

# **Implementing the UN Global Compact**

A Booklet for Inspiration

## Advantages of signing up to the UN Global Compact

- ➔ **Competitive advantages of employing the Global Compact as a framework**

The company can gain advantages as a supplier to large companies who are increasingly requiring that social and environmental concerns are included in the entire value chain of their products. The Global Compact is the world's largest voluntary network for corporate citizenship. The number of participating companies grows by the day and the initiative is increasingly recognised in the business community and society at large, and so participation in the Global Compact sends a clear signal to customers of being a far-sighted company that is serious about corporate citizenship.
- ➔ **Making visible the company's initiatives and tackling new demands and expectations**

To strengthen and make the company's initiatives more visible can also be an advantage in relation to new demands from the local community, legislators, banks, lenders, investors, and insurance companies who are increasingly evaluating the company on the basis of its social commitment. Likewise, a good reputation has a positive impact on the company's ability to retain and attract new employees.
- ➔ **Ensuring a common understanding across cultures**

The Global Compact expresses a set of universal values based on international norms and conventions. Therefore, it provides a good common frame of reference and a value statement which the company can employ as a basis for co-operation with suppliers and other business partners, regardless of where in the world they are located and which cultural background they have.
- ➔ **Opportunity to learn from others and share the company's own experiences**

The Global Compact is a network for experience exchange with more than 2,000 companies that inspire and motivate one another in the continuous work with the Global Compact.
- ➔ **Working with the Global Compact in the company's own way**

The Global Compact is very flexible in practice and can be adapted to the situation and reality of the individual company. The company decides for itself in which way and how fast it will implement the Global Compact. It means that the company decides for itself what to prioritise, where to concentrate its efforts and which methods to employ.  
In fact, 40% of the participating companies are small or medium-sized.

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..... JUNE 2005 .....



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## Preface

With the present booklet on the UN Global Compact the Danish Ministry of Foreign Affairs and the UNDP Nordic Office wish to inspire companies to join the initiative.

The Global Compact encompasses ten principles on corporate citizenship based on internationally agreed conventions and treaties on human rights, labour standards, environmental protection and anti-corruption. A major advantage of the Global Compact is that it is universal and thereby provides a common frame of reference for companies in different countries. At the same time, the initiative is voluntary and flexible so that it may be adapted to the concrete needs and situation of the individual company.

In Denmark mainly large companies have joined the Global Compact. The initiative does however also cater for small and medium-sized enterprises. This booklet therefore aims at creating increased attention to the possibilities in the Global Compact among businesses of all sizes. At the same time the booklet will serve as a simple and practically oriented tool to support companies' implementation of the Global Compact.

The booklet should also be seen in relation to Danida's new business program on Public Private Partnerships. In this program Danish companies working in developing countries may seek guidance and financial support for, among other things, the implementation of the Global Compact principles.

The booklet has been developed in collaboration between the Danish Ministry of Foreign Affairs, the UNDP Nordic Office, KPMG in Denmark and Danish companies participating in the Global Compact. We acknowledge the contributions from the Danish companies who have delivered concrete examples of implementation. The company examples were developed by the companies themselves.

The examples clearly show that the Global Compact is integrated into the core values and daily operations of the companies. Consequently, the principles are not seen as an add-on to the companies but rather as a natural part of being a responsible company. The examples cover activities in both developed and developing countries. We believe that experiences from other countries can be used in the specific countries in which the company operates.

We hope that these practical examples can provide inspiration on how the company itself can approach the task of implementing the Global Compact.

*Copenhagen, June 2005*

**Danida**  
Ministry of Foreign Affairs  
of Denmark

**UNDP**  
Nordic Office

## Introduction

Implementation of the UN Global Compact can be approached in a number of different ways. This booklet presents some of the possibilities that exist. The booklet starts by introducing the UN Global Compact, what it is and what it means to sign up to the initiative.

Afterwards the ten principles are presented as a means to improve the company's understanding of these. The presentation is organised along the four main issues: Human rights, Labour standards, Environment, and Anti-corruption. After each main issue some concrete examples of implementation among Danish Global Compact participants are presented. Some of the examples cut across the four issues and they are therefore described after the presentation of the principles.

Companies may also work with corporate citizenship through other means of engagement in poor countries. The section 'Business Engagement in Developing Countries' describes how companies influence social development, and two more company examples are presented.

At the end of the booklet a few selected links and tools are described.



What is the

## UN Global Compact?

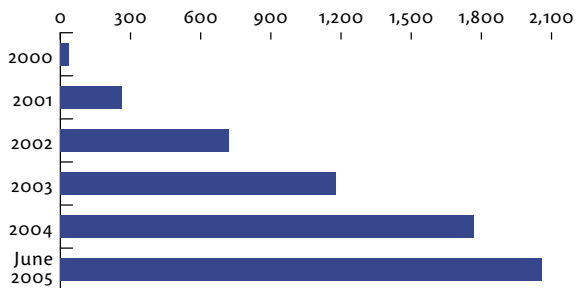
The Global Compact is an international initiative launched by the UN for the purpose of promoting corporate citizenship. The UN wants to involve private companies in tackling some of the major social and environmental challenges that arise from increasing globalisation. The Global Compact provides an opportunity for companies all over the world to actively participate in tackling these challenges. Companies can contribute through voluntary initiatives in their own organisation and their supply chains. They can also work together with the UN, public authorities or NGOs on activities to enhance sustainable development in the local community or internationally.

The idea of making a Global Compact was first presented in 1999 by the UN Secretary-General Kofi Annan in an address to top executives from the world's largest companies at the World Economic Forum in Davos, Switzerland. The background for Annan's address was among other things the international discussion on economic globalisation. Throughout the 1990s various groups from different parts of society had been reacting against increasing globalisation which they feared would produce negative social consequences. The resistance to globalisation, led to the creation of international activist movements and clashes in Seattle during the WTO negotiations in 1999. The private sector was criticised. The anti-globalisation movement wanted to curb the possibility of private companies to move freely in a global market, and thereby avoid globalisation of production at the expense of the environment, labour and human rights.

Against this background appeared the UN initiative. Voluntary corporate involvement was seen as the best option, and the idea of creating a global compact between the private sector and the UN emerged – a compact that was to be based on voluntary action and companies' own desire to participate in solving the unintended consequences of globalisation.

In July 2000 the Global Compact was officially launched at UN Headquarters in New York and the first companies signed up to the initiative. Today, five years later, more than 2,000 companies have joined the Global Compact. Most industries are represented and participants come from both North and South.

*Number of participants*



The core of the Global Compact is ten principles that are based on internationally agreed conventions and treaties on human rights, labour standards, environmental protection and anti-corruption. The Global Compact aims at making the ten principles an integral part of business strategy and operation. Any company with more than ten employees can sign up to the Global Compact and thereby express their support to the principles. (Read about signing up on page 7).



## The Ten Principles of the UN Global Compact

Companies are asked to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

### Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- 2: make sure that they are not complicit in human rights abuses.

### Labour Standards

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: uphold the elimination of all forms of forced and compulsory labour;
- 5: uphold 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 all forms of corruption, including extortion and bribery.

Major advantages of the Global Compact are, first, that it is universal – the principles are rooted in internationally agreed norms and conventions, and therefore provide a common frame of reference for companies in different countries, – and, secondly, that it is flexible – process and learning are central; what matters is not how a company complies with the principles at the moment, but rather that the company is committed to change and continuous improvement.

The initiative has been successful. The Global Compact has rapidly become the world's largest voluntary network for corporate citizenship. With over 2,000 participating companies globally – a number that grows by the day – the Global Compact is far more popular than other similar initiatives. In Denmark so far 18 companies and one major employers' association have signed up to the compact. The Danish participants meet regularly in various forums and also with other Nordic companies in the Global Compact Nordic Network, to exchange experiences and build knowledge on working with the Global Compact.

## Signing up

# to the Global Compact

Participation in the Global Compact is voluntary. When a company signs up, it makes a commitment to incorporate the values expressed in the ten principles into the company's own core values. The company consents to put the principles into practice by integrating them into its business operations. Furthermore, it makes a commitment to actively work to disseminate the Global Compact values to a broader group of stakeholders. More specifically, to participate in the Global Compact a company:

- Sends a letter from the Chief Executive Officer (and endorsed by the Board) to the UN Secretary-General expressing support for the Global Compact and its principles<sup>1</sup>;
- Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations;
- Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- Is expected to publish in its annual report or similar corporate report (e.g. sustainability report) a description of the ways in which it is supporting the Global Compact and its ten principles.

This forms the basis for a company's participation in the initiative. It means that, in addition to formally signing up and telling stakeholders that the company supports the Global Compact, it must begin to implement the principles. The company should translate the principles into action by initiating real change in its operations. Hence, it is crucial that the company does not only say it supports the principles but also starts addressing the problems to which the principles refer.

