistency between what is done in practice and what is written in theory in the form of CR strategy. CSR is still largely seen as a means to greater corporate reputation. Therefore, the real challenge lies in creating a deeper understanding of CSR. In regards to SMEs and the public sector, the greatest challenge, is to position CSR as a potential driver for business.

What is Business Leaders' Forum doing to promote CSR?

The Business Leaders Forum, currently, has collected and disseminated practical CSR tools and guidelines via its web portal, www.csr-online.cz. Additionally, it regularly organises seminars and round tables on CSR, has developed an initiative for university students (the Manager Shadowing Program) and implements a corporate award scheme on Health and Safety and the Environment.



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France

CSR policy and legislation: Laws regulating non-financial data in private bodies in France as early as 1977 with the Social Assessment Law (Bilan Social), which required listed companies to report on asset of social data. The *Nouvelles Regulations Economiques* (NRE) law passed in 2001, through article 116, makes reporting on social and environmental impacts mandatory for listed companies. A study, led by ORSE, OREE and EpE on its application showed that despite several imperfections, the NRE law has acted as an impulse for non-financial reporting. The combination of both volunteer and legal actions, and the necessity to give a global answer to all the stakeholders gave a great impetus these last five years to non-financial reporting and CSR policies. http://www.orse.org/site2/maj/phototheque/photos/docs_an/critical_review....pdf

Following the Grenelle de l'environnement a nationwide multistakeholder consultation process, which recommended better integration of Environmental, Social and Governance criteria in asset management, the NRE Law will extend to public companies and non-listed companies of more than 500 employees, in addition to requiring reporting on data in relation to international perimeters.

<http://www.legrenelle-environnement.fr/spip.php?rubrique11>

Other regulatory initiatives include the update on regulation around corporate pension schemes through the Law of Modernisation of the economy, the signature of several French professional organisations in July 2009, sustainable investment and transparency guidelines and collective and individual labelling initiatives.

Diversity is also the object of regulations as a series of law recommended companies to negotiate agreements with trade unions on gender equality. In March 2006, a law propose to reduce the salary gap between men and women by 2010. In case of no respect of this engagement there should be some financial sanctions. Equally, a quota of 6% of disabled people should be respected in the staff of companies with more than 20 employees.

Key drivers of CSR: The emergence of CSR in France is the result of the consequences of globalization and the influence of foreign corporations as well as the successful development of the French socially responsible investment (SRI) market. According to Novethic's latest study in June 2009, the French SRI market amounted to 29.9 billion Euros in 2008; an increase of 37% compared to 2007.

<http://www.novethic.fr/novethic/investissement-responsable/developpement-durable/indice-isr/94601.jsp>

Main CSR Actors:

- o ORSE www.orse.org
- o IMS- Entreprendre pour le Cite www.imsentreprendre.com
- o Novethic www.novethic.fr
- o EPE www.epe-asso.org
- o OREE www.oree.org
- o Comité 21 www.comite21.org

Public awareness on CSR: Although many international summits, scientific reports and an increasing number of natural disasters mean that the public is becoming increasingly familiar with the concept of climate change, there is still work to be done to better raise the awareness of users, elected representatives, companies and consumers to the issues at stake. Concepts

such as Sustainable Development or CSR are subject to a lot of confusion and misunderstanding, even in large corporations and within the State's representatives.

Involvement of the Media: Two main approaches based on direct and indirect impacts are to be distinguished. Direct impacts include ecological footprint and social responsibility. Indirect impacts include the responsibility of the media as content and information suppliers. Until now, efforts in the industry mainly focused on direct impacts. TF1 (a French media private group) tend to be more innovative by developing an indirect impacts approach.

Environment:

- **Main environmental challenges:** The reduction of CO2 Emissions in France is one of the main challenges. Emissions are expected to exceed the Kyoto objective by 10% in 2010, namely due to an increase in various areas of daily life (e.g. buildings, transport). The Climate Plan aims to devise a set of measures to save 54 million tonnes of CO2 equivalent yearly by 2010 to considerably reverse the current trend. The Climate plan is an action plan that will be operational as of 2010 to accelerate the reduction of emissions in all sectors. http://www.gisclimat.fr/Doc/GB/index_GB.html
- **Energy and Eco-efficiency:** French energy policy has four main objectives. It aims to contribute to national fuel independence and secure supplies of energy sources, improve environmental protection, take further action to tackle greenhouse effects and guarantee competitive fuel prices. To do this, the government has devised the several initiatives including fiscal measures, such as the improved tax credit for efficient appliances, incorporating a building energy label compulsory as of 2006 to identify potential energy savings and several heating regulations.

Supply Chain: In March 2007, the government adopted a National Action Plan for Sustainable Public Procurement including an evaluation of the current situation with regard to sustainable public procurement from the perspective of regulation and guidance for public purchasers. http://ec.europa.eu/employment_social/emplweb/csr-matrix/csr_topic_allcountries_en.cfm?field=14

Given the diversity of possible situations, there is no single CSR engagement strategy for suppliers and subcontractors.

Human Rights: In France, NGOs involved in Human Rights are very active. In 2006, 8 companies engaged in France and joined forces to found Entreprises pour les Droits de l'Homme (EDH). The aim of this initiative is to enrich the works led by Business Leaders Initiative on Human Rights (BLIHR) since 2003 and to adapt them to French culture.

Some companies in France have developed interesting approach towards their suppliers. Since 2000, with the support of FIDH (International Federation for Human Rights), Carrefour has drawn up a Social Charter signed by all of its own brand product suppliers. See 2008 - Proactive Stakeholder Engagement Guide page 36 available on line at www.orse.org

Equal Opportunities: Typical of France situation is a dialogue culture. Trade unions are very much involved in this issue. In spring 2009, ORSE published two reports to promote equal opportunity for men and women. The report "Men are the future of equal opportunity", a call for companies to involve men in equality issues, was published in French and English in partnership with CNIDFF (Centre National d'Information sur les Droits des Femmes et des Familles) and with the support of the Ministry of Labour and the 5 French trade union confederations. The "2009 Equal Opportunity Directory", available in French, is a call for companies to promote equal opportunity. This

directory has been designed as a practical toolkit towards all stakeholders within companies. Examples of the themes addressed in the directory include tools for implementing and monitoring an equality policy, recruitment tools, and work/life balance. Both documents are available online at www.egaliteprofessionnelle.org. ORSE has also launched a working group to identify reporting indicators on diversity.

Company Best Practices: ORSE website section on “ORSE’s work” www.orse.org

Main CSR Challenges: The main CSR challenges in France are twofold: to find ways and tools to mainstreaming CSR amongst SMEs which still need to understand how to define CSR strategies and what they would gain from CSR and to involve everyone at each stage of the company (employees, managers, members of the board) and companies not matter of the size. The main issue is to make CSR concepts comprehensible for all stakeholders.

What is ORSE doing to promote CSR? As a think tank dedicated to CSR, ORSE aims to make CSR tools that will impact the operations of companies and of their stakeholders (investors, employees, NGOs, suppliers etc) more comprehensible. ORSE works together with its members and other stakeholders within targeted working groups to promote CSR and identify best practices.



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Germany

Germany is currently governed by a coalition of the Christian Democratic Union (CDU/CSU) and the German Social-democratic Party (SPD). Elections to determine the next four years of governance will be held in autumn 2009. As a nation with an export-oriented economy, the recent economic crisis has left a significant negative impact on the economy which has led to a substantial loss of jobs with the threat of increased unemployment in the upcoming months.

<http://www.economist.com/countries/Germany/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: No German government, so far, has adopted specific pieces of legislation relating to CSR. The Ministry of Employment and Social Affairs has the responsibility for CSR. In Germany, however, CSR is seen as a voluntary instrument of business. Sustainability reporting is also of voluntary nature in Germany. The annual reports published by companies often include CSR issues.

Key Drivers for CSR: In Germany CSR evolved from a strong debate on ecological issues. Still today, the ecological arena is important but social issues have gained much ground.

Main CSR Actors:

- o German Sustainability Council
www.nachhaltigkeitsrat.de
- o econsense—Forum for Sustainable Development of German Business
<http://www.econsense.de/>
- o UPJ <http://www.upj.de/About-UPJ.17.0.html>
- o BDA www.bda-online.de
- o German Chambers of Industry and Commerce www.dihk.de
- o Ministry of Employment and Social Affairs www.bma.de
- o Greenpeace
<http://www.greenpeace.de/>
- o Germanwatch
<http://www.germanwatch.org/welcome.htm>
- o Transparency International
www.transparency.de
- o Amnesty International
<http://www.amnesty.de/>

Public awareness on CSR: The public has taken some interest in sustainability and CSR-related issues, yet no specific research is available.

Involvement of the Media: The print and internet media have taken up CSR quite intensely. Yet, other more traditional media, such as television and radio have not been as active.

Environment:

- **National action plan:** Germany is very active in this area. In April 2002, the German government adopted the first national sustainability strategy which has since been reviewed and accompanied by a set of sustainability indicators. In 2009, Germany will perform a Peer Review of its sustainability policies. The Federal Government asked the German Council for Sustainable Development to organize this review process by international high profile peers. <http://www.nachhaltigkeitsrat.de/en/the-council/strategy/>
- **Main environmental challenges:** From a political, business and societal perspective, climate change is the most important environmental challenge.
- **Energy and eco-efficiency:** Energy efficiency is seen as a major cost cutting factor and as an effective means to fight climate change. This is true both for business and for politics. http://www.bmu.de/english/energy_efficiency/aktuell/38275.php
- **Public awareness on environment:** Today, the public is well aware of environmental issues and especially of climate change. A broad public discussion about future climate

scenarios as well as debates on climate mitigation and adaptation are taking place.
<http://www.wirtschaftfuerklimaschutz.eu>
<http://www.klimatech-atlas.de>
<http://weltkarte-der-klimapolitik.econsense.de/>

Supply Chain: CSR-related questions in company supply chains have led to many companies requiring specific data from their suppliers on their ecological and social impacts.

Human Rights: Human Rights have until now not been an important part of the German CSR debate, although they are, many times, mentioned in reporting procedures. Prospectively, it will become an essential issue especially as human rights are a key issue within the growing sustainable supply chain discussion.

Equal Opportunities: Germany has for many years followed business and governmental strategies to foster equal opportunities. This debate is older than the CSR debate and therefore has followed a rather individual path.

<http://www.total-e-quality.de/fileadmin/files/Downloads/Letztkorrektur.pdf>
<http://www.bmfsfj.de/bmfsfj/generator/BMFSFJ/gleichstellung.html> ,

Community Engagement:

- **Role of businesses in the local community:** Community engagement is traditionally one of the most important areas of engagement of German companies.
- **Cooperation between local communities and businesses:** Local and regional engagement varies significantly depending on the specific situation.

Sustainable Products and Services: Sustainable products and services is an integral part of the German debate around consumer protection. This debate touches on a broad range of issues, including, for example, green products. The CSR debate is not closely connected to the consumer protection debate yet; many innovative companies in Germany now focus on sustainable products as important for future market development.

Company Best Practices:

- econsense database www.econsense.de
- Extensive best practice on climate change by econsense www.klimatech-atlas.de
- Site by German business association www.csrgermany.de
- UPJ SME best practices www.upj-online.de/index/66279

Main CSR Challenges: SMEs are not very closely involved in the CSR debate.

What is econsense doing to promote CSR? econsense is working on a broad variety of topics including climate change, demographic change, supply chain management, business and biodiversity and ratings, ranking and reporting.

econsense
Forum for Sustainable Development
of German Business

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Greece

Greece is currently governed by the New Democracy party (ND). The New Democracy government, led by the Prime Minister, Costas Karamanlis, has a tiny majority of 151 out of 300 seats in parliament. The country is subject to an excessive deficit procedure (EDP) as specified in the Stability and Growth Pact of the European Commission. The European Commission decided in April 2009 that Greece should correct its excessive deficit by 2010.

Recent local surveys have shown that economic activity has been slowing down since the beginning of 2008, resulting in an annual real GDP growth rate of 2.9%, down from 4% in 2007. The heightening uncertainty – especially in the second half of 2008 – has proven to be detrimental to both consumer and business confidence, undercutting economic activity and future prospects. Weakening private consumption and more importantly, declining investment, were the main reasons behind the recorded slowdown. Extremely pessimistic expectations for unemployment remain. The current unemployment rate is 9.1%.

<http://www.economist.com/countries/Greece/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: The wide spectrum of Greek legislation provides many laws related to basic CSR issues but that not specifically mentioned as such (e.g. laws on health and safety, human rights, equal opportunities and the right of collective agreement). It has been calculated that CSR issues are included in the responsibility framework of eight different Ministries. The only relevant law that recently been issued is Law No. 3525, published in January 2007 under the name “Cultural sponsorships.” It provides tax reductions to companies that support cultural events. The 2007 – 2013 plan of several Greek Ministries mentions several CSR related activities, but not in a clear and direct manner. Additionally, there is no legislation or policy on reporting.

Key Drivers of CSR: All issues related to CSR are used as a means of business strategy. There is no specific focus on single CSR issues. Addressing CSR as a means of business strategy mirrors societal expectations on the way business operates and behave, which are increasing.

Main CSR Actors:

- HNCSR www.csrhellas.org
- Sustainable Development Department of Federation of Greek Enterprises and Industries <http://www.sev.org.gr/online/index.aspx?lang=en>
- Department in the Ministry of Economy <http://www.mnec.gr/en/>

Public awareness on CSR: There is a survey conducted by the Institute of Communication on how consumers understand CSR. These surveys are conducted with the cooperation and license of the GlobeScan Incorporated and are carried out in 24 countries. The HNCSR has been supporting all surveys carried out in Greece. Outcomes available at: http://www.csrhellas.org/csr_last2/portal/en/misc/119oz_20071101119.php3

Involvement of the Media: The media – with very few exceptions - shows an interest in CSR but not as positively and deeply as desired. While it is recognized as vital to good management of a company, the media is quick to criticize it. The HNCSR has made several attempts to increase awareness among journalists, which have had positive results. Yet, such results are still on a small individual scale. While it is true that most newspapers dedicate special inserts on CSR and cover major CSR events, this is primarily done to receive sponsorship from the companies implementing CSR, rather than a genuine interest.

One great exception is a television program on CSR which was recently launched by the state TV, which is broadcasted once a month.

Environment:

- **National action plan:** The Ministry of Environment has enacted a number of plans like the Special Framework for the Alternative Energy Sources, the National Plan for the Management and Protection of the Watery Sources or the National Plan of dealing with the pollution. These activities put Greece among the four European countries that are within the Kyoto protocol. <http://www.minenv.gr/anakyklosi/general/general.html> or <http://www.minenv.gr/4/41/e4100.html>
- **Main environmental challenges:** The environmental challenges include a lack of natural resources, water shortage due to lack of rain and pollution levels of the main cities.
- **Energy and eco-efficiency:** The issue of energy efficiency is being dealt with by the government through incentives offered to households for the purchase either of energy efficient air conditioners or refrigerators or by subsidizing insulation of old houses.
- **Public awareness on environment:** Environmental issues are of great concern in Greece. Several surveys have shown that the issue is among the first priorities of people, businesses and NGOs. http://www.csrhellas.org/csr_last2/portal/en/misc/119oz_20071101119.php3

Supply Chain: The most common issue on this respect is to provide basic training on CSR to supplier. This is due to increasing contractual requirements from buyers as they become more and more interested on the sustainable behavior of their supply chains.

