

Corporate social responsibility in a global economy

Abridged version of Report No. 10 (2008–2009) to the Storting



NORWEGIAN MINISTRY
OF FOREIGN AFFAIRS

Foreword

A well-functioning private sector is important for welfare and development. Investment and trade are essential for sustainable development in the South. If carried out in a responsible manner, Norwegian companies' activities can generate significant economic spillover effects, and help to raise standards in important areas such as health, safety and the environment. For example, Norway's tradition of tripartite collaboration in industrial relations is something we would like to share with others.

The current financial crisis shows that business activities that are solely motivated by the desire for short-term profit can have serious global consequences. CSR has a central role to play for the private sector and its various stakeholders, as well as for the political authorities, if positive opportunities are to be grasped and negative consequences avoided.

In its white paper on corporate social responsibility in a global economy, the Government outlines how it intends to address this issue. We will play an active role in international processes aimed at strengthening the global framework for responsible business conduct. We will make it very clear to companies what expectations we have of the work they need to do in order to fulfil their obligations. And we will seek to be at the forefront in terms of CSR performance in our ownership, investments and procurement.

This document provides a brief overview of the white paper. We hope that it will provide useful information and stimulate debate.



Jonas Gahr Støre
Minister of Foreign Affairs

1 Introduction

Profitable companies make important contributions to society. They create jobs and help finance the general welfare of the population. The main task of companies is to create value and generate financial results within the legislative framework of the society in which they operate. But companies are not just operating in a market. They are also operating within a culture, a local community and a political system. Corporate social responsibility (CSR) is concerned with the role companies play in this broader social context.

The ethical aspects of CSR have become more apparent as a result of globalisation. Norwegian companies must address issues such as inadequate protection of human rights, unacceptable working conditions, child labour, environmentally harmful activities, and corruption. Companies must think about how far their responsibility extends beyond simply complying with the law in the country in which they are operating.

For a number of years, leading Norwegian companies and the social partners have given high priority to CSR efforts. The social partners have played an active role in promoting decent working conditions and the right to organise, also in developing countries, and NGOs have played a leading role in encouraging companies to prioritise CSR. Many companies have integrated CSR into their operations and decision-making processes. Those who have been actively involved in the debate, and in developing rules and norms relating to CSR, should be commended for their efforts. But although a number of companies and organisations have made considerable progress in integrating social responsibility into their business practice, there is still a need for increased awareness, greater knowledge and broader involvement.

This white paper is intended to raise awareness of social responsibility in both the private and the public sectors. The Government has a positive impression of Norwegian companies' ability and willingness to contribute in this

area, and the white paper is intended to strengthen this commitment. The aim is to clarify the authorities' expectations of the private sector, and to discuss the respective roles and responsibilities of the authorities, the private sector and other actors. The Government also intends to boost Norwegian companies' motivation and ability to demonstrate social responsibility, by strengthening guidance and advisory measures, and increasing openness, dialogue and exchange of experience between the authorities and the private sector. The Government will play an active role in international processes aimed at further developing the CSR framework.

The Government's position is that CSR involves companies *integrating social and environmental concerns into their day-to-day operations, as well as into their dealings with stakeholders. CSR is what companies do on a voluntary basis beyond complying with existing legislation and rules in the country in which they are operating.*

The Government views the following areas as central when it comes to corporate social responsibility in international operations: respecting human rights; upholding core labour standards and ensuring decent working conditions; taking environmental concerns into account; combating corruption; and maximising transparency.

"It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering. Indeed, what is Utopian is the notion that poverty can be overcome without the active engagement of business."

— Kofi Annan,
former UN Secretary-General

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The role and responsibilities of the authorities

All enterprises and organisations, whether private companies, the state, or other public agencies, have a responsibility to take social and environmental considerations into account in their operations. The Norwegian authorities play an important role here as owner, investor and procurer.

The Government and other public authorities have a substantial ownership interest in the Norwegian business sector through publicly-owned companies and through ownership interests in listed companies. The Government expects companies in which the state has an ownership interest to play a leading role in CSR efforts. Companies are urged to make their ethical guidelines publicly known, for example by publishing them on their websites. It is the task of each company's board of directors and management team to adopt guidelines for its operations.

Through the Government Pension Fund – Global, the Norwegian state manages substantial assets on behalf of the Norwegian people. As an investor, the state also shares responsibility for how the companies in which the fund invests conduct themselves, what they produce and their impact on the local community and environment. The Government places great emphasis on social responsibility in the management of the Government Pension Fund. As a financial investor, it is natural to seek the best possible information about matters that can have a bearing on a company's short-term or long-term performance. Information about the environmental impact of a company's operations may be relevant in this context.

The ethical guidelines for the Government Pension Fund – Global have identified two mechanisms for achieving the goals they set out: the exercise of ownership rights, in order to exert an influence on companies, and the exclusion of companies. In exercising the fund's ownership rights, Norges Bank gives priority to good corporate governance, combating the use of child labour throughout

companies' value chains, and setting requirements for companies' lobbying activities in connection with climate change and other environmental issues. The Council on Ethics for the Government Pension Fund – Global makes recommendations to the Ministry of Finance concerning exclusion of companies from the fund. The ethical guidelines for the fund were evaluated in spring 2009.

