

A matter of trust

- A guide to corporate responsibility, by the Confederation of Norwegian Enterprise (NHO)



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The purpose of this guide is to motivate leaders and employees in the private sector to integrate corporate responsibility into business practice by clarifying **WHAT** corporate responsibility is and **WHY** it is important for business. The guide also includes proposals for **HOW** to work with corporate responsibility in a systematic manner. The guide has been developed with small and medium-sized enterprises in mind, but can be equally relevant for larger businesses.

The guide provides a brief introduction to the topic. You will find more information, guidance material and case studies on NHO's website: www.nho.no/samfunnsansvar

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WHAT is corporate responsibility?

Corporate responsibility is higher on the agenda internationally than ever before. However, the understanding of what it means has evolved during the past few years. Previously, corporate responsibility was understood as something companies did in addition to their core activities, such as donations to charity. Today, corporate responsibility is commonly understood as an integrated part of doing business – meaning that companies produce goods and services in a profitable, decent and sustainable manner. Corporate responsibility should be based on corporate values, and be integrated in strategy and daily operations.

«What should we do – give money to a good cause, recycle, or write something in our annual report?»

Corporate responsibility covers many issues:

- Human rights – respect human dignity
- Decent work – maintain decent and secure working conditions
- Environment – avoid damaging the environment and contribute to sustainable development
- Anti-corruption – combat corruption and handle gray areas
- Society – contribute positively to broader societal objectives

«Do we have to relate to all of this?»

Different businesses face different challenges. Each company must decide for itself which issues and challenges are most relevant and important to focus on. The company's core activities should be the deciding factor. Is it the release of pollutants in the air or dealing with corruption that represents the biggest challenge for your company?

It is also important to be aware of what the company is already doing. Many companies are involved in activities that benefit the environment or society without necessarily labelling them «corporate responsibility». It is a good idea to start off by taking stock of existing activities and working from there. Take one step at a time!

« Caring about the environment means caring about people. In HÅG we believe that all companies have a responsibility beyond making a profit. We have a responsibility for protecting our planet, and exercising social engagement. HÅG's ambition is to be a corporate responsibility leader - and lead the way into a new era of business. This means we have to be serious about our efforts and activities so that we can be a role model for other companies. Already in 1995 we started using recycled plastic bottles, old bumpers and other plastic waste in our production of chairs. »

HÅG (producer of office chairs, Norway)

«What about what happens abroad?»

Some challenges, for example related to human rights, child labour or deforestation may be more common in some countries than in others. In a globalised economy, however, all companies, irrespective of where they are headquartered, can be linked to such practices through their value chain. This dilemma is more acute when suppliers are located in countries where the regulatory framework is poor or where enforcement is weak.

« CBMI has made arrangements for employees to be educated on professional ethics, code of conduct and anti-corruption. The company leadership sets a good example by combating any form of corrupt conduct. Overseas, the company has participated in and promoted anticorruption campaigns in light of local conditions. Responding to the local government's call, CBMI's project organization in Tanzania signed the Anticorruption Declaration, which helped further improve the corporate image of CBMI in the local community. »

CBMI China Building Materials International Co
(construction, China)



« All of Heyerdahl's diamonds come from legal sources that do not contribute to conflict. This is ensured by participation in the Kimberly-process - an international initiative to prevent diamonds from financing militia groups in conflict zones. Heyerdahl takes ethics and corporate responsibility seriously. We train our employees thoroughly in our strategy and efforts, so that the activities we conduct help create pride and positive morale internally. We also use this information actively in our marketing to build a positive reputation for the company. »