Human Rights: Human Rights issues are not of primary concern for Greek business, as all basic rights defined in international conventions are covered under National Law. From a political point of view, some issues have emerged with the influx of illegal immigrants in the country.

Equal Opportunities: A special general secretariat on Equal Opportunities exists under the supervision of the Ministry of Interior. The secretariat promotes through several initiatives equal gender opportunities in the work place. The HNCSSR has signed a Memorandum of Collaboration with them for the promotion of equal gender opportunities in the work place. To this respect, HNCSSR has produced a self-diagnosis tool which allows businesses to identify their position regarding equal opportunities and gives solutions for improvement.

In general, businesses are expected to support social inclusion by employing persons belonging to several socially isolated people (drug addicts, persons discharged from prison, people with disabilities). There is a national law which obliges large businesses to cover 2% of their staff by this category but practically, only few do so.

Community Engagement:

- **Perceived role of businesses in the local community:** Businesses are perceived as active members of local communities.
- **Cooperation between local communities and businesses:** The cooperation between local communities and businesses is generally very good. Examples can be found here: http://www.csrhellas.org/csr_last2/portal/en/misc/989oz_20071101989.php3.

Sustainable Products and Services: A recent survey carried out by the Institute of Communication has shown a number of very interesting outcomes regarding the views of consumers on responsible sectors and services.

http://www.csrhellas.org/csr_last2/portal/en/misc/119oz_20071101119.php3

Company Best Practices: HNCSR catalogues of good practice at http://www.csrhellas.org/csr_last2/portal/en/misc/988oz_20071101988.php3

Main CSR challenges: People are very sensitive on how companies operate and expectations for sustainable and responsible corporate behaviour are increasing.

What is the Hellenic Network for CSR doing to promote CSR? Through B2B alliances, awareness raising events, stakeholder dialogue, publications & e- newsletter, Research & Surveys, Internet portals, sharing best Practices, capacity building & training, political networking, the HNCSR is working for the wider promotion of CSR among businesses and especially SMEs.



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The Netherlands

The current governing coalition is composed of the Christian Democratic Appeal (CDA), the Labour Party and the small Christian Union. The cabinet of Balkenende was formed in February 2007. The Dutch economy depends heavily on trade and export (mainly machines, materials, chemicals, fuels and food products). The main sectors in the Dutch economy are industry, trade sector and financial and service business. The general government budget recorded a surplus of 1% of GDP in 2008. The budget balance is forecast to drop strongly into deficit in 2009. Inflation dropped below 2% at end-2008, and with domestic price pressures weak in 2009-10, it is expected to average just 0.9% per year, dropping to around zero by end-2009.

<http://www.economist.com/countries/Netherlands/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR Policies and Legislation: The Dutch government builds on the self-regulating and disciplining functioning of businesses when it comes to CSR. The vision includes a recommendations report, (http://www.ser.nl/~media/Files/Internet/Talen/Engels/2000/2000_11.ashx), a cabinet vision on CSR 2008-2011, (<http://www.oesorichtlijnen.nl/wp-content/uploads/Kenniscentrum/Kabinetsvisie%20ENGELS.doc>), and a normative framework (http://www.ser.nl/~media/Files/Internet/Publicaties/Overige/2000_2010/2008/b27428/b27428.a.shx).

The Netherlands also has several objectives concerning sustainable public procurement. The government has set itself a target to be 100% sustainable in its procurement processes by 2010.

<http://www.senternovem.nl/duurzaaminkopen/index.asp>

There is no existing regulation making reporting mandatory in the Netherlands. There are, however, guidelines for social reporting available.

http://www.rjnet.nl/Richtlijnen/Handreiking_MVO/index.asp,

<http://www.commissiecorporategovernance.nl/Information%20in%20English>

Key Drivers of CSR: The main issues of CSR are water and climate change, biodiversity and raw materials, supply chain responsibility and sustainable purchasing, sustainable building and agriculture, technological innovation, cradle to cradle, demographic change and labour force participation.

<http://www.cpb.nl/nl/pub/cpbreksen/bijzonder/77/bijz77.pdf>,

http://cdadzb.timwiki.nl/index.php/Kabinetsbrede_Aanpak_Duurzame_Ontwikkeling

Main CSR actors:

- BiD network
<http://www.bidnetwork.org/>
- Trade organisations
<http://www.mvonederland.nl/download/5844>
- Duurzaam Hoger Onderwijs
<http://www.dho.nl/>
- Div, Landelijk Netwerk Diversiteitsmanagement
<http://www.div-management.nl/>
- Energiecentrum
<http://www.energiecentrum.nl/cms/publish/content/showpage.asp?themeid=90>
- Initiatief Duurzame Handel
http://www.duurzamehandel.com/page/Information_in_English
- Global Compact Nederland
<http://www.unglobalcompact.org/NetworksAroundTheWorld/display.html?id=NL>

- o Milieu Centraal
<http://www.milieucentraal.nl/>
- o Ministries <http://www.overheid.nl/>
- o MVO Nederland
<http://www.mvonederland.nl/>
- o MVO Platform <http://mvoplatform.nl/>
- o Netwerk Bedrijfsethiek Nederland
<http://bedrijfsethiek.nl/>
- o Nationaal Contact Punt
<http://www.oesorichtlijnen.nl/english/ncp-national-contact-point/>
- o Samenleving & Bedrijf
<http://www.samen.nl/>
- o SenterNovem
<http://www.senternovem.nl/sn/index.asp>
- o Social Venture Network
<http://www.svn.org/>
- o Urgenda <http://www.urgenda.nl/>
- o VBDO <http://www.vbdo.nl/>

Public awareness on CSR: A publication developed by MVO Nederland on the state of the art of CSR in the Netherlands finds that the public is increasingly more and more aware of companies CSR. <http://www.mvonederland.nl/degrotemvobibliotheek/publicaties/8112>

For one-third of Dutch consumers, sustainability is an important criteria in purchase decisions. Approximately 16% of the Dutch population can be classified as Cultural Creative, characterized by their choice for products and services which do not cause ecological or social problems. http://www.dossierduurzaam.nl/home/home_2146.aspx

Involvement of the media: There are several specialized CSR media in the Netherlands. Information from this specialized media is frequently taken over by regular media, generally through special sections.

http://www.duurzaam-ondernemen.nl/list_press.phtml?&orderby=date_start&sortorder=desc,
<http://www.nuzakelijk.nl/category/groenzakelijk>

Environment

- **National action plans:** there are various programs and policies concerning the environment. Most importantly, the Netherlands has an ambitious government plan for energy saving, sustainable energy and storage of CO₂ emission. The government, as aforementioned, also has several concrete objectives for their sustainable public procurement policy.
<http://www.vrom.nl/pagina.html?id=32950>,
<http://www.senternovem.nl/duurzaaminkopen/index.asp>
- Finally, the cabinet has two important policies relating to the environment and to contributing towards sustainable development.
<http://www.vrom.nl/pagina.html?id=9331&ref=http://www.google.nl/search?hl=nl&q=%EF%80%AD%09Nationale+Milieubeleidsplan+4&meta>,
http://cdadzb.timwiki.nl/index.php/Kabinetsbrede_Aanpak_Duurzame_Ontwikkeling
- **Main environmental challenges:** The Main environmental challenges for The Netherlands include water and climate change, reduction and storage of CO₂ emission, energy saving and sustainable energy, biodiversity and raw materials.
- **Energy and eco-efficiency:** The attention to energy saving and CO₂-reduction seems to have grown in the last year. There has been an increase of investments and use in sustainable energy and energy saving, an increase of the compensation of CO₂-emissions and an increase of the offer of climate-neutral products and services.

Supply Chain: In the Netherlands, there are several frameworks and guidelines to support companies in tackling challenges in this area. The attention to supply chain responsibility increases in the business-to-business market, especially within large companies. 35% of the Dutch

SMEs also state sustainability-requirements to their subcontractors. Yet, the multiplicity of CSR labels makes sustainable purchasing hard for consumers.

http://www.duurzamehandel.com/page/Information_in_English,
<http://www.oesorichtlijnen.nl/english/ncp-national-contact-point/>

Human Rights: The Dutch human rights policy focuses on abolition of the death penalty, prohibition of torture, promotion of women and children's rights, freedom of religion and preventing discrimination against homosexuals.

<http://www.buza.nl/dsresource?objectid=buzsabeheer:71200&type=org>

Equal Opportunities: In 2008, the employment rate of women was 59%. The employment rate of non-western immigrants was 56.5%. Action plans concerning equal opportunities:

http://www.minocw.nl/documenten/emancipatienota_def_versi.pdf,
<http://www.ikan.nl/ikkan/sites/default/files/file/actieplan%20ledereen%20doet%20mee.pdf>

Community Engagement: In 2007, 66% of the Dutch companies gave and/or sponsored (in money, in kind and/or in manpower). In total, Dutch companies have spent 1,353 million Euros on grants and sponsoring.

http://geveninederland.nl/uploads/doc/Samenvatting_Geven_in_Nederland.pdf

Sustainable Products and Services: Most Dutch sustainable innovations are technological innovations. According to Braungart, The Netherlands are leading in adopting the concept 'Cradle to Cradle'.

Company Best Practices: MVO Nederland:

<http://www.mvonderland.nl/degrotemvobibliotheek/praktijkvoorbeelden/>

Main CSR Challenges: The main CSR challenges for the Netherlands include ageing, innovation, social cohesion, climate change, sustainable supply chain management, sustainable purchasing and measurement of sustainable activities and reporting.

What is MVO Nederland doing to promote CSR?

MVO Nederland is a starting point and guide for entrepreneurs in the Netherlands in the area of CSR. The organisation brings all interested parties together to share knowledge and to carry out joint activities focusing mainly on implementing CSR in a way that both society and the company profit. MVO Nederland reaches business mainly by means of intermediate parties (for example: chamber of commerce, business associations, and trade organisations).



MVO Nederland, contact@mvonderland.nl, +31 30 2363465, www.mvonderland.nl



Hungary

Hungarian Socialist Party (MSZP) forms the current Hungarian cabinet, but new elections will take place in May 2010. Other big parties include the Hungarian Civic Alliance (Fidesz), Hungarian Democratic Forum (MDF), Alliance of Free Democrats (SzDSz). Total government spending is high, so Hungary needs to reduce it and reform its economy in order to meet the 2012–2013 target dates for accession to the euro zone. The Hungarian economy depends heavily on trade and exports. Its main sectors are industry (29.32% of GDP in 2008) and agriculture (3% of GDP in 2008). Hungary's economy is set to shrink by 4 to 5 % in 2009. <http://www.kopint-tarki.hu/macrotable.pdf>

CSR policies and legislation: The Hungarian Government published the first CSR Decree in March 2006 which reinforces the social responsibility of employers and provides measures to stimulate such responsibility. In addition, there are several other policies like the Act on Equal Treatment and Promotion of Equal Opportunities, the Act in 2005 on Trading which contains a number of CSR provisions and the adaptation of Directive 2003/51/EK around accounting address specific topics within the realm of CSR. Of course, in terms of the Environment, the implementation of the UN Convention on Climate Change and Kyoto is the main priority and policy. <http://www.egyenlobanasmod.hu/data/SZMM094B.pdf>
http://www.gvh.hu/domain2/files/modules/module25/jogi/Act_CLXIV_of_2005.pdf
http://klima.kvvm.hu/documents/51/kioto_act200705_ENG.pdf

Key Drivers of CSR: The main CSR drivers include the issues of sustainable energy and climate change, reporting, accountability and transparency as well as equality, social cohesion and sustainable purchasing.

Main CSR actors:

- o American Chamber of Commerce in Hungary <http://www.amcham.hu/>
- o Hungarian Business Leaders Forum <http://www.hblf.org/index.php?lang=english>
- o Business Council for Sustainable Development in Hungary <http://www.bcsdh.hu/index.php?page=2&l=2>
- o KÖVET Association for Sustainable Economies <http://www.KOVET.hu/view/main/108.html>
- o Tudatos Vasarlok Egyesulete <http://www.tve.hu/contacts>
- o Clean Air Action Group <http://www.levego.hu/caag.htm>
- o Society of Protection <http://www.zpok.hu/vedegylet/go.php?144000000>
- o B&P CSR management Ltd. <http://www.bpcsr.hu/index.php?langcode=en>
- o Kurt Lewin Foundation <http://www.kla.hu/>
- o DEMOS Hungary Foundation <http://www.demos.hu/Tevekenysegi/Projektok/csr>
- o United Way Hungary <http://www.unitedway.hu/>
- o Club of Budapest <http://www.clubofbudapest.org/>
- o Ministry for National Development and Economy <http://www.nfgm.gov.hu/en/>
- o National Council for Sustainable Development http://www.nfft.hu/main_page/
- o Hungarian PR Association <http://www.mprsz.hu>

Degree of Public awareness and understanding on CSR: Public awareness on CSR is still rather limited in Hungary. Although environmental awareness exists, there is a lack of understanding of the concept. Stakeholder dialogue is not a CSR tool that is frequently used in Hungary and tools like customer satisfaction surveys are the sole elements of dialogue with NGOs and customers.

<http://europeandcis.undp.org/home/cst/show/A0ACA451-F203-1EE9-B167B71953FE5CAZ>,
<http://www.fidh.org/IMG/pdf/hu-report1309a.pdf>

Involvement of the Media: The role of the media in promoting CSR is not well developed. Yet, a few newspapers and magazines examine social and environmental aspects in more detail. CSR related news is frequently taken over from CSR related media actors by regular media.

