

# *CSR in Norway*

## **Joint Thematic Study**

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#### **1. National CSR priorities**

Norwegian society has traditionally been based on close collaboration between the public and private sectors. Such cooperation and the State's active role are the basis for the strong CSR culture present in its companies. Additionally, the welfare state and egalitarian values that shape Norwegian society translate into strong feelings of responsibility for society and environment (Aarhus, 2010). Such cultural values drive the perspective that business is only one of the important institutions of a society, and not *the* most important (Byrkjeflot, 2003). Relatively flat power distribution between top-management and employees also supports participation, power-sharing, cooperation and negotiation in the business arena (Ditlev-Simonsen, et al 2015), essential factor for recognizing different values and providing for all levels of worker.

Norwegian companies are increasingly expected to create value across environmental, social and economic dimensions – their triple-bottom-line. As an example, Norwegian accounting legislation was changed June 1<sup>st</sup>, 2013 to commit all large companies to report on their environmental and social impact. In addition, the Ministry of Trade, Industry and Fisheries (2013) emphasizes that addressing sustainability and societal issues can be a rational business strategy, "...The government is convinced that companies strengthen their reputation, achieve a loyal workforce, increase customer attractiveness and strengthen their competitiveness by fulfilling their social responsibility" (p. 134).

Supporting these ideas, Norway's national CSR priorities surround:

- Exercising CSR in the government's own activities, including in state-owned companies and investments, and procurement policies;
- Conveying society's expectations to Norwegian companies through knowledge sharing on CSR; and,
- Developing and influencing the framework for CSR, both nationally and internationally – All companies operating abroad are expected to meet both Norwegian and local regulation in the country in which they are operating (Ministry of Foreign Affairs, 2009).

The Government also sets forth key focus areas for Norwegian CSR. They areas are explained in more detail in the following sections, and include:

- Respecting Human Rights (in compliance with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles for Human Rights),
- Providing decent work and upholding high labor standards,
- Taking environmental responsibility, and
- Combatting corruption (Ministry of Foreign Affairs, 2009).

In addition to setting out priorities for government activities, the Norwegian government clearly outlines its expectations of private companies and states that it expects business enterprises to:

- comply with the legislation in the country where it operates;
- familiarize themselves with the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises;
- follow the Guiding Principles or the OECD guidelines, where applicable, when developing strategies for responsible business conduct;
- exercise due diligence and assess the human rights-related risks in the context of their operations. This applies particularly to enterprises that operate in demanding markets;
- follow the “comply or explain” principle and the materiality principle (Ministry of Foreign Affairs, 2015).

#### 4. National Action Plan on CSR

In 2007, the Norwegian Ministry of Foreign Affairs hosted an international CSR and sustainable development conference. As a result, the guiding document for CSR in Norway, Report No. 10 (2008-2009) to the Storting, *Corporate social responsibility in a global economy* (2009) was released. The report drew upon the conference, a 2008 survey of 300 Norwegian companies, and an open and collaborative process with stakeholders.

The White Paper maintains that the state must be held to the highest degree of accountability in its own activities and in overseeing the private sector. The responsibilities of companies are also highlighted. The government asserts and outlines the value creation opportunities obtainable by organizations that implement CSR across their activities. Because the majority of Norwegian companies are SMEs with activities abroad, much of the report focuses on companies’ responsibility to maintain strong CSR processes both at home and abroad. The themes of the report are presented in Table 1.

Table 1: Report themes from *Corporate social responsibility in a global economy* (Norwegian Ministry of Foreign Affairs, 2009)

Theme	Contents
<i>Introduction and strategic objectives</i>	<ul style="list-style-type: none"> <li>• Corporate attitudes and practices</li> <li>• Aim, ambitions and expectations</li> <li>• State activities</li> <li>• The Government’s expectations of the private sector</li> </ul>
<i>The role and responsibilities of the authorities</i>	<ul style="list-style-type: none"> <li>• The State’s role</li> <li>• CSR in public companies</li> <li>• State investment responsibility</li> <li>• Ethical guidelines for the National Pension Fund</li> <li>• Promoting CSR</li> <li>• Importance of transparency</li> <li>• Public procurement</li> <li>• Comprehensive policy</li> </ul>