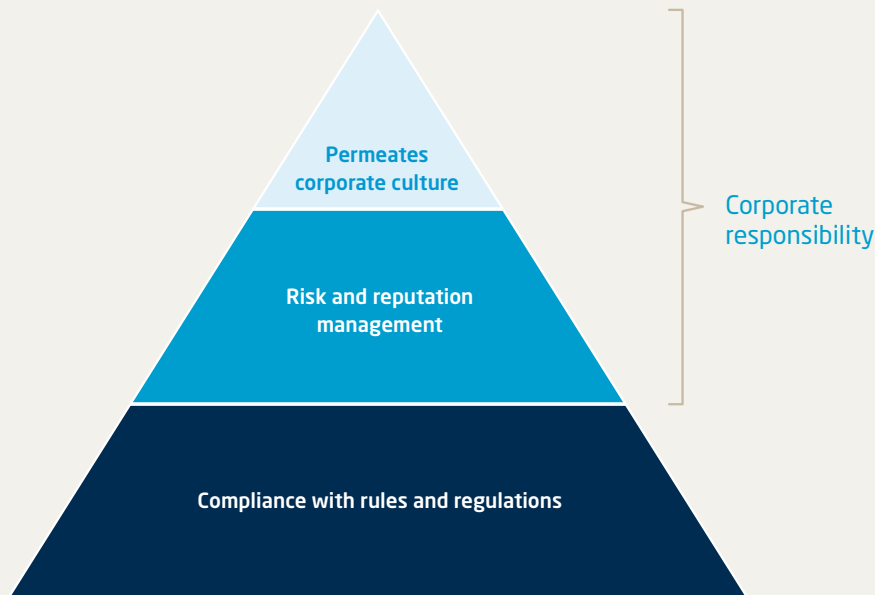
Heyerdahl (goldsmith, Norway)

« Being a leader today is as much about taking responsibility as about being number one globally. Responsibility for the environment, achieved through stringent impact assessments, responsibility in terms of the highest international safety standard, and responsibility for people, are all critical. To combat climate change, UC RUSAL has set a goal to reduce direct greenhouse gas emissions across the company's existing smelters by 50% overall by 2015. The company also aims to be carbon neutral over the long-term, as part of the full life-cycle use (and re-use) of its aluminum products. »

UC RUSAL (aluminum, Russian Federation)

(UC RUSAL Climate Change Initiative, 2009)

CORPORATE RESPONSIBILITY - DIFFERENT LEVELS OF UNDERSTANDING



Permeates corporate culture

Corporate responsibility is fully integrated into the company's strategy and daily operations.

Risk and reputation management

The company engages in activities to tackle specific challenges, primarily to safeguard its reputation. The activities are less integrated into strategy and daily operations..

Compliance with rules and regulations

Rules and regulations express the fundamental demands from society. Compliance with these is a precondition for corporate responsibility.



QUESTIONS FOR DISCUSSION: >>

- What is the company currently doing that can be described as «corporate responsibility»?
- Which issues or challenges are most relevant for us to address?
- What is possible to address immediately?
- How can we engage employees in the company's corporate responsibility efforts?
- Do we face challenges tied to our international value chain?
- What can we do to improve corporate responsibility in the value chain?

WHY is corporate responsibility important?

Industry and commerce is part of the fabric of society. Just as society depends on a strong and prosperous business community to produce economic growth and welfare, businesses need healthy and well-functioning societies to thrive. Corporate responsibility is therefore important both because it is the right thing to do but also because it can be profitable.

It is the right thing to do

We all have a stake in ensuring that society develops in a sustainable way. Human values such as empathy, **honesty**, **fairness** and **respect** underlie an active approach to corporate responsibility. Combining ethics and responsibility with the company's core business activities will feel like the right thing to do for everyone in the company. The owners, top executives and employees' personal ethics will influence the companies' values. A values-based and ethical approach to business will lead to proud and loyal employees.

