

# **The Danish Federation of Small and Medium-Sized Enterprises (Håndværksrådet)**

## **Endorsing the UN Global Compact**

### **1. Our commitment**

In our daily interaction with our member organizations we at the Danish Federation of Small and Medium-Sized Enterprises (DFSME) increasingly see how businesses, which perform well on social and environmental indicators, also do well on financial indicators. Milton Friedman once stated that *"the business of business is business"*. This self-evident fact is still true today. But in an increasingly globalized economy, businesses who want to do well in a long term perspective, have to consider other issues than those directly related to financial performance. Businesses, who take into consideration their social and environmental impacts, benefit by increased support from stakeholders, increased positive public exposure, improved supplier relations and direct financial savings, e.g. from improved recycling and energy efficiency. It is therefore not only rooted in ethical considerations, when we see it as large priority to improve social and environmental performance of Danish SMEs and their suppliers.

As a framework for addressing the issue, the Global Compact is one of our most preferred tools. This is due to its foundation in internationally recognized principles, its appreciation from an increasing number of stakeholders and its general applicability.

In the previous years we have shown our commitment to the Global Compact principles in several key activities. As a political organisation we have for instance been engaged in the development of political guidelines for ensuring social and environmental responsibility in public procurement. Our International Department has assisted a range of companies in initiatives aimed at improving social and environmental conditions in their supply chains. And we have been involved in larger multi-stakeholder initiatives such as the SUSBIZ India project that has shown how improved social and environmental conditions can lead to improved business performance, also in the bottom of global supply chains.

With this COP we want to show how we continually commit to the principles of the Global Compact and strive to improve the social and environmental performance of Danish SMEs.

*Ane Buch, Managing Director, March 2010*

## **2. Actions and outcomes: How we promote the Global Compact principles**

The commitment of DFSME to the Global Compact is mainly expressed through four focus areas:

1. Political activities promoting corporate social responsibility
2. Strategic CSR implementation in Danish companies and their suppliers in developing countries and emerging economies
3. Training and education in corporate social responsibility
4. In-house activities of the DFSME

### ***2.1 Political activities promoting corporate social responsibility***

This focus area includes activities undertaken by DFSME that are aimed at promoting CSR on the political level. Our activities within this focus area include representation in organisations that work to promote CSR and other activities influencing the political agenda on CSR.

#### **Representation in The Danish Council on Corporate Social Responsibility**

In June 2009 the Danish government established The Danish Council on Corporate Social Responsibility. The purpose of the council is to support and contribute to Danish companies work on CSR and provide input to the Danish government on relevant initiatives to promote CSR among Danish companies. The 17 members of the council include Danish trade organisations and interest groups. DFSME has been represented in the board of the council since its establishment. A priority for DFSME is to apply our knowledge of potentials and barriers to CSR implementation in Danish companies and their supply chains to the work of the council. Thereby, we seek to impact CSR related policies and initiatives of the Danish government in order for these initiatives to best suit the needs of various stakeholders and intended beneficiaries. The strategy of the council is based on the Global Compact principles. [www.raadetforsamfundsansvar.dk](http://www.raadetforsamfundsansvar.dk)

#### ***Outcomes***

In 2009 the first three meetings have been held. The overall points to the agenda have been to lay the foundation of the councils' further work and establish the councils' recommendations to the Danish governments' action plan on CSR. This has included important work on a new CSR definition and establishing the foundation for the first Global Compact / CSR baseline study among a wide range of Danish companies.

*Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

**Representation in the Danish Ethical Trading Initiative**

DFSME is continuing as board member of the Danish Ethical Trading Initiative. DFSME has from the beginning of 2007 participated in the working group preparing the establishment of the Danish Ethical Trading Initiative, which was finally launched on 7 February 2008. The Danish ETI is a multistakeholder initiative established by the Danish labour movement, NGOs, business associations and private companies. The initiative functions as a resource centre and a member organisation, assisting Danish companies in building up their capacity to implement CSR in their supply chain in developing countries [www.dieh.dk](http://www.dieh.dk).

*Outcomes*

Through our board membership DFSME has impinged on the overall direction as well as activities of the Danish Ethical Trading Initiative, which include various seminars, meetings and courses on ethical trade.

*Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

**Representation in the Danish Coffee Network**

DFSME is represented in the Danish Coffee Network and holds the seat as chairman of the board. The ambition of the Danish Coffee Network is to facilitate an increase in the market share of coffee produced under environmentally and socially sustainable conditions as well as to establish a connection between an improvement in the Danish coffee culture and strengthening of marginalised coffee holders in developing countries. This ambition is realised through various activities: courses, seminars, network-meetings, events etc. Part of the activities is aimed at business development, sustainable development of supplier relations, development of competences within marketing and business management of member organisations. Furthermore, activities are aimed at market development through events, fairs, courses etc. these activities are targeted the wider general public [www.danskkaffenetvaerk.dk](http://www.danskkaffenetvaerk.dk).

### *Outcomes*

Through our representation in the board DFSME contributes to the overall development and activities of the network. A range of activities have been conducted during 2009, e.g. monthly coffee events targeted business and the general public. The Danish Coffee Network was a co-organizer of the [Danish Coffee Climate Conference](#) held at the Copenhagen Business School in November 2009, focussing on CO2 emissions connected to the different parts of the coffee value chain.

### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

### **Representation in network promoting CSR in public procurement**

In recent years there has been an increasing focus on CSR demands in public procurement and tenders. These demands relate to conditions throughout the entire supply chain of various products. A problem related to this is a tendency to CSR demands that are very difficult to realise or does not promote CSR in the best possible way. Especially small and medium-sized companies have been put at a disadvantage by the tendency. On this background the Danish Ethical Trading Initiative has initiated a network with the ambition of ensuring a common understanding of the barriers to realising a social responsibility within public procurement and how these barriers can be overcome. DFSME plays a large part in the network that also constitutes various public, private and civil organisations.

In addition to this, DFSME participates in a working group for a standardised set of guidelines for specific CSR demands as well as for where in the procurement process various CSR demands are most relevant. Such guidelines already exists in Norway and the working groups plans to include the experiences from the Ethical Trading Initiative Norway in the guidelines.

### *Outcomes*

The network has conducted two meetings in 2009 with workshops with participants from various municipalities, public procurement bodies, CSR consultants and companies that supply to public institutions. Furthermore, DFSME is in continual dialogue with National Procurement Ltd. – which is the main Danish organisation centralizing public procurement – and the Danish Agency for Governmental Management, in order to assist in the development of ethical guidelines related to public procurement.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

#### **DFSMEs political focus on climate and energy savings**

DFSME has an overall objective of promoting energy savings among Danish SMEs. This is a natural outcome of the increasing focus on climate change. DFSMEs strategy to enhance SMEs contribution to battle climate change is two fold: 1) to promote energy savings among our own members, 2) to prepare craftsmen and companies in the construction sector to promote energy savings in Danish housing. We have realised this ambition on several fronts in 2009:

#### *Outcomes*

- An intention in 2008 was to organize a energy/climate conference in 2009, however, this was intention was dismissed due to lack of support from potential participants as a result of the financial crisis. As a substitute, energy and climate were main focus areas of the agenda at DFSMEs meeting of representatives in 2009. At the meeting politicians and experts were engaged, e.g. the energy spokesmen for the conservative party and the social democrats participated. A range of articles and a movie was also presented at the meeting.
- DFSME is member of the advisory board of the research and information centre on energy savings in buildings (Videncenter for energibesparelser i bygninger), which is an institution under the Danish Energy Agency under the Ministry of Climate and Energy. The knowledge and information centre has the objective of upgrading companies and craftsmen within the construction sector in how to conduct energy saving construction work and energy renovations of buildings. Through the advisory board we provide recommendations to the centre about relevant initiatives in order to reach its objectives [www.byggeriogenergi.dk](http://www.byggeriogenergi.dk).
- DFSME is a member of the committee of the fund for energy savings (Energisparepuljen) where we participate in the selection of energy saving projects eligible for financial support from the fund.
- A barrier to energy saving construction work is the reluctance of the financial institutions to provide loans for this type of work. Therefore DFSME has mobilized banks in order to raise their awareness of the financial advantages related to loan giving to energy saving projects. For instance we have included banks in our courses on energy savings in the construction sector (see section 2.3)

*Global Compact themes covered*

✓ Environment

## ***2.2 Strategic CSR implementation in Danish companies and their suppliers in developing countries and emerging economies***

Within this focus area DFSME designs and implements corporate social responsibility activities in developing countries. We have attended to these activities in various projects, single company assignments and through multistakeholder initiatives.