*More information on the Global Compact can be found at [www.unglobalcompact.org](http://www.unglobalcompact.org) or via the links and tools listed at the end of this booklet.*

### The Global Compact IS ...

- ✓ A voluntary initiative to promote sustainable development and good corporate citizenship
- ✓ A set of values based on universally accepted principles
- ✓ A network of companies and other stakeholders

### The Global Compact is NOT ...

- ✗ Mandatory
- ✗ A method for monitoring company behaviour
- ✗ A standard, management system or code of conduct
- ✗ A regulatory instrument
- ✗ Pure PR or pure philanthropy

<sup>1</sup> See [www.unglobalcompact.org](http://www.unglobalcompact.org) → "How can we participate" for practical information on signing up, including a template for the letter to the UN Secretary-General ( → "Sample Letter").

## The Ten Principles and the Company Examples

Many companies may find it complicated to put the principles into practice. In the remainder of this booklet, we go through each of the principles and explain these a little further. The presentation is organised along the four main issues: Human rights, Labour standards, Environment, and Anti-corruption. The purpose is to provide a better understanding of the Global Compact principles and what they mean in practice.

Understanding the principles is one thing, implementing them is another, and there are many different ways of approaching this. Global Compact is neither a clearly defined management system nor a standard. Rather, it is a set of values that the individual company must translate into action – a task that can be approached like any other implementation or management task.

A company that is about to start the process of implementation may find it useful to look at what other companies do. Therefore, after having explained the principles we will present a number of concrete examples of implementation among Danish Global Compact participants. The examples will make it clear that company approaches are very different. It highlights the flexibility of the Global Compact and the fact that there is considerable scope for adapting the initiative to the specific needs and situation of the individual participant. This should be borne in mind when reading the examples, as these are affected by the fact that the current Danish participants are mainly large companies.

Hopefully, most companies will find the examples inspiring even if they are not among the largest companies. Every company started somewhere, and in relation to the Global Compact it is important to remember that not everything can or must be

done at the same time. Implementation is a process and the company chooses the speed and scope of this process itself. For some it can be an advantage to focus on a few of the Global Compact principles for a start. By concentrating one's efforts to a few selected issues or areas, it is possible to build up experience that can be employed in other areas later on. Thus, stepwise implementation of the Global Compact can be an advantage. Hartmann's STEP Model is an example of stepwise implementation (see page 29). The company first developed this model for environment, and later it decided to extend the model to other areas of the company's sustainability work.

Another aspect should be kept in mind when reading the company examples. Maybe, a small company cannot immediately identify with the examples. On the other hand, many companies may recognise some of their customers or business partners among the large companies. As large companies are increasingly extending social and environmental demands to their supply chains, small and medium-sized companies will also be met with growing demands and expectations regarding corporate citizenship. The Global Compact is the most popular international initiative for corporate citizenship and highly recognised in the business community. Therefore, the initiative is a recommendable framework for the company's work to respond to new demands and expectations or to prepare for these.

Many companies are already working with corporate citizenship in practice – even if they often do not call it ‘corporate citizenship’. Thus, for many companies an important task will be to systematise existing efforts and render visible the initiatives that are already being undertaken. Regardless of company size, the Global Compact can contribute to this task.

In addition to working specifically with the principles, companies may also work with corporate citizenship through other means of engagement in poor countries. The section ‘Business Engagement in Developing Countries’ describes how companies influence social development, and two more company examples are presented.

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### Six Points on the Global Compact

- ➔ What matters in the Global Compact is not how a company complies with the principles at the moment, but rather that the company is fully committed to continuous improvement.
- ➔ The Global Compact is universal in principle, but flexible and open to individual adaptation in practice – you decide on the scope and speed of implementation yourself.
- ➔ Prioritising is crucial – not everything is equally important in the beginning. Make a risk assessment.
- ➔ Consider the business effect of each initiative – the Global Compact is much more than philanthropy, and business motives often go hand in hand with social engagement.
- ➔ Most companies already carry out Global Compact related activities of some form. Render visible and strengthen the existing initiatives.
- ➔ Be creative and look out for win-win situations – both company and society should benefit.

## Principles 1 and 2:

# Human Rights

### Businesses should

- **Principle 1:** support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

The UN Universal Declaration of Human Rights was signed by member states in 1948. It expresses some basic rights that all people in the world should have. On the basis of the Declaration a number of international agreements have been made that most countries in the world have joined. This includes for instance the conventions on economic, social and cultural rights or on discrimination.

### Supporting and respecting the protection of internationally proclaimed human rights

Companies must refrain from actions that involve a direct violation of human rights or that may indirectly encourage or cause such violations. This means that companies must ensure that they do not in any way contribute to human rights breaches in countries where they operate. At the same time they should consider how they can contribute to promoting human rights.

Some of the human rights that are particularly relevant in this connection include: The right to be free from discrimination; the right to life, liberty and security of person; the right to not be held in slavery or be subjected to inhuman or degrading treatment; the right to rest and leisure; the right to education; and the right to an adequate standard of living.

In fact, many companies already support and respect the internationally proclaimed human rights – though often without using the word ‘human rights’. For example, this is the case when a company complies with national laws that were adopted because the country in question has signed international agreements on human rights. Thus, complying with local legislation, such as observing national provisions on workers’ safety or working hours, may be part of the implementation of the first two principles.

Various voluntary initiatives also contribute to the promotion and support of human rights. For exam-

ple, if a company provides access to basic health assistance, education or accommodation for employees and their families; or if a company actively involves local stakeholders in decisions concerning activities that are of special importance to the community.

### Avoiding complicity in human rights abuses

Companies may risk being complicit in human rights violations within various different areas. The company must actively avoid all kinds of direct and indirect complicity.

**Direct complicity:** The company deliberately supports local authorities or partners in violating human rights. For instance, by taking part in the forced displacement of local people in circumstances related to the company’s activities and projects.

**Beneficial complicity:** The company is not directly involved but rather benefits from human rights breaches committed by others. This may include breaches committed by suppliers who violate the employees’ right to rest and leisure as a means to ensure very low production costs and prices. Other examples include violations committed by armed forces such as the suppression of peaceful protests against company activities, or the use of repressive measures by security services protecting the company’s activities and facilities.

**Silent complicity:** The company fails to raise questions of systematic or continuous human rights violations in its interactions with the appropriate authorities, such as violations that relate to employees – for example, if the company passively accepts employment legislation that discriminates against people on the grounds of gender or ethnicity.

A company that wants to determine whether it is complicit in human rights violations may ask this: What would be the effect on violations if our company or other similar companies did *not* participate in the activity in question or did *not* work with the partner in question?

### Putting the Principles into Practice

As a starting point the company should demand that subsidiaries and suppliers observe national legislation in the countries where they operate. Furthermore, the company may draw up supplier guidelines with specific requirements on human rights compliance and perhaps incorporate such guidelines into supplier contracts.

The company can also seek information on the human rights situation and the risk of human rights abuses existing in the countries where it operates. Such risk assessments may sharpen the attention towards operations and suppliers in countries with a particular risk.

Through workshops and in the regular communication with employees and local management the company can seek to enhance the general under

standing of how and why human rights is an important issue for the company and its employees.

If the company operates in an area where employees do not have access to health care, education or accommodation, the company may provide this.

The Danish Institute for Human Rights, the Confederation of Danish Industries and Amnesty International have developed various tools that may be of use when working with the human rights principles.

Below here, we present the first of the company examples included in this booklet. The examples are mainly from large companies. Nevertheless, they may give some inspiration for implementation in smaller companies too. Indeed, the flexibility of the Global Compact makes it possible that each individual company chooses its own approach to implementation.

*In the first example Novo Nordisk describes how the company promotes equal opportunities and diversity through a global strategy that is adapted to local conditions.*



## Equal Opportunities and Diversity

### Company

Novo Nordisk is a healthcare company with headquarters in Denmark. The company is a world leader in diabetes care. Novo Nordisk has also a leading position within haemostasis management, growth hormone therapy and hormone replacement therapy. Novo Nordisk employs approximately 20,700 employees in 69 countries, and markets its products in 179 countries. Novo Nordisk has been a signatory of the Global Compact since 2001. See [novonordisk.com/sustainability](http://novonordisk.com/sustainability)

### Activities

In 1999 Novo Nordisk undertook a human rights review of the company's activities. As a result it was decided that discrimination should be a focus area in the company's work on social responsibility. In 2002 a project was launched to systematically ensure equal opportunities and promote diversity in the company worldwide. The strategy has three steps. The first step is to ensure that managers and employees know and respect national and international standards for the prevention of discrimination. The second step is to work actively to identify and remove informal barriers that may hinder certain groups of people from making use of the opportunities Novo Nordisk provides. The third step is to ensure that the increased diversity – the aim of the initiative – can be turned into a business advantage over time.