Today, public sector procurement in Norway amounts to roughly NOK 250 billion a year. By setting standards and taking a constructive approach to procurement, the public sector can, due to its size, significantly influence companies to adopt ethical and environmentally friendly practices. Moreover, companies that are used to meeting stringent requirements will be better equipped to meet competition from abroad and to offer good solutions in international markets. The Government follows the Action Plan for Environmental and Social Responsibility in Public Procurement, which all government agencies are expected to comply with. A support and advisory service on public procurement will be established, and a guide has recently been published on how social and ethical requirements can be met in practical terms.

Companies broken down by the ministry responsible for their administration

Illustration:
Ministry of Foreign Affairs

| | | |
|--|---|--|
| Ministry of Trade and Industry <ul style="list-style-type: none"> - Aker Holding AS - Argentum - Fondsinvesteringer AS - BaneTele AS - Bjørnøen AS - Cermaq AS - DNB NOR ASA - Eksportfinans ASA - Electronic Chart Centre AS - Entra Eiendom AS - Flytoget AS - Norsk Hydro ASA - Innovasjon Norge (særlovselskap) - Kings Bay AS - Kongsberg Gruppen ASA - Mesta AS - Nammo AS - SAS AB - Secora AS - SIVA SF - Statskraft SF - Store Norske Spitsbergen Kulkompani AS - Telenor ASA - Venturefondet AS - Yara International ASA | Ministry of Petroleum and Energy <ul style="list-style-type: none"> - Enova SF - Gassco AS - Gassnova SF - Petoro AS - Statnett SF - StatoilHydro ASA | Ministry of Education and Research <ul style="list-style-type: none"> - Norsk Samfunnsvitenskapelig datatjeneste AS - Simula Research Laboratory AS - Uninett AS - Universitetsenteret på Svalbard AS |
| | Ministry of Transport and Communications <ul style="list-style-type: none"> - Avinor AS - Baneservice AS - NSB AS - Posten Norge AS | Ministry of Justice and the Police <ul style="list-style-type: none"> - Itas amb AS - Norsk Eiendomsinformasjon AS |
| | Ministry of Health and Care Services <ul style="list-style-type: none"> - Helse Midt-Norge RHF - Helse Nord RHF - Helse Sør-Øst RHF - Helse Vest RHF - Kompetansesenter for IT i helse- og sosialsektoren AS - AS Vinmonopolet | Ministry of Local Government and Regional Development <ul style="list-style-type: none"> - Kommunalbanken AS |
| | Ministry of Foreign Affairs <ul style="list-style-type: none"> - Norfund (særlovselskap) | Ministry of Culture and Church Affairs <ul style="list-style-type: none"> - Norsk Rikskringkasting AS - Norsk Tipping AS |
| | | Ministry of Agriculture and Food <ul style="list-style-type: none"> - Statskog SF - Veterinærmedisinsk oppdragscenter AS |

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The private sector's role and responsibilities

The Government expects Norwegian companies to be at the forefront when it comes to practising CSR in all their operations. This includes the following:

- *Guidelines:* The Government expects companies to base their operations on recognised international guidelines for CSR, in particular the *OECD Guidelines for Multinational Enterprises* and the UN Global Compact's ten Principles. Companies should consider joining the Global Compact. They should develop and implement their own CSR guidelines, in cooperation with employee representatives in Norway and abroad.
- *Good corporate practices:* CSR efforts must have the firm backing of company boards and management teams. The Government expects Norwegian companies to promote sound Norwegian corporate practices in their operations abroad, including dialogues both with employees and employee representatives within the company, and with stakeholders outside the company. These dialogues must be organised in a way that respects international standards and differences in culture and values.
- *Transparency and disclosure:* In the Government's view, it is important that companies demonstrate transparency and disclose information about social and environmental factors in connection with their operations. Companies should seek to forge trust and good relations with the societies in which they are operating, by making their guidelines for CSR publicly known, and discussing the dilemmas they encounter as openly as possible. Systematic reporting can be an important tool in companies' efforts in this area.
- *Vigilance and knowledge sharing:* The Government expects companies to be vigilant and actively seek out information about social conditions and trends, to draw on the experience of other companies, and to share their knowledge and experience in

relevant networks. NGOs are an important source of knowledge and experience. The Government expects companies operating in vulnerable habitats or conflict-affected areas to be particularly vigilant.

The Government considers the following to be the four key elements of corporate social responsibility in international operations: respecting human rights; upholding core labour standards and ensuring decent working conditions; taking environmental concerns into account; and combating corruption and maximising transparency.

- States are obliged to safeguard the human rights of their citizens. Companies also have a responsibility to safeguard human rights in their operations. The Government expects Norwegian companies to respect fundamental human rights, including those of children, women and indigenous peoples, in all their operations, as set out in international conventions.
- Although the main responsibility for regulating the working environment lies with the authorities of the countries concerned, the private sector has an independent responsibility for working conditions in its own operations. This responsibility entails providing decent working conditions. The fundamental standards in this area are set out in the ILO core conventions, which cover the right to organise and the abolition of forced labour, child labour and discrimination. Companies should familiarise themselves with these conventions and follow them in their operations, even in countries where they are not in force. Companies should also follow Norwegian practices for health, safety and environment in their international operations. The Government urges the social partners to actively advocate global corporate agreements in order to safeguard employees' rights.
- The private sector has a crucial role to play in addressing the challenges relating to climate

change, the loss of biodiversity, and releases of hazardous substances. In this area, companies must comply with a number of requirements under multilateral environmental agreements that are incorporated into national legislation. It is often in the best interests of companies to go beyond what is stipulated in these standards. They can reduce costs, improve the strategic starting point for their long-term operations, and create new market opportunities. The most advanced companies now carry out life cycle analyses for their products, and are introducing requirements for their subcontractors. The Government expects Norwegian companies to take into account environmental considerations and promote sustainable development, for instance by developing and using environmentally sound technology.

