

Peer Review Report

Peer Review on Corporate Social Responsibility – Copenhagen (Denmark), 10 December 2013

Introduction

The Danish Business Authority hosted a Peer Review on CSR (PR) which brought together agency and ministry officials from Denmark, Lithuania, Austria and Slovakia as well as a representative of the European Commission Directorate-General for Employment, Social Affairs and Social Inclusion.

The initiative to hold Peer Reviews on CSR arises out of the Commission's 2011 Communication on a Renewed EU Strategy 2011 – 2014 for CSR¹, in which the Commission expressed its intention to create a PR mechanism for national CSR policies. Similarly, the Communication invites Member States to:

'develop or update by mid-2012 their own plans or national lists of priority actions to promote CSR in Support of the Europe 2020 strategy, with reference to internationally recognised CSR principles and guidelines and in cooperation with enterprises and other stakeholders...'

Member States are also asked to prepare specific Action Plans on Business and Human Rights or to clearly integrate such actions into their National Action Plans on CSR.

The representative of the European Commission emphasised the importance of the PRs, not only in exchanging information and benchmarking progress, but also to inform the Commission's thinking on a future CSR strategy. The PRs and the upcoming compendium to be produced in 2014 has a particular role to play in highlighting common horizontal interests, as well as areas where further action might be needed at national level. Furthermore, the Commission is interested in looking at the social value of CSR and mainstream areas of policy making where CSR plays an important role (e.g. gender equality, working conditions etc).

Key features of National Action Plans or key initiatives being implemented by Member States

Denmark

The Danish Business Authority coordinates Government initiatives implementing the Government's action plan for CSR, and also develops and communicates knowledge and tools for businesses and other parties with an interest in CSR. The strategy for CSR includes initiatives ranging from several CSR tools and multi-stakeholder dialogue to legal requirements on CSR reporting.

Origins of CSR strategy

Denmark sees itself as a front runner in developing and promoting a CSR strategy and initiatives in this area go back to 2003. The starting point was a stocktake of the requirements of Danish businesses. A survey showed that six out of 10 Danish businesses were faced with requirements to be accountable for CSR. This pressure was felt to be coming primarily from businesses due to their requirements to other suppliers (including Danish SMEs) and from the need to be aware of practices among suppliers in other countries, rather than arising from formal national or international reporting requirements. Making the business case for CSR was another important aspect of the early (and ongoing) strategy. Particular emphasis is being placed on the fact that CSR needs to be fully integrated into business strategy development rather than being an add-on.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A renewed EU strategy 2011-14 for Corporate Social Responsibility. Brussels, 25.10.2011 COM(2011) 681 final

Early development of CSR strategy

Between 2004 and 2006, the focus shifted to developing practical tools and guidance, as well as training for businesses (among the most important were the CSR Compass and 'People and Profit': a training and awareness raising tool for SMEs'). Subsequently, CSR became an increasingly international issue with international standards playing an ever more important role for businesses. As more and more businesses sought to get involved, the Council for CSR was created, with representation from different stakeholders. The Council operates on the basis of consensus and its joint opinions play an important role in influencing government strategy. At the same time, within the government, better co-operation between government departments on the issue was being established. It is at this point (from 2008/9) that efforts were made to establish regulatory measures, initially in relation to transparency and CSR reporting.

Recent development of CSR strategy

In 2009, Danish legislation introduced a requirement for listed, large and state-owned companies in Denmark to include reporting on their corporate social responsibility efforts in their annual reports (non-financial reporting). The statutory requirement is part of the Government's action plan for corporate social responsibility 2008-2012 and is intended to help improve the international competitiveness of Danish trade and industry.

Companies covered by the statutory requirement must report on:

- The company's social responsibility policies (incl. standards, guidelines or principles for social responsibility employed by the company);
- Actions taken, including any systems or procedures used;
- An evaluation of what has been achieved during the financial year, and expectations regarding future initiatives;
- Measures they are taking to respect human rights and reduce their impact on the climate (from financial year 2013 on).²

At first, this measure was controversial, but now 94% of large businesses choose to report (rather than declare why they do not do so). The first Danish Action Plan for CSR was adopted to cover the period 2008-2012. A new Action Plan is now in place for the period 2012-2015. While the first action plan was focussed on the business case for CSR, the second is considered to take a qualitative leap forward, emphasising CSR as a holistic concept based on shared values, while also looking at compliance.