Environment:

- **National action plan:** The National Sustainable Development Strategy of the Hungarian government is a long-term strategy document helping to lead the development of society and outlining a system of instruments and a reform framework corresponding to a positive and sustainable future vision with which all members of the society can identify. The strategy sets out the framework until 2025.
http://www.nfu.hu/download/1027/national_sustainable_development_strategy.pdf
<http://www.kvvm.hu/cimg/documents/nes080214.pdf>
In terms of public procurement there are a range of tools to implement environmental criteria in the public procurement process but are rarely used. The main problem is a lack of appropriate co-ordination. There are a lot of governmental institutions responsible for the legislation and execution of public procurement but no concrete coordinator.
<http://www.greenlabelspurchase.net/en-procurement-standards-hungary.html>
- **Main environmental challenges:** The main environmental challenges in Hungary include the reduction of greenhouse gas emissions and storage of such, waste recycling and energy saving.
- **Energy and eco-efficiency:** Hungary developed its National Energy Efficiency Action Plan approved by the government in 2008. The plan looks to find the most cost-effective solutions for utilizing energy-saving potential, shape consumer awareness and influence the market to achieve long-term energy efficiency. The time frame of the Action Plan is until 2013. <http://zeus.iea.org/textbase/pm/?mode=pm&id=3686&action=detail>

Public awareness on environment: Several governmental and NGO initiatives have been implemented in order to raise awareness around the negative impacts of climate change and promote environmentally friendly lifestyles. In the Hungarian society there are positive attitudes on environmental issues but these do not reflect willingness of act.
http://www.euvonal.hu/kapcsoldki/kapcsold_ki.html

Supply Chain: In Hungary the issue of supply chain is important and regulated by the 2005 Act on Trading which states that a significant market force or position cannot be misused against suppliers. http://www.gvh.hu/domain2/files/modules/module25/jogi/Act_CLXIV_of_2005.pdf

Human Rights: Hungarian laws, in general, respect ILO standards on human rights and working conditions. The rights of employees are described in the Law of Work Protection covering work safety, trainings and working conditions. There are also other important initiatives like the Hungarian Human Rights Foundation and the Minority and Human Rights foundation working in cooperation to promote the importance of human rights respect.
http://www.hhrf.org/hhrf/index_en.php. http://www.keja.hu/english/a_index-1.html

Equal Opportunities: The main emphasis in Hungary is laid on equal opportunities of women and men as well as Roma integration. The Hungarian government has an office specifically dedicated to this issue and regulation on this topic also exists since the 1990s. There is also a social label available to enterprises focusing on equal opportunities at the workplace.
http://www.soros.org/initiatives/women/articles_publications/publications/equal_20050502/eow_mhungary.pdf

Community Engagement:

- **Perceived role of businesses in local communities:** SMEs and corporations sponsor initiatives in local communities. There is not a general research on Hungarian businesses' philanthropic activities, but the number of cooperative businesses is growing.
- **Cooperation between businesses and local communities:** Company-community cooperation is still far away from Western-European best practices. There are several good initiatives like building playgrounds for the local community, painting the walls/fences of the local preschool, etc.

Sustainable Products and Services: According to a 2005 research of Euro barometer, Hungarians are more willing to change their consuming habits than give them up. For example, they would buy bio products but would not stop using their cars. Yet, they regard air pollution to be the biggest environmental problem. Hungarians are mostly willing to buy local products. Successful initiatives include:

- Pannon Local Product Cluster is an organisation that by means of promoting local products and innovation helps Hungarian providers to become sustainable. <http://www.pannonproduct.hu/>
- Zöld Iroda Ellátó (Green Office Supplier) was founded by KÖVET. This is an alternative entrepreneurship, with the main aim of providing Hungarian companies with sustainable office products. <http://www.zoldellato.hu/>

Company Best Practices:

- Hungarian best practices on Diversity: http://www.ilo.org/public/english/region/eurpro/budapest/download/socsec/workplace_diversity.pdf
- CSR best practice 2008 in SMEs: <http://www.inuitnetwork.net/bestpractice/demo/demo.html>

Main CSR Challenges: Most importantly, the main challenge is the formation of a civil society and democratic dialogue among business and social actors. Ability to cooperate is very weak in the Hungarian society. There is still a popular misconception that CSR is against profit and is costly for companies (as business actors often mistake it for sponsorship or PR). To prevent this misconception, the legal obstruction of communicating CSR needs to be removed and companies need to work towards increasing trust and transparency. <http://www.feem.it/NR/Feem/resources/CSRPapers/CSR2006-013.pdf>
<http://mek.oszk.hu/06000/06005/06005.pdf>

What is KÖVET doing to promote CSR? The main activity of KÖVET is to promote CSR and preventive environmental solutions, and ensure information exchange primarily in the business sector. The organisation acts as a platform for ongoing information exchange, with the aim of promoting environmentally and socially aware business management, to find new ways for industry to reduce its environmental impacts and to integrate CSR tools as competitive advantage. Our main CSR activities are CSR awareness raising, stakeholder mapping, sector-specific researches and companies' sustainability/CSR report evaluation.



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Ireland

Ireland is a parliamentary democracy led by a coalition government comprising the centre majority party Fianna Fáil and the minority Green Party. The Irish economy benefitted from steady growth in GDP and employment in the 1990s and the first half of this decade but since early 2008 there is serious fiscal deficit, increased unemployment and uncertainty on investment and economic growth. The economic recovery is being currently debated and the thinking is much aligned to economic development through environmental sustainability and a shift to a services based economy. The latest economic growth forecast indicates that the Irish economy will contract by 8.9% in 2009.

http://www.esri.ie/UserFiles/publications/20090715170344/QEC2009Sum_ES.pdf

<http://www.economist.com/countries/Ireland/>

CSR policies and legislation: The Irish government views CSR as a voluntary approach of business. There is no specific set of legislation that refers to CSR reporting or CSR practices, with the exception of the Credit Institutions Act 2008 requiring those financial institutions supported by the government guarantee scheme to issue a CSR report of their activities through the Irish Banking Federation.

Key Drivers for CSR: The key drivers of CSR in Ireland are around community investment and employee engagement. Most recently, climate change and sustainable procurement have emerged. On a lesser level, marketplace innovation is a growing trend.

Main CSR Actors:

- o Department of Enterprise, Trade & Employment:
<http://www.entemp.ie/employment/industrialrelations/index.htm>
- o Department of Community, Rural & Gaeltacht Affairs:
<http://www.pobail.ie/en/CommunityLocalDevelopmentProgrammes/>
- o Office on Active Citizenship:
<http://www.activecitizen.ie/index.asp>
- o The Equality Authority:
<http://www.equality.ie/>
- o Health & Safety Authority:
<http://www.hsa.ie/eng/>
- o Department of the Environment, Heritage & Local Government:
<http://www.environ.ie/en/>
- o Department of Communications, Energy & Natural Resources:
<http://www.dcenr.gov.ie/>
- o Sustainable Energy Ireland:
<http://www.sei.ie/>
- o National Consumer Agency:
<http://www.nca.ie/eng/>
- o Financial Regulator:
<http://www.financialregulator.ie/pro>
- o [cesses/consumer-protection-code/Pages/default.aspx](http://www.cer.gov.ie/eng/press-releases/consumer-protection-code/Pages/default.aspx)
- o BITC Ireland: <http://www.bitc.ie/>
- o Great Place to Work Institute:
<http://www.greatplacetowork.ie/>
- o Friends of the Earth:
<http://www.foe.ie/>
- o Irish Business Employers Confederation:
<http://www.ibec.ie/IBEC/IBEC.nsf/vPages/Home?OpenDocument>
- o Chambers Ireland CSR Policy Council:
<http://www.chambers.ie/index.php?id=243>
- o Association of Certified Chartered Accountants:
<http://www.accaglobal.com/ireland/publicinterest/sustainability/>
- o Irish Banking Federation:
<http://www.ibf.ie/Default.asp>
- o Irish Pharmaceutical Healthcare Association: <http://www.ipha.ie/>
- o Marketing Institute of Ireland:
<http://www.mii.ie/>
- o Public Relations Institute of Ireland:
<http://www.prii.ie/>

Public awareness on CSR: Public awareness on CSR has increased in the past few years, especially amongst consumers. The 2009 Survey of Consumer Attitudes highlights that when forming a decision to buy a product or service, 8 out of 10 people in Ireland say that an organisation's commitment to social and environmental responsibility is important yet almost 80% of consumers could not name one company which treats staff well, gives good customer service and are mindful of its impact on the environment. In addition, whilst 92% of consumers are taking individual actions to limit their own environment impacts, three out of four people (75%) could not name a company doing the same.

http://www.bitc.ie/uploads/2009_Survey_Report.pdf

Involvement of the Media: The Irish media has played an active role in the corporate responsibility debate and although not very structured like in other European countries, there are several annual media supplements and features on corporate responsibility issues.

Environment:

- **National action plan:** The Irish government issued its second national climate change strategy in 2007 running until 2012. It is aligned to the targets agreed under the Kyoto Protocol and the European Emissions Trading Scheme (EU ETS). There is also a government policy on Sustainable Development published in 2002. Additionally, the Department of the Environment has established COMHAR, the Sustainable Development Council as a forum for national consultation and dialogue on all issues surrounding Ireland's pursuit of sustainable development. In relation to public procurement, there is no specific action plan or guidance strategy, although green public procurement is strongly recommended for public tendering.
- **Main environmental challenges:** The main challenges faced are access to energy and integration of renewable energy sources, efficient waste management and overall awareness on climate change and energy efficiency.

Supply Chain: The most common issues related to businesses working with suppliers relate to cost management on behalf of bigger buyers and the limited capacity of small suppliers to reduce costs. Local sourcing is an issue of growing concern and this has moved large retailers to stock local produce or specially labelled Irish products as a differentiation factor.

<http://www.independent.ie/business/small-business/big-supermarkets-putting-squeeze-on-their-suppliers-1504209.html>

Human Rights: There is a very limited awareness of the role of business in the promotion and protection of human rights.

Equal Opportunities: The main dimensions of equal opportunities that have been the attention of business in recent years are: gender balance, people with disabilities and nationality, although age and sexual orientation have also been referenced. <http://www.theabilityawards.com/>

Community Engagement:

- **Perceived role of businesses in local communities:** Community engagement is a key element of most companies' CSR programmes. There an expectation for businesses of all sizes and sectors to be actively involved in local communities and making an impact on key social issues like obesity or drink driving.
- **Cooperation between business and local communities:** Over the past years, large companies have engaged in more strategic community engagement programmes

combining philanthropic donations with employee volunteering programmes and cause related marketing campaigns.

Sustainable Products and Services: The incorporation of environmental and social dimensions to products development is a growing trend in Ireland with a wide range of products and services launched including sustainable and fair-trade products, preferential mortgages for environmentally friendly houses and buildings, energy efficient car fuel or healthy and nutritious options in food menus. For many businesses this is a key area of sales growth and development and in some cases such as fair trade products, these are becoming the norm as opposed to the exception.

Company Best Practices: BITC Ireland database: http://www.bitc.ie/case_studies/index.html

Main CSR Challenges: One of the main challenges in CSR is around reporting and communications of responsible business practices and the overall integration of CR into business strategies.

What is BITC Ireland doing to promote CSR?

Business in the Community Ireland specialises in advice and guidance to business on all aspects related to CSR strategy, policy and practice development and implementation, performance measurement and communications. The organisations' approach is based on a holistic concept of responsible business practice across the key areas of workplace, marketplace, community, environment and CR management & communications. Additionally, Business in the Community Ireland is developing Ireland's first Corporate Responsibility Standard, an award scheme to recognise businesses that excel in their approach to responsible business practice.



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Italy

Italy's current Parliament represents five major political parties (as of 2008 elections). The centre-right wing majority are supporters of Prime Minister Berlusconi by a wide margin. Centre-left wing parties like the PD-Democratic Party and the Italy of Values are in opposition. Left-wing parties (Unreformed Communists and Greens) are no longer represented in the Parliament.

While Italy is relatively less affected by the financial crisis, it is nevertheless suffering from the free fall in many products/markets as it is an export-led manufacturing economy. The country is also facing severe productivity problems and growth rate lower than European average. GDP contracted by 1% in 2008 and further contractions of 4.6% in 2009 and of 0.6% in 2010 are expected, according to the Economist Economic Forecast.

<http://www.economist.com/countries/Italy/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: After the Italian Multi-Stakeholder Forum launched by the Labour Minister Maroni in 2004-2005, there were no longer high level CSR initiatives by the national Government or Parliament. The following Minister for Social Affairs, Ferrero, proposed a broad approach to CSR involving all the stakeholders in four working groups (governance, supply chain, public tools and policies, health and safety), but the political crisis interrupted the process. The Directive 2003-51 on company accounts introducing social and environmental issues in management reports were adopted late (DL 2007-32).

Key Drivers of CSR: The key CSR drivers in Italy currently are climate change and safety in the workplace.

Main CSR actors:

- Fondazione Sodalitas www.sodalitas.it
- Impronta Etica www.improntaetica.org
- Forum Finanza Sostenibile <http://www.finanzasostenibile.it/finanza/>
- Confindustria
<http://www.confindustria.it/Conf2007/DbDoc2009ENG.nsf/tuttiDoc/299833665FC8FA07C12575990052F146>
- ABI <http://www.abi.it/>
- Bocconi <http://alumni.sdabocconi.it/classes/22>
- Cattolica/Altis <http://altis.unicatt.it/>
- EconomEtica www.econometica.it

Degree of Public awareness on CSR: Public awareness is growing, but understanding still relatively limited.

Involvement of the Media: There is increasing coverage in media, especially financial press (e.g. Sole 24 Ore).

Environment:

- **National Action Plan:** Italy, as an EU country, signed the Kyoto Protocol in 2001 and it also now belongs to the EU ETS schemes.
- **Main environmental challenges:** Key challenges include the dominance of oil/gas as energy supplies, inefficient waste management and water scarcity in several regions.
- **Energy and eco-efficiency:** Companies and sectors (such as glass, ceramic and cement industries) which are expected to reduce their gas emissions have been identified and their reduction targets assigned. However, in recent years, the progress in achieving

Kyoto objectives has been slow at national level, due to reluctance by businesses and government due to their claim that it could be damaging for an economy still relying heavily on manufacturing.

- **Public awareness on environment:** Regional and local levels demonstrate greater awareness than at national level and carry out successful initiatives. There are different forms of incentives for private citizens and for companies: Green and White Certificates, "Energy Account" and deduction from taxes. Consumers are becoming greener, but this is still a relatively recent phenomenon.

Supply Chain: There are no national programs or partnerships related to supply chain control, while management systems are widespread with Italy ranking number one worldwide in SA8000 certification. Several suppliers of big companies are involved in the control process. Additionally, many Tuscan SMEs are certified through the regional Fabbrica Etica process. Requirements on control on environmental aspects are also becoming increasingly important.

Human Rights: Italian laws, in general, respect ILO standards on human rights and working conditions. The rights of employees are described in the Law of Work Protection covering work safety, trainings and working conditions.

Equal Opportunities: Gender equality is an especially important issue in Italy, as women's activity rate is considerably behind the rest of Europe. Commitment by companies to diversity and development of such policies and practices is limited. A big step forward should be the launch in October 2009 of the Italian Diversity Charter (*Carta per le pari opportunità e l'uguaglianza sul lavoro*) by leading business networks and the Ministries of Employment and Equal Opportunities. Conversely, integration of immigrants and foreign workers is well developed in some companies, especially those with a high percentage of foreign employees.

Community Engagement:

- **Perceived role of businesses in the local community:** Italy has a long tradition of company philanthropy, evolved in time from paternalism to partnering with NGOs.
- **Cooperation between local communities and businesses:** There is an encouraging growth in Corporate Foundations, established also by SMEs, to enhance effectiveness of philanthropic programs. Employee volunteering, first adopted by multinationals, is gaining ground.