- The private sector is an important actor in efforts to combat corruption. Norwegian legislation relating to corruption has been made more stringent in recent years, particularly through amendments to the Penal Code (2003). All forms of corruption are prohibited under Norwegian law. This prohibition applies equally to Norwegian nationals and people resident in Norway who are involved in businesses activities abroad. A growing number of other countries are tightening their legislation on corruption, but for the foreseeable future the private sector should be prepared to encounter difficult situations in countries where corruption is widespread. Companies should also establish whistleblowing schemes and internal guidelines, and should provide relevant training for their own employees. The Government expects Norwegian companies to show the maximum possible degree of transparency in connection with financial flows.

The scope of corporate responsibility

Companies should exercise due diligence in all their operations. The UN Secretary-General's Special Representative on business and human

rights has identified four areas that should be included in a due diligence process for human rights, which may also have relevance for other aspects of CSR:

- Policies: companies should adopt a human rights policy;
- Impact assessments: companies should carry out impact assessments of their activities;
- Integration: human rights policies should be integrated throughout a company;
- Tracking performance: companies should have a system for monitoring and auditing in order to track their human rights performance.

Exercising due diligence is important if companies are to avoid being complicit in unacceptable practices and situations. Complicity on the part of a company means that it can be held morally or legally responsible for the actions of another party, for instance if it has provided practical assistance or resources. This may arise, for instance, if a company has hired security forces to protect its property, and these forces commit abuses. The concept of complicity is also relevant in connection with investments. Through due diligence, for instance by carrying out risk and impact assessments, companies can avoid being complicit in human rights violations or other unacceptable circumstances. Risk assessment should be used both for a company's own activities and for those of its business partners.

"If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage."

— Michael Porter,
Harvard Business School

Companies have responsibility for matters they are able to influence, especially for matters over which they have decisive influence or control. This applies to their own operations, where providing decent working conditions is essential, but companies also have considerable responsibility with regard to their suppliers, contractors and the local community in which they operate. Companies should take responsibility for their surroundings in the contractual terms they set and by making sure that all the actors in the value chain provide decent working conditions for their employees and meet key environmental standards.

CSR in the supply chain

There is growing concern that goods and services imported to Norway should be produced under satisfactory conditions. The Government urges companies to take responsibility for ensuring, to the extent possible, that all stages of the supply chain meet their standards. The Norwegian private sector should seek to develop routines for this.

However, it is unrealistic, in the short term, to expect all imported goods and semi-finished products from developing countries to have been produced without any risk of direct or indirect involvement in violations of internationally recognised norms and rules.

Good practice in this area entails establishing ethical guidelines and communicating them to suppliers, and also transferring expertise to suppliers and working with them to help them meet their obligations. This may involve visiting suppliers' premises in order to monitor how they are complying with their obligations, and demonstrating how improvements can be made. It may also be relevant for companies to carry out life cycle analyses, in order to obtain information and documentation on the overall environmental impact of products from production to use, re-use and waste management. The Ethical Trading Initiative Norway has developed methods and tools for strengthening CSR throughout the supply chain.

The first female solar panel engineer in India's largest state, Rajasthan

Photo: Robert Wallis/ Panos Pictures/ Felix Features



“Corporate social responsibility – once a do-gooding sideshow, is now seen as mainstream. But as yet, few businesses are doing it well.”

— The Economist, 19 January 2008

Investment and investment management

Certain areas of the financial sector’s activities have recently come under increasing critical scrutiny, particularly in the light of the global financial crisis. On the other hand, leading financial institutions have started to focus actively on social responsibility in their investment and management decisions. The Government calls on institutions in the private financial sector to give more weight to social responsibility and transparency with regard to investments.

Socially responsible investment may be a matter of *negative screening*, i.e. using criteria that identify companies that it is not desirable to invest in, for instance companies that produce landmines, cluster munitions or tobacco, that are responsible for serious

violations of human rights, or that are involved in corruption or serious environmental damage. Another approach to socially responsible investment is *positive screening*, which means rating companies within the same sector according to their CSR performance, so that the companies qualifying as “best in class” can be identified. A third method is *active ownership*. Here, investors engage in dialogue with companies with a view to exerting a positive influence on them.

The *UN Principles for Responsible Investment (UNPRI)* set out that environmental, social and corporate governance (ESG) issues should be incorporated into investment analysis and decision-making processes; that active ownership should be exercised in relation to ESG issues; and that ESG issues should be properly disclosed by the companies in which investments are made. In addition, the *Equator Principles* have been drawn up for determining, assessing and managing social and environmental risk in connection with project financing. These cover such measures as environmental impact assessments and public consultation.