### **SUSBIZ India – Partnerships for Sustainable Business practices**

The multistakeholder initiative SUSBIZ India was developed and managed by the DFSME as a lead organisation together with the Danish Commerce and Companies Agency from 2007 till 2009. An extension phase of the project was carried through by DFSME in 2009-2010.

The SUSBIZ India project facilitated capacity building within management and implementation of social and environmental activities in 8 Indian companies. The project took a partnership approach with involvement of local organisations and consultants. Its activities rested on the Global Compact framework and thus included all four themes of the Global Compact, human rights, labour, environment and anti-corruption. The project was concluded in January 2010.

#### *Outcomes*

- In total the project conducted 8 workshops in India and each company received an average of 11 days of on site training. Out of these one 2-day workshop and one 1-day workshop were held in the time period covered by this COP. At the 2-day workshop 11 people (mainly CEOs and owners) from all 8 companies participated. At the 1-day workshop 16 people (mainly CEOs and owners) from all 8 companies participated. The workshops addressed the areas of human rights in a business perspective and anti-corruption.
- In the same period each of the Indian companies on average received 2 days of on-site training within the four Global Compact themes.
- In addition to this, a conference was arranged by DFSME in collaboration with the Global Compact Network India and the Indian CSR NGO Partners in Change in Delhi in November 2009. The purpose being to disseminate the learnings from the SUSBIZ India project to a wider audience of Indian companies. In total 90 Indian companies attended the conference.

- A “Handbook on Implementing Sustainable Business Practices” as well as case studies on each of the companies’ experiences with the project was developed as part of the project. These resources are freely available at the project website [www.susbizindia.org](http://www.susbizindia.org)

In general the participants to the SUSBIZ India project reports of outcomes such as improved business performance, better ability to attract buyers, safer working environment, more content workers and reduced costs stemming from increased recycling and more efficient use of production inputs.

*Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

**Tool for environmentally responsible supply chain management**

DFSME is part of a joint initiative established by the Environmental Protection Agency (under the Danish Ministry of the Environment). In addition to the Environmental Protection Agency and DFSME the participants include the consulting company Cowi and the Danish Ethical Trading Initiative. The project has been initiated with the purpose of developing a tool for assisting companies with environmentally responsible supply chain management. The project also includes a reference group of companies from the textile and apparel industry.

*Outcomes*

The initiative has been established and preliminary meetings have been held.

*Global Compact themes covered*

- ✓ Environment

**CSR consultancy and IPD projects**

During 2009 DFSME has undertaken various consulting assignments for Danish companies with the aim of improving social and environmental conditions at their suppliers in developing countries and emerging economies. These assignments include development and implementation of management systems for responsible supply chain management, CSR audits as well as training and capacity building within CSR management. Activities typically include labour issues, occupational health and safety and protection of the external environment.

Some of these assignments have been supported by the Innovative Partnerships for Development Programme (IPD) of the Danish International Development Assistance (Danida) under the Ministry of Foreign Affairs of Denmark. The IPD Programme supports CSR implementation at Danish companies' business partners in developing countries and utilises the Global Compact as a framework. Other projects have been undertaken with support from other support facilities as well as on a commercial basis.

#### *Outcomes*

In 2009 we have undertaken CSR consultancy, audits and implementation within various projects in India, Vietnam, Kenya, Bangladesh, Nicaragua, China and Pakistan.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-corruption

#### **B2B projects**

DFSME provide services and consultancy within development and implementation of international business to business projects aimed at sustainable business development in countries in Africa, Asia and Latin America. These projects are typically supported by the Business-to-Business Programme (B2B) of the Danish International Development Assistance (Danida) under the Ministry of Foreign Affairs of Denmark. The B2B Programme is targeted SMEs and has a mandatory CSR component that is based on the Global Compact framework. All projects supported by the B2B programme must adhere to the principles of the Global Compact. DFSME also undertakes design and implementation of fairtrade projects supported by the B2B programme. Fairtrade projects are initiated and planned in Bolivia and Nepal respectively.