The initiatives on equal opportunities and diversity cover the company's activities worldwide including a number of developing countries. However, while the strategy is global, implementation is local. With subsidiaries in 69 countries it is a big challenge to ensure that every individual employee, despite language and cultural differences, is convinced that everyone has equal opportunities. Therefore, Novo Nordisk employs an approach where central and local initiatives complement each other, so that all efforts are adapted to local conditions in the country. Each business area in the company has developed its own action plan based on the composition of employees and an assessment of the barriers that may exist for certain groups of employees. Each year, action plans are evaluated and targets are set.

The basis for the company's approach is that equal opportunities must be promoted throughout the employee's cycle of employment. Efforts are therefore made to identify and remove barriers to recruitment, conditions at work, remuneration, development and promotion and termination of employment. The rationale behind this approach is that it is not sufficient to prevent discrimination in recruitment. It must be ensured that equal opportunities are a reality during the entire employment.

There are many good examples of how Novo Nordisk's strategy for equal opportunities and diversity bears fruit:

**South Africa:** While salespersons in the pharmaceutical industry have typically been white South Africans, Novo Nordisk has over the last two years built up a very diverse sales group. More than half of the salespersons are now coloured people, and a consistent policy has been introduced to exclude doctors that do not want to be visited by coloured salespersons.

**USA:** Novo Nordisk has in recent years developed a program to reach more of the Latin American population in the US, which has rapidly become an important market segment. This part of the population is highly exposed to diabetes due to their lifestyle and eating habits. Some of the initiatives have been to provide product information in Spanish, communication and marketing that reflects diversity, partnerships with Spanish-speaking media and medical associations as well as scholarships to medical education.

**India:** Internationally, Novo Nordisk works with equal opportunities in a way that is sensitive to the local society and culture while still working towards the goal of equal opportunities and diversity. In India where there are one billion people speaking many languages and dialects and belonging to all the major religions, the challenge is to ensure that no discrimination occurs based on language, caste, religion, region or gender. All managers are clearly informed of this policy. Another goal is to increase the number of female employees through a progressive culture and a supportive environment.

### **Benefits for the Company**

Promoting equal opportunities and diversity benefits the company in three ways. **Internationalisation:** Stronger diversity will strengthen the company's ability to work across cultures and reach more customers with better products. Increased diversity will contribute to a better understanding of the societies in which Novo Nordisk works and contribute to a continued expansion to new markets. **Innovation:** The promotion of equal opportunities and diversity will improve the company's ability to attract and retain the best employees from an expanded base for recruitment. Novo Nordisk believes that an environment which brings together people with different backgrounds and perspectives can stimulate the development of new solutions. **Social responsibility:** For a long time Novo Nordisk has focused on sustainability and corporate social responsibility, and the company wishes to live up to its values and reputation.

[www.novonordisk.com](http://www.novonordisk.com)

Principles 3, 4, 5 and 6:

## Labour Standards

### Businesses should

- **Principle 3:** uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** uphold the elimination of all forms of forced and compulsory labour;
- **Principle 5:** uphold the effective abolition of child labour; and
- **Principle 6:** eliminate discrimination in respect of employment and occupation.

The four labour standard principles are based on the ILO Declaration on Fundamental Principles and Rights at Work that was adopted in 1998 by governments, business and labour organisations from 177 countries. The Declaration obliges all involved parties to support, protect and implement the ILO conventions. These conventions define a number of basic rights that should be for all workers such as the right to equal opportunity and equal treatment in employment and occupation, the right to a safe and healthy work environment, the right to collective bargaining and freedom of association, and the prohibition of forced labour and certain forms of child labour.

### Freedom of Association and the Right to Collective Bargaining

The company should facilitate constructive dialogue between employers and employees. Freedom of association means that employees have the right to join associations of their own choice or not to join. Employers should not interfere in an employee's decision to associate, or discriminate against a representative of the employee. Moreover, employees' right to collective bargaining must be respected.

### Forced Labour and Child Labour

Companies should avoid being involved in any form of forced labour, i.e. any work that is extracted from a person under the menace of penalty, and for which that person has not offered himself/ herself voluntarily. Only few companies will be directly involved in forced labour. Yet, there is a risk of getting involved in forced labour indirectly through suppliers, sub-contractors or partners working abroad. Forced labour occurs in many countries, and companies should be aware of the particular risks existing in different countries and industries.

As regards child labour, the ILO conventions set some minimum ages for different types of employment. Generally, children should not be working before they have reached the age for completing compulsory schooling. However, in certain developing countries where educational facilities are less well-developed lower ages can be permitted. This requires that the country in question has ratified the convention with special reference to this particular rule. In any case, though, children below 18 years of age should never perform hazardous work, i.e. work that can be harmful to their health or development.

*Minimum working ages according to ILO conventions:*

	Developed countries	Developing countries <sup>2</sup>
Light work	13 years	12 years
Normal work	15 years	14 years
Hazardous work	18 years	18 years

Child labour is a complex issue and therefore companies should proceed with caution when addressing problems of child labour in order to avoid pushing the children into even worse forms of employment. Companies that identify incidents of child labour are therefore encouraged to offer viable alternatives such as enrolling the children in schools or providing income-generating alternatives for their parents. Nevertheless, the goal should be the effective elimination of child labour within the company's sphere of influence – which also includes suppliers and other partners. Companies may consult international or local organisations that are active in the fight against child labour to learn about how to tackle the issue.

<sup>2</sup> This **only** applies to developing countries that have ratified the convention with special reference to this particular rule.



### Discrimination

Discrimination may occur in relation to a person's access to employment as well as how a person is treated once being employed. Discrimination is differential treatment of people on the grounds of their race, gender, sexual, religious or political conviction, ethnic or social background. Complying with the sixth principle means fighting all such forms of discrimination, both in company policies, company practice and at company partners.

### Putting the Principles into Practice

At the strategic level the company can start by revising its current policies and strategies to make sure that they reflect a commitment to the four labour standard principles. As part of this, the company can make an assessment of its current employment practices and practices in relation to ensuring a safe work environment.

The company can also develop supplier guidelines requiring suppliers to observe the ILO labour conventions. Such guidelines may refer to the Global Compact or the conventions but they may also be formulated in more concrete terms including a description of individual labour standards. The company can incorporate these guidelines into supplier contracts. Another possibility is to initiate a dialogue with suppliers on the importance of avoiding discriminatory practice, eliminating child labour, creating a healthy work environment etc., and how this can be done.

The Danish Institute for Human Rights, the Confederation of Danish Industries and Amnesty International have developed various tools that may be of use in the company's work on the labour standard principles.

*In this example the LEGO Group describes how the company works to ensure that the company's suppliers comply with the principles on labour standards and human rights.*



## Co-operating with Suppliers and Auditing

### Company

The LEGO Group is a privately owned company with headquarters in Billund, Denmark. The company was founded in 1932 and with 7,400 employees it is today one of the largest toy manufacturers in the world. The LEGO Group is committed to the development of children's creativity and imagination. LEGO products are sold in over 130 countries.

### Activity

As the first toy manufacturer in world, the LEGO Group signed up to the Global Compact in 2003 as a natural development of the company's work of many years on social responsibility. Since 1997, the LEGO

Group has had a Code of Conduct that requires suppliers to observe – as a minimum – the ILO conventions on labour rights, the OECD guidelines, the Universal Declaration of Human Rights and local legislation. The main reason for having a Code of Conduct is that we want all products from the LEGO Group to be produced under decent working conditions, and that we do not want to compromise either product quality or working conditions.

When preparing the Code of Conduct in 1997 the LEGO Group put considerable effort into defining the core of the company's business ethics. This was done on the assumption that it is not enough just to have a Code of Conduct; what is crucial is the attitude and the will to carry it into effect.

Therefore, the company had to decide which demands to include in the LEGO Group Code of Conduct, and at the same time accept that the contents of the Code of Conduct would be an ideal that would be hard for many suppliers to live up to. We work actively with our suppliers. The idea is that through cooperation and exchange of knowledge we will reach the common goal: That all our suppliers are at an acceptable level and that the level improves continuously. The goal is not to exclude suppliers but rather to develop together with them. We do, however, have possible sanctions if improvements do not happen as agreed.

The LEGO Group has chosen to employ independent auditors to carry out inspections at suppliers of LEGO products, the main reason being that it is local, experienced auditors who are familiar with local legislation, language and culture. Moreover, the audits are neutral and objective.

Since 1997 the LEGO Group has come a long way in improving the workers' rights at supplier factories in countries like China. From the beginning the LEGO Group was well-aware that we were only a small player for many Chinese suppliers. For some suppliers we only counted for 2% of the turnover, and therefore we expected to have minor influence. Yet, we were positively surprised; our brand is so strong that we are attractive for suppliers because our presence attracts other toy manufacturers.

In spite of having met much cooperativeness, we have entered the process with open eyes, and we have decided to carry out external audits of all suppliers outside of Northern Europe and the US on a biannual basis. Furthermore, we are present at the individual supplier factory on a daily basis. Our own quality inspectors have been trained to follow up on audit reports, and purchasers have been asked to include working conditions in their evaluation before signing supplier contracts.