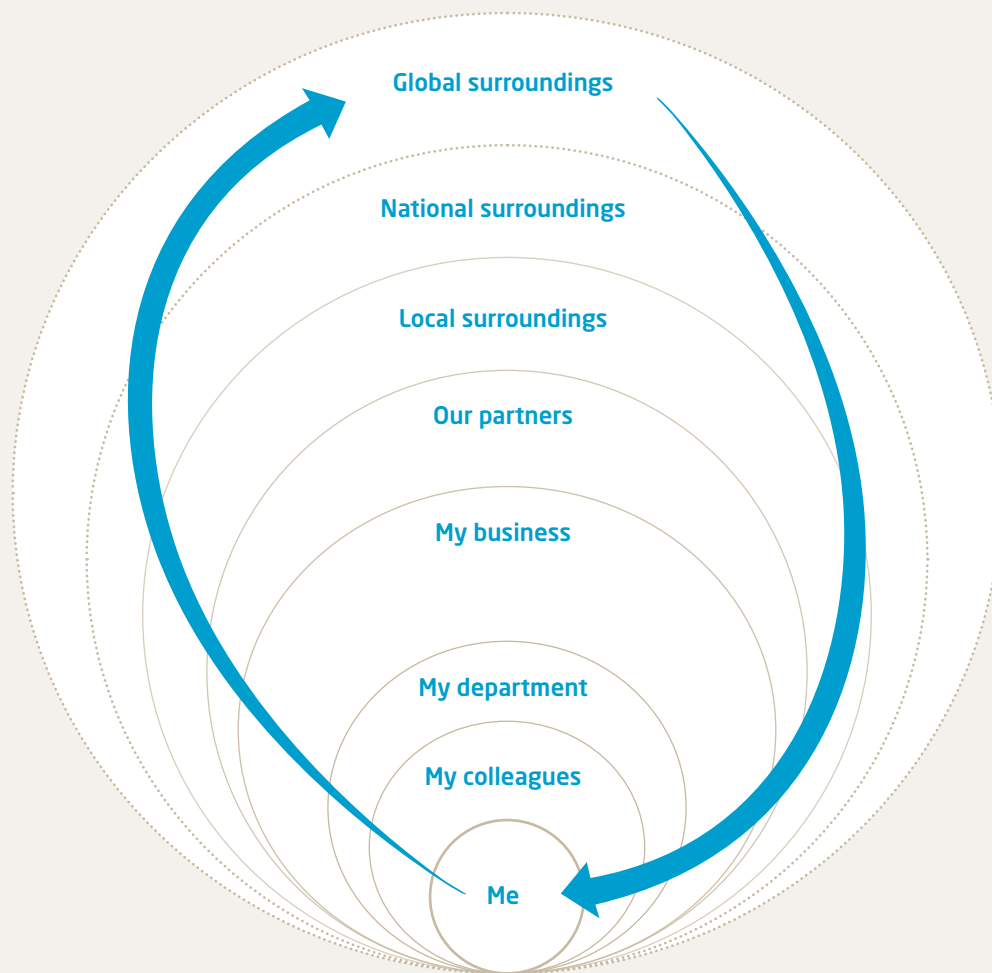
The development and internalization of values happens in an evolving interplay with our surroundings. This interplay lays the foundation for the company's corporate responsibility efforts. The figure on the next page illustrates this relationship:

« As several countries Sasol have identified for investments struggle with human rights challenges, Sasol runs the risk of being deemed complicit in abuses. To avoid this, the company has implemented a company-wide management system focusing on awareness raising and training, country risk assessments, development of human rights policies etc. These actions have enabled Sasol to more effectively address potential risks. A poor reputation can impede Sasol's ability to operate. On the opportunity side, initiatives such as the Equator Principles and the Dow Jones Sustainability Index have made it increasingly apparent that socially responsible practices can improve access to financial markets and reduce the cost of capital. »

Sasol (chemical, South Africa)

(Inspirational Guide to the UN Global Compact, 2007)

VALUES IN INTERACTION



It pays off

Companies that make a sustained effort in the area of corporate responsibility will gain trust in society and from its stakeholders and are likely to improve their competitiveness. Future winners are likely to be companies that manage to combine responsibility with profitable growth.

Some of the advantages of corporate responsibility include:

- Reduced costs as a result of increased resource and energy efficiency (for example, reduced energy usage in heating and transportation, waste management and recycling, the use of more environmentally friendly materials and/or production processes).
- Easier to attract and retain qualified workers.
- Increased motivation, pride and satisfaction among employees (which may result in higher productivity and reduced sick leave).
- Improved corporate reputation and branding
- Reduced risk of negative coverage in the media and from pressure groups.
- Improved relations with customers and better access to markets.
- Higher standing among consumers that are concerned with whether goods and services are produced in a decent and sustainable manner.
- New business opportunities within the ethical and «green» product range.
- Preparedness for future rules and regulations.
- Easier to obtain favourable conditions with investors and lenders that view corporate responsibility favourably.

