



Responsible growth

Action Plan for Corporate Social Responsibility 2012-2015

Preface

Denmark and Danish companies are, and should continue to be, a driving force in the work to strengthen business-driven corporate social responsibility. Corporate social responsibility makes it possible to combine innovation, productivity and growth with social responsibility, sustainability and respect for human rights. By demonstrating responsible conduct, companies can generate business and at the same time ensure that their activities have positive derivative effects on the surrounding society in terms of responsible growth. Danish companies are good at working responsibly and complying with international guidelines as a natural component of their business. Corporate social responsibility is therefore also one of the competitive strengths and potentials of the Danish business community and should be regarded as an integral part of the work and development of Denmark's industrial policy.

Corporate social responsibility is undergoing constant development internationally. If Denmark is to remain a front-runner in this field, Danish companies must remain among the best at complying with the requirements and meeting the expectations for social responsibility that companies are facing these days. This requires the right framework conditions including demands from consumers, investors and the public sector.

This action plan does not only look at the companies and their business interests in implementing social responsibility. It is the Government's ambition that both human and natural resources in Denmark should be used in a way that is both sustainable and competitive. This applies nationally as well as internationally. Social responsibility is therefore about ensuring that growth and responsibility go hand in hand, creating shared value for both companies and society. This task involves the Danish business sector, the public sector, as well as civil society.

Responsible growth through partnerships between companies, and between companies and the public sector, is therefore a key element in this action plan. Respect for international principles and guidelines for responsible business conduct, including human rights, employee rights, environment and climate, are other important focus areas as well as the role of the public sector as a driving force.

The Government would like to thank the Danish Council for Corporate Social Responsibility for its important contribution and its recommendations to the Government. The work and recommendations of the Council have provided an essential basis for the Government's work with this plan. The Government expects to continue its excellent collaboration with the Danish Council for Corporate Social Responsibility and is looking forward to using and benefiting from the Council's expertise in connection with the implementation of this action plan and the efforts to ensure continued progress with social responsibility in Denmark.

The Government, March 2012

Responsible growth

It is the Government's aim that we jointly succeed in putting the financial crisis behind us and create a basis for new responsible growth and employment. The crisis has increased the need to focus on social responsibility and responsible conduct in order to face challenges in the form of climate change, scarcity of natural resources and human rights violations by companies, investors, consumers as well as the public sector.

Danish companies are already good at working responsibly as a natural way of doing business. This places us in a favourable position, which we should utilise to increase the market share of Danish companies and promote responsible growth. The Government regards the concept of corporate social responsibility (CSR) as an integral part of the agenda for growth. In recent decades, CSR has come to play an increasingly important role in the business strategies of companies the world over.

With this action plan, the Government wishes to strengthen social responsibility both in the private business sector and among consumers in order to strengthen responsible growth. Responsible conduct and growth should not be regarded as conflicting goals. Responsible conduct and growth go hand in hand, and the Government wishes to establish a good CSR framework not the least by strengthening the public sector's contribution to the promotion of responsible growth.

We all carry social responsibilities. Social responsibility and responsible growth must therefore be strengthened through collaboration and partnerships. As such, the Government's action plan comprises four focus areas:

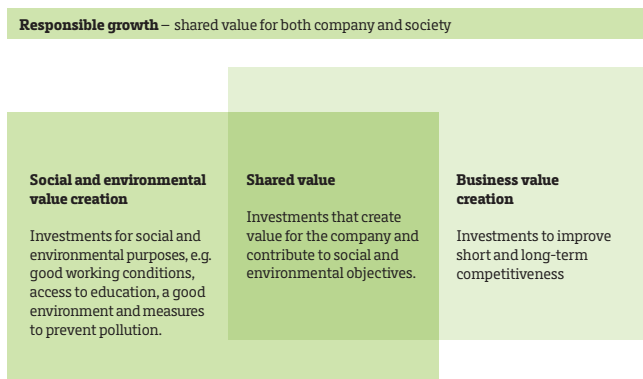
1. Strengthening the respect for international principles
2. Increasing responsible growth through partnerships
3. Increasing transparency
4. Using the public sector to promote a good framework for responsible growth

Today, globalisation impacts on the reality of Danish companies. Globalisation creates new opportunities, but they do not come without responsibilities. The Government would like Denmark and Danish companies to be at the forefront of global responsibility in the fields of employee and human rights, compliance with international environmental conventions and the fight against corruption. We need to constantly improve our ability to handle social and environmental challenges while making the most of the accompanying opportunities for creating growth in the Danish business sector.