Most recently the LEGO Group has entered into an industry solution within the toy industry to reduce the large number of audits of Chinese suppliers. From 2006 the LEGO Group has committed itself to employing only ICTI-approved (International Council of Toy Industries) suppliers in China. The individual supplier must pay for an audit by an ICTI-accredited auditor and in return receives a certificate of the approval. The toy manufacturers do, however, have the right to demand to see the audit report and they also have the right to carry out additional audits.

The LEGO Group Code of Conduct deals with: Child labour, compensation and working hours, discrimination, coercion and harassment, health and safety, freedom of association, environment and sub-suppliers. Moreover, the company has, together with Save the Children, developed an appendix showing the LEGO Group's stance on child labour.

[www.lego.com](http://www.lego.com)

*In this example ISS describes how the company employs disabled employees on an equal footing with other colleagues, and in this way works actively to eliminate discrimination.*



## **Integrating Disabled People**

### **Company**

ISS is one of the world's largest Facility Services providers with leading market positions in Europe, Asia and Latin America. Facility Services are a customised, integrated service solution based on the key areas of Cleaning, Catering, Property Services and Office Support. ISS employs 270,000 people and services more than 125,000 customers in 42 countries. ISS is listed on the Copenhagen Stock Exchange.

### **Activities**

In cooperation with local authorities, ISS Spain employs about 580 disabled employees as regular staff in the Spanish subsidiary Gelim of ISS A/S and in ISS Facility Services. The disabled employees work alongside their ISS colleagues at customer sites. They are treated and remunerated just like any other employee. Since it was founded in 1977 Gelim has employed staff with disabilities, such as deafness, physical imperfections and – to a smaller extent – mental handicaps, on a large scale. In 1999 ISS acquired Gelim, and owing to positive experiences the number of disabled employees has been growing steadily since. All new recruits go through basic training and are then assigned to regular jobs at customer sites. Before the assignment, ISS agrees with the customer that disabled staff will be employed at the site. Customers must be open-minded and supportive for it to work out.

Disabled staff members take equal part in duties, training, meetings and social activities. They are offered additional support and mentoring in line with their individual needs. ISS employs a psychologist and a service expert full-time to step in whenever assistance is needed. ISS also provides legal and health assistance and runs a course in sign language for managers and other employees to improve communication with deaf and dumb colleagues.

Likewise, ISS has been successful in employing disabled people in places such as Hong Kong, Portugal and Austria. There, the employment has also been based on a well-functioning collaboration with external partners such as public authorities and private initiatives.

### **Benefits for the Company**

The disabled employees get a rare opportunity to perform a regular job on an equal footing with other colleagues. They feel in control of their own lives, and the wages they receive exceed the alternative social benefits. By and large, ISS boasts a satisfied and loyal staff of disabled employees. ISS employees welcome the growing number of disabled colleagues. ISS workers are already diverse and the respect for individual differences is embedded in the corporate culture. The fact that many managers and employees have chosen to attend voluntary courses in sign language shows the openness towards disabled people. Most customers agree to have disabled people providing services at their offices or sites. In some cases the ISS commitment has even strengthened customer relations. The additional costs for ISS of employing disabled personnel arising from individual counselling, training, lower productivity etc., are for two-thirds of the employees covered by government wage subsidies. Add to this the increase in employee and customer satisfaction, and it is clear that employing disabled staff is a win-win situation for all parties involved.

[www.issworld.com](http://www.issworld.com)

Principles 7, 8 and 9:

## Environment

### Businesses should

- **Principle 7:** support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Among the four main issues in the Global Compact, environment has been on the business agenda for the longest time. The three environmental principles are based on the declaration and international plan of action – also known as Agenda 21 – that was adopted at the Rio Conference on Environment and Development in 1992. Agenda 21 stressed that companies have an important role to play in relation to environmental protection. The principles are also based on the seminal report, Our Common Future, from the Brundtland Commission in 1987. The report emphasised that it requires extraordinary efforts and changes in the behaviour of people and business to avoid large-scale environmental damage.

### A Precautionary Approach

The Rio Declaration maintains that sustainable development requires a precautionary approach to environmental protection. A precautionary approach is to employ preventive measures when embarking on activities that may cause a negative environmental impact, even if there is no scientific proof of such impact.

For companies a precautionary approach entails a focus on preventing environmental damage rather than rectifying the damage afterwards. To put up preventive measures you need a clear picture of the risks that are incurred as a result of the company's products and processes. In practice it may involve systematic risk assessments.

### Environmental Responsibility

Companies are encouraged to incorporate environmental considerations into their policies, decisions and actions. This calls for a proactive approach to environmental work in which companies try to keep abreast of developments by seeking out opportunities rather than reacting to problems as they occur.

### Development and Diffusion of Environmentally Friendly Technologies

Here, the word 'technology' should be understood very broadly as it includes know-how, procedures, physical equipment, goods and services as well as organisational and management processes. Environmentally friendly technologies protect the envi-



ronment, pollute less, employ resources in a more efficient and sustainable manner, and recycle more of the products and waste produced than the technologies they substitute. Thus, the purpose is to increase the development and use of products and processes that put less strain on the environment. Often, the adoption of environmentally friendly technologies leads to resource savings and thereby direct economic advantage for many companies.

### Putting the Principles into Practice

The possible initiatives that individual companies can undertake to promote greater environmental responsibility will depend very much on size, industry, products and other company specific conditions. There are many different ways of approaching the environmental task. For example, a company can build up an environmental management system, work towards environmental certification of products and processes, carry out environmental reporting or initiate various environmental activities in relation to suppliers and partners.

Development and diffusion of environmentally friendly technologies can take place at various levels. At the operational level it can happen through concrete changes or adjustments in production processes, changes in types of materials, changes in product composition or design, or changes in waste handling and recycling. At the strategic level it can involve increased use of life-cycle assessment for product development, inclusion of environmental considerations in purchasing, closer strategic cooperation with suppliers on the development of environmentally friendly products and processes and enhanced communication with suppliers and clients on the advantages of environmental improvements.

As environmental protection has been on the agenda for some time now, there are already many tools that companies may employ in the practical work on the environmental principles. Among others UNEP has developed a number of management and training tools.

*In this example Coloplast describes how the company works with environment and OH&S by using uniform global standards and by employing a precautionary approach to environmental challenges.*



## Global Standards for Environment

### Company

The Coloplast Group develops, markets and sells healthcare products and services within these business areas: Ostomy care, continence care, wound care, breast care and skin health. Our customers are care providers and healthcare advisors, dealers and product users. We are more than 6,000 employees in 30 countries all over the world and our headquarters is situated in Humlebæk, Denmark.

### Activities

In 1997 we were certified according to the international environmental management standard ISO 14001 and in 2002 we signed up to the Global Compact. We regard the environmental certification as an important contribution to the fulfilment of our environmental commitments in the Global Compact. Our environmental management system provides a good and structured framework, which ensures that we concentrate our effort on areas where it will make the largest improvements. Therefore, we have also decided that all factories must observe the same standards no matter where they are located. It means that all Coloplast factories in Denmark, China, Hungary, Germany, USA and Costa Rica operate according to the same high standards regarding the environment and occupational health and safety (OH&S). Like the Danish sites, our factory in China has been environmentally certified, and in the other countries where we operate envi-

ronmental certification is expected to be obtained within a couple of years. Furthermore, in Denmark we have obtained certification of the OH&S, and we are currently working on a similar certification in all our factories. This is to be completed over the coming years.

In Coloplast, the impact on the external environment and OH&S are two sides of the same coin. Therefore, the work on environmental and health and safety issues is carried out by a joint environment and health and safety organisation. Each facility has its own environment and health and safety manager who is responsible for developing and running the environment and health and safety work locally. In Denmark the organisation includes approximately 150 employees who are organised in approximately 50 environmental and health and safety groups and ten environmental and health and safety committees. In other countries similar organisations are being established. The central department for quality and the environment services the entire Coloplast Group and is responsible for the strategic development of environmental and health and safety work.

Forward-looking environmental work is organised through annually updated environmental objectives and goals for all relevant functions. For example, this may include optimisation of production processes that lead to less waste and use of energy. Or it may be objectives for the indirect environmental impact in collaboration with suppliers as well as product development in a life-cycle perspective.

A concrete example is that in order to address the precautionary principle we have decided to offer products that do not contain DEHP and to completely remove the substance from all new products. DEHP is a plasticizer that is suspected of causing reproductive problems in humans if they are exposed to large amounts. According to assessments from the EU and the American FDA, however, there is no risk involved in using DEHP in the type of health care products that Coloplast manufactures. In spite of this, we have chosen to phase out the use of DEHP.

### **Benefits for the Company**

In terms of strategy, the described initiatives are connected to our mission and values. Our business is developing products and services that improve the quality of life for people with special needs. Therefore, we find it important that our operations are running in a responsible way, and this is why the environment was put on the agenda at Coloplast very early on. We want to create value for all our stakeholders by being an interesting company creating high quality products that are based on the needs of users and within a defined environmental and social framework.