Our surroundings demand it

Politicians increasingly expect companies to be good corporate citizens. Today's norms and expectations may lead to stronger and more stringent regulation in the future. Also, governments increasingly rely on the private sector to contribute to sustainable development objectives beyond what is mandatory by law.

« Despite considerable economic growth over the past decade, a large percentage of India's population remains poor. Access to employment is particularly difficult for people with disabilities. Titan has developed an initiative to improve opportunities for the «differently-abled», identifying people with disabilities in surrounding communities and providing them with suitable employment. Currently disabled people represent 6.4% of the workforce. This strategy has had positive effects on Titan's bottom line as people with disabilities have proved to be more loyal and focused on their jobs. »

Titan Industries (apparel and luxury goods, India)

(Inspirational Guide to the UN Global Compact 2007)

Customers are increasingly aware of the way that businesses operate and the conditions under which the products and services they purchase have been produced. Both consumers and corporate customers expect that companies adhere to corporate responsibility principles, and produce products that are safe and secure to consume.

Non-governmental organisations (NGOs) and **the media** play an important role by revealing bad practices and pressuring companies to act. The number of special interest groups has increased substantially in recent years and it is becoming more difficult to hide under the radar, even if you are a small company.



QUESTIONS FOR DISCUSSION: >>

- Why should our company take corporate responsibility seriously?
- What effect will good ethics and a serious focus on corporate responsibility have on the company?
- How can corporate responsibility activities strengthen profitability?
- What advantages and possibilities can be achieved as a result of being a good corporate citizen?

WHO is concerned with corporate responsibility?

Which issues and challenges a company should focus on are affected by the company's stakeholders. Stakeholders are those that influence or are influenced by the company's activities. Some stakeholders are more obvious than others (such as customers and the authorities), while others may be more difficult to identify (such as NGOs and financial markets). Some of your company's most important stakeholders – customers, owners and suppliers – may all be found in your local community.

Companies benefit from creating an overview of their stakeholders. In order to understand how the daily operations of the company affect different stakeholders it is necessary to understand their needs, objectives, as well as their opinions about the company – both good and bad. When developing the corporate responsibility strategy it can be useful to engage in an open dialogue with the most important stakeholders.

« Global Alumina develops vast bauxite resources in the Republic of Guinea - one of the least developed countries in the world. To ensure a positive impact of its operations on local communities, the company engaged in early and broad discussion with local stakeholders. Based on this dialogue, a Community Development and Compensation Plan were developed including construction of water wells, schools, health centers, microfinance projects etc. To ensure that communities take ownership over the projects, the company has teamed up with local civil society organizations to implement the projects. The organizations also surveyed indigenous firms and matched their capabilities with the procurement needs of Global Alumina. »

Global Alumina (aluminum, USA)