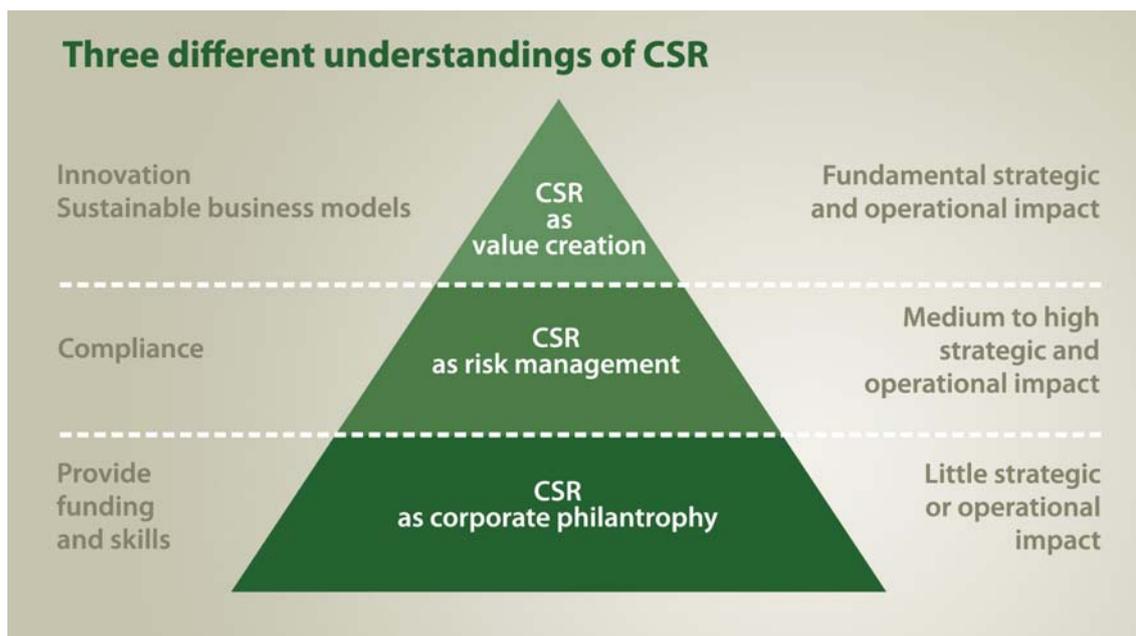


Illustration:
Ministry of
Foreign Affairs.
Source: UN
Global
Compact.

4 Norwegian corporate engagement abroad – challenges and dilemmas

The Government expects Norwegian companies to consider the situation carefully before establishing operations in or trading with countries where there is inadequate respect for human rights, unacceptable working conditions, widespread corruption and little concern for the environment and climate change. Country assessments, impact assessments, dilemma training and consultations with stakeholders can help to prepare companies to deal with such challenges.

At the same time, the Government believes that Norwegian companies should engage in countries that pose challenges. An international presence ensures access to information about social and humanitarian conditions, and provides an opportunity to exert pressure. The population may suffer if a country is isolated. In the Government's view, any decision to impose sanctions should have broad support, and preferably be adopted by the UN Security Council. Norwegian companies are expected to avoid economic involvement in Western Sahara and Burma.

It is primarily the task of the Norwegian authorities and of civil society organisations to promote human rights and environmental considerations vis-à-vis the local authorities. The Norwegian authorities do not expect companies to take on that role. This does not, however, prevent a company from becoming actively involved in such issues if it identifies an opportunity to do so. Norwegian companies can assist the Norwegian authorities by alerting them to unacceptable conditions they encounter in connection with their operations. This may give the Norwegian Government a better basis for raising such matters with the host country government.

Conflict-affected areas

Areas affected by war, including civil war, or where there is a risk of armed conflict, pose particular challenges. Norwegian companies

should exercise caution and thoroughly assess the situation to avoid exacerbating a conflict.

One challenge in such areas is the sale of "conflict goods", where the income is used to finance conflicts. For example, the UN has highlighted the need to prevent the sale of rough diamonds financing civil wars. A certification scheme for rough diamonds is being developed through the Kimberley Process. Abuses perpetrated by security personnel hired to protect companies is another problem. Norway participates in the *Voluntary Principles on Security and Human Rights*, which are based on UN law enforcement principles.

Natural resource-based enterprises

Sectors such as oil and gas, hydropower and other renewable energy sectors, fishing and aquaculture, agriculture, forestry and mining face particular challenges. These activities may involve the need to move people from the land areas concerned. In some such cases, the rights to the land in question may be unclear. Nevertheless, indigenous peoples and other groups who may be affected by planned activities must be consulted and their views heard in connection with the planning process.

Developing countries that are rich in mineral and petroleum resources are vulnerable to corruption. If the revenues from such resources are not used to promote economic and social development, they can create a basis for social unrest and conflict. Lack of transparency concerning financial flows between companies and national authorities can make it easy to cover up corruption. The *Extractive Industries Transparency Initiative (EITI)* is an international initiative that is seeking to make transparency concerning these flows of money a global norm. The Government is actively supporting the EITI, both in financial terms and by hosting its secretariat. Norway is the only Western country that has declared that it will fulfil the EITI criteria.



International guidelines for social responsibility

In this section, you will find international guidelines for social responsibility and a list of relevant websites.

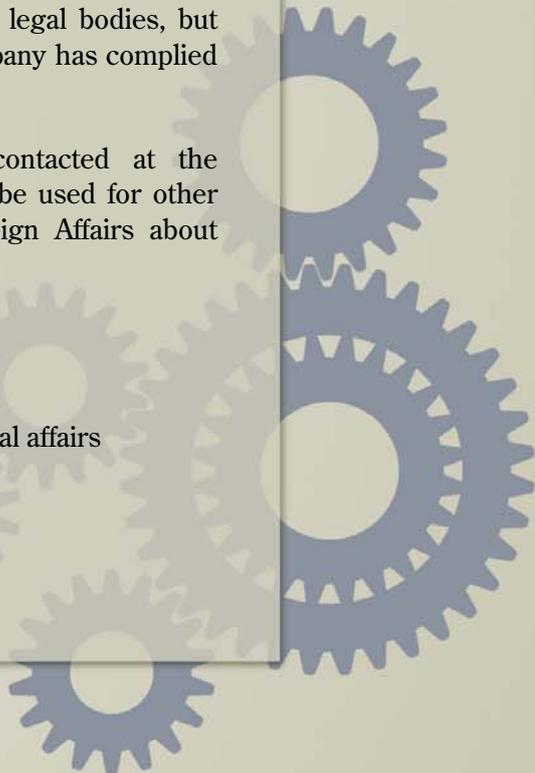
The OECD Guidelines for Multinational Enterprises are recommendations from OECD and other governments to companies that operate internationally. The Government calls on Norwegian companies to familiarise themselves with the Guidelines and follow them in their operations.

