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Corporate Responsibility Reporting in Norway: An Assessment of the 100 Largest Firms

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Report



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FOREWORD

ProSus is a strategic university programme established by the Norwegian Research Council at the Centre for Development and the Environment (SUM), University of Oslo, Norway.

The goal of ProSus is to provide knowledge and information in support of a better realization of national targets for sustainable development. The work in the current financing period is concentrated on three main tasks:

Conducting systematic evaluations of Norway's implementation of international commitments on sustainable development. Evaluations are based on three types of standards: external criteria – targets and values from international agreements and programmes; internal criteria – national goals and action plans; and comparative criteria – performance by other countries in relevant policy areas. The relationship between the demands of sustainability and existing democratic procedures is a key interpretive theme.

A documentation and evaluation of policy implementation that provides a basis for strategic research on barriers and possibilities. ProSus employs an integrated research model (SusLink) that focuses on the relationship within and between different arenas of governance. Research is focused on the supranational, national, and local levels of governance, as well as households and business and industry.

An information strategy based upon open and interactive means of communication to quickly and effectively disseminate research conclusions to central actors within the field of sustainable development. The goal is to highlight alternative strategies of governance and instruments for more sustainable societies locally, nationally and globally.

In addition to books and articles in scientific journals, ProSus also publishes reports and working papers in order to disseminate the research results in an effective manner to key actors and decision-makers within the field of sustainable development.

For a full overview of projects and publications, please visit our website www.prosus.uio.no.

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EXECUTIVE SUMMARY

This report assesses how the 100 largest Norwegian companies report on corporate responsibility (CR).¹ We have evaluated CR reporting for the financial year 2004, looking at several important non-financial themes: environmental issues, social issues related to own employees and to society, business ethics and companies' socio-economic impact. The conclusion is that there is room for major improvements among most large companies in Norway, both in regards to legally mandated reporting in the board of directors' report and in regards to voluntary reporting in the annual report and in separate non-financial reports.

Our findings are consistent with the conclusion of KPMG's latest survey on CR reporting, which revealed that Norway, as opposed to the other 15 countries in the survey, has shown a significant decrease in CR reporting since 2002 (KPMG 2005). This ProSus report provides a more comprehensive insight on the status of CR reporting in the 100 largest Norwegian firms, by evaluating both legally mandated reporting and voluntary reporting, and by mapping out what CR themes companies successfully report on and what themes they leave out. The current report marks a follow up to previous similar surveys done by ProSus on non-financial reporting (Ruud and Mosvold Larsen 2002 and 2003; Gjørberg and Meling 2004; Jelstad and Gjørberg 2005).

The goal of this evaluation is to assess CR reporting as a whole and not to assess individual companies. The anonymity of the companies is therefore largely preserved. However, when it comes to giving positive examples, particular firms are highlighted in the report as cases of best-practice. It must be underlined that this report is a study of *reporting practices* and not CR performance per se.

The Norwegian Accounting Act requires companies to report annually in the board of directors' report on three different aspects: external environment, working environment and gender equality. Our evaluation of legally mandated reporting, presented in chapter 3, reveals that 53 per cent of the 100 companies report satisfactory on working environment, 49 per cent fulfil the requirement on gender equality, while only 10 per cent fulfil the legal requirement on external environment. 94 per cent of the companies do not fulfil one or more of the legal requirements. The general impression from the assessment is that the poor quality of environmental reporting is due primarily to the fact that the legal requirement in this area is vaguely formulated and require very comprehensive reporting, whereas the legal demands on working environment and gender equality are less comprehensive and more specific. Overall, the best legally mandated reporting is provided by BP Norge, Cermaq og NCC Construction. This year's results for gender equality reporting are almost identical with the results of last year's evaluation. However, comparing the results on external environment and working environment, we reveal a decrease in the share of so-called "law-abiding" companies. It is worth noticing that our results are based on a lenient interpretation of the three legal requirements. Our results