When it comes to demonstrating social responsibility, Denmark and Danish companies are doing well in a global perspective. The number of Danish companies that have adopted the UN Global Compact has increased steadily from 38 companies in 2008 to 200 today. Consequently, Denmark not only has a high proportion of companies participating in the UN Global Compact relative to its size (2%), but Denmark's share of participating companies is also growing (3.7%). This is borne out by the fact that of the 1100 large Danish companies covered by the statutory requirement for CSR reporting set out in the Danish Financial Statements Act, 87% have chosen to actively report on social responsibility in their annual reports. In addition, companies increasingly incorporate CSR into their core business, just to mention a couple of key indicators of the work of Danish companies in this area. Denmark is therefore in a good position to continue its work with CSR. As can be seen from the last section in this action plan on the international development within social responsibility, CSR is undergoing rapid development internationally. Denmark's work with CSR must therefore be strengthened further to ensure that we remain leaders in the field. Denmark will therefore continue its targeted work to strengthen the protection of human rights internationally.

It is the Government's view that to strengthen this work we need to increase our focus on developing new business

models that aim to create shared value and responsible growth. Shared value involves, for example, that companies provide technical assistance and transfer of knowledge and similar to both their suppliers in developing countries and their own employees and thereby improve product quality. This would simultaneously increase profits and improve the stability, homogeneity and quality of the company's supplies. For the supplier, results improve and profits increase. The company gets a more uniform product quality and an opportunity to develop its business, for example by including luxury products. In other words, the process creates shared value.



From this perspective, it is particularly important to focus on business strategies and investments that create value for the company while at the same time solving social and environmental challenges. The Government therefore wishes to strengthen social responsibility through collaboration, partnerships and knowledge sharing.

It is the Government's ambition that Denmark should be a global front-runner by ensuring that all players in society demonstrate social responsibility and create value both for their own organisation and the surrounding society by using dialogue to manage social, environmental and ethical challenges in accordance with internationally recognised principles and CSR guidelines.

Companies must integrate social responsibility in their core business. **Consumers** must assume greater responsibility and be given better opportunities for demonstrating social responsibility through their choice of consumer goods. **Investors** must use their investments as a driving force for

responsible growth. **Organisations and NGOs** must act as watchdogs of social responsibility while also promoting it through dialogue and partnerships with companies and, finally, **the public sector** must be a driving force by creating good framework conditions for CSR and thereby promote responsible growth.

The public sector can create a good framework by increasing transparency. Current legislation requiring major Danish companies to report on social responsibility in their annual reports is a good example. Detailed guidelines and useful tools such as the Climate Compass and guidelines for responsible supplier management are also examples of a good framework conditions. Other examples include a broad forum for dialogue with both NGOs and trade organisations that reach an agreement, as is the case in the Danish Council on Corporate Social Responsibility. Further, good framework conditions are provided through the promotion of international CSR guidelines, such as the work carried out by Denmark in the OECD, the UN and the EU.

Last, but not least, a good framework implies establishing a forum where cases involving potential breaches by Danish companies of international CSR principles, including human rights violations, can be investigated. The Government will therefore propose a bill on the creation of a mediation and grievance mechanism for responsible business conduct.

Violations of human rights are most common in developing countries where social responsibility does not yet play the same role as in countries like Denmark. This means that corporate social responsibility is particularly important when companies are operating in these countries. The Government therefore considers corporate social responsibility a natural component of its political development strategy.

1. Respect for international principles

Most Danish companies take it for granted that they should assume responsibility for both humans and the environment when conducting business in Denmark. Both legislation and the expectations of the surrounding society are generally quite clear. However, it is a much greater challenge to fulfil expectations of social responsibility when extending the activities of the company to the global marketplace and when establishing new businesses in growth markets, for example in the third world. Here, the ability to comply with international principles and CSR guidelines plays an important role and can affect a company's ability to compete.

The Government therefore encourages Danish companies to demonstrate responsible business conduct and apply internationally recognised guidelines for corporate responsibility such as the UN Global Compact, the UN guiding principles on business and human rights, the OECD guidelines for multinational enterprises and ISO 26000 – the social responsibility guidance standard.

