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Reporting on corporate social responsibility

– an introduction for supervisory and executive boards

**Reporting on corporate social responsibility
– an introduction for supervisory and executive boards**

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The guide has been prepared by the Danish Commerce and Companies Agency
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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.

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. Additional information about these exemptions is available in the longer guide at www.samfundsansvar.dk (in Danish only).

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