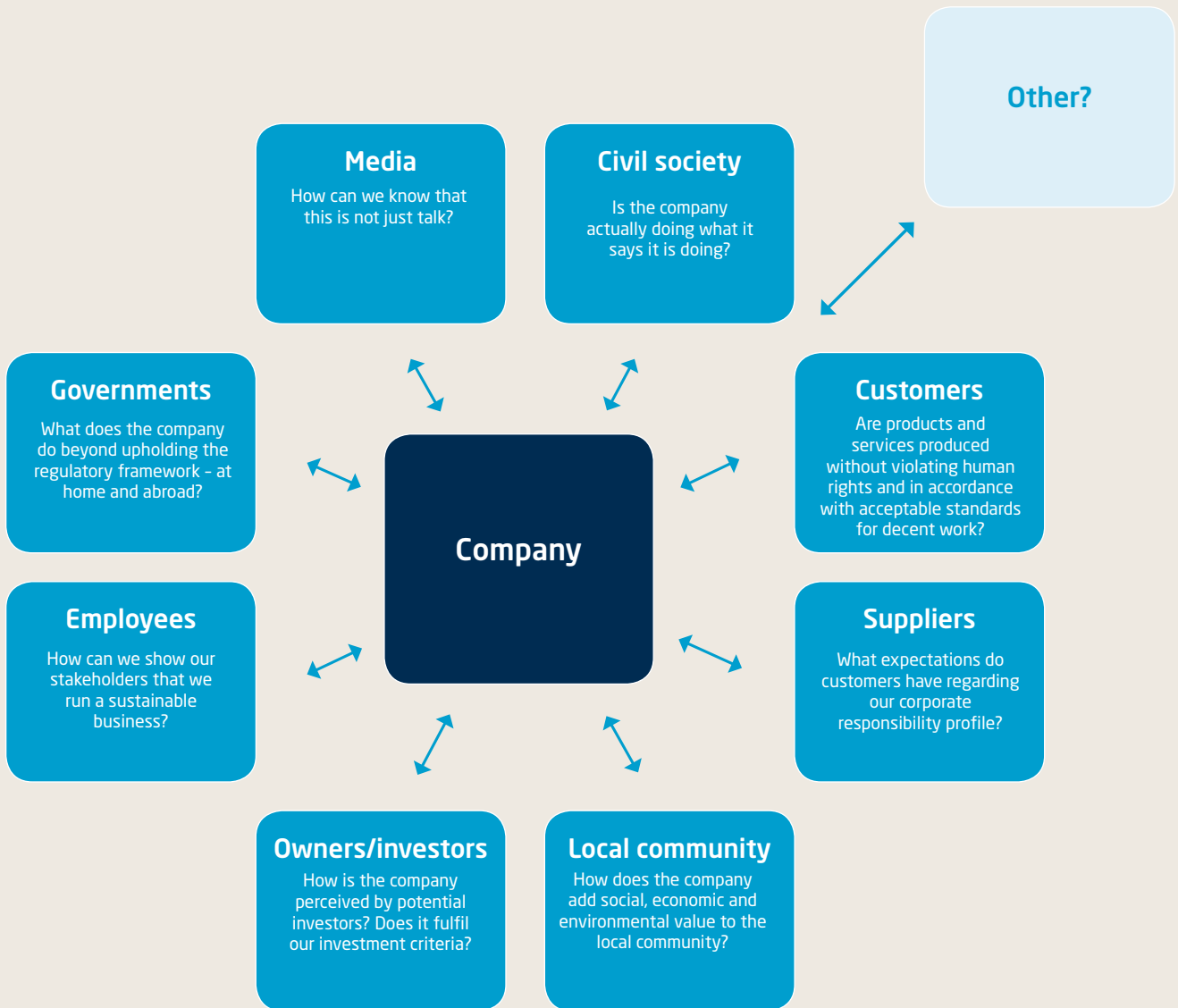
(Inspirational Guide to the UN Global Compact, 2007)

EXAMPLE: The Norwegian government issued the first White Paper on corporate responsibility in January 2009. Entitled «Corporate Responsibility in a Globalized World», the paper states that:

«The Government expects Norwegian companies to be corporate responsibility leaders internationally, and thereby contribute to strengthen human rights, create decent working conditions, safeguard the environment and combat corruption.»

«The Government expects all Norwegian companies to develop and implement guidelines for corporate responsibility. These guidelines must be known by the company's employees and as much as possible throughout the value-chain.»

EXAMPLES OF TYPICAL STAKEHOLDERS:





QUESTIONS FOR DISCUSSION: >>

- What reputation does our company have? How can we improve it?
- Which stakeholders are most important to our business? How can we engage them in a dialogue to better understand where our corporate responsibility efforts should be concentrated?
- Which issues and challenges are particularly important in our local community?
- In what areas could we further develop our cooperation with the authorities, and how?
- How can we partner with others to improve corporate responsibility in our value chain?

HOW to start working with corporate responsibility?

Taking a measured and systematic approach to incorporating corporate responsibility into business practice is key to success. Becoming a responsible corporate citizen is about choosing activities that are aligned with the company's core values, objectives and challenges.

Responsibility begins at the top!