Theme	Contents
<i>The private sector's role and responsibilities</i>	<ul style="list-style-type: none"> <li>▪ Expectations of the private sectors</li> <li>▪ Guidelines for CSR</li> <li>▪ Transparency and discloses</li> <li>▪ Innovation and CSR</li> <li>▪ Responsibility of business in key areas</li> <li>▪ Human rights and decent work</li> <li>▪ Environmental responsibility</li> <li>▪ CSR, responsibility and ethics in the supply chain</li> <li>▪ Socially responsible investment</li> </ul>
<i>Norwegian corporate engagement abroad – challenges and dilemmas</i>	<ul style="list-style-type: none"> <li>▪ Business in conflict-affected areas</li> <li>▪ Natural resource-based enterprises</li> <li>▪ Local communities and rights of indigenous peoples</li> <li>▪ Transparency in extractive industries</li> <li>▪ Vigilance</li> </ul>
<i>Corporate social responsibility is a development perspective</i>	<ul style="list-style-type: none"> <li>▪ Investments in developing countries</li> <li>▪ Partnerships for development</li> <li>▪ Institution and capacity building</li> </ul>
<i>International frameworks for CSR</i>	<ul style="list-style-type: none"> <li>▪ The OECD Guidelines for Multinational Enterprises</li> <li>▪ Experiences for potential improvement</li> <li>▪ The UN Global Compact</li> <li>▪ The Global Reporting Initiative (GRI)</li> <li>▪ Reporting and standardization</li> <li>▪ The need for international guidelines</li> </ul>
<i>International initiatives and processes for social responsibility</i>	<ul style="list-style-type: none"> <li>▪ Global labor standards</li> <li>▪ Environmental and climate cooperation</li> <li>▪ Anti-corruption</li> <li>▪ Trade</li> <li>▪ International frameworks and national guidelines</li> </ul>
<i>Evaluation of legal instruments</i>	<ul style="list-style-type: none"> <li>▪ Criminal sanctions</li> <li>▪ Limitations of international law</li> <li>▪ Norwegian criminal legislation</li> <li>▪ Reporting on CSR</li> <li>▪ Reporting obligations under Norwegian law</li> <li>▪ Monitoring mechanisms</li> </ul>
<i>Instruments for strengthening CSR</i>	<ul style="list-style-type: none"> <li>▪ Public instruments targeting the private sector</li> <li>▪ Social partner organizations</li> <li>▪ NGOs</li> <li>▪ Research and education</li> <li>▪ CSR and education</li> <li>▪ Dialogue and exchange of experience</li> </ul>

To update the 2009 White Paper and cement Norway’s commitment to the UN Guiding Principles on Business and Human Rights (2011), the Ministry of Foreign Affairs submitted another White Paper, Report no. 10 (2014-2015), *Opportunities for all: Human rights in Norway’s foreign policy and development cooperation*. Later in the year they then released, ***Business and Human Rights – National Action Plan for the implementation of the UN Guiding Principles*** (2015). The National Action Plan is structured as shown in Table 2.

Table 2: Themes from *Business and Human Rights*  
(Norwegian Ministry of Foreign Affairs, 2015)

Theme	Contents
<i>The Government’s expectations of business enterprises</i>	<ul style="list-style-type: none"> <li>▪ comply with the legislation in the country where it operates;</li> <li>▪ be familiar with UN Guiding Principles and the OECD Guidelines for Multinational Enterprises;</li> <li>▪ follow the Guiding Principles or the OECD guidelines, where applicable, when developing strategies for responsible business conduct;</li> <li>▪ exercise due diligence and assess the human rights-related risks in the context of their operations;</li> <li>▪ follow the “comply or explain” principle and the materiality principle.</li> </ul>
<i>Global developments and CSR</i>	<ul style="list-style-type: none"> <li>▪ Developing an international CSR framework</li> <li>▪ Human rights and states’ obligation</li> <li>▪ CSR in the Norwegian business sector</li> <li>▪ Purpose of the action plan</li> </ul>
<i>State duty to protect human rights</i>	<ul style="list-style-type: none"> <li>▪ The state as legislator</li> <li>▪ The state as adviser</li> <li>▪ State ownership and responsible support</li> <li>▪ Competitive tendering and public procurement</li> <li>▪ Human rights in conflict areas</li> <li>▪ Policy coherence in the central government</li> <li>▪ Free-trade agreements and investment contracts</li> <li>▪ International cooperation on CSR</li> </ul>
<i>Corporate responsibility to respect human rights</i>	<ul style="list-style-type: none"> <li>▪ Responsible business conduct</li> <li>▪ External communication and reporting</li> <li>▪ Grievance mechanisms for violation</li> <li>▪ Compliance with legislation</li> </ul>
<i>Access to remedy</i>	<ul style="list-style-type: none"> <li>▪ State-based grievance mechanisms</li> <li>▪ Non-state-based grievance mechanisms</li> <li>▪ Criteria for effect on non-judicial grievance mechanisms</li> </ul>

## 5. Legislation on CSR

The list below outlines Norwegian legislation that regulates CSR related aspects. Cultural values and little hierarchy between managers and employees have led to the early incorporation of many CSR aspects into Norway's CSR agenda. Many of these aspects, for example, worker's rights, working conditions and environmental issues, are still being discussed in other countries, but have been included in Norwegian law for decades (Ditlev-Simonsen, et al 2015). It should be noted that although the culture of CSR is embedded in Norwegian activities and the Government strongly supports socially responsible principles, most of Norway's regulatory instruments for CSR are voluntary.