#### *Outcomes*

In 2009 DFSME has provided consultancy and services to more than a hundred business-to-business projects supported by the B2B Programme. Our consultancy and services within B2B projects relate to partner search and matchmaking, project design, market studies, feasibility studies, budget planning and financial analysis as well as corporate social responsibility and other activities related to preparation and implementation of B2B partnerships. The projects we work on are located in Nepal, Vietnam, Bangladesh, Bolivia, Benin, Bhutan, Ghana, Kenya, Mozambique, Uganda, Nicaragua and China.



#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-corruption

### **2.3 Training and education in corporate social responsibility**

Our training and courses in CSR typically includes the four main themes of the global compact as well as in how to manage implementation of CSR and the Global Compact principles. Furthermore, we have developed tools and guidelines supporting the dissemination and implementation of responsible business conduct.

#### **Development of inspirational guide to join Global Compact targeted SMEs**

In 2009 DFSME was selected by the United Nations Development Programme (UNDP) to develop a guide with the objective of informing and inspiring small and medium-sized enterprises to join the Global Compact. The guide provides information on Global Compact, the 10 principles and case stories on 10 Danish companies experiences with – and reasons behind – joining the UN Global Compact. Developing the guide was supported by the Danish International Development Assistance (Danida) and UNDP.

#### *Outcomes*

The guide “*Global Compact, Small and Medium-Sized Enterprises on their Way to Global Responsibility*” was developed in an English and a Danish version. The guide can be downloaded from [www.csrgov.dk/sw51121.asp](http://www.csrgov.dk/sw51121.asp)

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-corruption

#### **CSR training of managers from developing countries at Danida Fellowship Centre**

As a recurrent activity DFSME undertakes training of managers from companies from developing countries at the Danida Fellowship Centre (DFC). The training is conducted in collaboration with Grontmij Carl Bro and is funded by the Danish International Development Assistance (Danida). The target of the training is to educate the participants in how to implement and ensure a high standard on social and environmental issues in the companies in which they work. Part of the curriculum is the framework of the Global Compact, as we believe this framework provides a very applicable structure to working with CSR. Furthermore, the participants are trained in

different aspects of CSR management and how to link CSR to business development with special focus on productivity improvements [www.dfcentre.com](http://www.dfcentre.com).

#### *Outcomes*

Again in 2009 DFSME completed the CSR training for DFC in collaboration with Grontmij Carl Bro. The training took place in June and July in 2009. In total 22 participants from companies in Africa, Asia and South and Latin America attended the 3-week course in CSR.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

#### **CSR training at the Centre for Responsible Design**

The Centre for Responsible Design is a knowledge centre supported by the Danish Ministry of Education. The aim of the centre is to create, collect and disseminate knowledge of CSR and sustainable design and innovation. The centre works with these issues on basis of the Global Compact framework. As part of the centres work with CSR, DFSME provided training in how to manage CSR issues when production of designer products is outsourced to low-wage countries. The training consisted of a 1-day workshop on CSR implementation and management, including how to use the Global Compact framework in responsible supply chain management. The participants were company managers, designers, and design-students [www.responsibleddesign.dk](http://www.responsibleddesign.dk).

#### *Outcomes*

55 persons trained in CSR management and implementation, including the Global Compact framework

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

#### **CSR training for the Federation of Kenyan Employers (FKE)**

FKE is one of the two leading employers organisations in Kenya and undertakes assignments within advocacy, industrial relations, employment laws and related value-add services through management consultancy and training. One of the objectives of FKE is to encourage principles of sound industrial relations and observance of fair

labour practices. As part of this ambition DFSME has been selected as trainers for the member companies, employees and consultants of FKE in a project that has the target of upgrading FKEs competences within training, HRM and CSR. By upgrading a pilot group of member companies, employees and consultants of FKE within HRM and CSR, FKE enhances its ability to provide competent consulting to their own member organisations and individual companies. Part of the curriculum of the training that DFSME has designed for FKE is a thorough introduction to the UN Global Compact and its principles [www.fke-kenya.org](http://www.fke-kenya.org).