¹ The final number of companies included in the survey is 98, which means that we have excluded two companies who are not registered in Norway and therefore not legally obligated to file their annual accounts and reports with the Brønnøysund Register Centre.

therefore imply that there is room for significant improvement among most companies, even when the reporting complies with the legal requirements. The weak results are not very surprising. Norwegian authorities have done little in the way of following up the requirements of the Accounting Act, both in terms of providing correct interpretations of the wording of the Act and in terms of enforcing the requirements. The three non-financial requirements are thus left in a regulatory vacuum. Part of the problem seems to be that neither the companies themselves nor the Norwegian authorities do see these legal requirements in connection with CR.

In chapter 4 and 5, we evaluate CR reporting in the annual report and in separate reports. We evaluate CR in general and on three specific variables: Management Systems, Codes of Conduct, and Supply Chain Management. These four variables are divided into three dimensions in accordance with the concept of the triple bottom line (TBL): external environment, social responsibility, and economy. In this context the economic dimension includes reporting on business ethics/corruption and the company's economic impact on society, related to issues like local value creation, competence building, innovation and entrepreneurship in the community. We do not include traditional financial reporting.

Less than half of the 100 companies include additional CR information in the annual report, beyond what is legally required in the board of directors' report. Quite often, this additional information consists of only one page or a few paragraphs on environment, health, safety and working environment (HSE), corporate governance etc. Some companies report comprehensively and systematically on CR performance and goals in general, but relatively few companies report satisfactory on management systems connected to their CR strategy. Very few companies provide any information whatsoever on CR related codes of conduct or demands on suppliers. About 10 companies use the annual report to present the company's CR strategy and performance in a comprehensive and systematic manner. Statoil, Hydro and Statkraft, go way beyond the minimal non-financial reporting required by the Accounting Act, seeing the annual report as an important document in which to provide CR information. Also Norske Skog, Yara International, Telenor, DnB NOR, Mesta, DNV and the Norges Group report generally well in their annual report.

In the annual report, 25 per cent of the 100 companies report satisfactory on environmental challenges and performances. 46 per cent report quite well on internal social responsibility, including employees' health, safety and working environment (HSE). However, only 14 per cent report well on external social responsibility, which focuses on the company's social responsibility related to society and stakeholders outside the company. This includes relations to voluntary organisations/NGOs, the local community, authorities and others, as well as sponsoring and charity work. If relevant for the enterprise, reporting on human rights, relations with indigenous people, and use of security forces is also assessed. The results of reporting on business ethics and the company's economic impact on society are even poorer: Only 8 per cent report satisfactory on these aspects in the annual report.

The results are weaker for reporting on management systems, codes of conduct and demands on suppliers in the annual report. On management systems the best reporting is on the social dimension, where 13 per cent of the companies report satisfactory. None of the 100 companies report well on environmental or social codes of conduct, and only 8 per cent report satisfactory on business ethical codes of conduct. One company reports

fairly well on environmental demands towards suppliers, while one other company reports well on social demands on its suppliers. In the annual report, none of the companies report satisfactory on demands on their suppliers related to business ethics or socio-economic impact.

Only 14 of the 100 largest companies in Norway published separate non-financial reports for the financial year 2004. Some of these reports are comprehensive CR/triple bottom line reports, some are pure environmental reports or HSE reports, and one is a codes of conduct report. In chapter 5, these 14 reports are evaluated separately to get further insight into the quality and scope of such reports published by Norwegian companies.

12 of these 14 reports have satisfactory information on challenges and performance related to external environment. This is the best result in the evaluation of separate reports. 8 of the companies with separate reports report well on internal social responsibility, while 9 companies report well on external social responsibility. 4 of the 14 companies report satisfactory on business ethics and socio-economic impact. Only one of the companies reports well on environmental and social demands to its suppliers, and none of the 14 companies report satisfactory on business ethical demands on suppliers in their separate reports. The two companies who receive the highest score are the Kongsberg Group and Statoil.

