

WORLD BANK INDIA KNOWLEDGE EXCHANGE MISSION



THE WORLD BANK



सत्यमेव जयते
Government of India

Department of Public Enterprises
(Ministry of Heavy Industries & Public Enterprises)

PART-I

BACKGROUND OF THE KNOWLEDGE EXCHANGE MISSION

CSR Knowledge Exchange Visit to Norway;
World Bank- Department of Public Enterprises,
May 21-25, 2012
Summary Report

Objectives of the Mission:

The Government of India has recently stepped up efforts to develop a national agenda on Corporate Social Responsibility (CSR) both for public and private enterprises. The Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, is responsible for corporate governance in public sector enterprises and for the implementation of government CSR policies and vision. In March 2010 the DPE released *CSR Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises*¹ that provide guidance to PSEs on planning, implementing, and monitoring a CSR program at the company level. According to the guidelines, PSEs should integrate CSR plans with PSE's business goals, while supporting the Government's development agenda of inclusive growth and more broadly the Millennium Development Goals. Institutional support has been provided by the CSR Hub located at the Tata Institute for Social Sciences has been tasked to facilitate the implementation of the *Guidelines* by undertaking a range of supporting activities including research, documentation, advocacy and promotion and development.

The World Bank is providing non-lending technical assistance to India to strengthen its national CSR agenda. This includes supporting both the DPE on work with the public sector as well as the Ministry of Corporate Affairs on work related to CSR in the private sector. A key component of the Bank's engagement in this area is facilitating the exchange of knowledge between the Government of India and governments in industrialized and developing countries who have well-developed and well-implemented national policies on CSR. The knowledge exchange between India and Norway was a first of a series of planned knowledge sharing events that aim to help inform India's efforts to implement its national agenda. Norway was selected because of its extensive experience promoting CSR in its public sector enterprises.

The main objectives of the exposure visit to Norway were to:

1. Identify the policies of the Government of Norway with regard to CSR with special reference to PSEs;
2. Meet officials of the concerned ministries in Norway to gain a better understanding of how ministries collaborate to achieve CSR; and,
3. Visit select PSEs to understand how they incorporate CSR in respective business models.

It was envisioned that the in-depth knowledge gained from the visit would inform participating Indian PSEs on how CSR is integrated at the company level, and more specifically, provide

¹ Department of Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India. March 2010. "*CSR Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises*". The Guidelines are a complement to similar Guidelines released by the Ministry of Corporate Affairs for private sector enterprises in 2009.

information that would assist the DPE in revising the Indian Government's *CSR Guidelines for Central Public Sector Enterprises*.

The Delegation:

The nine-member delegation included:

1. Ashok Pavadia, Joint Secretary, DPE, Ministry of Heavy Industries and Public Enterprises, Govt. of India (Head of delegation),
2. Sanjeev Kaushik, Director and representative of the Department of Economic Affairs, Ministry of Finance, Govt. of India
3. Vandana Chanana, General Manager, CC and CSR, Gas Authority of India Limited;
4. Alok Mishra, General Manger, Head CSR, Oil and Natural Gas Corporation
5. Hari Narayan, Head CSR, National Mineral Development Corporation
6. Sonal Desai, Hindustan Petroleum Corporation Limited)
7. B Venkatesh Kumar, representative of the National CSR Hub at Tata Institute for Social Sciences, Mumbai
8. Dorota A Nowak, Senior Country Officer, India Country Management Unit, the World Bank
9. Shabnam Sinha, Team Task Leader, the World Bank.

The visit was organized by the World Bank, with support from the Norwegian Ministry of Foreign Affairs (MOFA).

1500 **NHO, the Confederation of Norwegian Enterprise** is Norway's major organisation for employers and the leading business lobby. Our current membership of more than 20,000 companies with more than 500 000 employees range from small family-owned businesses to multinational companies in most sectors. NHO is the leading voice of business and industry in Norway.

People to meet: Erik Lundeby, Ass. Director – Head of CSR

Agenda items: Governance in private and publicly owned Norwegian enterprises
Corporate Social Responsibility - in the past and present. Examples
NHO's role in promoting CSR in Norway, incl. 'A matter of Trust' (see the information package)

Day 2 Tuesday 22 May

0915 Departure from Radisson Blu Plaza Hotel by bus.

0930 **Statkraft:** Statkraft is Europe's leader in renewable energy. The group develops and generates hydropower, wind power, gas power and district heating, and is a major player on the European energy exchanges. Statkraft has more than 3,400 staff in more than 20 countries. The company is 100 % state owned.

People to meet: Olav Peter Hypher, Senior Vice President, Head of Corporate Responsibility & HSE (Health, Safety and Environment)
Mr. Tormod Schei, Head of Climate Sciences

Agenda items: Governance in a fully state owned enterprise
CSR in the energy sector
Case examples?

1600 **Det Norske Veritas.** DNV is an independent foundation with the purpose of safeguarding life, property, and the environment. Since 1864, DNV's core competence has been to identify, assess, and advise on how to manage risk. Whether classifying a ship, certifying a company's management system, or advising on technical solutions, the focus is to safely and responsibly improve business performance. With more than 10,000 employees from more than 85 different nations, DNV has established approximately 300 offices in 100 countries.

People to meet: Sven Mollekleiv, Senior Vice President, Corporate relations and CSR
Mette Vågnes Eriksen
Cecilie Hultmann

Agenda items: The special role of DNV
International trends in CSR. Examples
The influence of guidance documents and systems for CSR

Day 3 Wednesday 23 May

1030 **The KONGSBERG Group.** Founded in 1814, KONGSBERG creates and delivers high-technological solutions for people that operate under challenging conditions on the oceans, in the deep sea, in the defence and in space. KONGSBERG provides increased safety, security and performance for companies that operate under such extreme conditions. KONGSBERG has a turnover of USD 2.5 billion and has almost 7000 employees in more than 25 countries.