Legislation and codes (modified from Aarhus, 2010):

- **The Accounting Act** (1998) – Under this Act, all Norwegian-registered companies are to include sustainability-related information, such as reports on work place environment, gender equality and environmental issues, in their Director's Report. Since 2013, large enterprises are required to submit reports on CSR.
- **The Human Rights Act** (1991) – to strengthen the status of human rights in Norwegian Law. [http://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=53741](http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=53741)
- **The Gender Equality Act** (1978) – The Act shall promote gender equality and aims at improving the position of women. Women and men shall be given equal opportunities in education, employment and cultural and professional advancement. <https://www.regjeringen.no/en/dokumenter/the-act-relating-to-gender-equality-the-/id454568/>
- **The Pollution Control Act** (1981) – To protect against outdoor pollution and reduce existing pollution, and to reduce the quantity of waste and improve waste management. <https://www.regjeringen.no/en/dokumenter/pollution-control-act/id171893/>
- **The Product Control Act** (1976) – To prevent products from causing harm to the environment or health through, for example, ecosystem disturbance, pollution, waste and noise. <https://www.regjeringen.no/en/dokumenter/product-control-act/id172150/>
- **The Greenhouse Gas Emission Trading Act** (2004) – To limit emissions of greenhouse gases in a cost-effective manner by means of a system involving the duty to surrender greenhouse gas emission allowances and freely transferable emission allowances. <https://www.regjeringen.no/en/dokumenter/greenhouse-gas-emission-trading-act/id172242/>
- **The Working Environment Act** (2005) – To ensure safe working conditions, the equal treatment of workers, and that the working environment “forms the basis for a health-promoting and meaningful work situation,” protected for physical and mental dangers. Worker welfare is, always, to be held consistent with the level of technological and social development of society. <http://www.arbeidstilsynet.no/binfil/download2.php?tid=92156>
- **The Norwegian General Civil Penal Code** (1902) – Provisions on corruption and trading in influence. <http://app.uio.no/ub/ujur/oversatte-lover/data/lov-19020522-010-eng.pdf>
- **The National Insurance Act** (1997) – Provides for central national insurance and welfare schemes including provisions for benefits related to unemployment, sickness, life and family situations and retirement. [http://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=47496](http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=47496)

- **The Labor Market Act (2004)** – To facilitate an inclusive working life through a well-functioning labor market with high levels of occupational employment and low unemployment. Imposes duties on employers about job vacancies that the employer seeks to fill, and rules governing mass redundancies and layoffs.  
<https://www.nav.no/en/Home/About+NAV/Relatert+informasjon/legislation>
- **The Social Welfare Act (2009)** – Governs the responsibilities of each local authority in respect of several social welfare services provided to the municipality’s inhabitants, like for example, practical help for those with assistance needs, places in institutions and so on.  
<https://www.nav.no/en/Home/About+NAV/Relatert+informasjon/legislation>

Of the legislative acts above, the Norwegian Accounting Act relates directly to Directive 2014/95/EU. Such is the Act that requires companies to report on CSR aspects in the annual Director’s Report, or, if they are large enough, specifically in annual CSR reports. It should be noted, however, that although required, not all companies follow-up on their reporting obligations. Other than negative reputation or lacking interest from investors, there are currently no explicit consequences imposed for not reporting. This is discussed more in section 11.

## 6. Alignment with Global CSR Approaches

The Norwegian Government explicitly suggests that its companies are familiar with and adhere to the OECD Guidelines for Multinational Enterprises, the UN Global Company and the Global Reporting Initiative (GRI). In the 2009 White Paper, the Government asserts that the OECD Guidelines “address the fundamental social considerations that all Norwegian companies, in the Government’s view, should take into account in their international operations” (p.10). Serving as a mechanism to further incorporate the OECD Guidelines into Norwegian companies, a National Contact Point (NCP) has been established to provide information to organizations, (<http://nettsteder.regjeringen.no/ansvarlignaringsliv-en/>). Figure 1 demonstrates the way the NCP works with the Ministry of Foreign Affairs, Ministry of Trade and Industry and other groups representing Norwegian business and employee interests, to identify representatives.

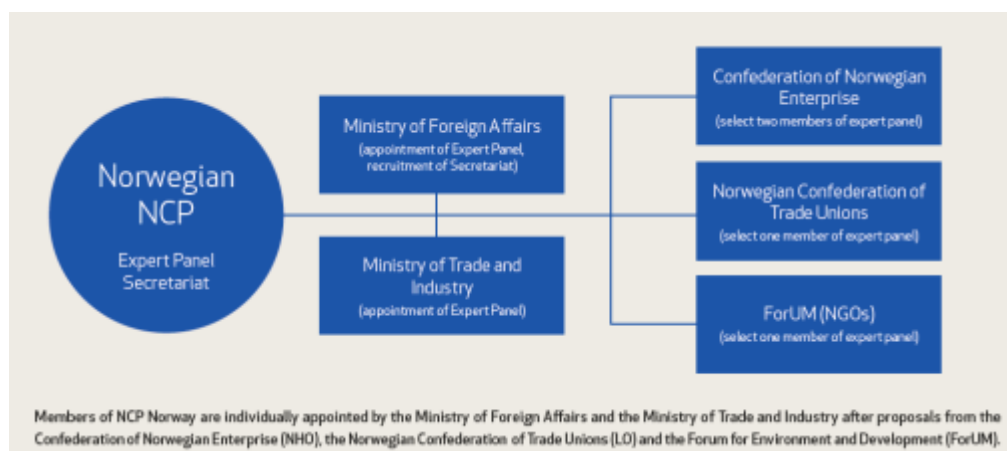


Figure 1 Structure for appointing NCP Norway members (OECD NCP Norway, 2012)

Companies are also encouraged to join the UN Global Compact and commit to the GRI standards. Norway's status on reporting, relative to the EU on average, for global frameworks is shown in Figure 2. As can be seen, Norway currently reports more than the EU within most frameworks including the GRI, Global Compact and OECD Guidelines.