The following aspects of the action plan were highlighted:

Respect for international principles:

Denmark has ratified and is focussing on promoting the United Nations Guiding Principles (UNGP) on human rights and the Organisation for Economic Co-operation and Development (OECD) guidelines. The flagship initiative is the establishment of the Mediation and Complaints-Handling Institution for Responsible Business Conduct (a renaming of the national contact point; see www.businessconduct.dk). It deals with complaints about Danish companies and violations of the OECD Guidelines. This is also institutionalised in Danish law to give this more legitimacy. The body has an annual budget of 3 million DKR

Besides handling concrete cases, the institution also runs information campaigns and process guidelines on due-diligence as described in the UNGP and OECD guidelines. The CSR Compass has also been updated (currently only available in Danish: <http://csrcompass.com/>). In addition, it implements initiatives within the action plan aiming to ensure the incorporation of CSR principles in SMEs.

² http://csrgov.dk/international_frontrunner

Responsible growth through partnerships

The initiative seeks to encourage businesses to enter into partnerships (both at the local level and in development terms). This includes co-operation with the Ministry of Foreign Affairs and the Danish Foreign Aid and Export Council. As part of this, further training and guidance on responsible supply chain management is being developed.

Transparency

Mandatory reporting has been established (see above). Examples of good practice are being developed which include testimonials from companies, telling of their own challenges and added value in meeting CSR requirements.

The 'Group of the Friends of Paragraph 47' was formed by the governments of South Africa, Brazil, France and Denmark following the acknowledgement to integrate sustainability reporting into corporate reporting (Paragraph 47 of the outcome of the 2012 United National Conference on Sustainable Development (Rio 20+)³. Since the formation of the group, a number of governments have joined the GoF 47. The Group aims to advance, among other things, the promotion of corporate sustainability reporting by:

- Developing and exchanging best practice models for policy and guidance in this area, building on existing and widely used sustainability reporting frameworks;
- Inviting governments from other nations to join them in expanding on the ideas and experiences contributing to their core work and providing a channel for relevant engagement.

What is the public sector doing?

Regarding the public sector, the main focus is on initiatives targeting public sector procurement. A relevant web-tool for civil servants has been launched (<http://csr-indkob.dk/>). In addition, the Ministry of Finance has launched a strategy on intelligent public procurement. Explorations on the use of procurement at the local and municipal level are currently under way.

Discussion following the presentation

Participating peer countries expressed an interest to find out more about the following aspects of the Danish approach:

- The Danish experience of reporting

A survey is being conducted every 3 years to explore the experience and practice of reporting. This shows that the vast majority of large companies who fulfil the reporting requirement do report (94%). Focus is also being placed on the content and quality of reporting. When it was established that only around 40% of companies report on human rights, it was decided to make this aspect compulsory.

- Initiatives for SMEs

It was acknowledged that communicating CSR principles to SMEs remains a challenge. A variety of tools and guidance have been produced, but this is considered to be insufficient. It was noted that the UNGP also require SMEs to perform due diligence and this is considered to help as a tool.

- Value of the Action Plan

Although it was acknowledged that a National Action Plan is a difficult tool to develop (if one is to ensure multi-agency co-operation and stakeholder buy-in), but it is considered to be a worthwhile effort as it creates a set of measurable commitments and places policy approaches into a coherent framework.

Main points from Denmark's CSR activities: 1) Long history of engagement with businesses and CSR 2) high percentage of non-financial reporting disclosure 3) involvement in, and development of, best practice.

³ <https://www.globalreporting.org/information/news-and-press-center/Pages/More-and-better-sustainability-reporting-after-Rio+20-thanks-to-paragraph-47-of-the-outcome-document-The-future-we-want-.aspx>

Lithuania

In Lithuania, CSR falls into the remit of the Ministry of Social Security and Labour. The Ministry cooperates with other government departments, the office of the President, the Parliament and other stakeholders on CSR policy.

A National Programme for the Development of CSR for 2009-2013 and the Implementation Measures Plan for 2009-2011 were approved by the government in January 2010. Since then, a new Implementation Measures Plan for 2012-2013 was approved by the government in September 2012.

The strategic goal of the Programme is to create the necessary conditions for the development of corporate social responsibility (CSR) and encourage companies to adhere to the principles of CSR in their activities. As part of this, instruments aimed to:

- Create legal and institutional environment, favourable for the development of the CSR;
- Foster better understanding of the CSR, social and environmental consciousness;
- Increase competence of the enterprises and stakeholders on the CSR.

Supervisory and evaluation instruments were further elaborated in 2012, including the creation of a CSR network.

A key project in the early years was GATES: Social and Environmental Business Innovations (funded by the ESF). The project aimed to promote and develop CSR approaches in Lithuania. As of 2013, it has ensured that that over 3000 individuals have received trained. A series of guidance and training documents was also published for listed companies. Surveys were carried out to assess the current state of affairs. As a positive outcome, 57 companies joined the UNGP, 62 companies prepared and published CSR reports and 26 business/NGO partnerships were established.