People to meet: Ronny Lie, Vice President Corporate Communications

Lene Svenne, Corporate Compliance Officer / Member of the
Top Management Team
Nils Molin, Head of CSR

Agenda items: Introduction to the KONGSBERG group
Corporate governance and CSR in KONGSBERG
Special challenges in the defence industry

Day 4 Thursday 24 May

0900 **Hydro:** *Hydro is a global supplier of aluminum with activities throughout the value chain, from bauxite extraction to the production of rolled and extruded aluminum products and building systems. Based in Norway, the company employs 23,000 people in more than 40 countries. About 40 % state ownership.*

People to meet: Svein Richard Brandtzæg, CEO
André Fey, Head of HSE and CSR
Thomas Knutzen, CSR manager

Agenda items: The development of Hydro, and the meaning of CSR in the past and present.
Case examples

1030 **Government Pension Fund Global, a part of Norges Bank** (Central Bank of Norway). *NBIM manages one of the world's largest investment funds.*

People to meet: Mr. Dag Dyrdal, Global Head of External Relations
Bjørn Taraldsen, Senior Adviser

Agenda items: The mandate for managing the Pension Fund
Responsible Investments and Ownership Strategies

1230 **Telenor:** *Previously the telecommunications monopoly for Norway. Today partly privatized with 54 % state ownership. Extensive international mobile phone activities, mainly in emerging markets, including India, with 140 million mobile subscriptions. Currently 30,000 employees worldwide.*

People to meet: Mai Oldgard, Vice President, Head of Corporate Responsibility
Tom Riege, Senior Vice President, Head of Governmental Relations
Eyvind Lome, Environment Manager, Corporate Responsibility

Agenda items: Telenor and its international presence
Organisation and key issues in Telenor's CSR efforts
Case examples
A light lunch will be served during the meeting

1430 **Internal Roundtable Discussion:** Lessons learned and impact on India's CSR Guidelines: Sharing of Experiences

Agenda items: Introduction by Mr. Ashok Pavadia, Joint Secretary, DPE
Open discussion.
Mission wrap-up

Day 5 Friday 25 May

0930 **Ministry of Industry and Trade.**
Section for Public Ownership.

The Ministry controls more than 20 large enterprises, some of them among the largest on the Oslo Stock Exchange.

People to meet: Andres Berg
Muriel Bjørsetn Hansen, Senior Adviser
Morten Thorp

Agenda items: The Parliament's regulations for governance in state-owned enterprises
CSR in practice. Case examples
Lessons learned and future development

PART- II

OVERVIEW OF CSR IN NORWAY

Overview of CSR in Norway

Norway is a global leader in the area of corporate social responsibility (CSR) and is often cited as a best practice example of a country, whose public sector and increasingly, private sector enterprises, have made strides in integrating CSR into companies' business strategy and day-to-day operations. At the core of CSR practiced in Norway is the understanding that companies have certain responsibilities towards people, society, and the environment. CSR is an integrated part of doing business; with a few exceptions, it is usually not something that is undertaken in addition to core business activities or as a philanthropic contribution. CSR principles of any given company permeate throughout every aspect of a company's work, and at all levels—from the Board room at headquarters to offices abroad and to all suppliers. Companies need to address CSR in a forward looking manner and ensure that CSR is a part of corporate governance.

CSR in Norway has evolved over the years and this process was gradual. Initially, companies built up the town around a particular industry, especially the case of hydropower in Norway. These became company towns, where the company provided much of the services that are now provided by the public sector. Companies with operations in Norway are no longer expected to play these functions. Instead, companies are now expected to be responsible for the *impact* of its activities on the people, society and environment. For companies with operations in developing countries, the situation is a bit different. Companies with a presence in developing countries where poverty is widespread—and addressing MDGs is a work in progress—are expected to demonstrate responsibility toward the local people and communities, but are not required by Government to undertake long-term development activities. In some instances, however, Norwegian companies do work with communities to identify local needs and implement projects that address them. Working together with NGOs and international development partners, Norwegian companies set up schools, health clinics, create livelihood opportunities, and impart skills training.

The White Paper—*Corporate Social Responsibility in a Global Economy*²—lays out Norway's approach to CSR. Issued and discussed at the Norwegian Parliament in 2010, the paper presents basic guiding principles for CSR and is the starting point for the country's ambitious CSR policy. The paper does not define CSR, but provides a basic understanding of CSR. More importantly, it communicates the Government's expectations for public and private sector enterprises and sets out expected roles and responsibilities of the authorities, the private sector and other actors in implementing the national vision for CSR. In Norway CSR is voluntary and goes beyond laws and regulations of any particular county. It seeks to integrate social, ethical and environmental issues in the daily business activities of Norwegian companies. The White Paper is an output of a long consultation process with key stakeholders and is firmly anchored in principles and guidelines set out in a series of international guiding principles, conventions and initiatives all geared toward making businesses more responsible. In fact, one of Norway's key achievements was reaching a consensus between all key stakeholders including media and civil society on the CSR guiding principles before formally adopting them.

² Norwegian Ministry of Foreign Affairs. *Corporate Social Responsibility in a Global Economy*. Report No. 10 (2008-2009) to the Storting [Norwegian Parliament]

Norway's overarching guiding principles for CSR cover three broad areas where the Government intends to play a role on CSR: 1) clarifying and communicating its expectations of all companies on CSR obligations; 2) participating actively in international processes aimed at strengthening the global framework for responsible business; and, 3) leading by example—aiming to be at the forefront on CSR in companies that are fully/partially-owned by Government, in its investments and procurement. Working with public sector companies, the Government intends to set standards for CSR execution/implementation that the private sector could emulate.³ Norway does not have an institutional framework to oversee and regulate CSR in the private sector companies. The Government however, expects that there will be positive spillover effects from public sector companies that are expected to take the lead nationally on the CSR agenda.

The CSR guidelines for public sector companies focus on four broad areas: respecting human rights and upholding core labor standards (adhered by the companies in Norway and outside); environmental risk mitigation and protection; corporate governance including anti-corruption and transparency matters. In each of these areas, the Government's White Paper encourages companies to adhere to international guidelines and principles such as the UN Charter on Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprises, UNGCN, ILO conventions and for reporting the Global Reporting Initiative (GTI). The focus of the Government is to spread these principles and ensure that they are implemented. Violations or non-adherence to the principles in any four of these areas by any company operating abroad is viewed very seriously by the Government.

