HÅNDVÆRKSRÅDET
The Danish Federation of Small and Medium-Sized Enterprises

Global Compact

COMMUNICATION ON PROGRESS 2010

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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact.**

We welcome feedback on its contents.

The Danish Federation of Small and Medium-Sized Enterprises (Håndværksrådet)
Communication on Progress

This Communication on Progress report describes our activities in endorsing the United Nations Global Compact in 2010.

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OUR COMMITMENT

The Danish Federation of Small and Medium-Sized Enterprises (DFSME) (Håndværksrådet) was founded in 1879 and is today the only main trade association in Denmark catering exclusively to the interests of small and medium-sized enterprises (SMEs). We count 35 employees and represent more than 20,000 members covering individual companies as well as business associations.

The main objective of DFSME is to improve the business conditions for Danish SMEs on domestic and international markets. We fight for this through political lobbying, legal advice, various membership services and through consultancy for companies with international activities. It has always been a high priority for DFSME to work towards this objective with a key focus on the way SMEs impinge on society in a broader perspective.

Since the mid-80's DFSME has assisted Danish companies with business development in difficult markets in Asia, Africa, Latin America and Eastern Europe. Many of our projects have been supported by the Danish International Development Assistance (Danida). Human rights and environmental protection have always been key priorities in these projects. As the area of business sustainability evolved during the last 10-15 years to become an independent discipline in the form of Corporate Social Responsibility (CSR), it was a natural development for DFSME to focus and increase our activities within this area. Today, DFSME is an important player in the Danish and international CSR circles. We are represented in a range of political and commercial CSR networks in Denmark and we have a team of international CSR consultants providing consultancy to Danish companies and their business partners in emerging markets. Our work with CSR includes consultancy on strategy, implementation and capacity building, as well as political activities aimed at providing Danish SMEs the best opportunities for working strategically with CSR. Being a frontrunner on CSR, DFSME is also committed to walk the talk ourselves. With regard to in-house activities we especially focus on the welfare of our employees and secondary purchases.

Our commitment to the UN Global Compact is a natural aspect of our commitment to CSR. The Global Compact framework is universally recognised and sets a clear and tangible direction for companies' work with social responsibility. It is therefore with great pleasure that we continually support and promote the UN Global Compact.

Ane Buch
Managing Director
March 2011

ACTIONS AND OUTCOMES: HOW DFSME PROMOTES THE GLOBAL COMPACT PRINCIPLES

As a trade association, DFSME undertakes a wide variety of actions that impinge on business life in Denmark and abroad. We work closely together with stakeholders from the private, public and civil sector in order to promote business responsibility and sustainability.

Our work with sustainability can be divided into four broad categories with different types of activities, as summarised in the table below.

Area	**Activities**
1. Consultancy to Businesses in Denmark and Emerging Economies	• CSR strategy, analysis, implementation and audits • Fair trade implementation • Responsible supply chain management • Sustainable business development between Danish companies and companies in emerging markets • Designing and implementing private sector projects for sustainable business development
2. Political Activities and Stakeholder Engagement	• Influencing the political agenda within CSR by representation in political CSR networks and forums, e.g. the Danish Council on CSR and the Danish Ethical Trading Initiative • Promoting energy efficiency in Danish SMEs by representation in networks and forums for green energy and environmental issues • Promoting business integrity through lobbying for appropriate regulation and fighting for individual causes
3. Institutional Development and Capacity Building in Emerging Economies	• Sector specific capacity building programmes in emerging economies • CSR capacity building of business associations, e.g. with specific sustainable agendas such as women's business networks • Larger multistakeholder programmes for CSR implementation • CSR training for business managers at courses, seminars and conferences
4. In-house Activities of DFSME	• Physical working environment • Psychological working environment • Responsible procurement • Energy savings

In the following sections you can read about our activities within business sustainability in greater detail with a few practical examples highlighted.

1. Consultancy to Businesses in Denmark and Emerging Economies

A key priority in DFSME's engagement in CSR is the international department's work with consultancy for Danish companies and their business partners in emerging economies and difficult markets. We provide consultancy on CSR strategy, implementation, fair trade, responsible supply chain management and other areas within business sustainability. Furthermore, on a yearly basis we assist more than 100 Danish companies with establishing partnerships and joint ventures with local companies in emerging economies. These services are typically supported by the Danish International Development Assistance (Danida), making social, environmental and economic development central focus points.