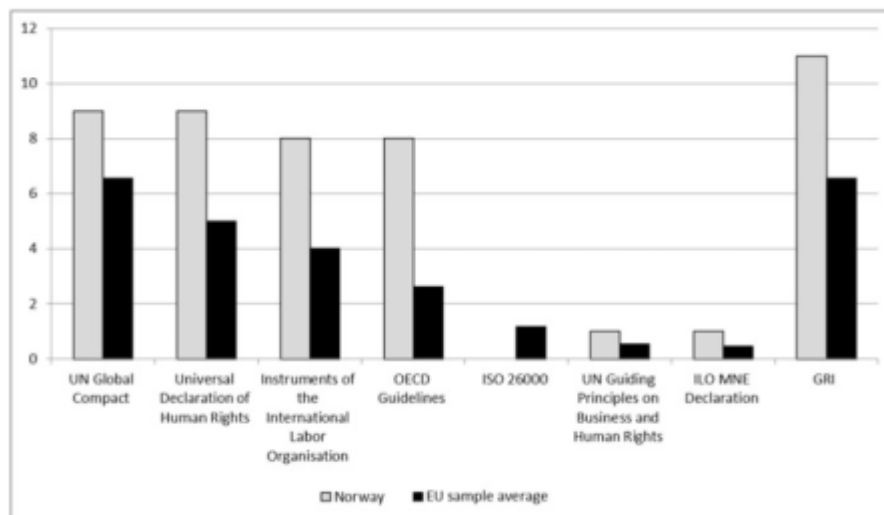


Figure 2 Status on reporting in Norway relative to EU on average (Ditlev-Simonsen, et al 2015, p. 190)

## 7. CSR in SMEs

Although Norway is fortunate to have strong and integrated worker's rights, a high level of technology and an abundant source of renewable energy through Hydropower, companies still struggle to fully integrate CSR strategies into their business models. The majority of Norwegian companies are SMEs. Of the 500,000 companies in Norway, less than 800, roughly only 2%, have 50 or more employees (Ditlev-Simonsen, et al 2015). In all companies, especially in SMEs, innovation processes must be managed while firms simultaneously manage their day-to-day operations and efficient production of current products and services. These tensions are further exacerbated by the tensions between short-term profits advocated by shareholders and expected by stock-markets, and long-term sustainability and shared value creation that promotes long term competitiveness. Efficient operations and innovation are inherently contradictory processes, yet they still must be managed to form some sort of balance between the two. To develop long-term sustainability and shared value creation, the creation of environmental, social and economic value (Porter & Kramer, 2011), in Norwegian firms, companies must be able to remain profitable in their operations. It is challenging for companies, especially small ones with limited capital and capacity, to manage these tensions and find a balance. Although incompatible in the short-term, they are essential for sustained CSR in the long-term. Much research in Norway, especially at NTNU, therefore focusing on helping companies find practical ways to implement CSR strategies that also allow them to stay afloat financially.

An empirical study has confirmed characteristics of Rapidly Growing Norwegian SMEs, known as “gazelles,” that have successfully implemented CSR and innovation strategies to improve their own competitiveness. In terms of CSR, the studies gazelles can be divided into *strategic and social gazelles* that see themselves as strongly CSR-focused with products/ services that respond to a social challenge and have their CSR strategy as a focus in company management, marketing and profiling; *environmental gazelles* that focus more on the environmental performance of their products and take action to reduce these impacts; *stakeholder engagement and governance gazelles* that focus on meeting human rights requirements and interaction with customers and other stakeholders; and, *charity oriented gazelles*, focused on local financial support (Midttun et al, 2013). It is often argued that CSR and innovation are inherently correlated. This study finds, however, that the analysis and proposed strategy for company success and competition must instead be decided on a much more individual level. Based on the type of CSR that an SME practices, its innovation and value creation processes should be defined to fit its operations and level of innovation.

## **8. Human Rights and Responsible Supply Chain Management**

The Government has established a National Contact Point for Norway for guidance in the implementation of the OECD Guidelines. Additionally, the NCP states that to function as a non-judicial grievance mechanism, it must function in line with the UN Guiding Principles. As mentioned in earlier sections, the Norwegian Government has developed a specific action plan for companies to incorporate the UN Guiding Principles for Business and Human Rights. As the prevailing international standard for human rights and business, of which both the UN Global Compact and OECD Guidelines find their guidance, the Government clearly recognizes the value of the principles and outlines it in the NAP. Many human rights were specifically added to the Norwegian Constitution in 2014, in addition to being engrained in many of the acts listed in Section 5, including the Human Rights Act, Working Environment Act, Gender Equality Act, Pollution Control Act, etc. The Norwegian Human Rights Act states that certain human rights conventions have the same force as Norwegian law and take precedence over other legislation in conflict with them. The NAP also states that although many of this legislation is already in place, it must be continually evaluated in line with the UN Guiding Principles and the actions of the EU for review and possible revision.