The practical work with responsible business conduct raises complex issues with regard to employee and human rights, international environmental conventions and anti-corruption. The Government wants to take the lead in matters involving CSR. Working with social responsibility is not an easy task, and the Government therefore wishes to assist companies that assume social responsibility in the global marketplace. They must have access to an effective and credible mechanism to deal with complaints about human rights violations. The Government also wishes to establish a mediation and grievance mechanism to ensure that cases involving breaches of responsible business conduct and human rights violations can be raised, documented and published. The mediation and grievance mechanism will constitute an institutional framework capable of ensuring that a company involved in human rights violations or similar issues plays an active role in remedying the abuse and assisting the victims of violations.

Many companies want to act responsibly but lack the necessary tools and knowledge about what to do in practice. The Government therefore wants to provide targeted guidance on responsible business conduct as well as organise various events with a focus on both the UN guiding principles on business and human rights and the front-runners in the business community.

Within this area, the Government will take the following initiatives:

- **Mediation and grievance mechanism for responsible business conduct**

The Government will present a bill on the creation of a mediation and grievance mechanism for responsible business conduct, where cases involving potential breaches by Danish companies of international CSR guidelines, including human rights violations, can be investigated. The mediation and grievance mechanism must comply with the UN guiding principles on business and human rights and the OECD's guidelines on multinational enterprises. The initiative is a follow-up on the Agreement on the 2012 State Budget between the Government and the political party Enhedslisten.

- **Courses and guidance on responsible business conduct**

The Government wants to promote responsible business conduct. The Government therefore plans to launch an information campaign on compliance with international principles in connection with the establishment of the mediation and grievance mechanism. Courses will also be held in responsible supply chain management, especially involving small and medium-sized companies in selected growth markets. Finally, the Government plans to draft a guide for small and medium-sized companies on how to exercise due diligence, i.e. identify, prevent and remedy any negative impact on humans and the environment, and on ways to solve company conflicts by actively involving and engaging in a dialogue with the company's stakeholders.

- **Promoting Global Compact**

The Government wants to support the Global Compact Secretariat and Global Compact's local networks in selected developing countries.

- **International human rights conference**

The Government wants to increase the awareness among both companies and the general public of the new UN guiding principles on business and human rights by organising an international conference on human rights 7–8 May 2012 in connection with the Danish EU chairmanship.

- **Summit meeting on responsible growth**

The Government encourages Danish front runner companies to make their experience with responsible business conduct available to other Danish companies. The Government therefore plans to hold a summit meeting on responsible growth every two years.

- **Common Nordic strategy on social responsibility**

Nordic companies are known around the world for their responsible conduct and should make the most of this reputation. However, the Nordic countries and Nordic companies are also facing a number of new shared challenges in connection with the new CSR guidelines. The Government therefore wants to launch a common Nordic CSR strategy in the Nordic Council of Ministers in 2012, together with the other Nordic governments. The strategy should coordinate and strengthen Nordic CSR efforts by establishing a number of partnerships: Focus on responsible business conduct in the Arctic area; establishing collaboration between Nordic mediation and grievance mechanisms and national ethical trade initiatives, and increased efforts in the Nordic countries to promote the guiding standard on social responsibility (ISO 26000).

2. Responsible growth through partnerships

Social responsibility means that companies combine innovation, productivity and sustainability to create responsible growth for business purposes. The companies must invest in their long-term competitiveness while at the same time contributing to social and environmental objectives and creating shared value.

Creating shared value for both society and shareholders involves much more than long-term planning and the ability to combine competitiveness and social responsibility. It also involves developing new business models based on industry collaboration and collaboration between the public and private sectors, as well as between companies and civil society. Companies will have to reassess their entire value chain and identify where they have the best chances of creating value for both themselves and society.

Responsible growth requires a joint effort by the public sector, consumers, investors and companies. If companies are to be involved in solving society's shared challenges and ensuring sustainable growth, it is important that the public sector takes the lead and that investors and consumers demand responsible products and services.

Examples already exist of Danish and international companies successfully strengthening their business and growth by focusing on creating shared value in their value chain and business relationships. As an example, companies have provided technical assistance and transferred knowledge to business partners in developing countries through their investments and in this way contributed to improving local standards of living and creating decent jobs.