The Role of the Government in Operationalizing the CSR Agenda

The role of the Government is to engage, guide and influence CSR in partially/fully state-owned enterprises. The Government participates in dialogue and exchange of knowledge to improve CSR practices by Norwegian and continually considers new efforts to strengthen processes and develop new ones. The CSR department meets with PSEs on a regular basis. The Ministry of Foreign Affairs acts as the focal point and deals with companies' CSR queries and requests for information. An advisory committee (KOMpact) was put together by the Ministry of Foreign Affairs; it has broad representation that includes CSOs, workers organizations, and trade associations. KOMpact is new and is meant to be a forum for dialogue on CSR issues. It is mandated to improve decision making processes, facilitate exchange of information between Norwegian stakeholders, and increase motivation for implementing CSR. The MoFA does not have a system of awards/penalties for good/bad performing companies. Instead it stresses that good companies are rewarded either by investors or consumers, who take under consideration a companies' record on CSR when making a purchase or investing. The Ministry has a close dialogue on CSR related issues with industry confederations as well as civil society. The society at large is engaged in the monitoring and supervision of PSEs' CSR activities. NGOs are both drivers and monitors of CSR, Ministry of Foreign Affairs and the Ministry of Trade and Industry

³ Meeting participants pointed out that there is very little difference between private and public sector companies in Norway. Both are controlled by professional Boards. PSEs are not managed like government agencies; the Board is central to operations.

and Innovation. Norway also participates in many multi-stakeholder initiatives for social responsibility.

The Government provides a robust menu of advisory and guidance services—information, guidance and dilemma training—to Norwegian companies. It maintains a web-based overview of information and expertise regarding CSR. To assist companies operating abroad, the Government has drawn up country profiles tailored to the private sector’s needs in areas relating to CSR and generally creates opportunities (KOMpact is a good example) for discussing specific problems and challenges that companies encounter internationally. It works closely with various stakeholders including social partners and civil society so that information and experience are shared broadly.

The Government of Norway’s responsibility on CSR goes well beyond its borders. It plays an active role in creating and strengthening international CSR guidelines, with a view to establishing more binding frameworks and mechanisms. For example, Norway has been involved in revising the OECD Guidelines for Multinational Enterprises in the areas of human rights and climate change and environment. In terms of funding, it is envisioned that Norway will allocate increased resources to initiatives and institutions bodies that promote CSR, including the UN Global Compact, the Global Reporting Initiative (GRI), and the International Labor Organization (ILO). Norway’s support of the UN Special Representative of the Secretary-General on human rights aims to develop a framework that sets out minimum requirements for CSR in respect human rights and business.

In addition, the Government has issued an Ethical Plan for government purchases and trade initiatives and a Code of Ethical Practices for global investments by the Norwegian Pension Fund (NorFund)—Norway’s sovereign wealth fund.

The Role of Companies in Integrating CSR Principles

A company’s core activities drive the focus of its CSR work. The issues and challenges that a company decides to tackle are also influenced by a company’s stakeholders, which typically include media, civil society, government, employees, customers, suppliers, owners/investors, and local community. Hence, although there is some standard understanding of how CSR is defined, at the company level CSR principles differ from company to company and are very much sector specific. The Norwegian concept of CSR is *industry-driven* and there are expectations that the individual companies adopt, adhere, and report compliance to the guiding principles set out in the White Paper, with the Government playing the role of an enabler, guide, catalyst and motivator. Close dialogue between the Government and trade unions and social groups for ensuring good practices within the country is a key component of the Norwegian model for CSR. Investor behavior also significantly guides good practices by companies in Norway. Provides general principles but leaves it up to individual companies to develop and implement guidelines

for corporate social responsibility. The guideline should not only be known by all the employees, but also by everyone in a given company's value chain.⁴

Companies appreciate that it is necessary from the business perspective to adhere to the CSR guiding principles and assimilate them in their business activities. They understand that there are long-term benefits for companies that integrate CSR into their work. It has instituted a 'Committee of Deputy Ministers' to look into these guidelines. Companies are liable under Norwegian law to follow the regulations embodied in the voluntary principles and extend them also to the other countries where they do business. Focus of Government will be on dissemination, incentivization and encouragement to push the guidelines forward. The Committee/Working Group does not get into role of a monitoring agency on implementation related issues.

Norwegian companies, with operations abroad, face unique challenges related to human rights and labor standards, especially in countries where the level of adherence to globally recognized and accepted standards varies considerably from accepted norms in Norway. For example, issues related to the use of child labor--in a company or anywhere in a company's supply chain--has sparked lots of debate in Norway and provided an important impetus for many Norwegian companies to take CSR more seriously. Irrespective of where the company is headquartered, such issues have to be looked throughout the value chain. Norway has been proactively implementing UN Business and Ethical Practices guidelines and through its companies operating outside of Norway has endeavored to disseminate and monitor as best as possible the application of these guidelines more broadly. Another important facet of operating in a more globalized world, is that many European companies regardless of where they are headquartered or have operations are employing guest/temporary workers. How such workers are treated and what access they have to workers' benefits are part of the future debate on CSR issues in Norway.

Assessing Performance and Monitoring

The Government's guiding principles are an instrument to effect positive change in Norwegian companies as well as other companies and contractors in the whole supply chain. The guidelines are not meant to be punitive.

Nine Sector-independent Considerations³

1. **Health, safety and the working environment:** work in this area must also cover companies' international operations. Cooperation with employees and their organizations must be in place when a company operates in other countries.
2. **Environment:** The companies' work on environmental issues must extend to the enterprise's entire value chain. Product development, production, distribution and the subsequent use of the company's products must be adapted to long-term responsible social development with the least possible environmental impact.
3. **Ethics:** The companies are expected to have adopted corporate values and ethical guidelines. In formulating ethical guidelines for their operations, the companies should, among other things, consider the factors on which the Government Pension Fund – Global's ethical guidelines are based. Such ethical guidelines

⁴ Confederation of Norwegian Enterprises. *A Matter of Trust: A Guide to Corporate Responsibility*.

should be in line with the UN Global Compact and the OECD's Guidelines for Multinational Enterprises. The guidelines should also be in accordance with the OECD's Guidelines for Corporate Governance.