In the first section of the NAP, the Government outlines the aims for the action plan. In the next section, they outline their own responsibilities to protect human rights regarding Principles 1-10, touching on public procurement and investment responsibilities.

The next section, specifically frames companies’ responsibility to protect human rights through principles 11-12, and the way they should conduct business responsibly, through principle 13, by avoiding causing adverse human rights impacts and seeking to mitigate any harm directly linked to their operations. Relating to the distinction between SMEs and companies with more resources, the NAP then refers to principle 14, that provides recommendations for all companies, but focuses most on larger ones. Referring to principles 15-20, a company is guided in order to meet their responsibility, human rights should be cemented in their policies and followed up through due diligence and risk management, and that companies should have processes set in place for remediation in the case of breaches. Principles



21-24 on external reporting, grievance mechanisms and compliance with legislation are also outlined to conclude the section on company responsibility.

Through the presentation of all principles in the Norwegian context, it is clear that the government expects companies to follow principles of responsible supply chain management, both at home, and especially abroad. They also state, however, that, “At present, it is not realistic to expect imported goods or semi-finished products from all countries to have been produced with any risk of direct or indirect involvement in violations of internationally recognized norms and rules” (Ministry of Foreign Affairs, 2009, p. 39). Companies are therefore expected to maintain working environment and rights standards, at least in the sphere it can influence directly as purchaser or seller. Although somewhat disappointing, without more transparency and disclosure across full supply chains, it is difficult to track the rights upheld outside of this sphere.

Norwegian companies are, however, expected to set requirements for their suppliers and work with them to meet them. The government suggests that companies develop a code of conduct through which they can monitor the status of meeting obligations. The Ethical Trading Initiative Norway (ETI-Norway) was established in 2000 by Norwegian Church Aid, the Norwegian Confederation of Trade Unions, the Federation of Norwegian Commercial and Service Enterprises and Coop Norway, and spread information on improving labor and environmental practices globally. They aim to strengthen support for ethical trade issues and support members in developing ethical trade practices. ETI-Norway provides specific tools and methods, risk assessment and management, training initiatives and guidance, competence building, and support for cooperation between companies, authorities and NGOs.

## 9. Social and Employment Policies

Norwegian society and cultural values are built upon the tenets of strong labor rights and good working conditions. This is demonstrated through legislation including the Working Environment Act, the Labor Market Act, the Gender Equality Act and the Social Welfare Act.

**The Working Environment Act** has been adopted to secure a working environment that provides a basis for a healthy, meaningful and safe working situation, consistent with the level of technological and social development of society; ensures sound conditions of employment and equality of treatment at work; facilitates adaptations of the individual employee’s working situation in relation to his or her capabilities and circumstances of life; provides a basis whereby the employer and the employees of undertakings may themselves safeguard and develop their working environment in cooperation with the employers’ and employees’ organizations and with the requisite guidance and supervision of the public authorities; and fosters inclusive working conditions (Directorate of Labor Inspection, 2016). Anti-discrimination regulations were recently added to the Working Environment Act that protect against labor market-related discrimination based on gender and ethnic origin etc., as well as on the grounds of disability, sexual orientation, age and political conviction. The act also ensures employees the entitlement to leave of absence during pregnancy and childbirth.

The act is very thorough and outlines legal obligations related to:

- Duties of the employer and employees;
- Working environment measures (health, safety and environment measures and training, and occupational health and safety issues);
- Requirements for the psychosocial and physical working environment (adaptation for employees with reduced capacity due to accident, fatigue or sickness);
- Record keeping requirements for personal injury;
- Safety requirements;
- Working hours, overtime and public holidays;
- Entitlement to leave of absence related to prenatal examination, pregnancy leave, maternity leave, father leave to care for a child, nursing mothers, educational leave or military service;
- Prohibition against discrimination;
- Hiring practices, salary and written contracts;
- Part-time and temporary employee rights; and,
- Non-compete clauses, firing restrictions and compensation (Directorate of Labor Inspection, 2016).

Regarding discrimination and inclusion, specific acts apply based on the type of discrimination:

- Related to political views, age or trade union affiliation – the Working Environment Act applies
- Gender related discrimination – the *Gender Equality Act* applies
- Ethnicity related discrimination – the *Ethnicity Anti-Discrimination Act* applies
- Disability related discrimination – the *Anti-Discrimination and Accessibility Act* applies
- Sexual orientation related discrimination – the *Sexual Orientation Anti-Discrimination Act* applies

The 2009 White Paper focuses on responsibilities for decent work when Norwegian companies operate abroad, and states that, “Although the main responsibility for regulating the working environment lies with the authorities of the countries concerned, the private sector has an independent responsibility for working conditions in its own activities” (Ministry of Foreign Affairs, 2009, p. 32). Companies are expected to know the working condition legislation in Norway and in the country they are working in, and should operate at least on the level of the ILO core conventions on workers’ rights that protect the right to organize and bargain collectively, the right to equal pay for men and women, and against forced labor, child labor and workplace discrimination.