The *National Contact Points (NCPs)* play a central role in following up the guidelines. They serve as a forum for dealing with complaints against companies that operate in or from countries that have endorsed the Guidelines. The NCPs are not legal bodies, but can evaluate whether or not a company has complied with the guidelines.

The Norwegian NCP can be contacted at the following address, which can also be used for other enquiries to the Ministry of Foreign Affairs about CSR.

Ministry of Foreign Affairs
Section for economic and commercial affairs
P.O. Box 8114 Dep
0032 OSLO

Email: csr@mfa.no
Internet: www.regjeringen.no/ncp



Main elements of the OECD Guidelines for Multinational Enterprises

General policies

Principles for responsible business conduct, including respect for human rights and cooperation with suppliers and sub-contractors.

Disclosure

Companies should regularly disclose information on enterprises' activities, structure, financial situation and performance.

Employment and industrial relations

Enterprises should respect their employees' labour rights, engage in constructive negotiations with employees' representatives, combat discrimination, and contribute to the elimination of child labour and forced or compulsory labour.

Environment

Enterprises should protect the environment and public health and safety. They should establish a system of environmental management, and maintain contingency plans for preventing, mitigating, and controlling serious environmental and health damage.

Combating bribery

Enterprises should not offer, promise, give or demand a bribe or other undue advantage.

Consumer interests

Enterprises should act in accordance with fair business, marketing and advertising practices and ensure the safety and quality of the goods or services they provide.

Science and technology

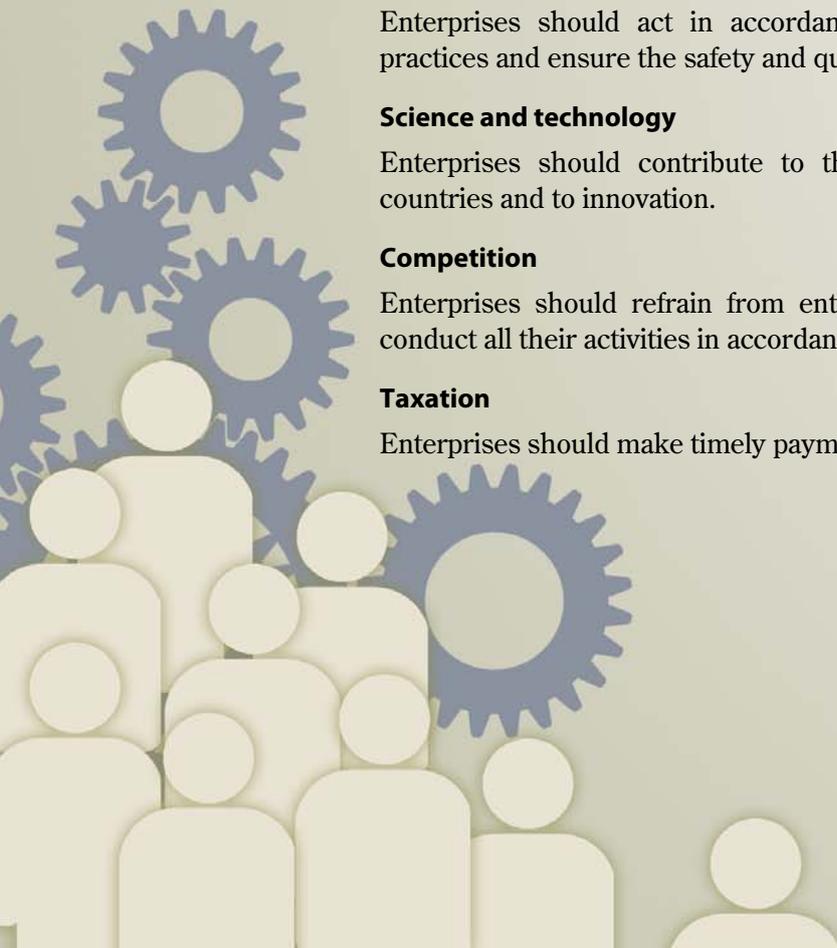
Enterprises should contribute to the transfer of technology and know-how to host countries and to innovation.

Competition

Enterprises should refrain from entering into anti-competitive agreements and should conduct all their activities in accordance with applicable competition laws.

Taxation

Enterprises should make timely payment of their tax liabilities.



The UN Global Compact – 10 principles

The *Global Compact* is the UN's initiative for cooperation with the private sector to promote human rights and labour rights, protect the environment and fight corruption. The Government calls on Norwegian companies to endorse the Global Compact.

The idea behind the Global Compact is for companies to endorse the following 10 fundamental principles:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of all child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses are asked to 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.