Sustainable Products and Services: The number of SMEs working on sustainable products is growing, especially in the mass market. There are also some good examples of innovation in the service sector (especially for waste management and green energy). The new Sustainable Products and Services Program of the Ministry for Environment is promoting Green Public Procurement and local programs to increase green consumer policies. In this respect, a working group between different level and department of Government, Control Bodies, NGOs and best practices companies was recently established.

Company Best Practices: Fondazione Sodalitas database, www.sodalitas.socialsolution.it

Main CSR Challenges: The main CSR challenges in Italy are engaging public authorities in the CSR debate and enforcing a strategic approach towards CSR involving the organisation as a whole, especially the products and sales departments.

What are Impronta Etica and Sodalitas doing to promote CSR?

Fondazione Sodalitas has since 1995 supported its corporate members (currently 71) in adopting and practicing sustainable and responsible behaviours, contributing to the diffusion of the CSR culture in the business world and beyond. The main thrust is now on governance and transparency.



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Impronta Etica is a non-profit association established in 2001 working with its corporate members (25 companies and cooperatives) for the promotion and development of CSR. Its mission is to promote sustainable development by creating a network between companies and organisations willing to share their experiences and experiment innovative CSR practices, to implement criteria, methods and systems for evaluating the correct behavior in the economic and administrative environment, to facilitate the collaboration and the exchange of information between members and local communities and to promote the dissemination of knowledge on the issues of accountability, organizing activities and events and publishing studies and reports.



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Luxembourg

Luxembourg is a parliamentary-representative democracy headed by a constitutional monarch, the Grand Duke. It is the world's only remaining sovereign Grand Duchy. The country has a highly developed economy, with the highest Gross Domestic Product per capita in the world as per the International Monetary Fund and World Bank. Its unemployment rate is also relatively low at 5.5%. <https://www.cia.gov/library/publications/the-world-factbook/geos/lu.html>

CSR policies and legislation: A skeleton law for sustainable development (dated from the 25th of June 2004) establishes precise institutional structures and a range of legislative instruments. The instruments include the National Plan for Sustainable Development and the National Report on the Implementation of the Sustainable Development Policy.

Main CSR Actors:

- Ministry of Environment www.environnement.public.lu
- IMS Luxembourg (Institut pour le Mouvement Sociétal) www.imslux.lu
- INDR (Institut National pour le Développement Durable et la Responsabilité Sociale des Entreprises) Institut National pour le Développement Durable et la Responsabilité Sociale des Entreprises <http://www.hannus.lu>

Public awareness on CSR: In a 2008 study, only 21% of the interviewed Luxembourgish firms knew the concept and meaning of CSR. <http://www.ifsblu.fr/telechargement.php?id=12>

Environment:

- **National action plan:** The Environment Ministry has published a list of 27 indicators in order to respect the Agenda 21 concerning the action program that was passed in Rio in 1992. Among these 27 indicators, nine are relate to the social field, nine to the economic field and nine to the environmental field.
- **Main environmental challenges:** the main challenges include protection and restoration of the biodiversity, sustainable protection of the environment and climate and solid waste management and control.
- **Energy and eco-efficiency:** An "Energy Law" (22.02.04) supports energy-reducing measures and encourages the use of renewable energies.

Equal Opportunities: Measures that have been implemented on equal opportunities between men and women include various advertisement campaigns to raise awareness, a Luxembourgish "Girls' Day" and the creation of an institute for women entrepreneurs.

Main CSR Challenges: The main CSR related challenges in Luxembourg include ensuring a competitive economy and jobs for all, improvement of the valorization of human capital, fostering the development and use of the public transportation services to the detriment of individual transportation, fighting against climate change and the deterioration of natural resources and ensuring a more efficient and smarter urban and regional planning.

What is IMS Luxembourg doing to promote CSR? IMS Luxembourg organizes monthly conferences on various CSR topics. There are also three different kinds of workshops that members can attend depending on their size/focus interests; diversity, SME or big business workshops. The aim of the workshops is an in-depth analyze of specific CSR subjects. Field experts come and dispense practical advice or do case studies with the participants.



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Norway

The centre-left majority coalition of the Labour Party, the Socialist Left Party (SV) and the Centre Party are currently in power and general elections will take place in September 2009. Although the Norwegian economy is expected to contract in 2009 – for the first time in almost three decades – the recession is expected to be shallower than in many other European countries. This is mainly thanks to demand for petroleum and increased public consumption financed by petroleum exports.

CSR policies and regulations: In 2007, the Norwegian Ministry of Foreign affairs hosted an international conference on CSR. Most notably this conference led to the Norwegian government's white paper on CSR. This white paper sets CSR firmly in the context of global sustainability challenges and the competitiveness of Norwegian business in the global economy. The importance of ethical frameworks and transparency are key elements throughout the document. Furthermore, the Norwegian government's position is that CSR means companies integrating social and environmental concerns into their day-to-day operations, as well as in their dealings with stakeholders. The white paper also describes both roles and responsibilities of the state and public sphere as well as the role of the corporate sector.

Key Drivers of CSR: According to the Government's White Paper, the key drivers for CSR in Norway are the respect for human rights, upholding core labour standards and ensuring decent working conditions, taking environmental concerns into account, combating corruption and maximizing transparency.

Main CSR actors:

- Confederation of Norwegian Enterprises <http://www.nho.no/english/>
- Federation of Norwegian Commercial and Services Enterprises <http://www.hsh-org.no/eway/default.aspx?pid=273>
- The Norwegian Confederation of Trade Unions <http://www.lo.no/language/English/?tabid=894>
- Green Business Network Norway www.gbnn.org
- KOMpakt http://www.prosus.uio.no/susnord/norway/business_sector/

Public awareness on CSR: A survey conducted in 2008 amongst 11 Norwegian Business schools disclosed that business ethics and CSR is not yet prioritized enough within curriculums.

Environment:

- **National action plan:** The Norwegian government's White Paper on Climate Policy was launched in 2007 and contains proposals for concrete and new measures to reduce CO₂ and greenhouse emissions. Not only did the government propose important cuts in emissions within the country, but also abroad. Other important legislation linked to CSR and to environment specifically includes the Pollution control act, the Product control act and the Greenhouse Gas Emission Trading Act.
- **Main environmental challenges:** Reduction of emission of greenhouse gases is the most difficult challenge due to both political and social implications and the close link to the humanity's standard of living.
- **Energy and eco-efficiency:** Within the government's White Paper on Climate Policy, action has been proposed to increase energy-efficiency and use of renewable energy, in addition to the provision of tax measures for the promotion of green products. Nonetheless, Norway is very advanced in this area After hydropower, which presently

accounts for more than 99% of the electricity production, bio-energy is the most significant contributor to current renewable energy supply (RES) in Norway. <http://www.agores.org/Publications/EnR/Norway-2000.pdf>

Supply Chain: Supply Chain issues are of key importance in Norway. The government will devise requirements for its own suppliers. Similarly, the government expects that the private sector follow their own guidelines in the supply chain, by setting requirements, implementing control procedures and building capacity.

Human Rights: Already in 1998, the Norwegian Confederation for Enterprises developed a checklist in human rights issues, intended to be a tool for companies looking to deal with human rights in accordance with internationally recognized human rights standards. The Norwegian government expects that Norwegian enterprises with international operations respect fundamental human rights and include children's, women's and indigenous peoples' rights according to international standards and conventions.

Equal Opportunities: The issue of Equal opportunities is not a major topic in Norway, as women's integration is at the head of Europe. Norway was at least the first country in the world to appoint a special Gender Equality Ombud. Since the 1980s, Norway's changing governments have always been almost 50 percent women. <http://explorenorth.com/library/weekly/aa053101a.htm>

Community Engagement: The Norwegian government in its White Paper on CSR highlights that companies and communities have common interests.

Company best practices:

- KLP <http://www.klp.no/web/klpno.nsf/pages/aboutklp.html>
- Telenor <http://www.telenor.com/en/corporate-responsibility/strategy-for-responsibility/>
- Vinmonopolet <http://www.vinmonopolet.no>

What is the Green Business Network Norway doing to promote CSR?

GBNN is the leading Norwegian CSR organisation whose members include companies, ministries, universities and civil society organisations. The organisation's organizes conference and seminars on climate change and renewable energy, CSR and CSR-related issues as well as providing consultancy services on issues relating to the environment and climate in Norway and abroad.



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Poland

The Republic of Poland is one of the largest countries in Central Europe. At the very outset of the political and economic transformation process, Poland focuses its efforts on two major goals: economic integration with the European Community and NATO membership.

The economic integration process aimed at re-establishing Poland as an integral part of the European economy. The dismantling of all central economy planning mechanisms and the introduction of a market economy was quick to produce effects. Inflation, running at three digits in 1990, fell to double digits in 1991-1998. In 2005 it reached 2.1%.

Developed countries dominate in both Polish exports and imports, and their share of Poland's foreign trade amounts to 83.6% and 73.3% respectively. Poland's main trading partner is Germany and the EU as a whole has a 77.2% share in Poland's exports and 65.6% in its imports. Foreign direct investment (FDI) is one of the key factors contributing to the long-term economic development. <http://www.economist.com/countries/Poland/>

CSR policies and legislation: Since 2004, representatives of the government have actively participated in the work of many EU bodies related to CSR and started activities to increase awareness of CSR. The Ministry of Labour and Social Policy is the leading body within the government administration in regards to CSR. Furthermore, a representative for the High Level Group on CSR in the European Commission (HLG CSR) has been appointed. Also, a national expert has been nominated to take part in the work of the "Mainstreaming CSR among SMEs" expert group in the European Commission.

In order to accelerate CSR implementation by the government, in 2006, the Ministry of Labour and Social Policy initiated an informal "Interdisciplinary Workgroup for CSR". The Ministry of Labour and Social Policy is preparing a guidebook, "CSR Implementation Guide; Non-legislative Options for the Polish Government" to support the government administration in developing the basis for public policy on CSR. The initiative was joined by the World Bank, the Office of Competition and Consumer Protection as well as the Ministry of Economy. http://ec.europa.eu/employment_social/soc-dial/csr/country/nationalprofiles.htm. <http://siteresources.worldbank.org/EXTDEVCOMSUSDEVT/Resources/CSRImplementationGuideNovember2006.pdf>

Key Drivers of CSR: At the moment, eco-efficiency, sustainable development and corporate social responsibility as a general concept are the main topics of the CSR debate in Poland.

Main CSR actors:

- o Forum for Responsible Business www.fob.org.pl
- o Ministry of Labor and Social Policy www.mps.gov.pl
- o Ministry of Economy www.mg.gov.pl
- o Polish Confederation of Private Employers Lewiatan www.pkpplewiatan.pl
- o Business Ethics Center www.cebi.pl
- o World Wildlife Fund www.wwf.pl
- o Academy of Development of Philanthropy in Poland www.filantropia.org.pl
- o Institute for Sustainable Development www.ine-isd.org.pl

Public awareness on CSR: Awareness of Polish consumers has been the single weakest element of the CSR development process. Yet, Polish consumers' sensitivity to companies' image is increasing. Social engagement and Polish origin of a product are factors that induce positive attitude towards the company and – to certain extent – influence consumers' choices. Poland

has already experienced consumer boycotts. Compared to Western societies, boycotts of company's products when it fails to follow the standards of ethics and law are relatively rare. The main obstacle for consumer awareness around CSR is the lack of appropriate knowledge available.

Involvement of the Media: The media is getting increasingly engaged in CSR promotion, but they do not play a significant enough role. The number of articles on CSR-related issues keeps growing. However, the media is reluctant to bring up CSR-related issues.

Environment:

- **National action plan:** The Ministry of Economy and the Ministry of Labour are currently trying to define and possibly include social considerations around sustainable public procurement. Since 2005, the Ministry of Environment has conducted promotion and information development activities concerning the Eco- Management and Audit Scheme (EMAS). The Ministry of Environment with the Polish ISO 14000 Forum regularly organizes conferences for business people to popularize EMAS-related issues and exchange experience.
- **Main environmental challenges:** Poland's main environmental issues are high CO2 emissions, low eco-efficiency and the need to modernize the industry and energy sectors in order to adapt them to the requirements of sustainable development.
- **Energy and eco-efficiency:** The Polish energy sector is undergoing serious transformations, including privatization and restructuring. Polish energy sector is strongly coal-dependent. Recently, alternative solutions, like wind power stations, are being considered. Due to EU legislation, Poland is obliged to increase its eco-efficiency. Government institutions, like the Energy Regulatory Office, are preparing the relevant regulations. www.ure.gov.pl
- **Public awareness on environment:** Public awareness on environment has increased in recent years. However, it remains low in comparison to other EU countries. Polish citizens are aware of climate change but lack knowledge on how to take preventive measures. This issue is monitored by the Ministry of Environment and NGOs such as the Institute for Sustainable Development. www.ms.gov.pl

Supply Chain: Since the concept of CSR is not yet fully adopted in Poland, the issue of responsible supply chain management is scarcely discussed, especially amongst SMEs. For now the debate on this topic revolves around compliance with EU regulations and quality standards. Fair Trade and sustainable products remains a niche. International companies are taking the lead in initiating the debate on CSR in supply chain and there is still a need for wider education among entrepreneurs.

Human Rights: In Poland, Human rights are guaranteed by law and Poland is part of all important international agreements relevant to human rights. Polish employers are obliged to comply with the Labor Code. This issue is part of the Polish CSR debate in the context of employee relations and workplace conditions.

Equal Opportunities: The main emphasis in Poland is around gender equality. Poland has a relatively low indicator of women employment. Yet, salary gap is one of the smallest in Europe (7.5%). A special focus is being put on working parents with programs around flexible working hours and mother-friendly office spaces are developing amongst larger companies.

Community Engagement:

- **Perceived role of businesses in the local community:** Corporate community engagement is often implemented by large enterprises, Polish and foreign. Such initiatives are used to build trust and a positive image among local communities.
- **Cooperation between local communities and businesses:** Community engagement programs are hardly ever coordinated. The majority of large enterprises appreciate the importance of company and employee engagement in the local community and the number of initiatives in this area is growing. Yet, many companies become involved in too many philanthropic actions, which are not coordinated with an overall strategy. Strategic partnerships with NGOs are increasing in popularity.

Sustainable Products and Services: Consumers are becoming increasingly sensitive to the intangible features of products and services. They are more willing to engage in social campaigns and choose products connected with cause-related marketing.

Company Best Practices: CSR Best Practice in the Workplace <http://fob.org.pl/workplace-1884186.htm>, in the Community <http://fob.org.pl/community-1884187.htm> and Management Best Practices <http://fob.org.pl/management-1884188.htm> \

Main CSR Challenges: One of the main challenges relating to CSR in Poland is the need to promote and foster the use of innovative management systems like codes of conduct and the integration of European or global CSR standards in companies. Additionally, to increase the credibility of CSR, independent and third party assurances or audits must be integrated in the way CSR is communicated. There is also a considerable need for the business sector to engage more in the social dialogue. Social dialogue should be based on cooperation between the interested parties. Especially at the local level, business and NGOs need to play an important role in promoting partnership with companies to further societal needs. Private enterprises, on the other hand, need to measure and monitor the social added value, which is created by the private sector at the local level.

