



Business-driven corporate
social responsibility
in Danish companies

Preface



The financial crisis and global challenges such as violations of human rights, environmental pollution, the exploitation of limited resources and natural disasters cannot be resolved by individual players alone. Companies play an important role in the collaboration that is required. The Danish Council on Corporate Social Responsibility is of the view that a focus on business-driven corporate social responsibility is the best way to create both sustainable companies and a sustainable society.

Danish companies can and should contribute to resolving the global challenges, both because it is Danish business practice to assist when you can – with power comes responsibility – and because it presents a number of positive business opportunities for Danish companies. Danish companies have the competitive advantage of long-term experience from complying with high standards in such areas as HR and environmental management, and from the strategic, considerate use of human resources, as well as from innovation in terms of offering new and sustainable products and services. It is important that Danish companies use this special position of strength for Denmark's benefit as well.

As the Chairman of the Danish Council for Corporate Social Responsibility, I am therefore pleased that the Danish Business Authority with this pamphlet focuses on the practical implementation of business-driven corporate social responsibility in a number of Danish companies, and it is my hope that the examples will serve as inspiration for other companies, both nationally and internationally.

Mads Øvlisen

Chairman of the Danish Council on Corporate Social Responsibility

Business-driven corporate **social responsibility**

A business-driven approach to corporate social responsibility can help companies grow and become more competitive while at the same time improving social and environmental conditions in society.

This pamphlet provides a number of examples of Danish companies which are taking a strategic approach to corporate social responsibility and integrating this work into their core business.

The examples show how business-driven corporate social responsibility can increase supply and demand for sustainable products, promote innovation and partnerships, increase employment and social inclusion in the labour market, and strengthen consumer confidence in the company's products and services.

CASE

Sustainability is fully integrated into the Novozymes business model

Novozymes is in the business of industrial enzymes, micro-organisms and biopharmaceutical ingredients, and the company is today the world leader in bio-innovation. Novozymes' solutions are used in the production of numerous products, such as biofuel, detergents, foodstuffs and animal feed.

»Novozymes' solutions save energy and raw materials while reducing waste. So when we place sustainability at the top of our business agenda, it's not just because it's the right thing to do; it also produces tangible business benefits in the form of increased demand for our sustainable solutions. In addition, it strengthens our reputation and enables us to attract and retain the most competent staff,« says Head of Sustainability Development, Claus Stig Pedersen.

Embedding corporate **social responsibility** into the business

A company's reputation and competitiveness is strengthened when corporate social responsibility is embedded into the business strategy and incorporated at all levels of the organisation and in all decision-making processes. This is borne out by the experience of several Danish companies. Making corporate social responsibility an integral part of the company's core business also helps maintain management's focus on, and support for, the activities. In the end, business-driven corporate social responsibility creates social and environmental improvements and thereby acts as a catalyst for responsible growth.

Managers measured by sustainability

At Novozymes, sustainability is fully integrated into the business model. In the company's experience, the work on sustainability becomes both more authentic and more effective if it is reflected in the way the company prioritises, remunerates and reports. Each year, for example, Novozymes defines targets for what needs to be achieved financially, socially and environmentally.

»Sustainability has only really become fully integrated once the managers are measured by social and environmental results in the same way as they're measured by financial results. A certain percentage of managers' annual bonuses therefore depends on the extent to which they meet the different targets. If we don't meet the targets, our bonuses will be reduced. In 2008, it cost managers 5% of their annual bonuses due to Novozymes emitting too much CO₂,« explains Mr Pedersen.

CSR specialists support management group

To ensure the ongoing integration of sustainability in all relevant decision-making processes and business practices, Novozymes has established a multi-departmental management group. The group comprises management representatives from all major departments, including Research & Development, Sales & Marketing, and Finance. The group reports directly to the Executive Board and is responsible for developing Novozymes' sustainability strategy and setting targets. In addition, Novozymes has a large department with CSR specialists supporting the management group in the development and implementation of the sustainability strategy.

»There's a very close collaboration between the CSR specialists in my department and frontline staff. My staff, for instance, manage projects in Sales & Marketing, and I have staff from Sales & Marketing managing projects in my department. In that way, we pool our resources, which helps integrate sustainability into the business, although it can also be a challenging job to be a manager in such an organisation,« says Mr Pedersen.

#01



CASE

At Auluna, corporate social responsibility strengthens relations with both suppliers and customers

Auluna Leather Company designs and manufactures leather clothing for both its own brand and private labels. Most of the leather clothing is manufactured by suppliers in China, India and Pakistan. Auluna has 25 employees in Denmark and 14 in China. Corporate social responsibility is part of Auluna's values and business strategy, and the company considers it a sales parameter on par with price, delivery times and product development.