Anti-corruption

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



Relevant websites and tools:

Norway

NHO, www.nho.no

HSH, www.hsh-org.no

LO, www.lo.no

Innovation Norway, www.innovasjon norge.no

Norwegian Shipowners' Association, www.rederi.no

Norad, www.norad.no

Norfund, www.norfund.no

GIEK, www.giek.no

Council on Ethics for the Government Pension Fund – Global

http://www.regjeringen.no/ethics_council

FAFO Red Flags, www.redflags.info

Ethical Trading Initiative Norway, www.etiskhandel.no

Norwegian Forum for Environment and Development, www.forumfor.no

Amnesty Norway, www.amnesty.no

Norwegian Church Aid, www.nca.no

Transparency Norge, www.transparency.no

Future in Our Hands – Norwatch, www.norwatch.no

Other countries

Denmark, www.samfundsansvar.dk

Sweden, www.regeringen.se/sb/d/2657

EU, ec.europa.eu/enterprise/csr/

OECD Guidelines for Multinational Enterprises, www.oecd.org

UN Global Compact, www.unglobalcompact.org

ILO, www.ilo.org

Principles for Responsible Investments, www.unpri.org

UN Development Programme, www.undp.org

Extractive Industries Transparency Initiative, www.eitransparency.org

Equator Principles, www.equator-principles.com

Global Reporting Initiative, www.globalreporting.org

Voluntary Principles on Security and Human Rights,

www.voluntaryprinciples.org

Carbon Disclosure Project, www.cdproject.net

Kimberley Process, www.kimberleyprocess.com

International Organization for Standardisation (ISO), www.iso.org

Human rights and business, www.business-humanrights.org

Anti-corruption business portal, www.business-anti-corruption.org

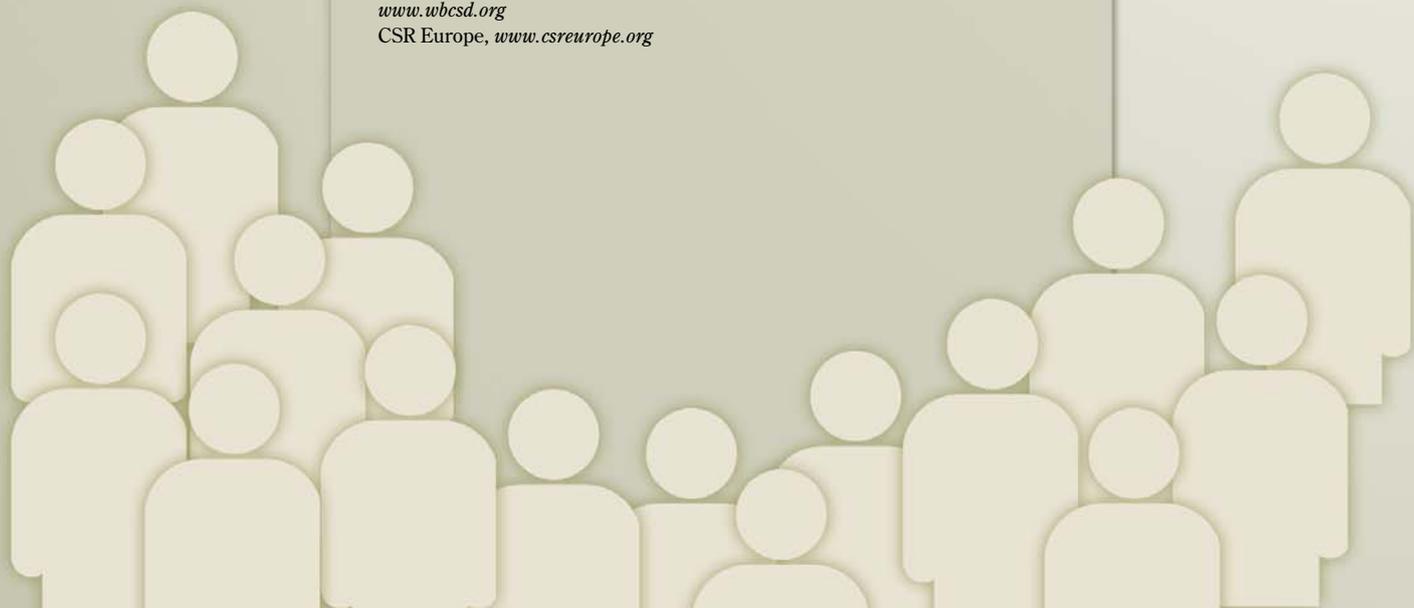
Human Rights Compliance Assessment,

www.humanrightsbusiness.org/040_hrca.htm

World Business Council for Sustainable Development (WBCSD)

www.wbcsd.org

CSR Europe, www.csreurope.org



Particular caution is required when planning commercial activities in vulnerable habitats, and risk and impact assessments must be carried out. The Government also expects Norwegian companies to take threatened species and protected areas fully into account in their operations. The IUCN Red List of Threatened Species and UNEP's online overview of protected areas provide a good starting point. Norwegian companies and their subcontractors should take environmental concerns into account in their activities, even where this goes beyond the minimum requirements set out in international agreements and rules, and even where there are no internationally agreed goals and requirements, for instance for rainforest management or hazardous substances.

"The larger the stream of revenue, the greater the danger and the closer the link with conflict. And in the oil and gas industry the streams of revenue we generate are vast. All too often in the past, we have seen those streams arrive like a thunderstorm on the parched soil of a poor country, sweeping away instead of watering and making things grow. Control and management are the only way to ensure that what should have led to growth doesn't end up in devastation."