What is the Responsible Business Forum doing to promote CSR?

Responsible Business Forum is the first nongovernmental organisation in Poland to provide in-depth focus on the concept of CSR established in Warsaw in 2000 as an initiative of Polish businesspeople, academics and NGOs. Today, it cooperates with 19 strategic partners to disseminate the concept of responsible business as a standard in Poland. The overall aim is to improve companies' competitiveness, public satisfaction and the state of the natural environment. To achieve these goals, the Forum assists companies in the development of their social responsibility, builds a coalition of companies to solve social problems, creates a community of socially engaged companies, creates a forum where managers, government administration and NGOs can exchange experience, seeks CSR solutions adequate to the needs and capabilities of companies in Poland and cooperates with stakeholders to create social and political climate conducive of the growth of CSR.



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Portugal

Portugal, since 2005, is being governed by the Socialist Party (PS) led by the Prime Minister Jose Socrates. The next general elections are due to take place in September of 2009. The country, as most of the European Union, is suffering the consequences of the global financial crisis. This has had a major impact on the business's activity accompanied by an exponential increase in the unemployment rate. <http://www.economist.com/countries/Portugal/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: Today there is no legislation on CSR and due to the proximity of the upcoming elections there are no clear ideas as to the policies of the next government.

Key Drivers of CSR: CSR in Portugal is mainly focused on fighting exclusion and poverty and also focusing on corporate community involvement. Environmental issues and concerns are becoming increasingly important.

Main CSR actors:

- o RSE Portugal www.rseportugal.org
- o BCSD Portugal www.bcsdportugal.org/

Public awareness on CSR: Due to a lack of publicity, media involvement and CSR regulations, the Portuguese public is still relatively unaware of CSR. Most people that are familiar with the issue either work in companies where CSR is a focal point in management systems or because their own personal interest.

Involvement of the Media: The role of the media regarding CSR issues is still very weak. Coverage is limited to community activities and linked to national, cultural and seasonal context (e.g. Christmas). A public debate around CSR issues does not exist.

Environment:

- **National action plan:** There is a National Strategy for Sustainable Development addressing the most significant environmental issues and challenges.
- **Environmental Challenges:** The most important environmental challenges include a lack of natural resources.
- **Energy and eco-efficiency:** Portugal is leading on renewable energy and although some activities or initiatives to address this issue have been undertaken by companies, the government and individual NGOs, this has been done in a very individual and uncoordinated manner.
- **Public awareness on environment:** The general public has become more aware of the environmental challenges we are facing and there are some initiatives being developed to continue the raise awareness and attain universal public support.

Supply Chain: Regarding the supply chain, and especially in some key sectors like textile, companies try to apply some contractual requirements to local suppliers. Most of the multinational companies working with local suppliers develop social audits in order to guarantee suppliers' compliance in social and environmental issues.

Human Rights: Human Rights are an issue which generally, Portuguese companies operating in developing countries put a special emphasis on. This is usually in Portuguese speaking countries like Brazil.

Equal Opportunities: Equal Opportunities are a very central issue in companies' agendas focusing specifically on the issue of gender equality. Recently, the Commission on Gender equality, a government organisation, has published three guides on equal opportunities to be applied by public companies, central administration and local authorities.

Community Engagement:

- **Perceived role of businesses in the local community:** Albeit it is clearly one of the more developed CSR dimensions in Portugal, there is still a long way to go in terms of the role of businesses in Portuguese society. Synergies in terms of interests and benefits need to be further explored and understood.
- **Level of cooperation between local community and business:** A significant number of the companies located in Portugal are involved in their local community through specific programs or through sponsorships or donations.

Sustainable Products and Services: Sustainable products and sustainable consumption are still relatively unknown concepts to the Portuguese society. Developments have been attained in the past years as companies start to look at this topic as a competitive advantage

Company Best Practices: RSE Portugal MarketPlace best practices:

<http://www.rseportugal.eu/marketplace>

Main CSR Challenges: The acknowledgement of CSR by the government as a powerful instrument to tackle social exclusion and to promote more transparency in companies' activities is necessary. There is also a clear need for a stronger commitment from businesses in addressing the most relevant social and environmental issues for Portugal. Lastly, there is a need to raise awareness amongst civil society in Portugal around CSR and CSR activities by companies.

What is RSE Portugal doing to promote CSR? RSE Portugal is focused primarily in helping their company members to develop their own CSR strategies, being at the same time an active member in several partnerships at European, national and local levels. The organisation works to raise awareness to the relevance and importance of CSR.



RSE Portugal has been developing in the last years several CSR training programs and activities and participated in some studies in the areas of corporate volunteering and the impact of CSR in Portuguese-speaking countries.

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Slovakia

The current coalition of social democrats has a comfortable majority in parliament. With the majority of the workforce concentrated in industry and construction and a population of over five million people, Slovakia is the newest members of the Euro zone as of January 2009. Unemployment figures from May 2009 highlight an 11.4% jobless rate and economic activity, according to the Economist, is expected to be very subdued in 2009- 2010, with a recovery expected in the latter year.

<http://www.economist.com/countries/Slovakia/profile.cfm?folder=Profile%2DEconomic%20Data>
<http://portal.statistics.sk/showdoc.do?docid=12551>

CSR policies and legislation: The Slovakian government is quite inactive in regards to CSR. There is no department or any position within any ministry in Slovakia directly responsible towards CSR promotion or implementation. Nonetheless, some minor initiatives around issues closely related to CSR, such as work-life balance do exist. Every year, for example, the Ministry of Labor, Social Affairs and Family issues a “family-friendly employer award”. Additionally, the Slovak Ministry of the Environment fosters ISO certification and eco-labeling.

<http://www.employment.gov.sk/index.php?SMC=1&id=795>
<http://www.sazp.sk/public/index/go.php?id=1345&lang=en>

Key Drivers of CSR: According to the European Cartography on CSR done with Business Leaders' Forum members, issues such as communications and transparency, environmental protection, stakeholder dialogue and equal opportunities are key issues in Slovakia.

Main CSR actors:

- o Slovak Business Leaders' Forum www.blf.sk
- o Pontis Foundation www.nadaciapontis.sk
- o UNDP www.undp.sk
- o Integra Group www.integra.sk
- o Panet www.panet.sk, www.partnerstva.sk
- o Donors Forum, www.donorsforum.sk
- o American Chamber of Commerce www.amcham.sk
- o The Faculty of Social and Economic Sciences at Comenius University in Bratislava http://www.uniba.sk/fileadmin/user_upload/editors/omv/UK_knizka_mail.pdf
- o Faculty of Management at Economical University in Bratislava www.euba.sk

Public awareness on CSR: According to a 2006 study by Pontis Foundation, more than a half of Slovak citizens have not heard about CSR. <http://www.blf.sk/prieskumy>

Involvement of the Media: The media has been identified as one of the biggest weaknesses in terms of CSR in Slovakia. These findings are confirmed by The Pontis Foundation annual survey about the perception of CSR in Slovakia. The survey consistently demonstrates low public awareness of CSR. This is primarily due to low media coverage of CSR.

Environment:

- **National action plan:** There is no national action plan for the Climate Change in Slovakia. Nonetheless, the government passed in 2007 a three year plan for national green public

procurement.

<http://www.rokovania.sk/appl/material.nsf/0/7DF24577A9EDC16AC1257384003D2738?OpenDocument>

- **Main environmental challenges:** The Main environmental challenges include toxic waste dumps (e.g. pesticides at stock in old bankrupted agricultural cooperatives existing during socialism), cyanide exposure due to gold mining, lowering dependency on nuclear power (56% of all energy produced in Slovakia)
- **Energy and eco-efficiency:** The Slovak Republic has achieved substantial progress in the introduction of medium to long-term energy efficiency strategies. Specifically, Slovakia has adopted a concrete action plan. On an aggregate level, progress in energy efficiency was quite significant throughout 2000-2007. While the economy grew by about 50% over this period, final energy consumption increased by only 3%, and primary energy consumption by only 2%. <http://www.encharter.org/index.php?id=176>

Supply Chain: Supply chain issues are not a high priority in Slovakia and therefore are not monitored.

Human Rights: The Human rights debate in Slovakia refers mainly to Roma people, who tend to suffer higher levels of unemployment and discrimination in accessing employment. Many employers are unwilling to employ Roma workers because of unfavourable subjective assessments of their productivity and work ethic. Research on long-term and chronic unemployment shows that Roma unemployment rates are between 40 and 50 percent. <http://roma.undp.sk/>

Equal Opportunities: As for the law regarding discrimination and equal opportunities, Slovakia has reached European standards, yet improvements are still possible in terms of compliance with standards. There are active NGOs in this area working to improve the situations in different groups of society. <http://www.diskriminacia.sk/>

Community Engagement:

- **Perceived role of businesses in the local community:** Ten out of nine businesses are supporting the community through the Social Law which allows for business to donate 2% of their yearly tax payments to NGOs. This is a unique approach to Slovakia as typically in other countries, such a donation is only allowed towards individual tax payers. There is a growing trend of time and in-kind donations.
- **Cooperation between local communities and businesses:** The model of corporate employee's engagement is a growing trend. There are 15 companies which share their experience in the ENGAGE network and around 60 companies where involved in the volunteering city project such as Our Bratislava, www.nasabratislava.sk,

Company Best Practices: CSR Best Practices 2007-2008 <http://www.blf.sk/10892>

Main CSR Challenges: The main CSR challenges in Slovakia relate to the government. There is a need to develop and ratify a national CSR strategy and for the government to take leadership in giving CSR credibility as well as creating incentive mechanisms. Additionally, governance structures need to be adjusted accordingly and environmental protection further developed.

What is Slovak Business Leaders' Forum doing to promote CSR? Slovak Business Leaders' Forum is the leading CSR organisation in Slovakia. It engages with the media and provides trainings to journalists as a way further promote the uptake of CSR by the public and companies. In addition, Slovak BLF organizes general CSR trainings and events which also look to foster corporate volunteering schemes and benchmark community engagement activities.



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Spain

Spain is a constitutional parliamentary monarchy. The current government is headed by Prime Minister Mr. Rodriguez Zapatero, from the left-wing party, PSOE. Next elections will take place in 2012. Since 2008, there has been a reversal of the pace of economic growth and this is expected to continue in 2009 and 2010. GDP is expected to decline by 2.9% in 2009 and real GDP growth is predicted to recover only modestly as of the second half of 2010 onwards. Raising unemployment rate, one of the highest in the EU, with 17.36% unemployment rate and more than four million people unemployed, combined with the deterioration of Public Accounts draw a very difficult perspective for Spain.

CSR policies and legislation: Spain's national government has been gaining prominence in the field of CSR. Laws regarding employment and responsibility of employers have existed since the 1980s. For example, the law for the social integration of handicapped people obliges companies to hire a quota of 2% of people with disabilities in companies with over 50 employees. The last four years, however, have seen the development of important key laws around CSR. In 2007, for example, the government passed a law which looks to guarantee effective equality between women and men within all fields, especially in terms of employment. Similarly, there has been legislation passed on sustainable and green public procurement, in addition to the establishment of a multi-stakeholder advisory body for the State government regarding CSR.

Key Drivers of CSR: According to the five working groups created in the State Council, there are five key areas important for Spain. These priorities include diversity management and social cohesion, the contribution to a productive economy, transparency and communication, socially responsible investment and the integration of CSR in education.

Main CSR actors:

- Ministry of Labor and Immigration www.mtas.es/
- Spanish regions—e.g. Islas Baleares http://www.rsebalears.org/index_cast.html
- Forética www.foretica.es
- Club de Excelencia en Sostenibilidad www.club sostenibilidad.org
- Asepam www.pactomundial.org

Public awareness on CSR: According to Informe Forética 2008, 90% of big companies know about CSR but only 49.3% of small companies do it. On the other hand only 48.3% of Spanish consumers could define CSR. www.foretica.es/es/index.asp?MP=33&MS=85&MN=1&TR=A&IDR=28&idCat=5

Involvement of Media: Specialist media on CSR has been developing in recent years, especially on the web. Broader media are just starting to cover CSR (normally within special reports). Economic crisis has reinforced media interest on CSR as its seen as a way out to it.

Environment:

- **National action plan:** The Spanish government, 2007, developed the *Spanish Climate Change and Clean Energy Strategy* which defines ongoing actions and establishes objectives with a follow-up, assessment and verification plan.

http://www.mma.es/secciones/cambio_climatico/documentacion_cc/estrategia_cc/pdf/cle_ene_pla_urg_mea.pdf

As aforementioned, there has been legislation passed in relation to green public procurement. Finally, there is also a Green paper on Urban Environment and a strategy on Sustainable Mobility.

- **Environmental Challenges:** Among the Main environmental challenges is the reduction of greenhouse gas emissions, water availability, as well as unsustainable urban development.
- **Energy and eco-efficiency:** In the National Climate Change and Clean Energy Strategy there is one chapter dedicated to Energy Efficiency, with objectives, measures and indicators (see p. 44 of the publication below)
http://www.mma.es/secciones/cambio_climatico/documentacion_cc/estrategia_cc/pdf/cle_ene_pla_urg_mea.pdf
- **Public awareness on environment:** Foretica's 2008 report highlights that more than 80% of the people interviewed knew what it is and agreed that was produced by human activities together with natural phenomenon.

Supply Chain: Supply chain issues in Spain are still rather immature. Some Spanish companies are part of international framework agreement on this issue, however, according to Informe Forética 2008 Spanish companies are aware of the importance of comply with Human Rights in their Supply Chain and also employees. It appears that consumers do too and it is one of the top issues when considering which companies are socially responsible. Nonetheless, only 12% of companies develop any kind of social or environmental audits to their suppliers to control if they are working on it.

Human Rights: There are no major problems in relation to human rights abuses in companies operating in Spain. Yet, there is a medium risk in relation to immigrant workers, especially in construction sector. Multinational companies are working on and tackling these issues abroad, especially in relation to their supply chains.

Equal Opportunities: Although a strong public involvement and a proactive development of public initiatives, like the Diversity Charter or Organic law, do exist, this issue is still one of the main issues to address in Spain. Companies, especially large ones, are developing equality programs and joint initiatives, but Spain is still one of the European countries with large differences in terms of salary, integration, and employment participation among others.

Community Engagement:

- **Perceived role of business in local communities:** Community Engagement has an extensive development in Spain especially thanks to Savings Banks and their social programs, and to the Foundations created by big companies which work hard in this area.
- **Cooperation between businesses and local communities:** Although community engagement has developed extensively, the Spanish community has a more negative view towards large companies in comparison to SMEs. Only 17% think big companies take care of their employees and the quality of life of communities where they operate.

Sustainable Products and Services: According to Foretica's report, nearly 40% of Spanish consumers have given up buying products produced by irresponsible companies. Around 55% declared that they would pay more for a product from a responsible company if they could be 100% sure about it.