Our approach is to link CSR strategy to a clear business case. For instance when suppliers in risk countries improve conditions for workers it may pay off in terms of a more motivated and efficient workforce, less sick days and improved retention of workers. At the same time it will have a positive effect on the image of their buyers and it may also improve quality, delivery times and other business parameters.

Assistance with Responsible Supply Chain Management for a Danish Enterprise

One of the companies DFSME has been assisting with CSR is a Danish retail chain in rapid growth. The chain provides consumer goods through approximately 100 shops in 11 countries. The company has most of its suppliers in CSR risk countries such as China, India and Bangladesh. Since 2007 DFSME has assisted the company with CSR strategy, implementation and responsible supply chain management. Our specific assistance includes development of a code of conduct, designing the strategy and management system for responsible supply chain management including suppliers self assessments, CSR audit programme and follow-up procedures, database for registering results as well as conducting CSR audits at the company's suppliers in China. During the process the company's own capacity for managing CSR has also been in focus, so the company can gradually take over the work with CSR on a more independent basis.

Both ethical and business perspectives are clear. During the last years the company has experienced increased interest from critical stakeholders with regard to how the company deals with ethical issues in its supply chain. The company now has a well structured system for supply chain CSR. This first of all increases their suppliers' focus on ensuring decent standards within labour and human rights, environmental protection and business integrity, thereby minimising the likelihood of any critical issues. But the system for responsible supply chain management is also a tangible set of activities and procedures that can be communicated to critical stakeholders, satisfying their needs for knowing the company does its best to ensure a high standard on CSR in its' supply chain.

2. Political Activities and Stakeholder Engagement

DFSME undertakes a variety of activities aimed at promoting CSR on the political level. As one of the only countries in the world, Denmark has a Government Centre for CSR and the government has furthermore established a Danish Council for CSR. We work closely together with the Government Centre for CSR and we are also represented in the Council. These organisations work along the lines of the UN Global Compact which gives DFSME a strong foundation for promoting the Global Compact at a broader political and societal level.

DFSME is also represented in the board of the Danish Ethical Trading Initiative (DIEH) with whom we – among other things – have developed a guide and handbook for environmental supply chain management and promoted responsible public procurement by mobilising municipalities and their suppliers.

Another focus area is energy savings among Danish small and medium-sized enterprises. We participate in various networks working for green energy and environmental improvements among Danish businesses and we collaborate extensively with public and private stakeholders such as energy providers, the Danish Energy Saving Trust and the Danish Energy Regulatory Authority. One outcome of this has been increased transparency in the energy market facilitated by an online platform (www.elpristavlen.dk) providing information on various products offered by Danish energy providers, including climate friendly energy. In addition we have promoted free energy consultancy to small and medium-sized enterprises (see the case below).

Promoting Free Energy Consultancy to Small and Medium-sized Enterprises

Danish companies could on average reduce their energy consumption by 10-20 % if energy saving technologies were introduced. Because of this – and as part of the Danish government's climate focus – all Danish energy providers are legally obliged to reduce total energy consumption among their customers by 1.75 million kilowatt-hours per year, equalling 950,000 kg of CO_2. This reduction is realised through the energy providers' mandatory consultancy on energy savings to their customers. The consultancy is provided free of charge and financed through a consultancy-pool which all Danish energy consumers are required to contribute to through an extra energy fee. The consultancy is supposed to be provided equally to all customers of the energy providers. However, target-reductions of the energy providers are relatively easier met by focusing on large scale energy users than by focussing on small scale users. Therefore, there is a strong bias toward larger businesses in the consultancy provided and large potential energy savings among SMEs are left unrealised.

To combat this tendency DFSME has – together with business associations and energy providers – developed an energy screening tool targeting SMEs. The tool identifies SMEs with a relatively large potential for energy savings and these businesses are then singled out for consultancy and energy audits offered by the energy providers. As a result both CO_2 emissions are decreased and money is saved in the identified SMEs.

3. Institutional Development and Capacity Building in Emerging Economies

Capacity building of organisations in emerging economies has been a main activity for DFSME's international department during the last 20 years. Within this area of our work we typically collaborate with larger organisations such as NGOs and business associations. Projects typically have the general aim of enhancing institutional capacities within the organization and capacities in providing services to members externally. This may include consultancy within sustainable business development, export promotion, marketing, project management etc.