4. **Combating corruption:** Greater transparency can prevent wrong and ethically dubious decisions. Companies should therefore be open about dilemmas relating to corruption, conflicts of interest and impartiality. Civil protection: As is the case for private enterprises, companies in which the state has an ownership interest are obliged to protect their own operations, employees and the surrounding environment against accidents.
5. **Gender equality:** Open and genuine competition for positions in society promotes both justice and economic efficiency. The Government believes that failure to make better use of the competence and capacity women can bring to companies and society as a whole represents squandering and poor management of society's resources.
6. **Restructuring:** As owner, the state expects companies to take a long-term view and act responsibly in connection with restructuring processes.
7. **Research, development and competence-building:** Business and industry should be ambitious with respect to research and development. The Government expects companies in which it has a major ownership interest to have a strategy for increased research and development.
8. **Integration and career opportunities for other groups:** The Government is concerned that Norwegian companies should be proactive in their attitude to the recruitment of personnel from minority backgrounds, qualified seniors and people with functional impairments. The companies should also emphasize knowledge of other countries' cultures in their recruitment policies. The state's attitude to social responsibility in companies in which it has ownership interests is expressed in the form of general, sector-independent expectations rather absolute requirements. It is the task of each company's board of directors and management to adopt guidelines for its operations. Different areas are important for different companies and must be addressed accordingly.

³ *Corporate Social Responsibility in a Global Economy (2008-09)*. In the White Paper, the Government clarified its expectations of companies on CSR in nine areas, which companies should take into account in their business assessments and that are intended to promote companies' long-term rate of return and industrial development.

Reporting is not mandatory. Most of the large partially-state owned companies, however, have chosen on their own initiative to report in accordance with the Global Reporting Initiative (including the companies visited on this study tour—Statkraft, Kongsberg Gruppen, Telenor, Hydro, Statoil, and Hydro). Many of the public sector companies issue separate sustainability reports or report specifically on CSR in their annual reports.

Key Takeaways from the Mission:

Globally, CSR initiatives are determined and shaped by international covenants and agreements on the *key elements of CSR*—detailed in various international conventions such as the UN Global Compact and ISO 26000. The working definition of CSR does, however, differ across countries and in the context of Norway; it was found that there were differences in the approach to CSR even between companies. Though internationally, experience shows that certain elements of CSR may be included in *legislation*, yet this varies from one country to another. Enforcement of the legislation may vary, and coordination may be weak or strong. However, by its very nature, CSR efforts need to be more integral to the ethos of the company rather than be externally determined by legislative mechanisms. While variations in approaches towards CSR are natural, as they are determined by differential factors in the context of public or private owned enterprises, however, the basic tenets, nature and priorities for undertaking CSR initiatives need not differ very fundamentally. In Norway, the Government leads the effort in ensuring that there is a robust follow-through on basic CSR principles of the country that are formulated by the nodal ministries that are the MOFA and the Department of Industries.

KOMpact at the Ministry of Foreign Affairs and the Ethics Council Group at the Ministry of Trade and Industry are set up as an **advisory group** to the Government. Both bodies ensure that the CSR process integrate varying views from different sets of stake-holders.

While companies have espoused globally-accepted CSR principles for decades, the Government of Norway issued a formal document (The *White Paper* on CSR) only in 2011. The process for developing a national view on CSR in Norway took a relatively long time, and is a **gradual and iterative process**. The White Paper outlined the Government's vision for CSR, or very **broad-based principles** that reflect international conventions and agreements such as the UN Global Compact, ILO, etc. The documents allows for flexibility. The details of implementation are then tailored to the needs of each industry and company. They keep within the broad guidelines. The document provides a set of guiding principles. **It is the business that drives the CSR agenda**, which is very specific to each sector as well as location. CSR in the Norwegian context is at the **core of business**. CSR is an internal as well as an external concept. CSR guidelines especially those on ethical practices, human rights, supply chain integrity etc need to be followed by everyone in the company as well as those in business relations with the companies- the collaborators, suppliers etc. Each company has issued a code of ethics, which is publically accessible on its website.

It is interesting to note that Norway is very diligent in CSR practices in its operations abroad **and** CSR issues such as human rights, adherence to labor standards and workplace issues figure prominently in the same. The Guidelines and business practices that shape CSR in Norway continue to be the guiding principles for each company in its operation in any foreign country. There would therefore be zero tolerance for any contravention of ethical practices, human rights violations, supply chain malpractices etc. This has significant lessons for India as many of its large PSEs are opening operations abroad. It is necessary that international covenants, practices and guiding principles put forward by entities like the UN, UNGC, ILO, etc are understood and respected. There may be need for appropriate orientation and capacity building of SPEs on these issues as next step, emerging from this knowledge transfer visit.

A significant difference that was found in the way CSR is understood or practices in India and in Norway was: India views CSR more as a human development issue that requires businesses to give back to society and improve the lives of the communities in which they operate. In Norway however, domestically, CSR is an internal concept- guided more by issues related to ethics, human rights, sustainability etc. One of the reasons for this approach is the fact that Norway is already highly ranked in the Human Development Indicators (HDIs) and do not need developmental activities so much as the ethical and other compliance components of CSR. In the Norwegian context and in many of the companies visited, the focus on CSR was often triggered as a result (of fear of future) crisis that involved media and CSOs, driven by reputational considerations.

Internationally, Norwegian companies work with communities to assess needs and concerns and develop community development projects i.e. build schools, construct water wells, provide health care services etc. Often this is done with the help of local NGOs and/or international and

multi-lateral organizations. *Telenor* is an example of a company that has undertaken substantial development work in their areas of operation in Bangla Desh, Pakistan etc. through the Michael Porter concept of *Creating Shared Value* where CSR and development is integral to the business strategy of the company and furthers its business interests through CSR. *Telenor* has used its core business model of telecommunications for ensuring that its mobile telecommunications technology is accessible to the poor and is used for use of mobile telephony in education, health, financial inclusion etc, and thereby making immense contribution to the improvement in the lives of the people in the area where they operate.