Overall, our evaluation reveals that the best reporting is on environment and social issues related to own employees. Reporting on external social responsibility, business ethics and socio-economic impact are generally much weaker. This is not very surprising, taking into consideration that reporting on environmental issues and issues relating to own employees (such as HSE and training) have been on many corporate agendas for a much longer time. The economic dimension and the external social dimension represent new issues, related to the growth of the CR concept, that companies are yet not experienced with. It seems clear that there is a long way to go, before companies can be said to report extensively along the triple bottom line, and including relevant CR aspects as management systems, supply chain management and codes of conduct. Organizations like the Global Reporting Initiative (GRI), with its Guidelines for sustainability reporting, is currently working to strengthen the implementation of indicators for all dimensions of the triple bottom line, including external social responsibility and business ethics. Our general impression from reading and evaluating this year's reports is that the quality and the amount of space dedicated to CR information, has not changed substantially compared to last year. If Norwegian companies want to be serious about CR, their CR reporting needs to become more thorough and comprehensive.

This report is limited to Norwegian companies, but ProSus has taken the initiative to extend the evaluative efforts to other European countries. At the moment, research partners in the Netherlands and in Ireland are using the ProSus methodology, presented in chapter 2, to conduct evaluations of CR reporting among the 100 largest companies in their respective countries. These two studies will be compared to the results presented in this ProSus report. This is the first step in a project of comparative studies between European countries in 2006 and 2007, with a special focus on CR reporting and CR performance in the Scandinavian countries.

1 CORPORATE RESPONSIBILITY REPORTING IN NORWAY

1.1 Introduction

Providing information about environmental, social and ethical challenges and performances is an important part of corporate responsibility (CR). Corporate responsibility – also called corporate social responsibility (CSR), is grounded in the idea that companies and business have a responsibility beyond that of creating economic value. Companies are increasingly expected to respond to challenges relating to many different areas and themes of a non-financial nature.

This report evaluates CR reporting, also known as non-financial reporting, by the 100 largest Norwegian companies (according to total turnover). We have evaluated reporting for the financial year 2004, looking at several non-financial themes: environmental issues, social issues related to own employees and society, business ethics and the company's socio-economic impact. The conclusion is that there is room for major improvements among most of the 100 companies, both in regards to legally mandated non-financial reporting and in regards to voluntary reporting in the annual report and in separate non-financial reports.

The Norwegian Accounting Act requires companies to report annually in the board of directors' report on three different aspects: external environment, working environment and gender equality. Our assessment reveals that only about half of the 100 largest companies fulfil the reporting requirements on working environment and gender equality, while only 10 per cent of the companies fulfil the requirement on environmental reporting.

Less than half of the 100 companies include CR information in their annual report, beyond what is included in the board of directors' report. Only 14 of the 100 largest companies in Norway published separate non-financial reports for 2004. Some companies report comprehensively and systematically on CR performance and goals in general, but few companies report satisfactory on relevant management systems related to their CR strategy, and very few companies have any information at all on relevant CR themes as codes of conduct and demands on suppliers. The best reporting is on environment and social issues related to own employees. Reporting on external social responsibility, business ethics and socio-economic impact are generally much weaker.

The report assesses corporate *reporting* on perceived impacts and initiatives, not what firms actually achieve in the areas of CR. We cannot, therefore, draw conclusions as to whether companies actually do behave in a responsible manner in practice. CR reporting has been criticized for simply focusing on the positive aspects of companies operations, and leaving out the challenging and negative aspects. Nevertheless, there is little doubt that, for the majority of firms, there is a positive connection between reporting and actual conduct. In this respect, reporting can be viewed as only a step – but an important step – in the promotion of CR in Norwegian business and industry.

1.2 Previous ProSus studies of CR reporting in Norway

This report represents a direct follow up to a similar study carried out in 2004, assessing CR reporting in the 100 largest Norwegian firms for the financial year 2003 (Jelstad and Gjølborg 2005). These two latest reports draw on previous studies that have been carried out by ProSus since 2001. However, the latest reports are based on a new and expanded methodology – here referred to as the ProSus methodology.