The owners, top executives and employees have different roles and responsibilities. The responsibility for the company's strategy and activities will always rest with the board and the CEO. However, even though the top management should chart the overall course for the company, it is important to include employees, representatives, and ombudsmen (if they exist) in the process. The best results are always achieved when the employers and employees cooperate.

Ethical guidelines

Decide whether it is necessary to develop ethical guidelines based on company values. This does not have to be a long document – one page may suffice. Examples of areas that are covered in ethical guidelines are: conflicts of interest, the relationship between business partners and employees. Some companies have more detailed guidelines, for example with regards to whistle-blowing mechanisms and dealing with gray areas bordering on corruption.

Prioritize

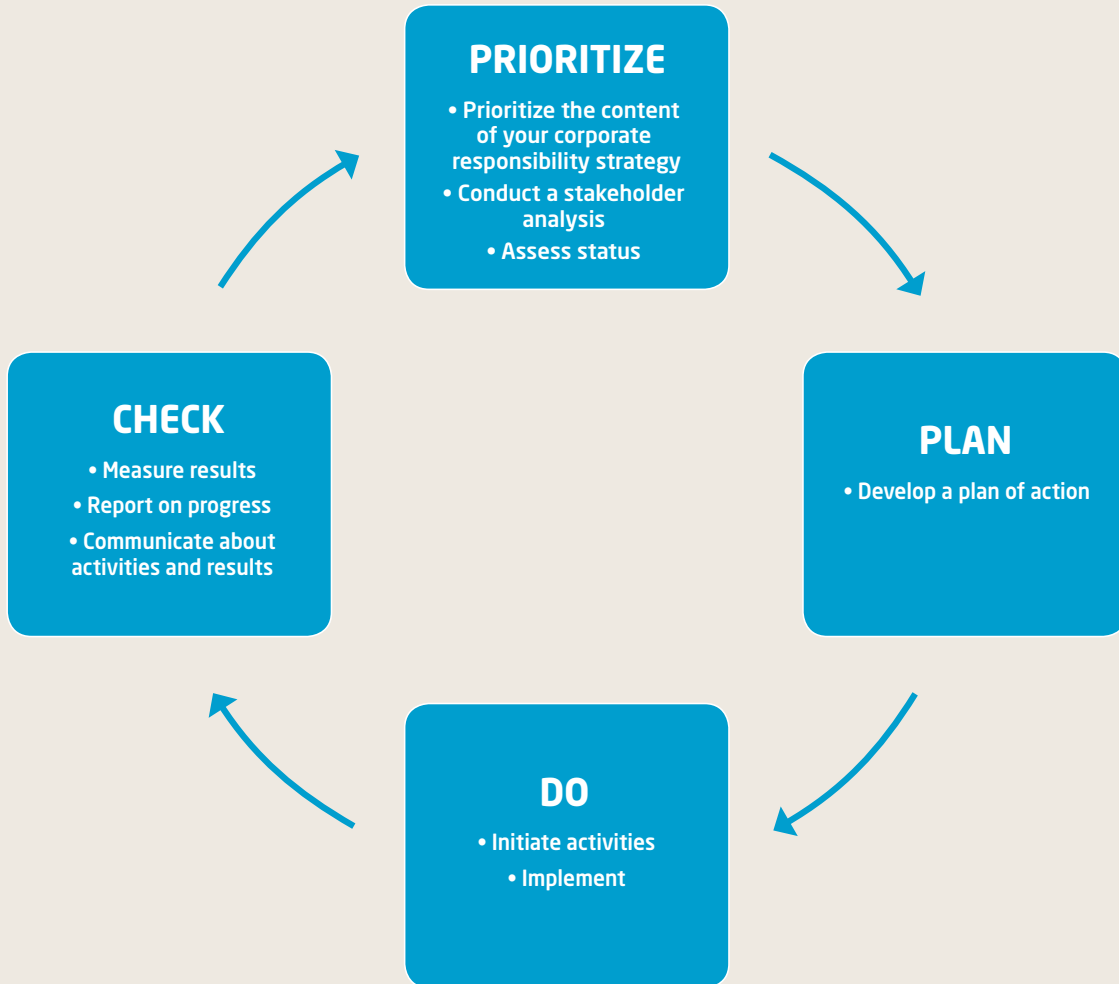
Prioritize which issues and challenges are most important for your company focus on. Look at the overview provided in the appendix as a starting point. It is neither necessary nor feasible for one company to address every challenge at the same time. What is critical for the company to work on depends upon which sector the company belongs to, where it is located and its size. Also consider how the strategy developed may positively impact on the bottom line.