#02

Corporate social responsibility can be promoted via the supply chain

If a company is in control of the environmental and social conditions throughout the entire supply chain, it protects the company against bad publicity and can be used actively to brand the company. Strategic collaboration with suppliers to improve social and environmental conditions can reduce the company's costs and ensure product quality, and it is often a prerequisite for developing more sustainable products and new marketing opportunities. At the same time, strategic development work with suppliers helps promote international CSR standards in the supply chain, thereby contributing to global responsibility.

Scandinavian b2b customers are the most demanding

All Auluna's suppliers must sign and comply with the company's Code of Conduct, which places high demands on the social and environmental conditions of its suppliers. The requirements are based on the criteria for the EU Ecolabel ('Flower') and the recommendations of the BSCI (the Business Social Compliance Initiative), among others. The company sells leather clothing all over Europe, but, according to Auluna's Managing Director, Ole Overgaard, it is the large Scandinavian retail chains and other b2b customers, representing 60-70% of the turnover, which are particularly focused on whether social and environmental conditions are under control throughout the supply chain.

»When we place CSR demands on our suppliers, it's because we have to be able to document that we're a serious and trustworthy company that constantly strives to improve conditions for people and the environment. We don't actively use CSR in the marketing of Auluna, but we can

document our work and always tell customers openly and honestly about what we're doing and what challenges we're faced with,« contends Mr Overgaard.

Suppliers must be inspired to make an effort

Auluna works closely with its suppliers and endeavours to inspire and train both owners and employees at the factories in CSR issues. The aim is to motivate them to take responsibility for implementing the improvements necessary to meet the requirements outlined in the Code of Conduct. Auluna's staff in Denmark often visit suppliers to check whether the factories and their subcontractors implement the agreed improvements. Several of the factories are also monitored by third parties. In addition, Auluna invites customers to participate in factory visits, which strengthens relationships with both customers and suppliers.

»Our collaboration and dialogue with suppliers largely focus on influencing attitudes. It's essential that our suppliers understand why this is important and especially what they themselves can get out of it. We don't compromise on fundamental human rights and safety, of course, but we have to adopt a pragmatic approach. As a small company, we've neither the influence nor the resources to carry out the improvements on their behalf. They have to make an effort themselves,« adds Mr Overgaard.



CASE

Social integration is an integral part of the Grundfos business foundation

Grundfos is one of the world's leading pump manufacturers and the Group is represented in 55 countries. Grundfos supplies circulation pumps for water, heating and air-conditioning, as well as other forms of pumps and pumpsystems for the industrial sector and public water supply, among others. Grundfos has a long-standing tradition for safeguarding an inclusive job market, and, although the company defines social and ethical responsibility more broadly these days, the employment of staff with reduced work capacity remains a priority.

#03

Social inclusion provides a better basis for recruitment

In future, competition for the best employees will become a decisive competitive parameter. Young employees in particular prefer companies that are serious about corporate social responsibility. In addition, more and more companies assume social responsibility, for example by employing socially disadvantaged people from the local community in which the company is based. Such highly visible initiatives strengthen the image of the company. Corporate social responsibility is thus a part of the company's recruitment strategy and simultaneously contributes to creating workplaces for people for whom it would otherwise be almost impossible to secure employment.

Exporting knowledge about corporate social responsibility

Grundfos collaborates with public authorities, educational institutions and voluntary organisations on projects that can integrate vulnerable groups into a workplace. This is an ongoing process in which the job offer is tailored to the individual, to legislation and to labour market requirements. Grundfos aims to ensure that particularly marginalised groups make up at least 3% of its total workforce. Today, this group already makes up nearly 4%, and the tradition of integrating marginalised people has been exported to the Group's production companies in other countries.

»This principle involves taking care of vulnerable people living in the local community around the factory. The production companies can decide which groups to include. In India they mainly focus on the physically handicapped, and in the UK it is primarily people with learning disabilities. Denmark functions as a kind of knowledge centre where the company's history serves as inspiration for the activities in other countries. The 'flex' workshops in Denmark date back 43

years,« explains Kim Nøhr Skibsted, Vice President with responsibility for Corporate Communications at Grundfos.

Not just something we write or talk about

At the Grundfos flex workshops, the tasks are less difficult than in the normal production department, and the pace is slower. In all other respects, the company endeavours to provide the same conditions in the workshops as in the rest of the company, and the employees are fully integrated and treated like all other members of staff.