There is *no mandatory financing requirement* set out by the Norwegian Government. It is up to each individual company to incorporate CSR into their own governance structures and use resources as needed. The Norwegian Government's approach to CSR is principle-based, which gives a lot of flexibility to companies to develop their own concrete and sector specific guidelines. While a company's Board has full responsibility of the implementation and monitoring of its CSR guidelines, the way CSR is incorporated into the management of each company differs from company to company. In some instances, there may be a CSR Director that reports to the CEO and Board and in other cases, the responsibility rests with each line manager. This has important lessons for India as the GOI is considering CSR options and requirements (whether CSR should be voluntary or mandatory) under its potential Companies Bill. A key take-away from the mission was that each company needs to set priorities and gradually implement a holistic CSR agenda that is enmeshed with their business priorities. This needs to be phased out and taken up carefully as not all objectives can be met at the same time of all initiatives undertaken at the same time.

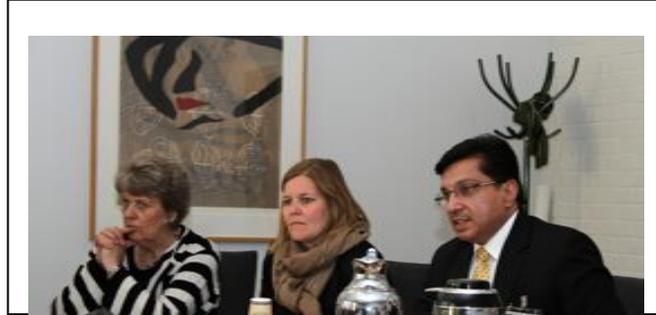
PART- III

PROCEEDINGS OF MEETINGS

Notes from Meetings

During a five-day exposure visit to Norway, the nine-member Indian Delegation met with Government entities, public sector enterprises, two industry federations, a foundation and the Central Bank of Norway. The following is background information on each of these institutions as well as a summary of these meetings.

Ministry of Foreign Affairs (MoFA)



The Norwegian CSR initiative focuses on compliance issues, which also involves working with companies with internal operations in Norway. The Ministry of Trade and Industry, the Ministry of Foreign Affairs (MoFA) is also deeply involved. The MoFA is also deeply involved in the promotion of Norwegian companies and public sector enterprises, the



MoFA ensures that Norwegian companies operating both inside and outside of the country adhere to Norwegian and global laws and standards regarding ethics, human rights, corruption, and supply chain integrity. MoFA acts as an advisory body, advising companies on adherence to a set of international guidelines for CSR, including international conventions, standards for CSR, UN Global Compact, GRI ISO 26000, and others. MoFA's CSR Department promotes Norway's CSR agenda, both nationally and internationally; deal with Norwegian counterparts with regard

to pursuance of CSR practices and render assistance as needed; act as an intermediary between the Norwegian companies and international bodies/host countries where the industries are located to appropriately facilitate implementation of Norwegian Guidelines on CSR (usually with special reference to the compliance aspects). The Government is very sensitive about the ‘reputation’ of Norwegian companies doing business globally, and hence the handling of the CSR agenda MoFA.

Norway has been proactively implementing UN Business and Ethical Practices guidelines and through its companies operating outside of Norway has been endeavoring to disseminate them guidelines more broadly. Using the Bhopal Gas Tragedy as an example, MoFA stressed the importance of companies operating abroad in adhering to such guidelines to avoid future mishaps.

Companies need to appreciate that it is necessary from the business perspective to adhere to the CSR guiding principles and assimilate them in their delineation of business. It has instituted a ‘Committee of Deputy Ministers’ to look into these guidelines. Companies are liable under Norwegian law to follow the regulations embodied in the voluntary principles and extend them also to the other countries where they do business. Focus of Government will be on dissemination, incentivization and encouragement to push the guidelines forward. The Committee/Working Group does not get into role of a monitoring agency on implementation related issues. Guiding Principles are a Government instrument and the intent is to make them work positively rather than punitive by entering into a dialogue with companies.



Virke

Virke is the Federation of Norwegian Industries. It has 1,600 members—both public and private companies—as well as NGOs. Members are primarily importers. The company has been working on its CSR strategy since 2010 and were part of discussions with the Government of Norway before the issuance of White Paper on CSR. Virke’s membership also includes NGOs, who actively support and act as a pressure group for strengthening the national CSR strategy. Its members (i.e. importers) are better placed to push on the CSR front than exporters. VIRKE provides advice to companies for an overall fee structure. Members pay an annual fee. They maintain an updates website that provides latest information on all key events and developments. Most issues on which clients sought advice were on implementation of triple bottom line. and has an association of members to whom they offer advisory services of all types related to CSR and legal issues.

Virke's CSR policy focuses on four basic pillars: human rights; ethical conduct of business/anti-corruption and bribery; good labor practices; and environmental protection and risk mitigation. Since 80 percent of its member are regional pharmaceutical companies, they are in a position to be the political voice of that industry and address political issues of their clients. A survey conducted by Virke showed that 'Ethical Trade' practice was of utmost concern to the consumers. Most consumers (83 percent) saw CSR as an 'Ethical Task' stating that they did not want to buy goods produced through companies employing unethical practices. The sectors of the industry that posed the biggest challenges in implementation of CSR were Food, Textile and Electronics. Many clients were concerned and sought advice from Virke on implementation of CSR and possible supply chain violations in their suppliers. Virke also supported companies on conflict resolution. While Virke works on the import segment, the Confederation of Norwegian Enterprises (NHO) undertakes work related to exporters. The MOFA coordinates as the nodal body between the two industry associations.



Services provided to members include networking, leadership programs as well as courses. Virke coordinates various groups around CSR issues.

Norwegian consumers are concerned about ethical trade especial in three industries: textiles, food and electronics.

Virek noted that its members have a very diverse understanding of CSR which ranges from following regulations to charity and philanthropy.