Company Best Practices:

- Best Practice Catalogue Club de Excelencia
http://www.responsabilidadimas.org/download/best_practice_catalogue_in_corporate_responsibility.pdf
- Best practices from 2007 CSR Spanish Marketplace by Forética
<http://www.marketplace.foretica.es/es/index.asp?MP=35&MS=76&MN=2>

Main CSR challenges: The main challenges are the integration of CSR within SMEs, and consumer awareness. Specific CSR issues to be further addresses are equal opportunities and the relation between the economic crisis and CSR.

What are Club de Excelencia en Sostenibilidad and Forética doing to promote CSR?

Club de Excelencia en Sostenibilidad is involved in many areas within CSR. The organisation is leading a working group focused on environmental issues and provides executive trainings in one of the most prestigious business schools in the country, *Instituto de Empresa*, for example. Club de Excelencia en Sostenibilidad thinks that access to knowledge is essential and therefore have developed a collection of thematic websites that will be available each day through RI+ newsletter. www.responsabilidadimas.org



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Forética works on a global approach to CSR as a non-profit multistakeholder forum which brings together the main CSR agents and facilitates dialogue and exchange of best practices amongst members. As an association focused on the development of knowledge based on management tools, Forética offers to its members a strong technical support in their strategic reflection and CSR integration. Forética promotes and implements the certification system for ethical management, SG21, www.sge21.foretica.es. As a knowledge-sharing forum, Forética organizes a great number of seminars and different publications, as well as the Spanish CSR MarketPlace, which gives members the opportunity to strengthen their value enhancement strategy based on CSR management. As a think tank focused on research, Forética work to keeps its members updated to be in the vanguard of CSR management. Informe Forética, the CSR Market Research for consumers and companies, leaders in Spain, and RSEarch, a quarterly publication on CSR trends, are the main tools that help Forética's members to be updated.



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Sweden

Sweden is a parliamentary democracy where the four Alliance parties — the Moderates (formerly Conservatives), Liberals, Center (formerly Agrarians) and Christian Democrats — form a government since the 2006 elections. The prime minister is Fredrik Reinfeldt. Sweden has a history of strong political involvement by ordinary people through its "popular movements". Election turnout in Sweden has always been very high and therefore, any decline in participation rates is often portrayed as a democratic problem. In recent decades, voter turnout has fallen, though only to 80 percent.

The Swedish economy is currently being affected by the general global economic downturn. A number of Swedish banks are heavily exposed to the ailing Baltic economies, where loan losses are rising sharply. The general government budget balance is expected to go into deficit from 2009. Public debt will also rise.

CSR policies and legislation: In Sweden, the conviction is – and has always been – that the public sector must take the lead. It has to set an example for companies and the public and accelerate developments. One action taken by the government is to tighten the requirements for the share of environmental cars in public procurement and leasing of cars by the central government from 75 per cent to 85 per cent. The boards of the state-owned companies are responsible for issues such as ethics, the environment, human rights, gender equality and diversity. The government is now making clearer demands for reporting and accounting in these guidelines. State-owned companies shall – since 2008 – present sustainability reports in accordance with GRI guidelines which, together with other financial reports such as the annual report, interim reports and the corporate guidance report, will make up an integrated basis for assessment and follow-up. www.sweden.gov.se

Key Drivers of CSR: Sweden has a tradition of being in the forefront in CSR related issues. As a country Sweden has often been high ranked when it comes to responsible performance etc. Representatives of Sweden often bring up this distinguishing feature with a clear sense of pride. It doesn't necessarily mean that Swedish companies are always among the best when it comes to CSR practice, even though there are some – HM, Ikea, ABB to mention a few – that often get credits for their work in this field. In Sweden, similarly to Norway, the main issues have revolved around human rights and Swedish companies' behavior abroad. In recent years, the climate crisis has dominated the agenda more and more. Adding to this, matters related to the labour market have gained importance lately, among businesses, politicians, NGOs and civil society. More focus is directed towards issues as employability and integration, and companies' HR departments participate more frequently in the CSR debate.

Main CSR actors:

- o Globalt Ansvar, www.regeringen.se/sb/d/2657/a/14557
- o Swedish Jobs and Society, www.jobs-society.se/
- o CSR Sweden, www.csrsweden.se/
- o Mistra, www.mistra.org/english
- o SuRe Sustainability Research Group, www.hhs.se/CMDID/Research/SuRe/Pages/default.aspx
- o CEBERG- The Corporate Social Responsibility and Business Ethics Research Group, www.fek.uu.se/forskning/index.asp?page=CEBERG

- The Swedish Institute, <http://www.si.se/English/Navigation/Scholarships-and-exchanges/Leadership-programs/The-Management-Program/Corporate-social-responsibility/>
- Amnesty, www.amnesty.se/
- The Swedish Trade Federation, www.svenskhandel.se/Om-Svensk-Handel/Swedish-Trade-Federation---Svensk-Handel-/

Public awareness on CSR: The public awareness is increasing on CSR all the time. However, the "man on the street" may not call it CSR. Heavy media reporting in recent years on topics such as the environment, top executive remuneration, irresponsible lay offs etc has triggered this increase in awareness. Also, many universities offer courses on CSR, which has created a high awareness among students in Sweden.

Involvement of the Media: Media plays an important role in Sweden. Even though the media landscape has significantly changed compared to 15 years ago when there were two TV channels and nothing more, few journalists want to look at CSR from a more complex perspective. Swedish Radio and Swedish Television (both state-owned) are those who tend to be more serious than others. Among newspapers, Svenska Dagbladet, offers the most balanced reporting. The weekly magazine Veckans Affärer gives out an award on a yearly basis called the Socialist Capital Award. CSR i Praktiken (a blog turned into a web magazine) is popular among CSR professionals for its commitment to focus on positive and constructive CSR activities.

Environment:

- **National action plan:** The climate issue is a top priority of the Swedish Government's environmental work. The government is investing almost SEK five billion in reducing climate impact and adaptation to climate change between 2009 and 2011. Their policy is characterised by a strong international commitment and close cooperation with all parts of Swedish society; from consumers and researchers to businesses and environmental organisations. Sweden is to be a leading international model of a modern society that is environmentally sound and based on sustainable resources.
- **Environmental Challenges:** The main issues are the global climate change, the Baltic Sea (which is more heavily polluted than many have imagined), energy efficiency and transportation.
- **Energy and eco-efficiency:** Sweden has made a radical change from oil to nonfossil based energy sources including biofuels, which has led to a reduction of its greenhouse gas emissions by more than 40 per cent since the mid-1970s. Between 1990 and 2006, emissions fell by almost 9 percent. At the same time, GDP increased by 44 per cent. In this field, the Government is investing SEK 420 million in energy efficiency measures over the same period. These measures will be implemented in policies related to environment, forestry, agriculture and energy. Investment and initiatives will take place in areas like climate research, energy efficiency measures, pilot project on second-generation biofuels, developing networks for wind power and a program for sustainable cities.
- **Public awareness on the environment:** The general Swede is very environmentally aware. He/she has access to clean water and landscapes that are vast and in many ways untouched. Something called the "Right of common access" gives Swedes the right to spend time across private properties, given that discretion is showed. Sales of eco-friendly products increase continuously.

Supply Chain: With big multinationals like Ikea and H&M the supply chain issues have a fairly high priority on companies' agendas, not least in the textile industry.

Human Rights: By and large one can state that human rights are not violated in Sweden. The UN Human Rights Convention is supported to a 100 per cent in all layers of society. The CSR conference in 2009 arranged by Globalt Ansvar (The Swedish Partnership for Global Responsibility, the government's "CSR department") has its starting-point in John Ruggies report "Protect, Respect and Remedy: a Framework for Business and Human Rights".

Equal Opportunities: Gender equality is a cornerstone of Swedish society and Sweden is one of the world leaders in equality according to the Global Gender Gap Report 2008. The government's gender equality policy is twofold: to ensure power and resources are fairly distributed between the sexes, and to create the conditions that give women and men the same power and opportunities. In this light, the Discrimination Ombudsman was established in 2009 the various existing Ombudsman dealing with specific equal opportunities issues. New provisions were introduced prohibiting discrimination due to age and transgender identity or expression. Additionally, the minister of Industry provides support for women's advancement in employment and in starting their own enterprises. www.weforum.org/en/

Community Engagement:

- **Perceived role of businesses in the local community:** According to the "Swedish model" the role of business in the society is complex and Swedish people are very much engaged in the society." http://hdr.undp.org/docs/publications/ocational_papers/oc26a.htm
- **Cooperation between local communities and businesses:** Traditionally, in the Swedish view, the private and the public sectors should not integrate too often and too intimately. This, however, is slowly changing and both parties tend to see the synergies instead of the obstacles. For example: the private sector is nowadays, to some extent, allowed into education and healthcare collaborations/projects, which is a fairly new phenomenon. In a way, we are moving towards a pre-Swedish Model mentality. About a century ago, companies were heavily involved in their surrounding communities; daycare, healthcare, education etc.

Sustainable Products and Services: The range of sustainable products and services increases all the time. Organic or fair-trade coffee is served everywhere. Water is supposed to come from the tap. More textile producers offer organic cotton. The percentage of eco-friendly cars increases every day.

Company Best Practices: CSR Sweden's website www.csrsweden.se

Main CSR Challenges: The main CSR challenges include the climate change, integration into the labour market, work life balance, demographic change, mental health and the need for innovation and entrepreneurship.

What is CSR Sweden doing to promote CSR? CSR Sweden's main purpose is to inspire companies to create and improve CSR activities, to build a network for Swedish companies, to promote use of CSR practices and to offer practical solutions.



CSR Sweden does this by arranging meetings, events, conferences and hearings in the fields of B2B (exchange of experience), Think Tank (close dialogue with CSR researchers), Showroom (external promotion of our members' CSR activities), Dialogue (close contact with/knowledge of everyone who's anyone in CSR in Sweden) and Mainstreaming (spreading CSR within our member companies' organisations)

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Switzerland

Switzerland has a unique political structure as it is a highly decentralized federal state with most legislative competencies given to the cantons. The federal government consists of seven federal counselors representing most of the important political parties. Currently, the federal counselor in charge of Economy is Hans-Rudolf Merz.

The government's main objectives are to demonstrate to the European Union and the United States that Switzerland remains a financially reliable state, as well as working towards mitigating the negative impact of bank secrecy on the Swiss economy. Real GDP is forecasted to significantly decrease in 2009, by 3.5% and, according to the Economist, growth is not expected to return until after 2010.

<http://www.economist.com/countries/Switzerland/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and Legislation: In Switzerland there is no specific CSR legislation or strategy. From a general point of view, there are very few major pieces of legislation related to CSR in Switzerland except on the environment pillar as it is not yet a priority on the federal agenda. The Confederation has developed a sustainability strategy with an action plan for 2008-2011 divided in 11 main topics (Climate change, energy, transport development, economy, production and consumption, use of natural resources, social cohesion and demography, public health, sport and promotion of physical activities, support to developing countries, training, research, and innovation, culture) .

The federal Counsellor has given the responsibility to the ARE and an inter-departmental Committee for sustainability (CIDD) to support the action plan. This structure has created a stakeholder dialogue initiative in order to consult stakeholders on the strategy. www.aren.admin.ch/themen/nachhaltig Different Federal Offices are in charge of different topics related to CSR. For instance, the Secretariat of Economic Affairs is in charge of the OECD guidelines and addresses issues such as work-life balance and support to SMEs. The Secretariat for Foreign Affairs participated in the UN Global Compact initiative in the country and is pushing the Human Right agenda. Since 2000, it is also coordinating initiatives related to Sustainability. At regional level, there are functions related to sustainability with the aim to implement Agenda 21.

In regards to communication and reporting, companies that are on the stock exchange are legally obliged to report on CSR and sustainability issues.

Key Drivers of CSR: The key drivers for CSR in Switzerland include youth unemployment, working poor, equal salary between men and women, responsible consumption, fair trade and sustainability

Main CSR actors:

- o Economie Suisse www.economiesuisse.ch/
- o FER Genève and Centre Patronal www.centrepatronal.ch
- o Philiias www.philiias.org
- o Déclaration de Berne www.evb.ch/
- o Amnesty International www.amnesty.ch
- o Covalence www.covalence.ch

- ObÜ www.oebu.ch
- The Sustainability Forum Zurich www.sustainability-zurich.org
- Sustainable finance Geneva www.sfgeneva.org/
- Transparency International www.transparency.ch
- Corvo www.corvo.ch

Public awareness on CSR: There are no formal figures based on a CSR recent survey. However, according to Philiias, the Swiss public is increasingly aware of CSR-related issues.

Involvement of the Media: There is a significant difference between the French-speaking media and the German speaking media. In the French speaking part of Switzerland, the media (including the business media) communicate CSR information on a regular basis. It is, however, more difficult to motivate the media in the German-speaking part to invest in CSR-focused publications.

Environment:

- **National action plan:** The national action plan for 2008-2011 consists of 30 measures in 11 thematic action areas. The corresponding Federal administration departments are responsible for implementation. The Interdepartmental Sustainable Development Committee (ISDC) is composed of members of the various departments and coordinates the implementation of all measures. The action plan of the Sustainable Development Strategy is derived from action areas defined as priorities. These priorities include tackling global warming and overcoming natural hazards, boosting economic productivity in combination with a decoupling from resource and energy consumption, sustainable use of natural resources and minimizing environmental impact, ensuring fair access to social and economic resources and improving the integration of all population groups and increasing the effectiveness of the global fight against poverty and building peace.
- **Main environmental challenges:** Forest protection, CO2 emission, traffic regulation
- **Energy and eco-efficiency:** In regards to energy, the only mandatory regulation is the CO2 tax. The basis of the Swiss legislative framework is the "CO2-Act", in force since May 2000. It focuses on energy-related CO2 emissions, and provides the principal legal basis for compliance with Switzerland's Kyoto commitments. In lowering fossil fuel consumption, priority is to be given to voluntary action. However, if voluntary and other CO2-related measures do not suffice, the Federal Council is authorized to resort to an incentive tax. The tax rates depend on the shortfalls in the sectoral targets, requiring the approval of Parliament. The need for a CO2 tax is determined by means of energy projection models.
- **Public awareness on environmental:** various initiative are being develop such as Nature Congress, WWF and Pro Natura public campaign as well as private sectors initiatives to support environmental awareness toward their employees.