ProSus initiated its research on CR reporting by evaluating how the 100 largest Norwegian companies fulfilled the legal requirement for environmental reporting in the revised Norwegian Accounting Act, concerning the board of directors' report (Ruud and Mosvold Larsen 2002 and 2003). This work has also been presented in a comparative study of new environmental regulatory instruments in the US and in Europe (Ruud 2005). The studies undertaken by ProSus were later expanded to include other non-financial issues legally required in the annual board of directors' report. In addition, voluntary CR reporting practices regardless of legal requirements, have also been subject to evaluation by ProSus.

Consequently, ProSus' research on CR reporting practices in Norwegian companies has a long and consistent record. This gives any interested reader concerned with the role of business in promoting sustainable development, an opportunity to monitor development and track changes in both legally mandated and voluntary CR reporting practices among Norwegian corporations. It is important to remind the reader that the goal of this evaluation is to assess CR reporting as a whole and not to assess individual companies. The anonymity of the companies is therefore largely preserved. However, when it comes to giving positive examples the practices of particular firms are highlighted in the report.

This report will present the status among the 100 largest Norwegian companies for the financial year 2004, but ProSus has taken the initiative to extend the evaluative efforts to other European countries. Drawing on established networks, we have initiated a research collaboration with CSTM at the University of Twente in the Netherlands and CPPU at the University of Cork in Ireland. Researchers at these institutions are using the ProSus methodology, reflected in this study, in assessing CR reporting among the 100 largest firms in their respective countries for the financial year 2004. The expansion of the study gives a unique basis to perform a comprehensive and systematic international comparison of CR reporting. The findings in this report will therefore be compared and assessed in relation to performance of the 100 largest companies in the Netherlands and Ireland, and is to be published by the beginning of 2006.

1.3 Why Study CR Reporting?

The current focus on CR is grounded in the idea that business and industry have a responsibility beyond that of creating economic value. Today, CR is on many corporate agendas, but what is the rationale behind studying CR *reporting*?

As the focus on CR has grown, it has become increasingly important for companies to communicate their actions and performance to various stakeholders. Stakeholders such as customers, investors, public regulators, NGOs and the general public are in an increasing manner demanding that companies communicate also non-financial information. The

financial sector is now taking environmental and social aspects into consideration when investing in companies, and therefore relies on information given through voluntary reporting. One example is seen in the Dow Jones Sustainability Group index, where 30 per cent of its sustainability criterion is based on what companies disclose about themselves in written publications (Cerin 2002). As a result there has been a vast growth in companies who report on non-financial issues since the 1990s. From reporting mainly on environmental performance, an increasing amount of companies are now measuring their performance against the so-called triple bottom line (TBL), concerning social, environmental and economic aspects.

Some countries, such as Norway, have legal requirements for reporting on non-financial matters. However, the requirements are narrow and few, and simply fulfilling these requirements do not generate comprehensive CR reporting. Furthermore, most countries do not have a legal mandate for non-financial reporting, although, the EU now requires that a company's annual report is to include non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters (EU Directive 2003/51/EC).² However, non-financial information is only required when necessary for an understanding of a company's development, performance or position. This leaves it more or less up to the companies to decide whether non-financial information is relevant and required.

The voluntary aspect is thus an important characteristic of current reporting on CR issues and is largely a response to stakeholder demands rather than governmental demands. In meeting stakeholder expectations, CR reporting becomes an important means for enhancing the accountability and the transparency of the company, although it represents no end in itself. The actual CR performance is the major concern. However, better knowledge of reporting practices may enable a more profound understanding of the business case for sustainable development.

1.4 The Value of the Report

This report can be valuable for a number of actors. Seeing how Norwegian companies perform when it comes to CR reporting, is useful to companies, research communities, governmental institutions and various stakeholders respectively.