## **10. Consumer Awareness and Responsible Business Promotion**

Product labelling is used in Norway as a tool to inform consumers about the ethical and environmental impacts of their products. Examples of labels used in Norway are the Nordic Swan Ecolabel (evaluates impact on environment through product’s whole life cycle), the EU Organic Logo, the FAIRTRADE Mark, environmental product declarations (EPDs, which communicate the life cycle environmental impact of products), Eco-Lighthouse certification, the Forest Stewardship Council Logo and the Marine Stewardship Council Logo, seen in Figure 3.

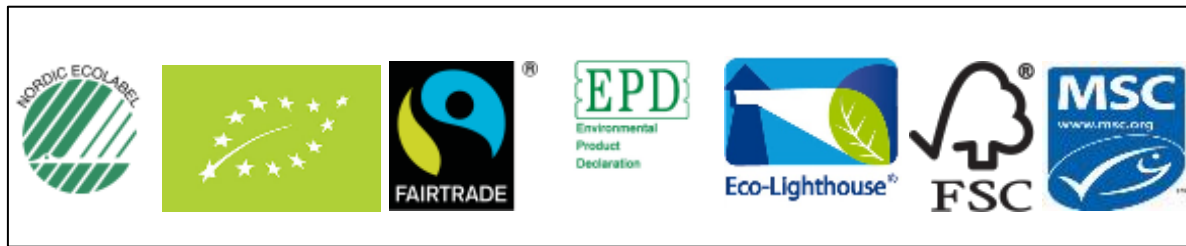


Figure 3 Examples of product labels used in Norway

A strong example of consumer engagement in CSR issues is the recent fight against palm oil in Norwegian food products. Because the palm oil industry is one of the main causes of deforestation in rainforests in Malaysia and Indonesia, the Rainforest Foundation Norway and Green Living launched a 2011 campaign to reduce the consumption of palm oil in Norwegian food products. After targeting all major food producers in Norway through meetings and surveys, developing a web based consumer guide, using traditional and social media for dissemination of palm oil related news and background information, and starting a petition against palm oil in foods, the campaign was able to cut the use of palm oil by Norwegian food producers by 9,600 tons from 15,000 tons in 2011, to 5,400 tons in 2012 (Regnskogfondet, n.d.). By raising public awareness and resulting public pressure, the campaign was able to cut the use by two thirds using cost-effective and efficient methods. Such demonstrates the power in educating consumers and giving them something to directly engage in. Figure 4 shows a photo used in the campaign petition supporting its slogan, “Do not eat the rainforest.”



Figure 4 Campaign photo, “Do not eat the rainforest” (Regnskogfondet, 2011)

Although the palm oil case is an example of strong consumer engagement, some argue that, compared to Denmark and Sweden, Norwegian consumers are lagging in sustainable consumption patterns (Ditlev-Simonsen, et al, 2015). This may be the result of the fact that Norway is one of the richest countries in the world, providing consumers plenty of income to spend on private consumption. As consumption has risen in parallel to the growth of Norwegian oil wealth, consumer waste and ecological footprint have also steadily increased (Ditlev-Simonsen, et al, 2015). In this case, both companies and consumers must take more steps to increase their awareness of the unsustainable processes related to consumption and production, and create more sustainable options.

## 11. CSR Reporting and Disclosure

Since 1996, Norwegian companies, of all sizes, have been required to report on environmental impact, gender equality, discrimination and working conditions. Going a step further, many large and recognized companies also began to release CSR reports. The rise in CSR reporting can be attributed to the annual environmental reporting prize, *Miljørapporteringspris* (Ditlev-Simonsen, et al 2015). Although many companies produce large CSR reports, they are also criticized for only publishing the positive activities of their organization, and ignoring its faults – a common criticism of the CSR concept in general.

While non-financial reporting has been obligatory for Norwegian companies since 1996, many still do not report on non-financial issues. There is no regulatory penalty for not reporting, and many therefore lack the motivation to do so.

Later, the 1996 Accounting Act was revised to mandate that large companies are now required to provide information on their CSR-related activities in their annual reports. This amendment applies to about 700 companies in Norway. Again, however, concerns have been raised about their impact of this new requirement. First, because it only stipulates companies disclose “CSR-related” aspects, those that do not have any CSR strategy do not have to report (Ditlev-Simonsen, et al 2015). Additionally, if a company committed to the UN Global Compact or reports along the lines of the GRI, they do not have to provide any additional reporting. The degree to which either instrument is followed, or the number of GRI standards integrated into the company are not specified.

## 12. CSR in Education and Training

There are many organizations established to guide Norwegian companies in implementing CSR related legislation and voluntary initiatives. Government bodies responsible for CSR training include the *Foreign Service* who give recommendations for local conditions in which Norwegian companies will operate abroad, and the *Ministry of Trade and Industry and Innovation Norway*, who provide advisory and financial support to Norwegian companies engaging in responsible business, especially SMEs. *Norad – The Norwegian Agency for Development Cooperation* and *Norfund – The Norwegian Investment Fund for Developing Countries* also provide guidance and requirements to ensure sustainable and responsible activities abroad.

There are also many social partner organizations that provide industry guidance including the *Confederation of Norwegian Enterprise* (NHO), the *Enterprise Federation of Norway* (Virke), *Finance Norway*, the *Norwegian Shipowner's Association* and the *Norwegian Institute of Public Accountants*. Additionally, because the *Norwegian Corporate Governance Board* (NUES) published recommendations that must be followed by all companies on the Oslo Stock Exchange, publically traded companies must be familiar with Norway's CSR strategy.