Responsible growth can be strengthened through partnerships and collaboration in our part of the world as well. The work must promote the development of this type of new business models based on partnerships and shared value creation. By using this model, Danish companies can develop new business opportunities in both existing markets and new growth markets.

Within this area, the Government will take the following initiatives:

- **Partnerships for responsible growth**

Responsible growth must be promoted among Danish companies. The Government will take the following initiatives:

- Helping small and medium-sized companies work with social responsibility, for example by organising seminars and workshops in close collaboration with the Danish Business Authority, regional networks and trade organisations.
- Making it easier for small and medium-sized companies to work strategically with voluntary environmental protection initiatives. The work to launch a single environmental portal with ten web tools will therefore continue in order to assist companies with their voluntary strategic environmental work in partnership with Danish Industry, Aalborg University and Green Cross Denmark.
- Supporting the first UN initiative for social responsibility in the fashion industry. The Danish Fashion Institute has entered into a partnership with the UN on the development of new CSR guidelines for the fashion industry. The guidelines will be launched on 3 May at the Copenhagen Fashion Summit and will aim to promote responsible conduct throughout the fashion industry and market Denmark as a responsible design nation.
- Analysing and communicating the contribution by Danish shipping companies to development and sustainable growth in concert with the Danish shipping industry. (The project “On Course for a Better World”).
- Promoting social responsibility within public business service. The knowledge and awareness of small and medium-sized companies about social responsibility and how to work strategically with CSR must be increased. This will be done through the business development centres (Væksthusene) and by means of the ‘Week 46’ campaign targeting entrepreneurs.

- **Responsible growth in developing countries**

The Government wants to promote responsible growth in developing countries by:

- Supporting partnerships for responsible growth between Danish companies and companies or business partners in developing countries through the Danida Business Partnerships Programme.
 - Supporting initiatives and organisations that promote knowledge and debate among Danish companies and consumers about ethical trade and supply chain management, including the Danish Initiative for Ethical Trade and DanWatch.
- **New green business models**
- The Government wants to support the development of new green business models. The Government plans to do so by:
- Supporting the continuation of the Green Ship of the Future initiative, which is an open partnership between companies, trade organisations, research, education and knowledge institutions as well as public authorities. The purpose is to implement projects that help reduce emissions from maritime transport by developing environmentally friendly and energy-efficient maritime technologies and systems.
 - Helping growing companies develop green and innovative business models. The Government is also developing an environmental design and production tool, which should help more Danish companies incorporate sustainability into innovation and production.
 - Developing an instrument under the Business Innovation Fund that can support the companies in developing and implementing innovative green business models. The purpose is to increase growth and employment in Denmark by improving the earnings and competitiveness of the companies through business development. The initiative will moreover promote the green transition of Danish companies.
 - Facilitating the work of the Think Tank for Sustainable Consumption and green business models to develop a catalogue of ideas that can provide inspiration for companies wishing to work with sustainable consumption and production.

3.

Increased transparency

Consumers, customers and investors have an interest in knowing how companies handle their corporate social responsibility. Investors in particular have a direct financial interest in having maximum insight into how the companies in which they invest their money impact on the society they are part of.

Existing requirements to CSR reporting of the Danish Financial Statements Act (Section 99 a) have helped increase the number of Danish companies that report on their CSR policy. However, surveys of the experience with the provisions in the Financial Statements Act indicate that there is room for improvement of the quality of the reports. This is an opportunity for Danish companies to strengthen their competitiveness – and in particular their ability to attract investors. A new study from the Harvard Business School shows that when the quality of a company's CSR work and reporting improves, investor confidence improves as well.

The Government therefore wants to create more transparency about the CSR efforts of both private companies and public authorities. It is only through increased transparency that corporate social responsibility can become a key parameter for consumer choices. It is therefore important that consumers also be given more knowledge and better opportunities to make responsible choices. The Government consequently wants to increase consumer awareness and knowledge about sustainable consumption through partnerships.

Within this area, the Government will take the following initiatives:

- **Reporting on human rights and climate**

Today, the 1,100 largest Danish companies and all state-owned limited liability companies must report on CSR in their annual reports. The Government will introduce a bill proposing that the largest Danish companies and state-owned limited liability companies in future must expressly state in their reports what measures they are taking to respect human rights and reduce their impact on the climate. To make sure the companies have the right tools and the necessary guidance to handle the new requirements, the Government wants to improve the guidance provided to the companies via e.g. the CSRkompasset.dk and klimakompasset.dk websites as well as the Global Compact Self-Assessment Tool.