It is a good idea to conduct a **stakeholder analysis** to identify which stakeholders are particularly important to the company, and attempt to understand what their concerns might be. Determine who should be engaged in a dialogue and develop a communication strategy. The stakeholder analysis should be updated as necessary.

It may also be beneficial to assess the status of corporate responsibility in the company. This **self-assessment** will help decide the issues that should be prioritized. Although the assessment is normally conducted by the management, it can also be used for internal workshops or to collect information about the company from stakeholders.

See examples of stakeholder analysis and self-assessment in the appendix.

SUGGESTED WORK PROCESS



Plan

The next step involves developing an action plan. The plan should include the necessary practical measures needed to address the key issues and challenges identified earlier in the process. An action plan does not have to be an extensive document – it is sufficient to agree on project goals, activities, timelines, delegation of responsibility, and resource allocation. Involve co-workers when developing the action plan.

Focus on the crucial aspects first and be realistic – no matter if the planned activities are big or small!

Do

Initiate and implement the activities outlined in the action plan.

◀◀ In 2001, Grupo Pão de Açúcar was one of the first Brazilian companies to sign the Global Compact, a UN initiative launched in 2000 to encourage companies around the world to adopt ten universal principles in the areas of human and labor rights, environment and anti-corruption. Since it signed this commitment, Grupo Pão de Açúcar has been actively involved in adopting and disseminating the Global Compact principles. For example, in 2004, the bags of all the Grupo Pão de Açúcar supermarkets and hypermarkets had the ten Global Compact principles and the eight UN Millennium Development Goals printed on each side to raise awareness about the two initiatives. ▶▶

Grupo Pão de Açúcar (supermarket, Brazil)

(Grupo Pão de Açúcar Sustainability Report 2008).

Check

Before the chosen activities are implemented, it can be useful to create baselines in order to later determine if progress has been made and the original objectives are achieved. Evaluations of progress should be made on a regular basis, based on the goals determined in the action plan.

The company should then communicate progress made both within the company and to the outside world. There are many tools and reporting formulas to assist in this process, but the company should exercise its own judgment on what to report and how this should be done.

It often makes sense to consider the expectations of the company's stakeholders, both internal and external, when developing a reporting and communication strategy. This may strengthen relations between the company and its stakeholders, and will help increase trust.

◀◀ Our sustainability reports are used actively as a management tool internally, both to measure and recognize efforts, but also to openly communicate about our corporate responsibility externally. Reporting increases our understanding of how we influence, and are influenced by, global challenges related to the environment, human rights, corruption and poverty. In addition, the reports enable us to have a systematic overview of the areas we are engaged in, and what the concrete results of our efforts are. We decided to join the UN Global Compact in 2007 because we wanted to be connected to an internationally recognized platform for corporate responsibility. ▶▶

Alliance Architects (architect, Norway)

The United Nations Global Compact - a platform for corporate citizenship

The United Nations Global Compact is a strategic policy initiative and a tool for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By joining the Global Compact the company agrees to run its business according to the ten principles. More than 5500 companies from over 130 countries around the world had joined the initiative in June 2009. For more information on how to join, visit: www.unglobalcompact.org

ISO 26000

The International Standards Organisation (ISO) has developed a guidance standard on social responsibility, ISO 26000. The guidance standard describes principles and core subjects of social responsibility, and how companies and other organisations may approach their social responsibility challenges. ISO 26000 is a point of reference for companies that want to go beyond the simple tools described in A matter of trust in order to further develop their work on social responsibility.

www.iso.org/sr

QUESTIONS FOR DISCUSSION: >>

- Do we have well established ethical guidelines in the company?
- Who should we engage in our corporate responsibility work and how?
- How can we involve employees?
- What can you do personally to improve corporate responsibility in the company?
- Who could we partner with to achieve more?
- To what extent should we report on our plans, activities and results?
- Does our interest in corporate responsibility translate into action?