Our general environmental work has proved to make good business sense. We have managed to get control of a number of resources, reduced our amount of waste, and in certain markets our sales have even increased because we were to provide descriptions of contents including environmental information. It gave us a marketing advantage in relation to those customers who consider quality, price and environmental aspects when assessing potential suppliers. In terms of economy, process optimisations have led to savings of many millions of Danish kroner mainly due to a reduced use of materials because of lower levels of waste.

Our environmental work reflects the values for which Coloplast wants to be known and thereby enhances Coloplast's reputation as a responsible company. At the same time, we keep abreast of developments. In a number of markets users and professional customers meet us with enquiries about our products. One way to minimise risk is by reducing our dependence on substances that may become subject to limitations by the authorities or customer expectations in the future. Furthermore, our environmental work affects our reputation but it is difficult to determine the economic value of this – yet, we do not doubt that it contributes positively to our business.

[www.coloplast.com](http://www.coloplast.com)

*In this example Pressalit describes how the company cooperates with a Lithuanian supplier on improvements related to the environment and work environment, and how it supports the development of the Lithuanian company.*



pressalit group

## Strategic Supplier Co-operation

### Company

The Pressalit Group manufactures toilet seats and other bathroom products in plastics and wood. The company, which has approximately 470 employees, has its headquarters in Ry, Denmark. Pressalit is known for its considerable social commitment, especially in the local community, and the company joined the Global Compact in 2002.

### Activities

At the end of the nineties, Pressalit began looking for an alternative supplier of wooden toilet seats due to major quality problems and perpetual price rises from its existing domestic supplier. The search for a new supplier was concentrated in the Baltic states, mainly Estonia and Lithuania, as these two countries have many small timber industries. We visited several of these companies and finally selected Kagi in Lithuania. At that time, Kagi – with a staff of approximately 15 and housed in rented premises (an old poultry farm) – produced birch and pine furniture for the domestic market. Although considerably below Danish standards, Kagi's operations, with respect to safety and working environment, were in accordance with Lithuanian legislation. This was one of Pressalit's conditions for awarding a supply contract.

Over time, we have helped Kagi to raise both the standard and scale of their operations, and at the same time securing for ourselves a supply of high-quality, reasonably priced products.

Some of the changes that Pressalit has helped to bring about include:

Due to requirements from Pressalit, Kagi has changed to an E1-approved lacquer, that is a lacquer that does not evaporate formaldehyde vapours which might induce allergies and cancer.

Pressalit has helped Kagi in finding Danish suppliers of second-hand cutting and polishing machines for the upgrading and scaling up of the company's production.

Initially, all correspondence between Kagi and Pressalit was conducted through an adviser due to the Kagi management's limited knowledge of English. Over time, it has become possible to communicate directly with Kagi in English. Today, all communication is conducted in English without problems.

In 2001, Kagi and Pressalit cooperated on a proposal for Kagi's future investment in the factory and employees. Kagi bought the premises they had rented since establishing the company in 1991. To maintain the sup-

plies of wooden seats, it was necessary to invest in new cutting tools. To avoid jeopardising Kagi's financial situation, the tools were purchased for Pressalit's account.

In 2002, Kagi established new changing and canteen facilities for employees. Windows were also installed between the production hall and the lacquer room to improve the working conditions in the production.

In 2004, Kagi built a new 1,200 m<sup>2</sup> production hall to be used for storing raw materials, assembly and packaging. From late 2005 the hall will also contain a new lacquer room with a complete exhaust system.

Since mid-2004, Kagi has assembled and packed 80% of Pressalit's deliveries in a very satisfactory quality. Therefore, deliveries have been extended so that Kagi not only supplies toilet seats to Pressalit but also other kinds of bathroom products for SaniScan – a division of the Pressalit Group.

### **Benefits for the Company**

Since the cooperation with Pressalit started, Kagi has grown from 15 to approximately 55 employees and the company has begun exporting part of its output to England. This development is a result of the improved quality at, and from, the company in general. It was brought about – or at least accelerated – by the cooperation with Pressalit and the high standards that Pressalit demanded from Kagi.

[www.pressalitgroup.com](http://www.pressalitgroup.com)

Principle 10:

## Anti-Corruption

### Businesses should

→ **Principle 10:** work against corruption in all its forms, including extortion and bribery.

This principle is based on the UN Convention against Corruption from 2003. The Convention is one of the first internationally agreed instruments to fight corruption. In most countries bribery is already illegal within national borders, but as stressed by the Convention there is a tremendous need to address the problems of corruption across national borders.

Corruption is the mixing together of private and professional interest. This means that corruption takes place when someone for the sake of personal gain abuses the power or trust that he/she has been granted through his/her job. Corruption is a problem all over the world although much more endemic in some countries than in others. It also varies a lot across industries.

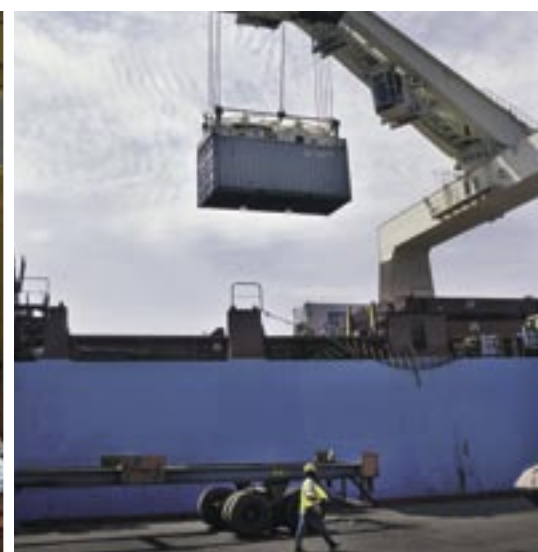
Corruption is problematic for the **economy** – the market does not work properly if contracts are granted on the basis of personal interest rather than price and quality; for **democracy** – if you have

to bribe public officers to have them do their job, poor people have less access to public services; and for **the rule of law** – it undermines the legal system if bribery can be used as a means to avoid prosecution for a criminal defence.

According to Danish law, it is illegal for companies to bribe public officials abroad. It requires that bribery is also illegal in the country in question – which is also usually the case. To some extent company agents and others acting on behalf of the company are also covered by this rule.

### Forms of Corruption

There are various types of corruption. **Bribery** includes payments (e.g. 'kickbacks') and gifts (e.g. 'gratuities') that are given, received or promised in a corrupt relation. **Embezzlement** is when a person abuses the money that he/she is in charge of administering. **Extortion** means enriching oneself by means of coercion, violence or threats. A particular type of extortion that is common in certain coun-



tries is 'facilitation payments'. It means that a company is charged an extra 'administrative fee' to get access to services to which the company is already entitled – for example this often happens at border crossings. **Favouritism** and **nepotism** is when public officials give preferential treatment to friends or relatives in the distribution of public resources.

### Working against Corruption

Companies should avoid being involved in bribery, extortion and other forms of corruption. At the same time they should also actively work against corruption through their policies and actions. This can be done in a number of different ways and the strategy chosen by a given company will depend on company size, location and industry.

Some companies choose to withdraw from particularly corrupt markets where bribery may be the norm rather the exception. It can be extremely costly to operate in such markets while trying to stay clear of bribery. The consequence of such an approach, however, can be the losing of important markets.

Another option is to develop some clear rules for how to handle corruption in the company. An anti-bribery company code may guide employees in how to react when meeting demands for bribes. The code can make it clear to employees what kind of behaviour is accepted in specific situations and markets. A clear policy on this issue may also prove preventive by sending a signal to business partners and clients, and thereby reducing the risk of being met with demands for bribes in the first place. It may have a similar effect if the company in its policies and dialogue with partners, clients and suppliers refers to the fact that bribery is a criminal offence according to Danish law.

Both Transparency International and the Confederation of Danish Industries have developed useful tools that companies may employ for developing their own anti-bribery systems and handling corruption in general.

*In this example Novozymes describes how the company fights various forms of corruption by means of a set of integrity principles.*



## Anti-Corruption

### Company

Novozymes is the biotech-based world leader in enzymes and micro organisms. In 2004 we had 4,000 employees in more than 30 countries, a turnover of DKK 6 billion, a net profit of DKK 800 million and an operating profit margin of 18 per cent. In the same period, Novozymes' eco-productivity index was 116 for water and 113 for energy, while our frequency of occupational accidents was 7.1 and the one of occupational diseases was 1.1.

### Activities

As an international company with operations in many countries, Novozymes wants to demonstrate that it is possible to develop a healthy, global business based on the values of responsibility, accountability, openness



and honesty. Because of that and the introduction of a tenth principle to the UN Global Compact, we have taken new initiatives related to business integrity.