Confederation of Norwegian Enterprise (NHO)

The NHO is an industry federation that advises (among other activities) its members—export industries—on matters related to CR⁵. It is an umbrella federation that represents 26 different sector-specific federations, with the exception finance and international shipping. Most Norwegian public sector enterprises are members. NHO plays the role of a facilitator for the employers and federations. It facilitates wage negotiations, advises the Government on tax systems, etc.

Since 1995, NHO has been very active the area of CSR, both domestically and internationally. They work closely with companies to help them develop a CSR strategy and with the broader public to raise awareness of CSR issues. The federation has developed a series of guidance documents and tools that help companies integrate the Government’s CSR principles into their operations. www.nho.no/csr

The federation’s working definition of CR is: “Corporate responsibility means that companies produce goods and services in a profitable, decent and sustainable manner, integrated in strategy and daily operations”. NHO focuses on the following areas: human rights; decent work; environment; anti-corruption; and society—or the positive contribution to broader societal objectives. For NHO, CR goes beyond compliance to rules and regulations, which in the case of NHO is seen as a precondition for CR. Corporate responsibility for NHO has two aspects: it is integrated into a company’s operations and permeates the whole corporate culture and also about managing risk and reputation. NHO espouses the idea of shared value i.e. profit plus positive impact on community. Value for shareholders and broader society. It advises members on issues related to risk and reputation management (major focus of NHO).



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⁵ NHO prefers to use the term Corporate Responsibility (CR) rather than corporate social responsibility.

The NHO has its own CSR Advisory Board (members), CSR Forum (functions like a network), and CSR Team (with representation from across departments) and acts as a major lobbying organization, initiating cooperation with members of international bodies and sister federations working on CSR.

NHO advises companies on its CSR strategy. One such company has been **Hydro**—the large industrial giant working on hydro power generation, energy and defense equipments. When **Hydro** initiated overseas operations in a new geography some years ago, NHO helped in developing its entire CSR strategy that was based on the country's development parameters. Under the initiative, Hydro created schools, hospitals and helped set up the entire township and livelihood options. Hydro was also visited by the Indian Delegation (see below).

NHO advises its members that the preparation of a good CSR strategy should involve identification and then consultations with stakeholders. NHO stresses the importance of doing a stakeholder analysis before developing a CSR strategy. (The booklet “A Matter of Trust” provides a nice example of stakeholder analysis.)

Det Norske Veritas (DNV)

Det Norske Veritas is a foundation that provides services to private and public sector companies for identifying, assessing, and managing all types of risks. DNV considers Corporate Responsibility (CR) as an integral part of its management system and business culture. CR—term preferred over CSR—is seen as the company's response to future expectations and is something that goes beyond compliance to the laws of the land or rules. DNV believes that every action taken on behalf of the company, 365 days per year, should reflect corporate transparency and an overriding linkage to ethical values. They aim at enhancing the positive impact of their business on society, which must manifest itself in how the company is managed with special reference to ethics and corruption and how it manages diversity, communication, transparency, and involvement in local community and in global policy making.

DNV has a global CR Board which is responsible for formulating and developing its annual action plan on CR. The Board continuously evaluates the company's CR commitments to ensure that it meets stakeholders' expectations. The main focus areas are: governance, business ethics, communication and transparency and HSE (Health, Safety and Environment). The company's guiding principles for conduct business are based on the ten principles of the UN Global Compact. The institutional framework developed for carrying out their CR mission includes development of a corporate integrity profile, and fostering a democratic culture by allowing participation of its employees in appointment to Board positions. They have also developed a tool called ‘Crossing the Line’ wherein the employees are provided an opportunity to skip the hierarchical system of the company and bring to the notice of higher authorities any matter which they think is important and needs immediate attention. DNV has been actively involved and has been a partner in developing the ISO 26000 Global Standards of CSR for the last 8 years. To sum up, CR at DNV is simply how they do business every day. The way they do their business should always inspire confidence amongst all its stakeholders, which they believe is the key to sustainability. They are extremely cautious about their conduct in international business arena where corruption gets zero tolerance with the aim to handle it before it happens. CSR

should not be left to HR only. It was decided that they would share success stories on effectively handling corruption in international arena. Training is important; all employees go through “dilemma” training.

There is a continuous process of evaluating and improving CR policies and procedures. The organization is also evaluated internally and externally every three years.

DNV has a CSR Board, with top managers as its members. The main incentive for companies to seek DNV’s services is when it faces a serious situation of fraud and/or corruption. DNV now see that more and more companies are coming to them to help develop a CSR policy prior to a triggering event, but driven by the “possibility” of fraud and corruption.

Kongsberg Gruppen ASA

Kongsberg—a leading company working in the areas of maritime, defense and oil and gas—is directly governed by the Norwegian Ministry of Trade and Industries. Kongsberg provides technological solutions from deep water explorations to space applications (including the monitoring of 47satellites). Fifty percent of its activities are in defense and 80 percent of its revenue derives from operations abroad. The company has limited operations in India (based out of Mumbai), but wants to expand.

For Norwegian companies, reputation is of paramount importance and drives (at least initially) a company’s CSR agenda. For example, in 2003 a large Norwegian company was implicated in a major corruption scandal involving child labor in a developing country. This triggered a response from many Norwegian companies. Under the leadership of its CEO, Kongsberg prepared a well-defined Code of Ethics that became the mainstay of their business operations and guided the company’s CSR initiatives. The Code focuses on international relations, business conduct, provides guidance on follow up and treatment of noncompliance and applies to Kongsberg directors, management, employees, all casual employees, consultants, agents, lobbyists and others who act on behalf of the company. All managers are responsible for ensuring that the Code is reviewed, communicated and observed in their own departments. A copy of the Code of Ethics is attached to all agreements with agency contracts, distributor contracts, other representation contracts and supplier contracts. The company’s CSR agenda focuses on five areas: ethics; human rights; labor rights; anti-corruption; monitoring of supply chain; and dialogue with stakeholders.