— Jannik Lindbæk,



Oil pipelines running through a Nigerian village

Photo: George Osodi/ Panos Pictures/ Felix Features

5 Corporate social responsibility in a development perspective

Financial value creation is a prerequisite for fighting poverty and achieving lasting development. The engagement of Norwegian companies in developing countries can have a positive effect by contributing not only to value creation, but also to political and social development. Moreover, companies that comply with international values and norms, for example as set out by the OECD and the UN, are also playing an important role in promoting these values and norms in developing countries.

Less than 20% of Norwegian direct foreign investments are in Asia, Africa or South America. The level of engagement in the least developed countries is low, and mainly involves oil and gas operations. The Government encourages greater Norwegian investment in poor countries, and invites companies to enter into strategic partnerships in order to reduce the risk associated with such investments and improve their development impact. Partnerships between authorities, civil society and the

private sector can be beneficial in terms of both economic development and other development goals. Norway supports institution- and capacity-building in developing countries through its international development cooperation.

Transfer of expertise and technology is a key element of responsible business activities in developing countries. Engaging the local workforce and local sub-contractors provides opportunities for competence-building and economic growth. Norwegian companies can share their experience regarding health, safety and environment and cooperation at the workplace. In this way, Norwegian companies can help to develop sustainable and competitive local actors.

Microfinance has proved to be a successful strategy for women's participation in the economy

Photo: Aubrey Wade/
Panos Pictures/ Felix
Features



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International frameworks for corporate social responsibility

The Government is a driving force in efforts to strengthen international guidelines and to develop regional and global standards that ensure that framework conditions for all companies are as equal as possible. It is easier for companies that follow the same international guidelines to exchange ideas and experience, and measure and compare results, and thus meet the expectations of governments, employees and society. The Government is also seeking to improve control of compliance with guidelines and standards.

The OECD Guidelines for Multinational Enterprises contain detailed recommendations for enterprises operating in or from OECD countries. The Guidelines contain principles for responsible business conduct consistent with applicable law. National Contact Points (NCPs) are a forum for dealing with complaints about failure to comply with the Guidelines. Norway's NCP is a cooperative body composed of representatives of the Ministry of Foreign Affairs, the Ministry of Trade and Industry, the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO). The Government will work to increase knowledge about and understanding of the Guidelines, and will strengthen the NCP with this in view. The Government will actively participate in the work of the OECD on revising the Guidelines in areas such as human rights, the environment and climate change, and seek to increase the number of countries that endorse the Guidelines.

The Global Compact is a UN initiative for companies that are committed to sustainability and responsible business practices. They endorse ten principles in the areas of human rights, labour standards, environment and anti-corruption. Participating companies agree to submit annual reports on their follow-up of the principles to the UN.

An important part of the Global Compact's activities entails working on concrete issues through networks. A Nordic network meets twice a year to discuss practical experience and

dilemmas. The Government will actively support the Global Compact, and will encourage more companies to join the initiative.

Transparent reporting encourages companies to strengthen their CSR activities. The Global Reporting Initiative (GRI) provides guidance for companies and organisations on reporting on the economic, social and environmental impacts of their activities. Standardising reporting is advantageous for companies, authorities and organisations as it systematises documentation and makes it easier to compare. The Government will support the GRI, by providing information and guidance about the initiative, and will in particular support the development of a reporting tool for small and medium-sized enterprises.

"The violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage and (...) labour standards should not be used for protectionist trade purposes."

— ILO Declaration on Social Justice for a Fair Globalization (2008)

7 International initiatives and processes for social responsibility

Corporate social responsibility concerns what companies do beyond complying with applicable legislation in the countries where they operate. However, in most areas where companies are expected to demonstrate social responsibility, efforts are being made to develop conventions and other more binding mechanisms. This applies in particular to human rights, labour standards, the environment and combating corruption. The Government intends to be a driving force for the adoption of more binding frameworks for companies through the creation of instruments that oblige states to regulate private sector activities in these areas.

The Government will continue to actively support the efforts of the Special Representative of the UN Secretary-General on human rights and business in the following areas:

- the state duty to protect against human rights abuses by third parties, including businesses;
- the corporate responsibility to respect human rights; and
- the need for more effective access to remedies for victims of human rights abuses.

The Government will also follow up issues relating to human rights and business vis-à-vis individual countries, for example through its human rights dialogues with China, Vietnam and Indonesia.

Textile workers in Bangladesh protest against the killing of several demonstrators by the police during a demonstration where they demanded payment of statutory holiday pay

Photo: Fernando Molerres/ Panos Pictures/ Felix Features





Deforestation in the Amazon basin, where the rainforest has had to give way to cultivated land.

Photo: Eduardo Martino/ Panos Pictures/ Felix Features

The Government is actively engaged in the ILO's decent work efforts. It has drawn up a strategy for strengthening and coordinating Norway's efforts to promote workers' rights in other countries, for example through the Norwegian ILO policy, and foreign, international development and trade policies. These efforts include strengthening inspection and enforcement of compliance with labour standards, for example by establishing cooperation between the Norwegian Labour Inspection Authority and equivalent authorities in other countries.

The Government will also continue to work for ambitious and binding multilateral environmental agreements, for example an international climate change agreement to follow the Kyoto Protocol, and agreements on biodiversity and chemicals. The Government will also seek to ensure that international framework conditions in areas other than the environment promote environmentally friendly development at the global, regional and international level.

Norway actively supports the efforts to persuade more countries to accede to the UN Convention against Corruption and the efforts to establish a mechanism to ensure implementation. The Government has also examined the role of secrecy jurisdictions – or tax havens – as facilitators of illicit financial flows.