»This isn't a social undertaking but a question of being considerate of others. The vulnerable employees quickly get a sense of responsibility and of belonging to the company, and their job satisfaction and commitment increase because they work on equal terms with everyone else. They are also involved in the development of new products. Our flex workshop in Bjerringbro, for example, has taken the lead in finding new ways in which Grundfos can save energy and recycle components,« explains Mr Skibsted.

At Grundfos, people believe that social integration is a prerequisite for all employees to take an active role in the development of the company and that this is what ultimately makes the company competitive.

»We experience that the applicants who apply for work with us appreciate the way we do things. That's a very clear indication that we live up to our values and that it's not just something we write or talk about. It gives us great credibility and authenticity, and it creates loyal employees who are proud of working here,« adds Mr Skibsted.

CASE

Codan enters into partnerships with NGOs

The Codan Group is the third largest insurance company in Scandinavia, its flagship companies being Codan in Denmark and Trygg-Hansa in Sweden. Codan addresses corporate social responsibility as part of the company's overall strategy because it considers this to be necessary in order to attract the best employees, customers, suppliers and business partners – and thereby create a profitable and sustainable business.

Dialogue and partnership with stakeholders

Society's expectations of what should be regarded as responsible behaviour are constantly changing and often exceed the legal requirements. By engaging in a proactive dialogue with stakeholders, the company is able to see itself in a new light and at the same time acquire important insight into the expectations and requirements of stakeholders, which can then be taken into consideration when prioritising its CSR work. In addition, the company secures legitimacy in the eyes of investors who prefer companies that engage in an ongoing dialogue with the outside world. Through partnerships, the company can further involve its stakeholders with a view to developing new and more sustainable products and services.

Dialogue results in a new perspective on corporate social responsibility

Codan engages in an ongoing close, open dialogue with its stakeholders and voluntarily participates in the public debate when relevant for its business and when Codan can contribute with relevant knowledge and factual arguments.

»Even if you pay a lot of attention to CSR, there can be areas that you overlook. The obvious advantage of participating in a close dialogue with our stakeholders is that we get to see ourselves through someone else's eyes. We learn a lot, for instance, by working with NGOs, because their way of thinking is quite different from ours. They challenge our values and inspire us to find ways to combine our business with social responsibility, and getting these two things to go hand-in-hand is exactly what we want to achieve,« says Jeanette Fangel Løgstrup, Director Corporate Communications and CSR.

Codan's CSR strategy 2011-2013 is based on interviews with several large customers, researchers, experts, community players, and employees. Codan also conducted a customer survey among more than 3,000 customers and potential customers in both the personal and commercial segments.

The aim was to identify which challenges in society customers thought an insurance company should help solve. The result is the CSR strategy 2011-2013 with an overall vision "We insure a sustainable future" focusing on three strategic themes "climate, health, and safety".

»There's no doubt that the input we've received from our stakeholders has had a huge impact on our strategy. Of course, it's ultimately up to management to decide how Codan should work with corporate social responsibility, but it's definitely in the interest of both shareholders and owners that our stakeholders are consulted,« adds Ms Løgstrup.

Climate change as a focus area

It is essential for Codan that the company's CSR work makes sense not just for the business but also for employees and society at large. Climate change is therefore an important focus area for Codan, not least because the company has received an increasing number of major weather-related insurance claims from its customers in recent years.

»Climate change directly impacts our core business, as the increased amount of precipitation and more extreme weather conditions affect both us and our customers in the form of more claims. We therefore need to get an idea of what we can do in that respect and of what society should do,« says Ms Løgstrup.

For that reason, Codan has entered into a three-year partnership with the World Wildlife Fund (WWF) focusing on climate change.

»We've invited WWF into our business because we see them as a kind of critical friend who looks at both our products and our processes. This results in a completely different approach, as things come to light that we haven't thought about ourselves,« concludes Ms Løgstrup.



#04

Innovation and sustainability create consumer confidence

There is already global competition in the field of sustainable products and services, and upcoming generations will make ever greater demands on sustainability. When corporate responsibility is part of the core business, it can drive innovation and thus ensures that the company remains at the forefront of consumer demands and expectations. This helps strengthen consumer confidence in the company's products, while business-driven corporate responsibility helps stimulate consumer demand for sustainable products and services.

Sustainability and innovation go hand in hand

Although you could be inclined to think that the now 50-year-old LEGO brick in itself has less impact on the environment than other consumer goods that are used and immediately discarded, the LEGO Group is fully aware of its responsibility to live up to its promise of impacting its surroundings in a positive way.