In order to properly advise Norwegian companies, government bodies, social partner organizations and NGOs all need the support of empirical research and an expanding national knowledge base. The government explicitly recognizes the need for the integration of CSR into business- and management-

related higher education. The 2009 White Paper states, “Integrating the CSR perspective into business-related higher education is essential in order to enhance knowledge about the issue among future managers and implementers of CSR in Norwegian companies. It is important that educational institutions develop further and continuing education programs in which CSR is an integral element” (Norwegian Ministry of Foreign Affairs, 2009, p. 103). The majority of universities and university colleges in Norway offer CSR and corporate sustainability modules in the Bachelor’s and/ or Master’s degree programs in technology management, business and economics related subjects.

### **13. Sustainable Public Procurement**

The Norwegian Government clearly recognizes the importance and opportunity of sustainable public procurement (SPP), and states that, “The public sector must take the lead by purchasing goods that have been manufactured in accordance with the highest ethical and environmental standards” (Norwegian Ministry of Foreign Affairs, 2009). In 2007, the government created new and improved regulations for public procurement that requires the public sector to turn down suppliers convicted of corruption, organized crime, fraud or money laundering. They are also entitled to turn down suppliers convicted of criminal offenses or malpractice related to, for example, not complying with environmental or worker’s rights legislation. These regulations were followed by the *Norwegian Action Plan (2007-2010) on Environmental and Social Responsibility in Public Procurement* introduced by the Norwegian Ministry of the Environment, Norwegian Ministry of Children and Equality and Norwegian Ministry of Government Administration and Reform (2007). The Action Plan clearly defines public sector requirements for purchasing related to both environmental and ethical aspects, and mandated the establishment of agencies in every county to advise SPP. Growing support for improved procurement strategies has been supported by the Public Information Act, updated in 2009, which makes all registers of tenders for public projects available to the public. The 6<sup>th</sup> UN Guiding Principle on Business and Human Rights is also considered in Norway’s SPP plan.

### **14. Socially-Responsible Investment**

Actors in the capital market are becoming more interested in CSR because professional investors have begun to recognize the importance of environmental and social factors in the long-term value of their investments. Investors are also more consistently being held accountable for the non-financial status of their investments and are required to include ethical considerations in their decision making. In the 2009 White Paper, the Norwegian government calls on private financial institutions to give more weight to social responsibility in their activities and encourages all parts of the financial to increase the transparency on their investments (Norwegian Ministry of Foreign Affairs, 2009). Standardized and regulated financial and non-financial reporting should be recognized as essential building block for sustainable investment policy that it is. The 2015 National Action Plan on Business and Human Rights also touches upon trade and investment policy related to the UN Guiding Principles and “seeks to ensure that provisions on respect for human rights, including fundamental workers’ rights, and the environment are included in bilateral free trade and investment agreements” (Norwegian Ministry of Foreign Affairs, 2015, p. 27).

Norway's Government Pension Fund, also known as the Sovereign Wealth Fund, presents an interesting case in the responsibility of the state to uphold socially sustainable investment. The Fund was established in 1990 to secure the long-term management of Norway's revenue from the petroleum sector. Because the fund belongs to the Norwegian people and future generations of Norwegian citizens, it is essential that it is managed responsibly, meeting long-term needs and ethical responsibilities. The Ministry of Finance has therefore outlined specific guidelines for the management of the pension fund.

For more information on sustainable investment in Norway, see Pedersen, S.M. and Slette, S.B. (2016).

## 16. Financial Obligation and Anti-corruption

In 1999 Norway ratified the OECD anti-corruption recommendations. The recommendations were then translated into law in 2003. Experts claim that it is the most encompassing anti-corruption law compared to other countries (Ditlev-Simensen et al, 2015). Table 3 is an excerpt from the Norwegian General Penal Code outlining the anti-corruption law.

Table 3 Extraction for the Norwegian General Penal Code  
(as presented in Ditlev-Simensen et al, 2015, p. 186)

<p><b>§ 276a. Corruption</b></p> <p><i>Any person who</i></p> <p><i>(a) for himself or other persons requests or receives an improper advantage or accepts an offer thereof in connection with a position, office or assignment, or</i></p> <p><i>(b) gives or offers any person an improper advantage in connection with a position, office or assignment shall be liable to a penalty for corruption</i></p> <p><i>Position, office or assignment in the first paragraph also mean a position, office or assignment in a foreign country.</i></p> <p><i>The penalty for corruption shall be fines or imprisonment for a term not exceeding 3 years. Any person who aids and abets such an offence shall be liable to the same penalty.</i></p>
<p><b>§ 276b. Gross corruption</b></p> <p><i>Gross corruption shall be punishable by imprisonment for a term not exceeding 10 years. Any person who aids and abets such an offence shall be liable to the same penalty.</i></p> <p><i>In deciding whether the corruption is gross, importance shall be attached to, inter alia, whether the act has been committed by or in relation to a public official or any other person in breach of the special confidence placed in him by virtue of his position, office or assignment, whether it has resulted in a considerable economic advantage, whether there was any risk of considerable damage of an economic or other nature, or whether false accounting information has been recorded, or false accounting documents or false accounts have been prepared.</i></p>

Anti-corruption is also supported by the OECD Guidelines and the Global Compact, two frameworks that the Confederation of Norwegian Enterprise has used in its guidance of Norwegian companies. The Working Environment Act, since 2009, also contains a regulation that protects whistleblowers from retaliation, making it easier to report corruption without personal setback. Again, non-financial reports are an essential component in combatting corruption, and should be standardized and required.