Kongsberg is increasing putting more emphasis on supply chain issues. Its Supplier Conduct Principles aim to ensure safe working conditions, respect and dignity, environmentally sound business operations and business practices as per internationally recognized principles across the whole supply chain. They periodically conduct supply chain audits (often pre-project implementation) to ensure compliance. The principles seek continuous improvement on the part of suppliers. If suppliers fail to comply with these principles, Kongsberg’s policy is to work with the supplier to help them improve rather than penalizing them or cancelling their contracts. They work in partnership with non-compliant suppliers to identify activities that do not measure up to these standards (by themselves or with sub-contractors), and who agree to pursue improvements.



Kongsberg expects all its suppliers to comply with, or actively pursue compliance with:

1. **National legislation:** In all of their activities, Kongsberg's suppliers must operate in full compliance with the legislation, rules and regulations of the countries in which they operate. Where the provisions of applicable local laws and the Principles address the same subject, and they are not in conflict, the highest standard shall be applied. Where any of the requirements in the Principles conflict with applicable local legislation in the sense that it would represent a breach of applicable local legislation if the Principles were applied, the highest standards that are consistent with applicable local legislation shall be applied
2. **Human rights:** Suppliers are expected to support and respect the protection of internationally proclaimed human rights, such as the United Nations Universal Declaration on Human Rights and ensure that they are not complicit in any human rights abuses.
3. **Labor rights:** Suppliers are expected to be committed to upholding the human rights of workers, and to treat them with dignity and respect as understood by the international community. The human rights of workers are defined in the International Labor Organization Conventions.
4. **Health & Safety:** including occupational safety, emergency preparedness, occupational injury and illness, sanitation, food and housing.
5. **Environment:** In manufacturing operations, adverse effects on the community, the environment and natural resources are to be minimized while safeguarding the health and safety of the public.
6. **Anti-corruption:** the highest standards of integrity are to be expected in all business interactions. Suppliers and their agents shall prohibit any and all forms of corruption, extortion and embezzlement. Monitoring and enforcement procedures shall be implemented to ensure conformance.

Excerpt from Kongsberg's *Supplier Conduct Principles*. Full document can be found on www.kongsberg.com

For Kongsberg, CSR has long-term benefits that it brings along with its new business opportunities through increased stakeholder value and had a positive correlation to the improvement in its Dow Jones index rankings. Kongsberg's CSR strategy draws heavily from government *CSR White Paper* and is based on other relevant international guidelines and initiatives like the ten principles of the UN Global Compact, OECD Guidelines for Multinational Companies and ILO conventions. The company's policy goes beyond the White Paper and is

more practical. The CSR policy is driven from the top, but implementation is handled by line people. Integrity and transparency are central to its CSR policy. At Kongsberg, CSR means taking into account the communities in which the Group operates and which are affected by our activities. It also involves relations with our employees, society-at-large and external stakeholders.



They have a reporting system into the Corporate Executive Management and Board of Directors. The CSR organizational structure includes Corporate Compliance and CSR Office, and the company has a CSR Forum, Forum for Environmental Reporting and Forum for CSR Supply Chain monitoring. Compliance is reviewed only periodically.

The company has a Corporate Compliance and CSR Officer who reports directly to the CEO as well as the Board of Directors on behalf of the CEO. Three bodies have been created to better implement CSR policies: a CSR Forum that includes representatives from all business areas and corporate office, a Forum for Environmental Reporting and a Forum for CSR Supply Chain issues. The last two Forums are not policy or decision-making bodies, but only a platform for discussions and dialogue. In addition the company has an Ethics Council, which includes all the VPs and CEO and is a forum for exchanging information on what is happening at the operational level. Kongsberg attends an annual meeting with the Ministry of Trade and Industries (Department of Ownership) to report on CSR issues. White Paper No. 13 (2010-2011) – Active Ownership)

Kongsberg has a “sponsorship” program that supports youth, cultural, environmental sustainability projects/initiatives in communities where it operates.

Statkraft

Statkraft’s core business is Hydel Power and On-shore, Off-wind and Renewable Energy. They are the biggest renewable energy company in Europe and are now seeking new business ventures in emerging markets. Statkraft has a strong partnership with Tata Energy and exports power to India from Nepal. Their CSR covers impact on society that is relevant to their business. They review the impact on environment, community, workplace and integrity and ethical business. At the workplace their focus is on diversity and non-discrimination for rules of engagement. While key issues are covered in their review, the reporting is only on what is material to business. They work on key impacts and have development indicators for review and monitoring. Their belief is CSR is to an initiation and should be done out of fear of consequence of bad/wrong action. They have integrated CSR as a part of their Company’s Strategy. They build CSR competence within

the organization to do good business. In doing business overseas, they go beyond compliance and adopted the highest of the standards laid down by each of the stakeholder. Their process of executing CSR is integrated into their business line and each Project Manager is responsible for the Project CSR. They do a need assessment before taking up a project and also an impact assessment in case of community work. Their CSR includes the entire line of supply chain and the Procurement Officer is responsible for the vendors meeting the standards. They believe that CSR is about competence and mind set in doing CSR in the Projects. (Hydropower was key in Norway's development into a welfare state. CSR addresses sector specific concerns. In Statkraft's view it is more important to build and sustain livelihoods than to build housing for people affected by a project. CSR is about making companies behave better. There's a fine line between the responsibility of a company and local governance.



Case of Laos: Statkraft has projects that focus on health, infrastructure and education. They plan to stay involved until projects have proven to be sustainable. CSR also covers security issues, especially on building sites. Statkraft takes responsibility for the safety of its workers and their families.

Statkraft endeavor to use performance indicators in IFC's Equatorial Principles. They noted that DPE guidelines are more in line with these principles than the "common" understanding of CSR. Within Statkraft CSR is the responsibility of top management.

Need to train staff on relevant procedures and policies. It's about changing mindsets and increasing competence. CSR is a part of their leadership programs.

Statkraft is concerned about CSR throughout its supply chain. As such, they have developed a suppliers code of conduct and use scorecards to rate performance of its suppliers.

CSR is a line responsibility of managers. Each project manager has full responsibility for CSR, and they hire experts to deal with CSR. Internal reporting takes place on a monthly basis as well as annually as part of their annual report.