Accordingly, Novozymes' values have been clarified in the form of six integrity principles that have been integrated into our global quality management system. These principles constitute a combination of fixed, global principles and framework principles for local interpretation. For example, the principles specify that Novozymes under no circumstances offers or accepts bribes. At the opposite end of the scale is the exchange of small symbolic gifts at business visits. Since cultural traditions vary a lot we have fixed limits for the size of gifts locally.

- **Bribery:** Novozymes neither accepts nor offers bribes in any form.
- **'Facilitation payments':** Novozymes strives to avoid such payments.
- **Money laundering:** Novozymes does not contribute to money laundering. All economic transactions must be documented.
- **Protection money:** Novozymes does not pay protection money.
- **Gifts:** The value of gifts given and received must not exceed locally defined triviality limits.
- **Political and charitable contributions:** Novozymes does not make financial contributions to political parties. Charitable contributions are subject to various restrictions.

Along with introducing the new principles, we have developed training material and train selected employee groups. Furthermore, all employees have access to seeking guidance and the possibility for anonymously raising concern about potential breaches of our integrity principles. A special Committee on Business Integrity manages implementation.

Further information is available in our article on business ethics in 'The Novozymes Report 2004' (pp. 22-23) and in our 'Position on business integrity' at [www.novozymes.com](http://www.novozymes.com)

### **Benefits for the Company**

Apart from documenting that Novozymes complies with our commitment to the Global Compact, our new integrity principles lead to better risk management and better utilisation of business opportunities. Thus, the principles make it possible to systemically address legal requirements as well as demands from investors and other key stakeholders. Moreover, the principles have a positive impact on our reputation as a responsible company, and they also contribute to reducing the supply chain risk of our major customers, who also attach great importance to business integrity.

[www.novozymes.com](http://www.novozymes.com)

## Cross-Cutting

# Company Examples

The following examples of implementation at Danish Global Compact-participants cut across the four main issues.

*In the first cross-cutting example Danfoss describes how the company works with human rights, labour standards and environment through a number of different initiatives within these areas.*



## Global Compact as a Framework for Concrete Initiatives

### Company

The Danfoss Group is a global company with approximately 17,500 employees. The headquarters are located in Nordborg, Denmark, and the company has 56 factories in 21 countries and sales companies in over 100 countries. Danfoss has a leading market position within the three areas: Refrigeration & Air Conditioning, Heating and Motion Controls.

### Activities

The Global Compact is Danfoss' framework for working with ethics, including human rights, labour rights and environment. The ten principles also provide the main thread in the 'soft' part of our annual report, Corporate Citizenship. See [www.danfoss.com/AboutUs/FinancialInformation/](http://www.danfoss.com/AboutUs/FinancialInformation/)

Danfoss signed up to the Global Compact in October 2002, and has carried out the following activities in 2003 and 2004:

- Implemented the Global Compact principles in the Environmental Policy (2002) and the CSR Policy (2003).
- Initiated training of purchasers, including the establishment of an E-learning platform for purchasers on human rights and labour rights (2004).
- Sent out a comprehensive questionnaire on ethics and the Global Compact principles to our factories (since 2003). The questionnaire is used for the annual report.
- Developed country analyses in collaboration with the Danish Institute for Human Rights (2003-2004).
- Started an examination of the situation of human rights and labour rights in the countries where we produce. The examination is carried out together with factory top management.
- Initiated training of managers and workshop for employees (2004).
- Developed a Code of Conduct that is continuously incorporated into supplier contracts (2004).
- Started up supplier evaluations (2004).
- Developed the Corporate Citizenship report (since 2003; also used as 'Communication on Progress' for the UN).

Many different internal and external stakeholders are involved in the work on the Global Compact at Dan-



foss. Internally it includes the management, the central purchasing department, factory managers, other managers and employees as well as the internal environmental network.

Externally it is the Danish Institute for Human Rights, suppliers and consultants. In addition, Danfoss participates in a number of company networks, the Amnesty Business Club and stakeholder networks in order to enhance the understanding of how the work on sustainability/CSR/the Global Compact is best approached and made operational.

### **Benefits for the Company**

The work on business ethics and the Global Compact is closely connected to Danfoss' values – one of our five core values is to be an environmentally and socially responsible company. The core values are linked to our vision, and they are therefore central to the overall company strategy.

There is growing focus on social responsibility, and we have chosen to participate in the Global Compact because it fits in with the work we have been undertaking for many years particularly within the environment, where we have had good experience with a proactive approach in relation to our business.

[www.danfoss.com](http://www.danfoss.com)

*In this example the SAS Group describes how it works to disseminate knowledge on the Global Compact and implement the initiative e.g. by means of a Code of Conduct and other initiatives.*



## Implementing the Global Compact

### Company

The SAS Group is the Nordic region's largest listed airline and travel group and the fourth-largest aviation group in Europe. The Group includes various independent airline companies in Denmark, Norway, Finland, Spain and partly owned airline companies in Latvia and Estonia. Together with partners in the Star Alliance, the SAS Group operates flight connections to 770 destinations worldwide. The Group also runs a number of airline-related businesses especially within luggage and customer services, cargo, aircraft maintenance and education, and a global hotel business with 190 hotels in 47 countries. In 2004, the Group had a turnover of approximately DKK 50 billion and approximately 32,000 employees.

### Activities

The SAS Group joined the Global Compact in June 2003 to show that it is and wants to be in compliance with international ground rules on business ethics, social and environmental issues. SAS is primarily working in the service sector. In this sector it is also important that players engage in social issues and are conscious of how they affect society and contribute to global development.

As a global transportation company and partner in the world's largest airline alliance, the Star Alliance, SAS influences its routes and destinations with traffic, goods and passengers and also through purchasing and contracts. Similarly, the hotels and the other SAS Group companies also influence their surroundings. SAS has committed itself to ensuring that the company's influence contributes to a better life for people and less environmental impact. For Rezidor, which runs hotels in the Middle East, Eastern Europe and China where the view on human rights, environment and work environment is not always in compliance with the Global Compact, this is a particularly big challenge.

In order to promote a common understanding among employees and external stakeholders, the SAS Group has initiated a comprehensive process of disseminating knowledge on the Global Compact and other important issues to all parts of the group. It includes the use of questionnaires, dialogue and annual reporting, and all SAS companies are involved.

The next step in the implementation and development of the Global Compact is a Code of Conduct that will be issued in the spring of 2005 and sent out to all employees. The Code contains rules and guidelines for the most important internal relations and relations to customers, authorities, partners and other stakeholders. Among the issues covered by the Code of Conduct are: Diversity, work environment, safety and environment, customer and supplier integrity, discrimination, the right to freedom of association, corruption and fraud, openness and dialogue, and social responsibility in general.



Other concrete sustainability initiatives include:

- ➔ The SAS Group supports and participates in the research and development of alternative fuel for aircrafts and the development of more fuel-efficient engines.
- ➔ The SAS Group requires suppliers to ensure compliance with the Global Compact principles.
- ➔ When the SAS Group moves operations from Scandinavia to India or the Far East, it does so for business reasons. The SAS Group requires that new service suppliers live up to the Group's quality and social responsibility standards, and that they are in compliance with the Global Compact principles.
- ➔ SAS works with the Swedish Aviation Administration to fit out a completely unique ambulance aircraft with medical flight deck and cabin staff. It is currently being discussed whether to extend the project to a collaboration with the UNDP.
- ➔ The SAS Group is one of the main sponsors of Save the Children. Among other things more than 80 hotels in the Group participated in a money collection campaign with the organisation in 2003.
- ➔ Rezidor SAS supports UNESCO cultural heritage restoration projects such as the restoration of the Altar in the Qasr El Bint Temple in Jordan, the reception of the Bahla Fort in Oman and the old prison of Robben Island in South Africa.

### **Benefits for the Company**

The SAS Group's engagement in social development is a natural part of the values characteristic for a large Scandinavian company and also a natural consequence of the global social and economic integration in which air transport plays a very active role. Increased globalisation and development cannot happen without modern air transport for people and goods.

There is, in general, a growing understanding that continued globalisation includes an increased focus on sustainability both economically, socially and environmentally. Being a prime actor in globalisation, commercial air transport holds a special responsibility. The responsibility and the tasks that it entails are in accordance with the SAS Group's business strategy of earnings and long-term growth based on a sustainable development.

[www.sasgroup.net](http://www.sasgroup.net)

In this example Hartmann describes how the company employs the STEP Model, among other things, as a systematic approach to implementing the Global Compact.



## Implementing through the STEP Model

### Company

Hartmann is a globally expanding company specialised in the development, production and sale of moulded-fibre packaging based on recycled paper. Hartmann focuses on two core businesses: egg & fruit packaging and industrial packaging for, among other things, mobile phones and consumer electronics. The company works with sustainable development as an integral element of business. Hartmann has production, sales companies and sales offices in Europe, the Middle East, South America, North America and Asia. Production takes place in many countries such as Malaysia, Croatia, Brazil, Argentina and Hungary. In 2004 the company had a turnover of DKK 1,642 million and employed approximately 2,600 people.