## 17. CSR approaches to Tackling Climate Change and Environmental Sustainability

Norway and the rest of the Nordic countries are recognized for their engrained environmental sustainability in both society and business. Sustainability is recognized by the Norwegian government as a fundamental dimension of responsible companies. There is still much room for improvement, however, and current research focuses on ways for companies to practically implement environmental sustainability in their business models and value creation strategies. The 2009 White Paper identifies *Green Supply Chain Management* as an approach to address environmental sustainability (Norwegian Ministry of Foreign Affairs, 2009). Although the terminology has shifted slightly since 2009 to incorporate a *holistic view* of management from environmental, social and economic dimensions, the general premise remains the same – companies should monitor and be responsible for the full life cycle impacts of their products/ services on the environment and society.

Since the 2009 White Paper, the Norwegian government has worked to further incorporate environmental and social sustainability into Norwegian business models. Immediate attention has been placed on the need for the uptake of sustainable strategies and innovative and competitive technologies in industry by the Norwegian Government (Long-term plan for research and higher education 2015-2024; New emission commitment for Norway for 2030), the Research Council of Norway (Research for innovation and sustainability, strategy for 2015-2024) and Norwegian industry itself (Norway 203040). The government has called for a transition to "products and services that have significantly less negative consequences for climate and environment than today" (Regjeringen.no, 2014). This is known in Norway as *the green shift*.

The green shift requires systematic and global economic transition and is Norway's plan to restructure its economy. The Norwegian government has established national measures to achieve the green shift. One of the key measures focuses on emission reductions, especially in the transport sector. The Norwegian Environment Agency wrote a report on emission reductions and developments in Norway. It explains how emissions can be reduced by 2030. The report describes key drivers in reducing emissions for various industrial sectors, such as transport, agriculture, petroleum and construction, and explains various measures across these sectors (Norwegian Environment Agency, 2014).

In 2015, there was also a White Paper, *New emissions commitment for 2030, Report no. 13 to the Storting* (Ministry of Climate and Environment, 2015), which described Norway's climate strategy and expanded on emissions reductions, as described in the Norwegian Environment Agency's (2014) report. The report identified priority areas in Norway's climate policy to reduce emissions by 2030, corresponding to 40% (Ministry of Climate and Environment, 2015). The focus areas are reduced emissions in the transport sector, the development of clean production technology and low-emission technology in industry, CO<sub>2</sub> management, an enhanced role of renewable energy and environmentally friendly shipping (Ministry of Climate and Environment, 2015). All of these areas of action depend on a commitment from industry that they will begin to choose sustainable processes.

Based on the importance of business for a green transition, the Government appointed the "**Expert Committee on Green Competitiveness**" in June 2015 (Gronkonkurranskraft.no, 2016). The Expert Committee was given the task of advising the government on a strategy for green competitiveness. They

worked with nine individual industry sectors to create sector roadmaps for sustainable value creation. The Expert Committee's final contribution was a report of recommendations to the government for the development of the next budget and official environmental strategy. Figure 5 summarizes the recommendations for policy development provided in the Committee's Final Report (2016). Currently, we are waiting to see how the government incorporates their advice.

**A SELECTION OF OUR MOST IMPORTANT RECOMMENDATIONS:**

**Principles for policy development**

- **We recommend 10 principles for policy development.** Political agreement and willingness to implement these principles will trigger innovation and investment.
  - *The polluter should pay.*
  - *Emissions and other externalities should be priced.*
  - *Higher taxes on what we want less of. Lower taxes on what we want more of.*
  - *Informed decision-making by consumers should be facilitated.*
  - *Public procurements should require green solutions.*
  - *Public planning and investments should be based on the objective of becoming a low emission society by 2050.*
  - *A life cycle perspective should be the basis for public investments and procurement.*
  - *New legislative proposals should include an evaluation of CO<sub>2</sub> effects where relevant.*
  - *Green competitiveness should be built on well-functioning markets.*
  - *There should be consistent reporting on what we want to achieve and what we want to avoid.*

Figure 5 Recommendations from the Expert Committee on Green Competitiveness (2016)



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## **ANNEX II: BEST PRACTICES**

Norwegian best practices for CSR:

1. CSR commitments and strategies should be rooted in and followed-up by top management
2. There should be close collaboration between stakeholders including employees, unions, suppliers, clients and local communities
3. CSR should be implemented as a strategy to be continually improved through monitoring and risk-management
4. CSR should go beyond philanthropy and should be integrated into a company's value creation strategy.
5. CSR depends on transparency and disclosure related to economic, environmental and social impacts of activities
6. Knowledge sharing between different actors
7. Innovation is key for SMEs