The NGO/business partnerships were seen to be particularly fruitful in supporting businesses which were willing and able to offer opportunities to disadvantaged groups in the labour market (with a focus on disabled individuals). An award scheme 'The National Responsible Business Award' has been organised since 2007 and showcases good practice in CSR.

CSR will remain a policy priority going forward, with a particular focus placed on the role of the public sector in fostering and supporting CSR. The Ministry of Foreign Affairs will coordinate the implementation of the National Action Plan on Business and Human Rights.

Discussion following the presentation

Questions to the Lithuanian representatives mainly focussed on the role of the EU Communication in the development of the CSR agenda and the balance between 'voluntary' and legislative measures.

The EU Communication was considered to be very important in the development of the Lithuanian approach. It is considered important that CSR remains voluntary and there are currently no mandatory initiatives in Lithuania.

Austria

Work towards the Austrian Government's National Action Plan began in 2011. The Action Plan is developed through a specific steering committee established for this purpose and cooperation between three federal ministries with primary responsibility: the Ministry of Labour, Social Affairs and Consumer Protection; the Ministry of Agriculture, Forestry, Environment and Water Management; and, the Ministry of Science, Research and Economy (former Ministry of Economy, Family and Youth).

The aim of the Austrian Government is to develop a National Action Plan which meets society's needs for transparent and responsible corporate behaviour. Laws and social policies aim to ensure equal treatment for all with regard to living wages and salaries, social benefits, and opportunities for promotion and further education and training. Social groups which are most affected by discrimination are supported by special measures to support them to enter the labour market. Examples include: the national plan of action for the equality of women and men in the labour market; measures to advise, support and provide skills training for migrants; the NESTOR^{GOLD} quality seal for generation-friendly organisations and companies; programmes of the Public Employment Service (AMS); and, employment campaigns for people with disabilities. Austria is also a member of the "Group of Friends of Paragraph 47".

Some key projects and initiatives in the field of public procurement include:

- NAP for Sustainable Public Procurement which addresses all public authorities and the Circular of the Social Ministry for considering social criteria within the process of procurement.
- ÖSTRAT – the Austrian Strategy for Sustainable Development, an strategic and organisational framework for the federal provinces and federal republic
- Ö-Norm CSR – a special workgroup in the Austrian Standards Institute on CSR developed the Austrian Standard for CSR (CSR-Norm ONR 192500).

The process of drafting the NAP began with three workshops involving social partners, NGOs and other stakeholders. A draft of the NAP has been prepared by the University of Graz (an uncommon approach to drafting NAPs when all member states' approaches are considered) and is currently under consultation with the steering committee.

The draft NAP currently has three pillars: social, environmental and economic aspects; and five areas of activity:

- To systematically embed CSR in international supply chains;
- To systematically support the innovative potential of CSR;
- To push CSR via incentives – creating a strong business case for responsible corporate actions;
- Mainstreaming CSR; and
- Credibility and transparency

Various networks and platforms are in place with an interest in CSR and are involved in the process of developing the NAP. The two main independent CSR-platforms and networks are respACT (Austrian business council for sustainable development, a platform of companies and businesses) and NeSoVe (network for social responsibility, an association of NGOs, civil society organisations, and social partner organisations). Some of their key projects on CSR include:

NeSoVe:

- The development of an indicator system to evaluate CSR measures and of CSR criteria with a social focus;
- The negative award “Schandfleck” (“Eye-sore”) to ‘name and shame’ companies with harmful practices and a lack of social responsibility;
- Publications such as “Critical Analysis CSR”; studies such as *CSR in Austria – Motives, Tools and Implementation* – first representative survey on CSR in Austrian companies, and “CSR awards in Austria”;

respACT:

- Initiatives such as ‘marketplace “good bargains”’;
- Stakeholder Engagement & Partnerships project;
- TRIGOS – award for companies committed to CSR;
- CSR Day.

A selection of projects and initiatives to promote and develop CSR:

- CSR awards, conferences and fairs;
- Specific toolkits and awards for gender equality and diversity; and
- Other studies including: “Applying CSR guidelines in the context of human trafficking in the agriculture, tourism, and building and construction sector”, “The right to remedy. Extrajudicial Complaint Mechanisms for Resolving Conflicts of Interest between Business Actors and those affected by their Operations” carried out by the Ludwig Boltzmann Institute for Human Rights.

High legal standards in the areas of worker protection, environmental standards and equal treatment are considered to be an important success factor alongside CSR which goes beyond compliance. In future, even greater emphasis will be placed on the social component of CSR, awareness-raising around CSR, promotion and support for social CSR measures in business and the sustainable management of natural resources.