- **CSR reporting at EU level**

The Government will encourage the EU Commission to propose an addendum to the accounting directives on CSR reporting in annual reports. There should be a flexible legislation initiative, along the lines of the Danish initiative, which applies to large listed as well as unlisted companies and investors, and which obliges companies to report in their financial statements whether or not they have a policy on corporate social responsibility.

- **Country-by-country reporting on mining and forestry**

The Government will work for the introduction of country-by-country reporting in the EU as an important step in the international fight against corruption and tax evasion. Country-by-country reporting would oblige companies in the mining and forestry industries to openly declare any payments made to authorities in the countries in which they operate.

- **CSR Awards**

Good examples of corporate social responsibility should be highlighted to create awareness and promote best practice. The Government therefore supports the CSR Awards organised by the CSR Foundation. The purpose of the awards is to create awareness and share knowledge about the efforts of Danish companies and to learn from the most strategic companies.

- **Promoting sustainable consumption**

The Government wants to increase the knowledge of consumers and their possibilities for acting sustainably through partnerships with the business community and trade organisations.

- Concrete initiatives will involve focusing on the Blomsten (the flower) and Svanen (the swan) eco labels and simultaneously launch a number of campaigns and initiatives to increase general knowledge and awareness about sustainable consumption via the www.forbrug.dk website.
- The Government will work for the green transition of Danish agriculture with organic farming as a main pillar. The work will emphasise partnerships about organic innovation and targeted use of organic farming subsidies. The initiative is a follow-up on the Agreement on the 2012 State Budget between the Government and the political party Enhedslisten.
- Facilitating consumer access to brand information via smartphone. Data and information about consumer labels will be made freely available to promote the development of smartphone applications that can give consumers easy access to detailed information about the different labelling schemes for consumer goods.

4.

Good framework conditions for responsible growth through the public sector

Responsibility and growth go hand in hand, and the Government wishes to establish good framework conditions for corporate social responsibility as the public sector's contribution to the promotion of responsible growth.

In essence, the public sector is focused on social and environmental value creation and similar. The public sector is also able to create good framework conditions for responsible growth directly through its activities.

Responsible growth primarily involves the CSR efforts of individual companies, but it is the view of the Government that the public sector should create good framework conditions for responsible growth through relevant public activities. Public sector procurement amounts to approximately DKK 290 billion per year. The Government encourages the State and the rest of the public sector to increasingly demand goods and services produced under responsible conditions in its procurement.

Efforts are already being made to ensure that public procurement complies with relevant rules and international standards for corporate social responsibility, green procurement, social clauses, etc. There are no common guidelines that describe how you incorporate requirements for corporate social responsibility into tenders and procurement. In practice, this means that the content and form of the requirements can differ depending on the public authority responsible for the procurement.

The lack of a uniform procedure for such requirements can make it difficult for the companies, as they face different requirements from different authorities. There is therefore a need for simple and clear guidelines to advise buyers on how to make demands for corporate social responsibility, green procurement, etc. in a more uniform manner.

The new mediation and grievance mechanism will make it possible to submit complaints about human rights violations and other breaches of international guidelines by public authorities, as is the case with private companies. The Government therefore wants to strengthen the CSR efforts of public authorities by preparing non-mandatory guidelines for how authorities can avoid breaching international guidelines.

Within this area, the Government will take the following initiatives:

- **Promoting responsibility in public procurement**
The public sector must promote responsibility through its activities. The Government therefore wants to:
 - Draft common public sector guidelines for responsible procurement in collaboration with municipalities and other relevant parties. The guidelines must serve as a practical tool to determine when and how corporate social responsibility can be applied in connection with public procurement.
 - Increase the voluntary use of social clauses in connection with public tenders. Many public authorities already use or are considering using social clauses. To assist with this work, a number of cases will be prepared to demonstrate how companies and municipalities work with social clauses in practice. The Government also plans to draw attention to the use of social clauses at the annual political festival, Folkemødet, on the island of Bornholm. Finally, the Government has established an inter-ministerial working group on the use of social clauses involving training and apprenticeship contracts in connection with tenders.
 - Increased use of labour clauses. The Government has established a committee on the prevention of social dumping, which will be responsible for mapping the use of labour clauses in public contracts and assessing how the use of labour clauses can be strengthened and promoted and more effectively enforced.
 - Promoting green procurement through the 'Partnership for public green procurement' to ensure that more municipalities impose mandatory, environmental requirements in connection with procurement.
 - Promoting green procurement in Denmark and abroad and specifically through a project for collaboration between the Baltic countries.
- **Strategy for intelligent public procurement**
The Government will present a strategy for intelligent public procurement. The strategy should support better and cheaper procurement and ensure that public sector demand is increasingly used to promote innovation and support welfare technology, greenification, and similar.
- **CSR in the public sector**
The public authorities should assume corporate social responsibility relating to environmental, social and economic conditions as well as human rights in connection with their activities. The Government will therefore invite municipalities and regions to jointly prepare public guidelines for how authorities can avoid breaching international guidelines. The guidelines can be used in connection with the challenges the public authorities are already facing today and would like to learn how to manage.
- **Sustainable government conferences**
All major government conferences hosted by Denmark (including the Danish EU chairmanship) must be sustainable.
- **Promoting the access of disadvantaged groups to the job market**
All groups in society must have access to the job market. The Government will therefore focus on the relationship of disadvantaged groups with the job market through collaboration between companies and the public job centres. The Government's proposal for an amendment of the flex job scheme will make it more attractive to employ people in flex jobs even for a just couple of hours a week, as the proposal means that the companies only pay for the actual number of hours worked by the individual. This gives the companies an opportunity to employ people with limited working capacity in flexi jobs.
- **Reduced energy consumption in companies**
Energy consumption based on sustainable energy requires increased energy efficiency that minimises energy waste and energy consumption in existing buildings and industries. The Energy Agreement is a key milestone in the efforts to realise this goal. It is especially the work targeting individual citizens and companies that will be given higher priority. To this should be added the subsidy pool for energy renovations in residential housing that is included in the 2013 and 2014 State Budgets.

International development within CSR

The Government wants Denmark to remain at the forefront of the international CSR agenda, and this action plan should be viewed as a response to the international development. The following is a brief summary of the international development on which the Government's proposal is based.

In June 2011, the UN's new guiding principles on business and human rights were adopted unanimously by the UN Human Rights Council. As a new feature, the guiding principles provide a framework for the responsibility of member states to protect human rights and the responsibility of companies to respect human rights in their business activities. The principles moreover state that mechanisms must be put in place to deal with human rights violations.

At the same time, the OECD launched its revised guidelines for responsible business conduct by multinational enterprises. The new guidelines place more emphasis on human rights, and the OECD has incorporated the UN's guiding principles on business and human rights. OECD countries have national contact points acting as non-judicial mediation and grievance mechanisms in connection with presumed breaches of OECD guidelines and promoting the awareness of the OECD guidelines in general. The new guidelines recommend that the national contact points be strengthened through increased resource allocation.

The European Commission's new CSR strategy from October 2011 contains priorities for 2011–2014, taking into account the international development and the general Europe 2020 strategy for intelligent, sustainable and inclusive growth. The CSR strategy contains obligations to support increased public visibility and promotion of corporate social responsibility, improve the trust in company activities, e.g. by preventing greenwashing, and facilitate the consideration of social and environmental aspects in connection with public procurement and similar. To this should

be added a number of recommendations to the business community, member states and other players, including the Commission's recommendation to member states to prepare CSR action plans within the framework of the EU's new CSR strategy.

In 2012, the Nordic countries will launch a Nordic CSR strategy that will strengthen the collaboration between the Nordic countries in connection with the new international guidelines and related issues.

The international CSR agenda is characterised by many new guidelines for how the member states in partnership with other relevant stakeholders can ensure compliance with international principles and conventions for corporate social responsibility and strengthen the mechanisms that deal with breaches and violations. The Government welcomes these many new guidelines, as they provide a framework for the many grey areas that characterise the work with CSR. The Government expects that many companies, especially large corporations, will include the new guidelines in their future CSR work. The Government's CSR action plan is in line with the international development and incorporates several elements from these international guidelines, such as the establishment of a new mediation and grievance mechanism for responsible business conduct.

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