Supply Chain: Switzerland has historically been a pioneer in the development of the supply chain concept. For instance, the Business Social Compliance Initiative was developed and adapted based on the Migros' model. Moreover, Switzerland is very much involved in the Clean Clothes Campaign. The respect code is another Swiss initiative in this area, offering information on production chain of goods in terms of respect to human being and the environment. <http://www.respect-code.org>

Human Rights: Switzerland has a long tradition in supporting Human rights, with the creation of the CICR; various institutions promoting dialogue for peace such as Center for Humanitarian Dialogue as well as the Federal department of Foreign affairs have also developed. Switzerland

concentrates on areas in which it can make a special contribution by virtue of its experience and obligations. Global defense and promotion of basic human rights are key issues especially in combating torture and abolishing the death penalty. Switzerland also seeks to take account of the growing importance of economic, social and cultural rights and protection of especially vulnerable groups

Equal Opportunities: Equal opportunity is unfortunately not a priority on the business agenda and diversity is not specifically addressed by Swiss companies. However, some initiatives are arising such as the Equal Salary Certificate for Equality between Men and Women, and a national initiative for promoting work-life balance launched by the Secretariat for Economic Affairs. At regional level, there are equality offices pushing the agenda, but the focus is general on salary. <http://www.equal-salary.ch/>

Community Engagement:

- **Perceived role of businesses in the local community:** For the past five years, a positive perception of business has been growing in local communities. Philanthropic initiatives of businesses are beginning to actively involve employees, as opposed to simply donating money to local organizations. Business strategy is becoming increasingly linked with community engagement.
- **Cooperation between local communities and businesses:** Cooperation is growing. Philiias has developed a marketplace for business and NGOs entitled Humagora. Furthermore, community days, mentoring programs as well as NGO days organized by companies themselves are becoming more and more common.

Sustainable Products and Services: Sustainable trade is a key component of CSR in Switzerland. The Swiss population is known to be in Europe amongst the most sensitive towards such issues. Sustainable products like Max Havelaar are popular and companies like Migros or Coop have developed special organic lines and promote specific labels for different products which highlight the traceability within the supply chain.

Company Best Practices:

- Humagora catalogue in English at www.philiias.org
- SMEs in German at www.proofit.ch

Main CSR challenges: The main challenge is to put CSR on the political agenda and to increase cooperation between all actors involved in order to strengthen efforts already being made. One key weakness is assessment and measurement of the impact of business activities. Social issues such as youth unemployment and demographic change remain important topics and have to be addressed in an innovative way.

What is Philiias doing to promote CSR? Philiias works to provide its company members with a number of services, including general information on CSR, CSR tools for implementation and best practice exchange through the business network. Their core expertise is in community investment (creation of tailor-made partnerships, PP partnerships and social reporting) and strategy and implementation of stakeholder engagement. The organization also acts as a broker for specific issues such as diversity and environment, and put their members in contact with the most relevant experts.



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Turkey

The Justice and Development Party (AKP) is in government since 2003 led by Prime Minister Recep Tayyip Erdogan. The economy turned around with the implementation of economic reforms, and 2004 GDP growth reached 9%, followed by roughly 5% annual growth from 2005-07. Annual growth is estimated to have fallen to 1.5% in 2008. The Turkish economy is negatively affected in 2009 because of the result of the global economic slowdown. Exports and imports decreased at least by 30 %. Coincidentally, balance of payment improved. Unemployment rate rose to above 15 %. The government is considering to have a stand-by agreement with the IMF, but it is not clear how and when they may reach a conclusion.

CSR policies and legislation: There is no direct CSR-related positions in the administration. And although there is no specific law on CSR in Turkey, there are issues that are addressed mainly through two sources. The first source is through legal frameworks such as international treaties and convention. The second source are national laws on issued related to CSR. The constitution ensure the protection of consumers and the labour law number 4587, which ensure the employment of disabled people. Other laws include the public procurement law, environmental law (see environment section), and laws regulating banking and renewable energy.

Corporate Governance Codes published by the Capital Markets Board of Turkey in 2003 do include a small chapter on CSR, where it is stated that companies should act in accordance with a company's ethical rules and respect the environment, consumer and the public health. <http://www.spk.gov.tr/indexcont.aspx?action=showpage&menuid=10&pid=2>

In terms of reporting, the process is underdeveloped. Therefore, assurance systems are far from being complete and functioning.

Key Drivers of CSR: The key driver in Turkey include community development programs (through donations to hospitals and schools) sponsorship activities and social projects organized with NGOs.

Main CSR Actors:

- The Turkish Society for Quality (KALDER) www.kalder.org
- Regional Environment Center (REC) www.rec.org.tr
- The Business Council for Sustainable Development Turkey www.tbcsd.org
- Corporate Governance Association of Turkey www.tkyd.org/
- Education Volunteers Foundation of Turkey (TEGV) www.tegv.org
- CSR Turkey www.kssd.org.tr
- Association in Support of Contemporary Living (CYDD) www.cydd.org.tr
- Community Volunteers Foundation (TOG) www.tog.org.tr
- The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) www.tema.org.tr
- Turkish Industrialists' and Businessmen's Association (TUSIAD) www.tusiad.org
- Union of Chambers and Commodity Exchanges of Turkey (TOBB) www.tobb.org.tr
- Confederation of Turkish Trade Unions (TÜRK-İŞ) www.turkis.org.tr

- Turkish Trade Union Confederation (TISK) www.tisk.org.tr
- Ministry of Environment and Forestry (on Environment) www.cevreorman.gov.tr
- Ministry of Trade and Industry (on Standards) www.sanayi.gov.tr
- Ministry of Labour and Social Security (on Labor issues) www.calisma.gov.tr
- Ministry of Education (on Children's Education) www.meb.gov.tr/
- Capital Market Board (agency) www.cmb.gov.tr

Public awareness on CSR: Research conducted in 2009 in partnership with GfK and Capital Business Magazine has indicated that 65% of the society thinks that companies should have CSR activities (understood mainly as community development projects). Education is seen as one of the biggest concerns and society expects support from companies. Other important issues for Turkish society include health, environment, violence in family and women's rights. http://www.capital.com.tr/haber.aspx?HBR_KOD=5271

Involvement of the Media: A total of 3,687 news were found under the keyword "Social Responsibility" between 2005 and 2006. A sharp increase in the number of news in 2006 compared to 2005 should be noted. The number of published news in year 2006 is 2,272 whereas it was 1,415 in 2005.

Environment:

- **National action plan:** Turkey's National Climate Change Action Plan and 'Improving the capacity of Climate Change Negotiations' have been implemented with TÜSİAD, a private sector umbrella organisation. All private sector representatives were invited to participate in the development of the Climate Change Strategy from February to May 2009. The State Planning Agency has recently started to determine the cost analysis for the action plan after 2012.
- **Environmental Challenges:** The most important environmental issues are top soil erosion, air and water pollution and also industrial pollution in some areas. Another challenge deals with decreasing waste and recycling. Currently, the National Forestation and the Mobilization of the soil Erosion Control Project is being implemented with the re-forestation of 2.3 million hectares planned by 2012.
- **Energy and eco-efficiency:** For the energy sector, the Renewable Energy Law enacted in 2005 makes significant progress toward hydro-electric and wind energy use. Hydro-electric energy has a 30 % share in the total electricity production while Solar and wind energy generation are in a very early stage. By 2020, 75 million ton of CO2 emission is estimated to be prevented with such conservation efforts. Additionally, a comprehensive study of the legislations and applications for the control of greenhouse gas emissions in relation to all economic sectors is being undertaken. Increasing energy efficiency initially in cement, iron and steel industry, use of high quality and alternative fuels are being debated and could be the first results.
- **Public awareness on Environment:** Public concern on environmental issues has slightly increased in recent years due mostly to the environmental challenges affecting daily lives and the threat of climate change. Experiences of water scarcity and draught in some parts of the country have contributed to the development of nationwide public awareness.

Supply Chain: Supply chain issues, especially in the textile industry, are important and Turkish companies work towards on the application of international labor standards. Nonetheless, the activities of local branches lag behind their headquarters and any initiative are usually project-based without being integrated into an overall strategy.

Human Rights: The issue of human rights is understood in relation to torture and violence. Therefore, society expects that companies should focus on projects about violence in the family and women rights.

Equal Opportunities: The Turkish Society for Quality has developed, in cooperation with the business world, a declaration entitled 'Women's Right to Management'. This declaration, prepared with the participation of all relevant parties in March 2009, is based on Principle six of the Global Compact.

Community Engagement:

- **Perceived role of businesses in the local community :**Local community expects from companies to give full weight to education, health, environment through donations.
- **Cooperation between local communities and businesses:** In the last decade more businessmen have actively involved in efforts for the eradication of social problems. The sponsorship activities as well as social projects organized with NGOs are among those efforts.

Sustainable Products and Services: Sustainable Products and Services as still rare in Turkey yet the first examples of companies moving towards such products is emerging. This is highlighted by large companies like Arcelik whom have a high commitment to making Class-A appliances with less environmental impact.

Company Best Practices:

- Koç Holding http://www.koc.com.tr/en-us/Corporate_Social_Responsibility/Pages/CSR.aspx
- Hey Tekstil <http://www.heytekstil.com/>
- Milliyet <http://www.doganholding.com.tr/en/corporate-social-responsibility/daddy-send-me-to-school.aspx>

Main CSR Challenges: Stakeholder engagement is restricted with partnerships or joint projects with NGOs. Engagement in issues like employee participation or even legal compliance around workers' rights needs to be developed. Finally, public awareness needs to be increased and for this, as well as for a holistic strategy for CSR, government interaction and engagement is crucial

What is CSR Turkey doing to promote CSR? CSR Turkey aims to promote the ideas of CSR not only in business world but also to other stakeholder groups such as government and NGOs. The organisation promotes CSR through publications, conferences and roundtables on issues like private-public partnerships and development.



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United Kingdom

The present government belongs to the Labour Party. The government, led by Gordon Brown, has demonstrated strong commitment to the market economy, to privatization of public services and to a light touch where financial regulation is concerned. The current economy is in recession, in part due to this light touch and to the excesses of the financial markets, and at the next election, in 2010, Labor is forecast to be replaced by the Conservative Party under D Cameron. One exposure of this situation is that manufacturing has been in decline in the UK since the 70s, with the exception of the armaments industry and high value automobiles. <http://www.economist.com/countries/Britain/profile.cfm?folder=Profile%2DEconomic%20Data>

CSR policies and legislation: Since the deregulation of the finance industry and the privatization of public utilities in the early 1980s, business has not tended to look to the government to set the framework for responsible business practice beyond existing legal requirements. However, the government has appointed a Minister for CSR, and his role is to provide guidance and to support best practice. The expectations are therefore on business to lead and to engage in best practice. This is the same for locally owned companies as well as for foreign owned companies. Indeed many overseas companies have demonstrated excellent practice across the key areas of practice, and achieved significant UK awards.

Main CSR drivers: The concept of CSR in the United Kingdom originated in the ethical approach to business of a number of prominent firms, which ran their business in an ethical manner, in particular looking to the welfare of their employees. This philanthropic approach laid the foundations for the situation today where the need for companies to manage in a responsible manner across the various sectors of their activity is generally, if not universally, understood.

Main CSR actors:

- o Business in the Community www.bitc.org.uk
- o Caux Initiatives for Business www.cib.iofc.org
- o LEAD International www.lead.org
- o Accountability www.accountability.org.uk
- o Ethical Corporation www.ethicalcorp.com
- o London Benchmarking Group www.lbg-online.net
- o Corporate Citizenship www.corporate-citizenship.com

Public awareness on CSR: The UK public is becoming more aware of the concept of CSR as companies are marketing their ethical business programmes more effectively. There has also been an increase of consumer awareness in recent years as companies are becoming more accountable for their business practices. For example, research in 2005, by Mori said that, "78% of the general public wants to hear about companies' responsibilities to their customers, employees, communities and the environment."

Involvement of the Media: In general, the media is less critical of business than other European countries. This may be due to media being owned by business conglomerates, but in general the approach is an educated one.

Environment:

- **National action plan:** The Secretary for the Environment has set out an ambitious plan over time to reduce the UK carbon footprint and to develop alternative sources of energy.
- **Environmental Challenges:** The Main environmental challenges in the UK are future exposure to water shortages, reduction of the national carbon footprint and to flooding in the case of rising sea levels.
- **Energy and eco-efficiency:** The government and energy companies in the UK encourage the public to reduce their carbon footprint by highlighting the cost benefits of using less energy. They mainly focus home insulation, the importance of 'switching off' and energy saving light bulbs.
- **Public awareness on environment:** Public awareness on environmental issues is reasonably high, but not universal. There is still a significant body of climate change skepticism.

Supply Chain: In the UK, many companies are struggling with how to develop and use policies, questionnaires and audit processes for their entire supply chains. There is a concern, however, that these processes do not always get the root of the problem and improve labour standards or reduce carbon. Some leading companies are recognizing the need to look at more innovative methods to truly improve outcomes and raise standards. Some have entered into collaborative projects with other private sector actors, governments or local NGOs to take advantage of shared learning and areas of expertise.

Human Rights: Business is increasingly accepting its obligation to respect human rights. Many companies now have corporate policies committing to respecting human rights referring directly to recognized international standards. The Joint Parliamentary Committee on Human Rights is currently looking at the issue of business and human rights and is likely to report their findings later this year. British business is expected to be observant of all human rights wherever they have operations, particularly in the supply chain.

www.parliament.uk/parliamentary_committees/joint_committee_on_human_rights.cfm

Equal Opportunities: Equality legislation exists for age, race, gender, disability, religion and belief, sexual orientation. The current UK government has recently proposed new equality legislation; part of this includes a potential requirement for employers to report on their gender pay gap, promotion of positive action, use of procurement to promote diversity in employment and the extension of public sector duties to promote equality. The government is keen to ensure the profile of the UK workforce better represents the profile of the working age population.

Community Engagement:

- **Perceived role of businesses in local communities:** Dating back to the origins of CSR in the UK, businesses have positioned themselves as key actors within local communities. Additionally, in the UK, employee volunteering schemes are very common and widespread. For example, Cares, the BITC employee volunteering programmes involves more than 350 companies' in 32 locations in the UK. In 2006, over 25,000 employees volunteered through Cares.
- **Cooperation between local communities and business:** The government and business have agreed on different priorities for action in regards to local community engagement. These include raising the achievement of young people and improving basic skills for employability; to remove barriers to work and help disadvantage individuals and groups

find employment and engaging in deprived or impoverished areas through cooperation with local actors to tackle serious issues

Sustainable Products and Services: Sustainable Products and Services take into account their social and environmental impact. A market for such products is well developed in the UK compared to other European countries. There are corporate examples in the UK, such as those from this year' "Responsible Marketing and Innovation Award", where companies have developed more sustainable products and services as they recognized the competitive advantage that this can bring. (For concrete best practices please refer to link in best practice category).

Company Best Practices: BITC's best practice database
http://www.bitc.org.uk/resources/case_studies/index.html

Main CSR Challenges: Several CSR challenges still remain. These include achieving understanding in the business world that the focus is responsible business practice and not philanthropy and reaching beyond the 850 companies which are members of BITC to the many thousands which are not and to the SME segment which employs 75% of the UK workforce. In the current context, the main challenge is to ensure that in the recession, business commitment to responsible business practice is not set aside in the struggle for survival.

What is BITC doing to promote CSR? Founded in 1982 as a response by business to serious inner city riots, BITC aims to inspire, challenge, engage and support business in continually improving its positive impact on society. It does this by focusing its activity on specific issue based campaigns across the four impact areas of Workplace, Environment, Marketplace and Community, and in building local delivery partnerships that extend its reach and impact. Its members commit to action and to the continual improvement of their company's impact on society.