Discussion following the presentation

The participants expressed particular interest in procurement practices, the fact that the Austrian NAP is being written by a university and in the use of 'negative awards'. An independent panel makes the selection for the awards and the public votes. To most of the 'awarded' companies, receipt of the award does not come as a surprise; and in the best case they can use the publicity related to the award to address the issues.

Slovakia

In 2011, UNDP and the University of Bratislava carried out an assessment of Slovakia in relation to CSR performance and activities according to a set of indicators. According to this assessment, there remains some room for improvement to perform against these indicators in Slovakia. .

In Slovakia, there is no specified government institution dealing with CSR. Both the Ministry of Social Affairs and the Ministry of the Economy are represented on the High Level Group. CSR networks exist, but they are driven by NGOs.

A survey showed that 26% of business associations are active in promoting CSR among their members. This relates mostly to large companies, with the involvement of SMEs being a particular concern. There is a requirement on large multi-national companies to publish CSR reports. The number of tertiary education programmes involving CSR elements is limited.

A CSR award as well as network initiatives to share good practice on CSR exist, but so far there is no co-ordinated National Action Plan.

Discussion following the presentation

The participants expressed significant interest in the scoring system used by the UNDP/University of Bratislava study, which might also be of interest to other countries. It was further emphasised that consumer awareness currently is only starting to grow in Slovakia and there is increasing interest in corporate performance in the social and environmental field.

Discussion on topics of interest

In a round of debate, following the presentations, the peer countries discussed four topics in more detail:

1) Effective ways to support all businesses to develop CSR approaches

■ Promoting CSR to SMEs

SMEs were considered to be the most important target group for CSR, together with public companies. A requirement to promote the adoption (or recognition) of CSR approaches in SMEs was emphasised. Training measures were considered to be among the most successful routes towards achieving this; both in the tertiary education sector and in wider business management courses.

According to the peer countries' experiences, specific labels and awards are helpful tools both for SMEs and larger companies as well. Particular consideration should be given here to recognising the initiatives of SMEs. Good practice examples should be used as a particular inspiration to others to replicate or adapt approaches to their own business.

■ Availability of manpower and resources/funding opportunities

All four countries reported continuing difficulties in keeping up their administrative work on CSR against progressively reduced national budgets. As a clearly quantified example, the Danish team has been downsized from 16 to 8 in the last few years.

It was acknowledged that resources and manpower are required to ensure that a CSR approach is not only formulated and embedded, but performance against these standards is also measured. Particularly where a supply chain needs to be controlled, this can be time and resource intensive and verification can be difficult.

With regard to funded projects, participants expressed concern that such approaches could lead to a lack of continuity and positive experiences being lost, unless ways could be found to mainstream such

activities. Project-based activities also run the risk of always targeting the same organisations that have knowledge of such possibilities; or reach only those that are already 'converted'. In addition, it is difficult to reach the regional/local level.

The involvement of social partners and stakeholder organisations can help to overcome such challenges (through their dissemination networks) and project outcomes can be captured and valorised through guidance and good practice tools. At the same time, these organisations may need to be reassured that developing CSR will not be used as a political expedient to allow reducing social support.

2) Effective ways to enhance the credibility and visibility of CSR

In the peer countries' view, the most effective measures to enhance the credibility and visibility of CSR include:

- Marketing and education

It was considered to be important that CSR is not perceived negatively as a 'make-up' to disguise past (or present) negative performance.

- Gap between national legislation and international standards

Depending on the strength and depth of national legislation, a gap between international standards and national legislative requirements can occur. National contact points can take over effective monitoring; but again, manpower can be an issue here and insistence must be placed on due diligence processes.

Media exposure therefore has a particular role to play in ensuring that poor performance is held to account. The Austrian and, to some extent, Slovakian examples of 'negative awards' was considered to be interesting in this respect.

3) Possible common elements at European level

Areas singled out for possible common actions at EU level (or areas of joint interest) were:

- Common rules on reporting requirements (although these may not be supported by all countries);
- Initiatives to benchmark or score countries against their CSR performance (particular interest was expressed in the criteria used in the study the UNPD carried out in SK and a few other countries);
- Since the EU recommendations issued so far served as powerful policy drivers in some countries, common or targeted recommendations from the EU to countries were seen as helpful, since they can help to facilitate political commitment on national level;
- A 'Quality' review of NAPs should be undertaken regularly, to have a view on how countries follow up their plans and what progress they made regarding the implementation (for example through peer review).

4) Specific governmental policy areas where CSR has a role to play

It was stated that CSR has a role to play regarding almost all policy areas – it is a transversal issue.

The areas of unemployment, environment, health, economic and social policy, trade policy, anti-corruption were named – but measures should not be confined to those.