The LEGO Group's approach to sustainable product design is called 'Design4Planet' and is inspired by the 'Cradle to Cradle' and 'Life Cycle Assessment' concepts. The design phase is critical for the company's ability to face environmental challenges, as product

design and the choice of materials play a major role in the environmental impact throughout the value chain. With 'Design4Planet', the company seeks to set new standards for how the toy industry can integrate environmental and climate concerns into the innovation process and create transparency for value chain stakeholders.

»The company's innovation processes are based on two things. One is our old motto: 'Only the best is good enough', our values and vision; the other is our stakeholders' expectations of how we conduct our business. Consumers have a lot of confidence in the LEGO brand and very high expectations of our performance in relation to the environment, ethics and social responsibility.« explains Helle Sofie Kaspersen, Vice President, Corporate Governance & Sustainability at the LEGO Group.

»It takes a long time to build consumer confidence, but it can quickly disappear again. That's why it's so important that both the brand values and sustainability are reflected in the innovation process so that we can continue to live up to the very high expectations we're faced with,« says Ms Kaspersen.

Corporate responsibility is the right way

Stricter legal requirements pertaining to the environment and safety are another reason why innovation and sustainability are two sides of the same coin for the LEGO Group. The company constantly focuses on how it can improve its efforts and raise its ambitions.

»We've been a step ahead of legislation for many years, and we'd like this to continue. That's why we've prepared a climate plan where we among others focus on energy-efficiency, not only at our own premises but throughout our value chain. We want to incorporate this into how we manage the innovation process, so that we also consider our energy consumption and therefore our CO₂ emissions when choosing materials for our products,« says Ms Kaspersen.

At the LEGO Group, people fundamentally believe that integrating corporate responsibility into innovation processes is best for business, but their main argument for doing so is not always a question of money.

»Sometimes you just have to do it because it's the right thing to do,« concludes Ms Kaspersen.



CASE

At the LEGO Group, corporate responsibility is a key parameter in innovation processes

The LEGO Group helps develop children's creativity through play and learning. Today, the company's world-famous LEGO® bricks provide children in more than 130 countries with toys, experiences and learning materials. For the LEGO Group, corporate responsibility involves both product safety and ethical values and is deeply embedded in the company's business foundation.



CASE

CSR reporting creates structure in the CSR work at the Tivoli Gardens

Tivoli is a world-famous amusement park located in the heart of Copenhagen. It is a listed company and therefore among the Danish companies that are required to report by the 2009 act, which states that Denmark's largest companies must account for their corporate social responsibility work in the annual report.

Reporting is a driving force for **CSR work**

Since 2009, it has been a legal requirement for large companies in Denmark to account for their corporate social responsibility efforts in their annual report. The objective of this legal requirement is to inspire businesses to take an active approach to CSR and to communicate this to the outside world. The reporting requirement has placed CSR on the agenda in many Danish companies and encouraged them to realise that corporate social responsibility is increasingly playing a major role in the risk management of international corporations and investors. In this way, the legal requirement contributes to creating and maintaining a business focus for the CSR work while at the same time allowing the companies to reap the full benefits of their social responsibility efforts.

Legal requirement provides a comprehensive overview

Tivoli has long had an environmental management system and a number of sporadic environmental activities, but the company has not previously produced external reports on their CSR work. The legal requirement has led to Tivoli's work with corporate social responsibility becoming better organised so that the company now works on ongoing improvements and documents its initiatives. In this way, the reporting requirement has enhanced the quality of the CSR work.

»It has always been a natural thing for us to take care of our staff and be involved in charitable work, but the fact that we're now 'forced' to report on this has given us a reason to structure our work better. Our many existing initiatives have been incorporated into a structure that

used to be unclear. This helps us identify our strengths and weaknesses and how we can best prioritise our work in the future. It also helps us integrate the work into the company, as we can see where we'll get the most out of spending our resources and who needs to be involved to generate results,« says Lars Liebst, Managing Director of the Tivoli Gardens.

Corporate social responsibility in the annual report makes a big difference

The reporting process in the Tivoli Gardens involves the top management, which helps embed the CSR work in the company. The work is organised around a CSR group and a steering group which includes Tivoli's finance director. In that way, the Executive Board is kept up-to-date about new initiatives. For Lars Liebst, who is personally very involved in the climate work, there is no doubt that the reporting on CSR goals and results in the annual report ensure greater support from top management.

»The annual report is our official, signed document. This is the one that counts because this is where our obligations are set out. It gives our CSR work a completely different status than if it was merely mentioned on our website,« he says.

»The systematisation and reporting also mean that we can use our results more actively in our PR, marketing and recruitment, as we now have the language and figures to back up what we say. That also helps strengthen our business, of course,« concludes Mr Liebst.



DANISH BUSINESS AUTHORITY

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