Telenor

Tenor is the second largest publically traded company on the Norwegian stock exchange. It is an international provider of tele, data and media communication services. It is present in a 11 markets globally, with a huge presence in Asia including India. An interesting take away from the visit was the community and stakeholder engagement, which has been a mainstay of their CSR activity. There is a need to go beyond statutory obligation/guidelines and look at opportunities of CSR. The Telenor example of Impact Management is another interesting insight into their CSR activity. Telenor is ranked top 5 on the Dow Jones Sustainability Index.

Telenor is an excellent example of a company that uses its own product to improve the lives of poor people around the world. With the help of NGOs and multilateral institutions, it has implemented an array of development projects using mobile telecommunications. Examples include a program in Pakistan, focusing on people with disabilities to help them better integrate into the work place, a program in India to help close the mobile gender gap and a program on mobile banking. This is the only company that the delegation visited that rigorously monitors outcomes and results of its CSR program..

Hydro

Hydro is a large extractive company working in sectors like fertilizer, oil, and aluminum. It has operations Brazil, Asia and Middle East. It is rated very highly on the Dow Sustainability Index. Hydro is committed to sustainable value-creation for its shareholders, and as an international industrial and natural resources company, their operations impact the lives of a large number of people around the world. Their concept of CSR is to pursue opportunities while managing risks taking the social impact of the business operations into consideration. CSR for Hydro is a way of life and goes beyond statutory and legislative requirements. For example, China allows 40 hours of work per week but Hydro manages to follow its own flexible principles after discussion with the Chinese authorities.

For Hydro, CSR is about taking responsibility for the impact its activities have on the people, society and the environment. It goes beyond statutory obligations. Hydro's basic CSR principles include: human rights; environmental sustainability; diversity and social inclusion; dialogue to ensure that its activities are properly adapted to meet local conditions; and, integrity i.e. zero tolerance towards engagement in bribery or other forms of corruption.

The company's CSR document stresses the following:

To ensure the best possible management of long-term social consequences related to significant changes in an ongoing operation or when new projects are launched, the unit in charge evaluates whether and to which extent *social impact assessments* should be conducted as a basis for making business decisions.

Based on systematic impact assessments and corporate strategies, Hydro's businesses may engage selectively in *social investments* that contribute to healthy community development. Opportunities for implementation through partnerships with government and civil society organizations are actively explored.

Hydro's CSR principles are promoted vis-à-vis *partly-owned companies* and other business relationships. To contribute to improving supplier standards, adequate procedures for monitoring, evaluation and/or selection of suppliers reflecting Hydro's social responsibility principles shall be developed.

While each Hydro employee has a *responsibility* to abide by the company's CSR fundamental principles, specific responsibility for implementation is assigned to line management and business units. Each Business Unit is responsible for integrating relevant CSR issues into its strategy development. Challenges related to CSR are evaluated in connection with the yearly business planning process. Corporate CSR Staff is responsible for developing CSR policy and reporting guidelines, monitoring internal performance, and for providing general support to the Business Units. Corporate CSR is also responsible for coordinating external reporting at a corporate level and for developing and maintaining relationships with other companies, institutions and organizations in order to share knowledge and competence.

Central Bank of Norway—NORFUND

The Norwegian authorities encourage Norwegian investment in least developed countries to contribute to economic growth. The Norwegian Investment Fund for Developing Countries (Norfund)⁶ collaborates with the private sector to facilitate cooperation between public and private interests for investments in developing countries. This special “pension” fund was created to pursue the development agenda in developing countries, while creating savings for the future generation in Norway. It is about \$600 billion and is derived exclusively from oil revenue. The Fiscal Rule stipulates that the Government can only spend 4 percent of real returns in any given fiscal year. The Fund functions a lot like an endowment; the principle is never touched. Four percent goes directly into the Government's budget and makes up 10 percent of the total budget. The fund started in 1990, but ethical guidelines for investment were issued only in 2004. The Government strives for no more than 10 percent ownership and is therefore always a minority owner. The Fund is not used as a foreign policy tool and the Government does not involved in managing it. In the future, the Fund plans to rebalance its portfolio by investing less in Europe and more in developing countries.

Social responsibility considerations play a central part in the Government's management of the Fund. It uses to approaches to ensure that the Fund respects CSR guidelines and the various international conventions espoused in them. As an investor and part owner (albeit a minority owner), the Government shares the responsibility for the ethical behavior of companies in which it invests. Thus, through this sovereign fund the Norwegian government can influence change in businesses in developing countries that may not have the mechanisms to adopt ethical standards. By participating with such companies, Norway hopes to have an impact on the ground and gradually bring on change. The other approach is through “exclusion” or the identification of companies that do not adhere to the Fund's ethical guidelines. The investment guidelines, for example, stipulate that investments are only made in companies that adhere to human rights guidelines. The Ethical Council (8 members come from law, academia, etc.) is the Fund's advisory body that evaluates and identifies companies to be excluded. Companies are excluded predominantly excluded based on the products that they produce and some on behavior in terms of labor and human rights and environment.

Ministry of Trade and Industry:

⁶ Although it NorFund is often referred to as the Norwegian Pension Fund, it was pointed out that it is not a tradition pension scheme but rather a sovereign wealth fund.

Thirty-seven percent of companies listed on the Oslo Stock Exchange are partially owned by the State. There are 80 state-owned enterprises in Norway, of which thirty are academic/learning institutions. Twenty-two of these companies are under the Ministry of Trade and Industry, with the exception of Statoil. The Ministry plays a coordinating role in terms of the CSR agenda, which is reviewed and updated every fourth year. All the State-owned enterprises are limited liability companies and in the Norwegian context there is no difference between a State versus a private company. The Government feels that it is important to divide considerations associated with ownership from policy making and supervision and control. The Board of a state-owned enterprise plays fully manages the company. The Boards are autonomous and Government does not have any representation. The Ministry holds quarterly meetings with each company.



In terms of CSR, the Ministry is concerned about diversity on the Boards of SOE. It's one of the first countries to pass legislation that stipulates that 40 percent of a SOEs Board be comprised of women. It is working to companies to encourage them to ensure similar diversity at top management levels. Reporting on CSR is not mandatory, but voluntary. The Ministry however, gathers information on each SOE from various sources including the UN Global report.