APPENDIX

APPENDIX 1:

Human rights	Labour standards	Environment	Anti-corruption	Local community
Discrimination Freedom of speech Freedom of religion Indigenous people Use of security forces	Minimum wage Freedom of association Freedom of negotiation Forced labour Child labour Decent working conditions Training Senior policy Diversity Sick leave Health and security in the workplace Drugs	Environmentally friendly raw-material, production processes and products Environmentally friendly technology Life-cycle analysis Resource efficiency Energy efficiency Climate change Emissions (water and air) Waste management Recycling Biological diversity Ecosystems	Corruption Bribery Gifts Representation Expense coverage Facilitation payments Conflict of interest	Internships / trainees Local business linkages Local sourcing Contributions to charity Contributions to civil society organizations

Below are examples of a stakeholder analysis, a self-assessment and an action plan which can be used for developing your company's corporate responsibility activities. Empty forms as well as other tools and resources can be downloaded from www.nho.no/samfunnsansvar

APPENDIX 2: EXAMPLE OF STAKEHOLDER ANALYSIS (SELECT STAKEHOLDERS)

Stakeholder	Stakeholder needs	Company needs	Risk	How to engage?	What can be achieved?
Customer	Be convinced that the product is produced in a sustainable way	Retain the customer	Increased costs	Clarify customer needs for information and deliver this	Increased revenue, information available for other customers
Human rights organization	No child labour in the supply-chain	Reduce risk for negative publicity and bad reputation	High demands that cannot be satisfied	Dialogue with stakeholder to understand the situation. Knowledge of the country where the supplier is based and activities to prevent child labour	Reduced risk for negative publicity
Neighbour	Less noise	Low costs, good relations	Higher costs	Listen to neighbours, measure and conduct assessments	Simple actions, positive neighbours
Local community organizations and clubs	Funding	Good reputation in the local community	Future expectations	Dialogue about expectations	Good reputation locally

APPENDIX 3: EXAMPLE OF A SELF-ASSESSMENT OF CORPORATE RESPONSIBILITY STATUS

Areas / statements:	Points:	Not correct	Partly correct	Correct
General: Ethical guidelines are well incorporated in the company	0	0	1	2
Human rights: The company does not discriminate on the basis of gender, religion, sexuality and political opinion				2
Labour standards: The company operates with complete freedom of association and negotiation	0	0		
Environment: Waste is managed responsibly and recycled			1	
Anti-corruption: The company has a good system for detecting corruption			1	
Local community The company is active in the local community				2

Total score: 6

APPENDIX 4: SIMPLIFIED EXAMPLE OF PLAN OF ACTION

Objective	Actions	Deadline	Responsible
General: Reduce corporate responsibility risk in the supply-chain	Develop guidelines for suppliers, and conduct activities with select suppliers	1. dec.	Joe
Human rights: Prevent discrimination in the workplace	Raise awareness of employees around this issue. Issue strict guidelines.	1. aug.	Claire
Labour standards: Prevent child labour	Check what constitutes child labour in your industry sector. Map the situation, also in your supply-chain. Partner with other organizations to tackle the root causes of the problem.	1. oct.	Arnold
Environment: Reduce greenhouse gas emissions	Map sources of emissions, set emissions reduction targets and plan efforts to achieve these targets	1. dec.	Liz
Anti-corruption: Avoid engaging in corrupt practices	Establish rules for gifts, representation and other high risk areas. Collaborate with other companies in your sector to combat systemic corruption.	1. may	George
Local community: Promote sustainable local economic growth	Map potential local suppliers. Conduct training of local businesses to enhance capacity to become suppliers to the company.	1. nov.	Jones

Development of this guide

This guide has been developed by a working group established by the Ethics Council of NHO. NHOs council for smaller companies has also been involved in the process.

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