Through research, events and awards the campaign aims to support, challenge and engage companies. It looks at both physical and mental health, and refers to all the measures that a company can influence in and through the work environment, accepting the basic premise that improving and maximizing good health promotes productivity and employee retention.

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Scotland

The devolved government for Scotland in the United Kingdom is responsible for most of the issues of day-to-day concern to the people of Scotland, including health, education, justice, rural affairs, and transport. The Government was known as the Scottish Executive when it was first established in 1999. Since then it has been called the Scottish Government.

The current administration is the Scottish National Party and is led by First Minister Alex Salmond. For 2009 the core purpose as a government is to promote higher levels of sustainable economic growth, with other key areas including environmental leadership, strengthening the education, health and social justice systems, and continuing a National Conversation on constitutional reform. <http://www.scotland.gov.uk/About/scotPerforms/performance>

Like the rest of the United Kingdom, the Scottish economy is in recession. New government initiatives, in partnership with the UK, to stimulate growth are being introduced. The Scottish Government announced an Economic Recovery Program in January 2009 and set out five strategic priorities to drive economic growth: infrastructure and place, learning, skills and well-being, a supportive business environment and effective government.

<http://www.scotland.gov.uk/Topics/Economy/economic-situation>

CSR policies and legislation: The Sustainable Development plan for Scotland is the umbrella plan for CSR. Additionally, the public procurement reform program encourages public sector procurement that takes account of the economic, social, and environmental and equality impacts of their purchasing activities, and provides support for purchasers and suppliers. The Scottish National Food and Drink Policy is currently under development. Nonetheless, it states that food businesses should be encouraged to use the agreed sustainable food charter as a means of reporting their performance in CSR, and that they should report on their performance publicly.

In other areas, Scotland is covered by UK legislation. Please refer to the appropriate factsheet.

<http://www.scotland.gov.uk/Publications/2008/12/23151017/11>

Main CSR Actors:

- Scottish Business in the Community www.sbcscot.com
- Business Environment Partnership www.smallbusinessjourney.com

Involvement of the Media: Scotland has two main quality daily newspapers – The Scotsman and The Herald, both have coverage on CSR, though this is more on the individual component topics and not on CSR in general. They do not position themselves as protagonists or supporters of CSR, however SBC are working with them, and other media like the BBC Scotland, to develop communication partnerships that aim to harness their power for positive communication and change.

Environment:

- **National action plan:** The Scottish Government and their agencies have established robust mechanisms and procedures for tackling climate change. The Climate change delivery plan recently launched by the Scottish Government contains a range of transformational aims sported by 5 sector themes. Each theme contains milestones and objectives to reach the 2020 targets of 42% reduction in greenhouse gas emissions. <http://www.scotland.gov.uk/Publications/2009/06/18103720/0>
- **Environmental Challenges:** CO2 emissions reduction and Reduction, evaluation and monitoring of environmental impacts through supply chain
- **Energy and eco-efficiency:** Scotland is uniquely placed to lead the developed world in renewable technologies. Our geographic location and the fact we are a peninsula means we can tap the natural resources of wind, wave and water power. Scotland can also lead the way in new and innovative technologies including Carbon capture and storage.
- **Public awareness on environment:** The Scottish Environmental Attitudes and Behaviours Survey (SEABS), shows that awareness of environmental issues is high and that some greener behaviors are becoming commonplace. But there is still some way to go to tackle stubborn issues like travel habits and to make people realize that their own behavior can make the world a greener place. <http://www.scotland.gov.uk/News/Releases/2009/03/06122455>

Supply Chain: The main supply chain pressures are environmental, and come mainly from both the government and larger businesses. Private sector businesses are increasingly requiring

suppliers to have accreditations such as ISO 14001, and the Scottish Government has new procurement guidelines in place. Supply chain is increasingly being identified by businesses as an area of risk in CSR yet it remains the toughest area to tackle.

Human Rights: This agenda in Scotland is most often expressed as social justice and social inclusion. Wealth distribution, housing, education, access to jobs, environmental justice, are all topical issues that would come under this banner, however are more widely addressed as single issues. Scotland traditionally has a global role in the democratic and social rights arena.

Equal Opportunities: In Scotland, this agenda is often linked with Human Rights and driven by established and innovative new legislation, overseen by the Equality and Human Rights Commission for the UK and Scotland. Current projects and campaigns of the Commission include the stalling of sex equality in the workplace, homophobia, Public Sector Duties, and independent living for the disabled. Businesses in Scotland work actively on campaigns and initiative their own schemes to promote equal opportunities, with training, on this area widespread in companies. <http://www.equalityhumanrights.com/scotland/about-the-equality-and-human-rights-commission-in-scotland/>

Community Engagement:

- **Perceived role of business in local communities:** Scottish businesses have a tradition of supporting the communities in which they operate. This has become more organized and sophisticated over the past decade, with the private sector engaging in innovative, active and sustainable partnerships with the government and third sector organisations.
- **Cooperation between business and local communities:** Education and community regeneration continue to be key areas for cooperation, and CSR provides shared aims and frameworks to maximize success. Aggregate measurement and evaluation of this activity is not strong, and perhaps represents the next stage to move this agenda forward.

Sustainable Products and Services: There is activity by the Scottish government, universities, NGOs and businesses to develop more sustainable products and services. Sustainable Consumption and Production is a key theme in the Sustainable Development plans of both Scotland and the UK. Renewable energy, tourism and waste management are key areas of activity for Scotland

Company Best Practices: SBC www.sbcscot.com

Main CSR challenges: Scotland traditionally is a country that has for centuries led the world in social, scientific and political innovation. That reputation is intact today, despite the challenges of the current economic problems, and CSR has a huge role to play. However, CSR itself faces a reputation problem, and companies must better demonstrate that it is core to their products and services. Also, government sustainability and business CSR agendas must converge better, so they can strive to lead the world together in a 'new and better way of doing business.'

What is Scottish Business in the Community doing to promote CSR? SBC address many areas of CSR in Scotland, through Membership and Training and Development Services. This includes climate change through the Prince's May Day Network, social inclusion and skills through Scotland's Got Talent campaign and volunteering, SME development through work with Scottish Enterprise, people and organisational development through the Leonardo supported Train4CSR project.



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CSR Europe's National Partner Organisations



CSR Europe's Corporate Members



CSR Europe
www.csreurope.org

Enterprise 2020

In the context of financial and socio-economic uncertainty, increased societal distrust in the present market economy and the urgency of finding solutions to sustainable development challenges, CSR Europe invites its members and the wider stakeholder community to join a journey towards a more sustainable and responsible future.

Since its inception in 1995, CSR Europe has engaged in a proactive dialogue with the European business community, policy makers and other stakeholders. The next milestone initiative to be launched in March 2010 will look towards building a vision for 2020. The "Enterprise 2020" initiative is supported by the European Commission and several European governments, including the Spanish and Belgian EU Presidencies in 2010.

The wide consultation and collaboration process launched in June 2009 is a starting point for developing together

- A vision of modern business and leadership
- An action plan for companies willing to (re)build trust and compete for new markets of sustainable growth
- A renewed dialogue and partnership between companies and the European institutions and stakeholders

CSR Europe members and national partners can log in below to access further information.

Login for members' content

Email Address

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Log in 

[If you would like to register please click here](#)

[If you have forgotten your login details please click here](#)

European Projects

CSR Europe and its national partners work together on collaborative projects with activities in several European countries.

Current projects include:

- [TRAIN4CSR - Developing CSR trainings](#)
- [BRC - Building responsible competitiveness in the construction sector](#)

TRAIN4CSR - Developing CSR Trainings

Project Description

Under the Leonardo da Vinci Lifelong Learning Programme, **TRAIN4CSR** aims to develop **CSR trainings** in a modern, interactive form, combining state of the art training methodology with sustainability awareness raising and information. The timeline for the project is 24 months starting in November 2008 and ending in November 2010.



The project aims to develop the following:

1. **Training development** working out training methodology
2. **Training the Trainers** packages
3. First **pilot course**: trainers training the company managers
4. Second pilot course: **company manager's trains employees**
5. **Finalization** of trainings and **dissemination** (among CSR Europe members and partners)

Target audience for Train the Trainers packages: Individuals with CSR responsibility (e.g. CSR managers) within SMEs and large companies. These individuals, after the training, will have the skills, knowledge and attitudes to train their colleagues (end users) within the company based on internal needs.

End users benefitting from Train the Trainers packages: Middle managers and employees across different functions within companies.

Project Partners

In addition to CSR Europe, the partner consortium of TRAIN4CSR is composed of the following organisations:



KÖVET Association for Sustainable Economies: KOVET is CSR Europe's Hungarian national partner and the leading Hungarian business organisation that promotes organisations on the road towards sustainability. KOVET are the leaders of the project and the partner consortium, and have previous experience in managing and implementing EU co-funded projects in the area of Lifelong Learning.

[More information on KOVET](#)



Scottish Business in the Community: SBC, CSR Europe's Scottish national partner, works to support, broker and challenge business of all sizes in Scotland, providing frameworks, products and services that strengthen the economic, society and the environment. SBC leads on the quality assurance of the project and has valuable experience and expertise in CSR trainings.

[More information on SBC](#)



Impronta Etica: Impronta Etica is one of CSR Europe's Italian national partners and a non-profit association made up of companies, utilities and public sector organisations with the aim of stimulating enterprises to implement policies of social responsibility. Impronta Etica is responsible for facilitating and monitoring the final production of the training materials and has experience leading and participating in other EU co-funded projects.

[More information on Impronta Etica](#)



Foretica: Foretica is one of CSR Europe's Spanish national partner organisations working with more than 230 members where companies, NGOs, academics and universities work together to improve the knowledge



of CSR in Spain. Foretica lead on the topic and content development of the CSR Trainings.

[More information on Foretica](#)



IKSZE: IKSZE provides vocational trainings and advisor services mainly for Hungarian non-profit and for-profit organisations and higher education institutions. IKSZE has started several trainings for top managers and trainers. The association implements its educational projects with help of internal trainers and external experts. IKSZE is an accredited vocational training institution, which participates regularly in vocational projects as a trainer and supervisor organisation. The association has very good cooperation with other institutions both from Budapest and the countryside.

Topics of Trainings

TRAIN4CSR aims to develop "train the trainers" packages in various topics and themes within CSR. Currently, the partners are working on developing specific content within these topics, to enable the development of the appropriate training methodology in the months of May and June 2009.

The topics of the trainings include:

- Accountability and Transparency
- Introduction to CSR
- CSR Operation/Implementation
- CSR Strategy
- Diversity
- Stakeholder Engagement (includes internal and external stakeholders)
- Environmental Management
- Extra-Financial Performance (Intangible Values)
- Product Responsibility
- Supply Chain

After June 2009, each partner will test the trainings with a number of their member companies. The objective of the testing phase is to get feedback on the methodology and content covered in order to adapt such trainings based on the individuals who will actually be providing the trainings internally.

To **express your interest in participating in the testing of trainings** with CSR Europe or any of the other partners, please contact Bea Berruga at bb@csreurope.org

Project Milestones

- *November 17-18, 2008:* Kick-off Meeting in Hungary
- *November to end of January:* Partners disseminate questionnaire to companies, hold 2-3 face to face interview, and do desktop research to map the obstacles faced by companies in CSR and the type of trainings that exist (as well as players providing such trainings)
- *February 24-26, 2009:* End of Work Package 1 Meeting; discussing the findings of the questionnaires and interviews, as well as finalizing topic areas for training
- *March 13th, 2009:* Partner submit goal system for all topics
- *March 19th, 2009:* Skype call all partners
- *April 2, 2009:* Internal deadline for CSR Europe to provide the content information
- *April 4th, 2009:* All content papers are due for all partners
- *April 4th-June 13th:* IKSZE, the training organization, develops a methodology for the trainings
- *June 15-19th:* Train the Trainers session in Hungary
- *July- December 2009:* Testing the Trainings and Trainers' Training
- *Beginning of 2010:* Finalizing Training Packages
- *End of February 2010:* Start of Dissemination and Exploitation

16/03/2010

TRAIN4CSR - Developing CSR Trainin...

To express initial interest in being trained to be trainers on the above topics once they are finalized (beginning of 2010), please contact Bea Berruga at bb@csreurope.org

Information for Project Partners

Partners in the project can access internal documents for the project through the collaborative Google Platform. To access it [click here](#).

BRC - Building Responsible Competitiveness in the Construction Sector

Project Description

The aim of this project, co-financed by the European Commission (DG Enterprise), is to foster Corporate Social Responsibility within the construction sector by involving some large companies operating in the field, SMEs that are part of the supply chain, and some of the most relevant stakeholders (business associations, trade unions, universities).

In order to reach this goal, the project aims to:

1. Elaborate a set of indicators enabling to correlate the economic competitiveness performance of the construction business with sustainability measures;
2. Investigate the relation existing between social and economic value exploited in performing the construction sector activities and the value given back to the stakeholders at the end of the production cycle.

Project Objectives

- Verify and demonstrate that the adoption of socially responsible actions enhance the competitiveness of the business in the construction sector in comparison with the adoption of social dumping behaviours
- Provide companies in the construction sector with proper cognitive tools for developing innovative CSR policies
- Raise awareness among the actors of the construction sector, thereby contributing to the promotion of the culture of corporate social responsibility, in line with the objectives of the Lisbon Agenda and with the EU strategy of promotion of CSR

Project Stages

The project will be carried out in six development stages:

1. **Research and Analysis:** Elaborating an overview of the relevant context for the analysis, within which it will be defined and tested the set of indicators.
2. **Building the tools for the analysis:** Identification of proper performance indicators of sustainability and market competitiveness.
3. **Pilot experimentation:** Analysis of best practices for each of the main CSR dimensions identified for the construction sector. Impact analysis of considered best practices according to the identified CSR and competitiveness indicators.
4. **Elaboration and deliverables:** Elaboration of finalized set of indicators and elaboration of CSR Guidelines addressed to construction companies.
5. **Dissemination:** Dissemination of project results and deliverables.
6. **Management, monitoring and evaluation:** Administration of the project, general coordination in order to assure the efficiency, effectiveness, quality and deadlines of project phase's implementation.

Project Partners

- Associação Portuguesa Para a Responsabilidade social das Empresas, Portugal
- Foro para la Evaluación de la Gestión Ética, Spain
- CSR Europe (TheEuropean Network for Corporate Social Responsibility), Belgium
- Követ-Inem Hungária (Hungarian Association for Environmentally Aware Mgmt)
- Hungary; respAct (Austrian Business council for sustainable development), Austria
- Nuova Quasco (Qualità degli Appalti e Sostenibilità del Costruire, Italy)
- Alma Mater Studiorum, Università di Bologna, Italy
- Istituto Ricerche Economiche e Sociali, Italy
- Cooperative di Produzione e Lavoro associazione nazionale, Italy

Further Documents

- [Analysis of the results of Phase 1 "BRC – Building Responsible Competitiveness"](#)
- [Executive Summary of the report Building Responsible Competitiveness in the Construction sector](#)