#### *Outcomes*

35 member companies, employees and consultants from FKE have been trained in CSR management and implementation, including the Global Compact framework.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour
- ✓ Environment
- ✓ Anti-Corruption

#### **Courses in energy saving targeted the construction sector**

Approximately 50% of the total energy consumption in Denmark comes from heating of housing. This contributes to a significant part of total Danish CO2 emissions. The opportunities for reducing energy consumption connected to heating are substantial due to poorly insulated buildings. On average 1/3 of the consumption can be reduced by energy renovations. Thus, there is an apparent scope for energy savings and connected financial savings related to improving the insulation of buildings in Denmark. Therefore, during 2009 DFSME has held courses in energy renovation for entrepreneurs and craftsmen in the construction sector. The courses were aimed at providing the participants with the required skills in order to realise energy savings for their customers. This for instance relates to skills needed to identify relevant solutions for different types of buildings as well as skills needed to calculate the price and saving connected to a particular solution. Furthermore, the participants were educated in different possibilities for subsidies and financing in order to promote energy renovations [www.energifagmanden.dk](http://www.energifagmanden.dk).

#### *Outcomes*

In total five courses were held during 2009. Each course was conducted over three afternoons. A total of 107 people representing 83 companies participated in the courses.

*Global Compact themes covered*

✓ Environment

## **2.4 In-house activities of DFSME**

This focus area relate to activities undertaken by DFSME in our own premises and conduct:

### **Actions to improve the psychical working environment**

In 2009 the Danish Working Environment Authority (WEA) conducted an assessment of the psychical working environment in DFSME. The assessment revealed uncertainty among employees related to prioritization of tasks, expectations on overtime and how to deal with large unexpected workloads. Communication from the management on these issues was not considered to be sufficient. Furthermore, though a high work load is usual in a trade organisation, this was further exacerbated by the financial crisis.

All together the situation had created a stressful working environment. A recommendation of the assessment was that the management should address the issue by improved communication and clarification of expectations. On this basis an action plan for reducing stress in the working environment of DFSME was developed and implementation was initiated in 2009.

### *Outcomes*

An action plan for reducing stress was developed, setting the following targets:

- Correcting the issues pointed out by WEA by November 2010
- Prevent stress and sickness absence by taking care of the psychical working environment
- Conducting a new assessment of the working environment in DFSME in June 2010 that shows an improvement working environment

Implementation of the action plan has been supported by the following activities:

- Staff development interviews – which are held once a year with all employees – have been extended with questions related to stress and working environment
- Group interviews conducted by WEA with a selected number of employees at DFSME in order to identify relevant focus areas for corrective action
- Presentation held for all managers and employees at DFSME by Thomas Milsted from the Centre for Stress and Well-being. The presentation focussed on how to deal with stress at a personal and organisational level.

*Global Compact themes covered*

✓ Human Rights

✓ Labour

### **Actions to improve the physical working environment**

In the beginning of 2009 an investigation into the physical working environment at DFSME was conducted. The physical working environment was assessed for all employees in terms of ergonomics, physical strain, noise, illumination and draught etc.

#### *Outcomes*

Specific personal recommendations and training was provided to all employees, for instance related to correct adjustment of chairs and tables. Also, illumination was improved where needed.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour

### **Gender equality**

DFSMEs active support for the Global Compact principles is also reflected in our recruitment practices in relation to gender equality.

#### *Outcomes*

In 2009 a new female Managing Director was appointed for DFSME and the gender balance among our employees is approximately 50 % females and 50 % males with a small overweight of female employees.

#### *Global Compact themes covered*

- ✓ Human Rights
- ✓ Labour

## **3. Work ahead of the DFSME**

In 2010 we at DFSME plan to continue our work with promoting CSR and the principles of the Global Compact. We will do this by continuing the types of projects that we already are engaged in. Specifically we intend to

- Implement the rest of our action plan for reducing stress among employees of DFSME.
- Provide consultancy and services for sustainable business cooperation between Danish companies and companies in developing countries and emerging economies

- Provide consultancy and services supporting CSR, responsible supply chain management and capacity building within labour issues, occupational health & safety, protection of the external environment and anti-corruption.
- Provide training and capacity building within CSR for employees, companies and business managers from companies in developing countries and emerging economies.
- In January 2010 DFSME initiated a project aimed at improved cooperation between business associations and energy providing companies. We plan to establish this project during 2010 in order to realize more energy saving initiatives in SMEs.
- Expansion of the SUSBIZ project concept into the East African region.