The international trade regime primarily consists of the WTO agreements, but also includes a large number of bilateral trade and cooperation agreements. The Government will advocate integrating CSR into international agreements and dialogues where this is appropriate, and will include training in CSR and transfer of expertise in its bilateral cooperation.

8

Evaluation of legal instruments

Norway attaches importance to seeking a broad consensus on international legislation to prevent child labour, secure adequate protection of workers, prevent pollution and other environmental damage, and prevent the exploitation of minorities and indigenous population groups. There is a comprehensive set of international standards that regulate such issues. Norway's anti-corruption legislation has been developed and then implemented in response to international conventions.

In the Government's view, the recent increase in the number of global instruments entailing criminalisation obligations paves the way for more effective protection of the most fundamental standards for companies' international operations.

Certain Norwegian NGOs have advocated the introduction of minimum national standards for CSR for financial institutions and companies, regardless of where they operate. In the Government's view, the establishment and implementation of a strong international framework would be more expedient than setting up national schemes that vary from one country to another and give rise to uncertainty for both the business community and society at large. The Government will therefore work to further develop international frameworks for the business community.

With regard to civil liability, the basic principle under Norwegian law is that a parent company may not be held liable for loss or damage caused by its subsidiaries. The exception is if the parent company itself has acted in a way that makes it liable for the loss or damage. As a general rule, we cannot exclude the possibility of civil liability under Norwegian law for loss or damage in another country. However, a liability case of this nature would be challenging for practical reasons, since most of the witnesses and other forms of evidence would be outside Norway.

The Government attaches great importance to transparency and will seek to extend the duty to disclose information under the Accounting Act to include information on ethical guidelines and CSR activities. It intends to submit for consultation a bill proposing the introduction of an additional provision requiring the largest companies with an accounting obligation to state which ethical guidelines or CSR standards they follow, and what they have done during the accounting year to fulfill their social responsibility. Companies that do not follow any guidelines will be obliged to disclose this fact.

The appointment of a CSR ombudsman or the establishment of an independent body for monitoring and advising Norwegian companies has been proposed in certain quarters. The Government will consider various models for following up the private sector's CSR performance as well as different ways of organising advisory services. It will also consider how the National Contact Point for the OECD Guidelines can best be organised. A proposal will be submitted for consultation by the summer of 2009.

"The governance gaps created by globalization (...) provide the permissive environment for wrongful acts by companies."

— Special Representative of the UN Secretary-General on business and human rights John Ruggie

9 Instruments for strengthening corporate social responsibility

The Government will strengthen its efforts to provide information and guidance on CSR, with particular focus on small and medium-sized enterprises.

The Government will set up a focal point in the Ministry of Foreign Affairs for dealing with companies' CSR queries. Embassies in relevant countries will draw up country-specific information relating to CSR issues. Arenas will be provided for discussing specific issues and dilemmas that companies may encounter in their international operations.

The Ministry of Trade and Industry and Innovation Norway will initiate efforts to improve CSR performance in small and medium-sized enterprises. For example, they will establish a web-based overview of CSR information and expertise.

CSR performance will be evaluated in connection with advisory services and applications for financial support, and CSR will increasingly be a criterion for receiving funding and other

services, for instance from the Norwegian Guarantee Institute for Export Credits (GIEK) and the Norwegian export credit institution for export financing, Eksportfinans. Particular emphasis will be placed on CSR in developing countries that receive support from Norad's schemes for the private sector. Respect for workers' rights, in particular the ILO core conventions, will be used as a criterion for allocating Norwegian aid funds, and the Government will seek to ensure that CSR is consistently taken into account in the administration of aid. The Norwegian Investment Fund for Developing Countries (Norfund) is to promote CSR through investments, membership of boards, and projects, and by encouraging more private Norwegian investors to invest in developing countries.

The Government recognises the efforts being made to promote CSR by organisations such as the Confederation of Norwegian Enterprise (NHO), the Norwegian Confederation of Trade Unions (LO), the Federation of Norwegian



Young boys and men working as shipbreakers on a beach in Bangladesh

Photo: Corbis/Scanpix

Commercial and Service Enterprises (HSH) and the Norwegian Shipowners' Association. It urges social partner organisations to assist companies in competence-building and dilemma training. The Government welcomes industry-specific exchange of experience and guidance, and will cooperate with the organisations in this area. The Government also emphasises the importance of NGOs as drivers and monitors of CSR, both in international processes and vis-à-vis companies and authorities, and regards them as important partners in both national and international processes.

The Government urges the Research Council of Norway to continue and strengthen its programme for funding CSR-related research. It encourages Norwegian research institutes to join international CSR networks and apply for

funding from international sources. Norwegian educational institutions are encouraged to include CSR in relevant educational programmes.

The private sector, the authorities and NGOs have different roles, but a clear common interest in promoting CSR. There is a need to discuss the challenges and dilemmas facing companies, the authorities and NGOs in relation to international activities. The establishment of the consultative body KOMpakt has enabled Norway to become a pioneer in the promotion of dialogue and exchange of experience regarding CSR. The Government will continue to use KOMpakt as an important arena for the exchange of experience and for further developing policy and governance regarding CSR.

The full text of the white paper on CSR can be found at
<http://www.regjeringen.no/en/dep/ud/Documents/Propositions-and-reports/Reports-to-the-Storting/2008-2009/report-no-10-2008-2009-to-the-storting.html?id=565907>

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