### Activities

The operationalisation of the Global Compact in Hartmann happens by means of the STEP Model. STEP is an acronym for Sustainability Tools for the Entire Product chain. The point of departure for the STEP Model is internal improvements, but already from step 3 it focuses on the external value chain through the involvement of suppliers. Thereby, the model provides a systematic and operational approach to managing implementation and prioritising activities in the entire value chain. Furthermore, it shows which tools to employ and provides a method for identifying the opportunities for improvement that exist internally and externally.

### The STEP® Model

	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Networks	EHS&S Due diligence	EHS&S responsible persons	EHS&S organisation	EHS&S organisation	EHS&S life-cycle network
Systematic management		Preliminary EHS&S investigations	Integrated EHS&S management	ISO 14001 og OHSAS 18001 certificates – SA8000 aims	Continuous EHS&S improvements
Proactive actions		General objectives for proactive actions	Proactive actions	Proactive actions	Proactive actions
Life-cycle management		Identification of EHS&S related customer values	Involvement of suppliers	EHS&S life-cycle management	EHS&S life-cycle management
Communications		Internal sustainability communication	Public sustainability communication	Public sustainability communication	Public sustainability communication
Development of employees		Training programme	Training programme	Training programme	Training programme

*EHS&S: Environment, Health, Safety & Social*



## **Benefits for the Company**

### **Overall results** include:

- Continuous implementation of management systems within environment, health and safety, and social responsibility (EHS&S).
- Closer cooperation with suppliers, where EHS&S is part of supplier evaluation, and the impact on suppliers that follows from this.
- Qualified sparring with customers on EHS&S.

### **Concrete results** include:

- Cooperation with the organisation Catares in Brazil – a cooperative collecting materials for recycling.
- Support to local humanitarian organisations in Bilokalnik, Croatia.
- Cooperation with the largest customer in Israel on the distribution of eggs to low-income families. The customer donated eggs and Hartmann donated packaging.

### **Globally:**

- Life-cycle assessment provides a better basis for decisions of arrangements that may affect the environment.

[www.hartmann.dk](http://www.hartmann.dk)

*In this example the Confederation of Danish Industries describes how they work with the Global Compact through the development of knowledge and various tools for companies.*



## Knowledge and Tools

### Company

The Confederation of Danish Industries (DI) is a business association of 6,400 Danish companies. DI members are large and small private enterprises within manufacturing, services, knowledge and IT. While member companies are highly diverse, they all share the same desire to develop their company – through social commitment and innovation - for the benefit of employment and welfare in Denmark.

### Activities

Integrating the Global Compact principles into company operations is a great challenge. Each of the ten principles refers to a large number of international conventions and agreements that it requires expert knowledge to understand. Therefore, the main idea of DI's work on the Global Compact is to facilitate and support Danish companies' work on the principles.

DI contributes to the implementation of the Global Compact principles by producing knowledge and developing tools for companies that operate in difficult markets, where for example human rights violations and corruption are widespread. DI believes that this approach will enhance a sustainable relationship between Danish companies and the societies in which they invest and operate.

Over the years DI has – alone or in cooperation with other actors – taken an initiative to developing various tools that focus on companies' social commitment and support the ten principles of the Global Compact.

- **Human Rights Compliance Assessment Tool (HRCA).** The HRCA was developed by the Danish Institute for Human Rights and is seen as one of the most comprehensive human rights tools for companies.
- **Handling of HIV/AIDS in the workplace.** DI and the Danish AIDS Foundation have issued a practical guide for companies that work in countries with a high incidence of HIV/AIDS.
- The booklet **Avoid Corruption** introduces companies to Danish and international legislation on corruption. The booklet aims at helping companies to avoid corruption.
- The Danish homepage **Guide to the Global Compact** explores the ten Global Compact principles and advises companies on how to put principles into practice.
- Together with the Danish Institute for Human Rights, DI has developed a **Guide to Responsible Supply Chain Management**. The guide enables the company to identify and handle possible violations of the Global Compact principles in the supply chain.

### Benefits for the Company

For DI it has only been natural to sign up to the Global Compact, because the initiative supports companies' voluntary social commitment. The Global Compact is the closest you get to a set of universally accepted values that both DI and companies can use as a benchmark. A common set of values is of great importance for companies that work in different markets with different cultures all over the world. Companies can hardly put up CSR requirements to suppliers abroad by referring to Danish values and norms. Instead companies can legitimately refer to the ten principles of the Global Compact.

[www.di.dk](http://www.di.dk)

*In this example PKA describes their ethical investment guidelines and how they employ the Global Compact in their assessment of companies.*



## **Ethical Investments**

### **Company**

PKA is the joint administration company of eight independent pension funds within the social and health sector in Denmark. In total there are 200,000 members, and PKA manages assets of approximately DKK 92 billion.

PKA joined the UN Global Compact in 2005. Nevertheless, the company has already been working on the practical implementation of the Global Compact principles for some time.

### **Activities**

In relation to the Global Compact what matters is PKA's role in overall asset allocation. In collaboration with the members, a set of ethical investment guidelines have been set up. The guidelines must be observed by PKA and the external portfolio managers who work on asset allocation nationally and internationally. The guidelines must reflect interests and points of view that are generally acceptable to all the members. At the same time the ethical guidelines must be within the legal basis laid down for the investments of the pension fund. Finally, they must be manageable in the daily investment practice.

### **The main points are:**

- The pension fund does not invest in companies that violate UN conventions on human rights and labour rights, environmental protection or corruption. The Global Compact principles are employed for this assessment.
- The pension fund does not invest in companies producing weapons. This does not include suppliers and subcontractors, and the focus is on companies' main activities.
- The pension fund will work actively on placing its investments where economic and ethical concerns coincide.
- The pension fund is continually screening the portfolio of shares, and the board is frequently informed of the results of screenings.

Further information can be found at PKA's homepage where each point is described in more detail. See [www.pka.dk](http://www.pka.dk) → This is PKA → Investments → Ethical aspects.

### **Benefits for the Company**

By means of these guidelines, PKA expects to create better investment results. As managers of pensions we are long-term investors, and we are of the opinion that companies that comply with the ethical standards laid down by PKA have the best performance over the long term.

[www.pka.dk](http://www.pka.dk)

## Business Engagement in Developing Countries

As emphasised by Georg Kell, Head of the Global Compact Office, the UN Global Compact is about integration of the ten principles in business operations and also about company engagement in development in the poor parts of the world.

The private sector plays an important role in the fight against a number of basic development problems. In search of new business opportunities and profits companies create income, jobs and value for society – and thereby contribute to social development in poor countries. Apart from companies' immediate business interest, they also have a more indirect interest. Because when poverty is reduced the purchasing power increases and the markets and societies where companies operate become more stable. Companies that take initiatives to promote development contribute to ensuring the existence of a healthy and dynamic labour force, while at the same time demonstrating that business can be seen as part of the solution to global problems rather than part of the problem.

Most companies influence development and can contribute in a number of ways. Many companies have already shown how to contribute to development. This development dimension of corporate citizenship – i.e. initiatives that benefit the poor – is increasingly seen as prerequisite for doing business, creating stable markets and better risk management in the long run. First and foremost, it may

happen through the company's ordinary business activities. The company influences and contributes through salaries paid to local employees. It also contributes by producing and providing access to safe and useful products and services. And by creating local jobs and work to suppliers, or investing in the education, safety and health of employees and their families. The company also influences development when cooperating with local SMEs. It furthermore contributes by spreading good business behaviour to subsidiaries and suppliers, and by transferring technology and knowledge to local business partners. And when it participates, together with other actors, in building local infrastructure and institutions.

Companies can also contribute in ways that are not directly connected to business activity. Many companies are engaged in sponsorships or other kinds of charity that are often in keeping with the major development challenges such as poverty reduction, child mortality, HIV/AIDS or education. Finally, it has become increasingly normal for companies to engage in the public debate because such discussions can have great influence on business, especially in developing countries. For example companies have participated actively in the HIV/AIDS debate as they have a very obvious interest in maintaining not only a well-functioning labour force but – in the near future – any labour force at all.

*In this example Aarhus United Denmark describes how the company in a partnership with the UNDP contributes to poverty reduction among suppliers of shea nuts in Burkina Faso.*



### AARHUSUNITED

## Poverty Reduction in the Supply Chain

### Company

Aarhus United Denmark A/S (AUDK) is part of the global group Aarhus United A/S. AUDK manufactures speciality vegetable oils for confectionary, catering, bakery and other food products, cosmetics and dietary



supplements. At the production facilities and headquarters in Aarhus, Denmark, there are approximately 500 employees. In addition, there are sales companies in a number of countries such as Burkina Faso.

### **Activities**

One of the most important raw materials for AUDK is the shea nut, which grows wild on trees in countries like Burkina Faso. People, mainly women, from the local villages, harvest the nuts. People use the nuts in their private households and the surplus of nuts is sold to intermediaries at local markets. After a chain of intermediaries has been involved, the nuts are bought by AUDK.

