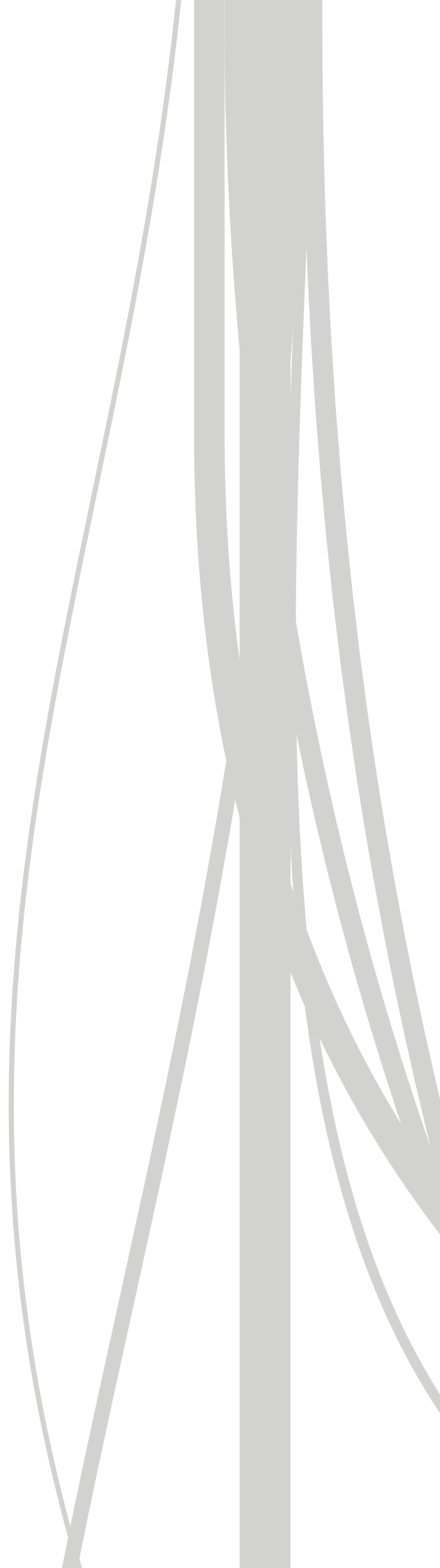


ACTION PLAN FOR CORPORATE SOCIAL RESPONSIBILITY





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-

cess – 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

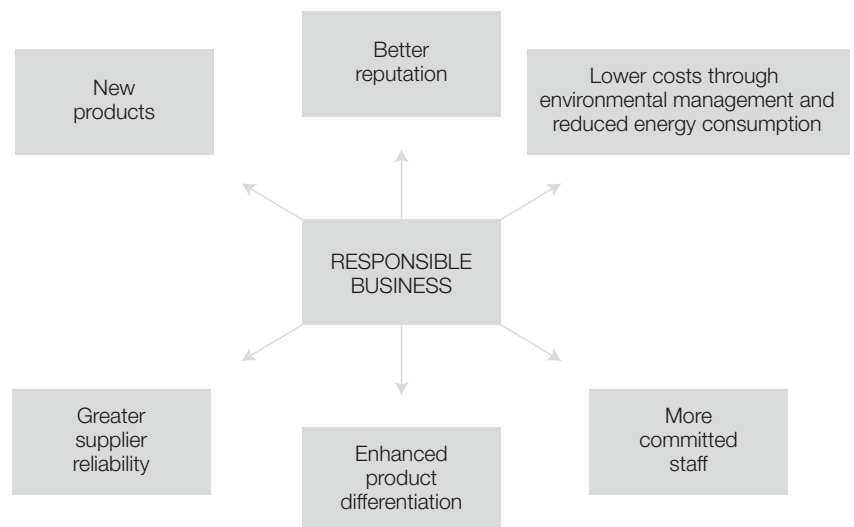
business actively utilises its expertise and core competences for the benefit of both the business and society. At the same time, social responsibility is integrated throughout the business organisation. In this way, the business helps solve social problems while also opening new growth opportunities 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.