Another type of project targets groups of companies in training sessions of longer duration - up to 3 years. In addition to this, we conduct shorter training sessions in CSR for companies and for educational institutions.

CSR Training and Strategy Advice for the Federation of Kenya Employers (FKE)

DFSME has been collaborating with the Federation of Kenya Employers on various projects during the last four years. In 2010 we continued a larger project where we provided training to managers and consultants from FKE in different aspects of strategic CSR and sustainable business practices. In 2009 the training focussed on institution and capacity building of FKE, in 2010 the training took the next step which focussed on capacity building of FKE members. DFSME was part of planning the course for members of FKE and DFSME had a supporting role in conducting the training sessions. The intention is that FKE will utilise the new skills in independently providing training in CSR for their members in the future.

CSR Training of Managers from Companies in Emerging Economies

DFSME has on a regular basis provided training in CSR for participants in the Danida Fellowship Centre's CSR courses. Participants are owners, managers and middle managers from companies in emerging markets and developing countries in Africa, Asia and Latin America. The training is funded by the Danish International Development Assistance (Danida) and has the aim of inspiring the companies to implement sustainable and responsible business practices by providing theoretical knowledge combined with practical insight e.g. by visiting Danish companies with a high performance on CSR. In 2010, 20 managers and middle managers participated in the course which included subjects such as strategic CSR, responsible supply chain management, environmental and social standards and the UN Global Compact.

SUSBIZ Kenya – Partnerships for Sustainable Business Development

SUSBIZ is a concept developed by DFSME and previously implemented in India. The concept promotes sustainable business practices for companies in emerging markets by involving their Danish business counterparts and working with these companies in groups of up to around 20 companies. During the project the companies receive training in workshops and individual on-site consultancy on CSR and business development. The course contents draws on international standards and frameworks for CSR such as the UN Global Compact and SA8000 combined with theory on strategy, process optimisation, human resource management and environmental management. The objective is to promote economic growth in the participating companies through socially and environmentally sustainable business practices.

In late 2010 DFSME conducted a feasibility study in Kenya in order to clarify the prospects for implementing a 2 year project together with the Danish Commerce and Companies Agency. During the study 9 Danish companies and their 9 Kenyan counterparts committed to participate in the project. In 2011 DFSME began the implementation phase and start up with joint workshops and on-site trainings. The project is planned to run for a 2-year period. See www.susbizkenya.org.

4. In-house Activities of DFSME

As an organisation promoting sustainable business behaviour towards various stakeholders we want to provide a good example in our own organisation. But it is also a question of ensuring a motivated and well functioning team of employees.

We work towards sustainability in our own house by targeting employee relations, procurement and energy use. Among in-house activities in 2010 we have mapped our suppliers and increased sustainable procurement, e.g. fair trade labelled products and environmentally friendly cleaning articles. We have also implemented an action plan for reducing stress among our employees and improved the physical working environment by individual training sessions by a physiotherapist for all employees.

Improving our Psychological Working Environment

In 2009 the Danish Working Environment Authority (WEA) conducted an assessment of the psychological working environment in DFSME. The assessment came with a remark as a result of excessive level of stress among the employees, especially due to unclear guidelines on task prioritisation and an uneven distribution of workloads. Following, an action plan for relieving stress issues was made and implemented during 2009 and 2010.

As part of this process several activities have been conducted. A workshop on stress and work-life balance was held at management level and a stress seminar was conducted at employee level. Management has increased the focus on individual needs of employees and clearer guidelines for employees on task prioritisation have been implemented. The implemented activities were assessed by WEA in 2010 and approved with no remarks.

THE WAY AHEAD

With CSR being both an important value for DFSME as well as an important consultancy area for the international department, we are highly committed to develop our own CSR work and the CSR services we provide for our members in the future.

In continuation of our psychological working environment assessment, DFSME will in the coming year increase focus on individual needs and increase offers of continuing education for our employees. Both individual and common courses will be offered and themes will be selected by employees in order to accommodate current needs. Additionally DFSME will improve the structure and communication in regard to further training and education of the employees.

As for the international CSR projects and assignments of the international department, there will be an increased focus towards Africa which is in line with strategies of the Danish International Development Assistance (Danida). Promoting sustainable business development through value chain projects and broader partnership projects will be some of the coming years' activities. The international department will continue to promote the Global Compact principles in Denmark and various developing countries by making CSR activities manageable and visualising the use of CSR as a business tool for environmental, social and economic sustainability.