The women in these areas have an enormous daily workload of fetching water, grinding cereals, husking rice, processing shea nuts, cooking, taking care of their children, looking after their kitchen garden etc. In order for them to have a chance of improving their standard of living, the women must be relieved in their daily work, for example by means of some practical tools.

'Multi-functional platforms' are an effective tool. A platform consists of a simple diesel engine that produces power for a number of tools that can grind cereals, husk rice, and press oil out of shea nuts in a fast and efficient manner. Other machines can also be connected to the diesel engine such as water pumps or electricity generators producing light or driving other electric tools. The women spend the time saved to increase, among other tasks, the gathering and selling of shea nuts, thereby further improving their economic and social conditions.

In 2003 AUDK and the UNDP Nordic Office established a formal partnership and cost-sharing agreement for a project in Burkina Faso entitled 'National Multipurpose Platform Programme for the Fight Against Poverty'. The project includes installing 400 platforms over a five-year period. The project steering group is made up of AUDK, the UNDP, authorities, local NGOs and women's groups.

### **Benefits for the Company**

AUDK supply strategy for shea nuts includes:

- ➔ increased and stable supplies
- ➔ a more effective supply chain (fewer links)

Already, early on in the project AUDK can conclude that the expected effect of the multifunctional platforms has materialised. In the villages where platforms have been established, the income has increased partly through the selling of services from the platforms and partly through an increased sale of shea nuts.

By participating in the project AUDK has established a link to local women's groups and NGOs, which has brought about a reduction in the number of intermediaries so that the women in the villages receive a larger share of the profits from the shea nut trade.

Accordingly, AUDK has been able to fulfil its supply strategy for shea nuts while at the same time contributing to a considerable improvement of the conditions for the people who are an important part of its business.

*In this example Kjaer Group describes how the company in a partnership with Danida has worked on implementing the ten principles among their subsidiaries, and how the company participates in another partnership on combating HIV/AIDS in the workplace.*



## Implementing the Global Compact in Subsidiaries

### Company

Kjaer Group provides cars and transportation solutions to private fleet owners, governments, organisations and individual customers primarily in developing countries. Kjaer Group has 240 employees globally, of which 50 work at headquarters in Svendborg, Denmark.

### Activities

Kjaer Group has used a partnership approach to the Global Compact. As our company philosophy has always been in accordance with the Global Compact principles, our initiatives have not led to any fundamental changes in the administration or operations of Kjaer Group. We have focused on linking our company values to the ten principles. The most important strategic change is that Kjaer Group encourages suppliers and other business relations to join the Global Compact too.

**LIFE:** In a public-private partnership with DANIDA Kjaer Group invited employees and agents from all over the world to Denmark to participate in workshops on the ten principles. Kjaer Group tried to make the principles relevant and operational in different ways. All participants were asked to keep a personal diary so that they could tell their friends about their experiences. The diary should include reflections on a number of predefined subjects, and the purpose was to stimulate reflections on the Global Compact objectives. In addition, everybody participated in workshops and company visits. Two workshops focused on the ten principles at an operational level. The first workshop included an introduction to the UN and the Global Compact, and the participants were divided into groups that were to trade across nations. The ten Global Compact principles were incorporated into the trading criteria. Afterwards, participants were to discuss the possibilities of implementing the principles into their own everyday life. The second workshop concentrated on linking the Global Compact values and Kjaer Group's own values. The aim was to make the participants aware of the connection that exists between the Global Compact values and the way in which Kjaer Group usually operates.

**AIDS and the Workplace:** Kjaer Group has also experienced that we cannot concentrate equally on all principles at the same time, and therefore we have chosen to focus on a few areas where we can make a difference and that have a certain relevance for our business. Since the majority of our employees are local Africans living in countries where HIV/AIDS is a major issue, and since 95% of all people with HIV/AIDS belong to the active workforce, we think that companies should engage in combating HIV/AIDS. Therefore, Kjaer Group participates in a partnership between Humour Against Aids, the Danish Ministry of Foreign Affairs and the Confederation of Danish Industries. Together with Humour Against Aids, Kjaer Group provides



the organisational framework for a process of gathering experiences that will lead to the development of a handbook on HIV/AIDS. Humour Against Aids will hand out the handbook to other international companies working in areas where HIV/AIDS is an issue in the workplace. As part of our partnership, two consultants from Humour Against Aids have visited Kjaer Group's Motorcare subsidiaries in Uganda, Mozambique and Sierra Leone. Our employees have received some valuable training on the issue, and Humour Against Aids has gained useful experience from the successful project, *AIDS and the Workplace*. Furthermore, in collaboration with Humour Against Aids, Kjaer Group has developed an HIV/AIDS policy that demonstrates that it is indeed possible for small and medium-sized companies to take active part in combating HIV/AIDS.

### **Benefits for the Company**

The ten Global Compact principles are very much in line with Kjaer Group's way of doing business. We want to make a difference in this world, and through our company we work on involving various partners in the Global Compact.

When doing business, we are more and more frequently met with questions and enquiries regarding our company profile. In such cases we refer among other things to our participation in the Global Compact and emphasize how we fulfil the principles in practice. It is difficult to specify very precisely the benefits of our approach. Yet, we do see a clear tendency toward the general company profile becoming of increasing importance to those with whom we do business.

[www.kjaergroup.com](http://www.kjaergroup.com)

## Links and

# Tools

Description	Link
<b>The Global Compacts website</b> – includes among other things a database of participating companies, some inspiration for implementation and practical information on signing up and network activities.	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>
<b>Public Private Partnerships in the Development Cooperation</b> – two booklets from the Danish Ministry of Foreign Affairs: – <b>Five New Programmes</b> – <b>Programme for Corporate Initiatives and Training Programmes for Social Responsibility</b>	<a href="http://www.danidapublikationer.dk">www.danidapublikationer.dk</a> <a href="http://www.danidapp.um.dk">www.danidapp.um.dk</a>
<b>Global Compact Resource Package</b> – free CD-Rom.	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a> → 'Learning'
<b>A Practical Guide to Communication on Progress</b> – Advice for Global Compact Participating Companies Preparing their Communication on Progress.	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a> → 'Communication on Progress'
<b>Raising the Bar</b> – a book on implementing the Global Compact.	<a href="http://www.greenleaf-publishing.com">www.greenleaf-publishing.com</a> and <a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a> → 'Learning'
Various <b>management and implementation tools</b> from the UNEP.	<a href="http://www.unep.org">www.unep.org</a> → 'Industry Outreach' and <a href="http://www.efficient-entrepreneur.net">www.efficient-entrepreneur.net</a>
<b>Avoid Corruption</b> – A booklet from the Confederation of Danish Industries.	<a href="http://www.di.dk">www.di.dk</a>
<b>Deciding whether to do business in states with bad governments</b> – a booklet from the Confederation of Danish Industries and Danish Institute of Human Rights.	<a href="http://www.humanrightsbusiness.org">www.humanrightsbusiness.org</a>
<b>Human Rights Compliance Assessment Tool (HRCA)</b> and the small version <b>HRCA Quick Check</b> – Confederation of Danish Industries and Danish Institute of Human Rights.	<a href="http://www.humanrightsbusiness.org">www.humanrightsbusiness.org</a>
<b>Human Rights – Is It Any of Your Business</b> – a handbook from Amnesty International and The Prince of Wales International Business Leaders Forum.	<a href="http://www.amnesty.dk/business">www.amnesty.dk/business</a> → 'Business publications'
<b>Big Business, Small Hands</b> – a guide on child labour from Save the Children Denmark.	<a href="http://www.savethechildren.org.uk">www.savethechildren.org.uk</a> → 'Resources' → 'Publications'
<b>Business Principles for Countering Bribery</b> – a tool from Transparency International on good practice to counter bribery.	<a href="http://www.transparency.org">www.transparency.org</a> → 'TI Tools'
<b>Business and the Millennium Development Goals</b> – <b>A Framework for Action</b> – UNDP publication on business and development.	<a href="http://www.undp.dk/business">www.undp.dk/business</a> → 'Business and the MDG's'

# **Implementing the UN Global Compact**

## **– a Booklet for Inspiration**

Implementation of the UN Global Compact can be approached in a number of different ways. This booklet presents some of the possibilities that exist. The booklet starts by introducing the UN Global Compact, what it is and what it means to sign up to the initiative.

Afterwards the ten principles are presented as a means to improve the company's understanding of these. The presentation is organised along the four main issues: Human rights, Labour standards, Environment, and Anti-corruption. After each main issue some concrete examples of implementation among Danish Global Compact participants are presented. Some of the examples cut across the four issues and they are therefore described after the presentation of the principles.

Companies may also work with corporate citizenship through other means of engagement in poor countries. The section 'Business Engagement in Developing Countries' describes how companies influence social development, and two more company examples are presented.

At the end of the booklet a few selected links and tools are described.