The report will give companies valuable information regarding general weaknesses and strengths evident in current CR reporting, as well as provide examples of best practice reporting. It can thus serve as a reference for those who want to improve their reporting along the triple bottom line, concerning social, environmental and economic non-financial aspects. Furthermore, this report can provide ideas to corporate managers as to how CR reporting can be improved.

This ProSus assessment provides insight into how the legally mandated requirements in the Norwegian Accounting Act are functioning in practice. We argue that this report provides informative data for public policy makers and governmental institutions

² Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings Available at : http://odin.dep.no/fin/norsk/dok/andre_dok/nou/006001-990035/ved005-bn.html. Accessed on 4 October 2005.

concerned with CR and sustainable development. It also gives information on the content and scope of CR reporting, when no regulatory instruments are in place.

Finally, this report can be informative reading for the research community and others interested in CR in terms of what companies are doing to inform society on their actions and in terms of fulfilling legal and normative demands placed upon them. Consequently, our studies of CR reporting may provide new insights into the role of firms in promoting sustainable development at large. In this context the current study reflects the ProSus mandate of being a programme for research and documentation for a sustainable society.

1.5 Report Structure

This report consists of four parts:

- CHAPTER 2: A presentation of the ProSus methodology
- CHAPTER 3: An evaluation of legally mandated non-financial reporting in the board of directors' report, based on the legal requirements in the Norwegian Accounting Act.
- CHAPTER 4: An evaluation of CR reporting in the companies' annual report.
- CHAPTER 5: An evaluation of separate non-financial reports provided by the companies. This includes general CR reports, but also pure environmental reports, health, safety and environment (HSE) reports and similar.

Chapter 2 of our report provides an account of our methodical approach – the ProSus methodology, and how the evaluation was carried out. The findings from the evaluation of the board of directors' reports are presented in chapter 3, and the findings from the evaluation of the annual reports are presented in chapter 4. In chapter 5, we present the results from the analysis of the separate non-financial reports. In chapter 6, we draw our final conclusions, refer to particular changes in CR reporting practices that have taken place during the last years, and discuss the Norwegian case and the value of legal reporting requirements.

2 METHODOLOGY – ABOUT THE ANALYSIS

2.1 Methodological approach

This year's ProSus report marks a follow up to previous similar surveys done by ProSus on CR. ProSus carried out the first mappings of legally mandated environmental reporting by Norwegian companies for the financial years 2000 and 2001 (Ruud and Mosvold Larsen 2002 and 2003). This was followed up by an analysis of voluntary non-financial reporting by Norway's 100 largest companies for the financial year 2002 (Gjølberg and Meling 2004). For the financial year 2003, both legally mandated reporting, as well as voluntary CR reporting was included (Jelstad and Gjølberg 2005).

To a large extent, this report draws on last year's ProSus evaluation, but one important adjustment has been made. Part 2 of the evaluation, which focuses on voluntary reporting, has been divided into two separate parts: Firstly, we study reporting in the annual report, secondly, we analyze reporting in separate non-financial reports. The reason for making this distinction is that the annual report is an important document in itself, both for the company and for various stakeholders. All companies are required to provide annual accounts and these are often presented in the annual report along with other relevant information on the company's operations for the previous year. The annual report is sent to all shareholders as well as various stakeholders, and in that way reaches a broader audience than what other separate reports such as CR reports may do. The annual report therefore becomes an important way for companies to channel information on the enterprise. In light of this we see it as highly interesting to evaluate the quality and amount of information given on CR in the annual report. This can give an indication of how important CR is to the company and also how well it is integrated in the business development of the enterprise.

This methodological adjustment is also related to the expansion of the evaluation to other European countries. Since other countries do not require a separate report from the board of directors, last year's separation between the board of directors' report and voluntary reporting elsewhere, would be irrelevant for these countries.

It is also interesting to evaluate the content of separate non-financial reports in itself. These reports are only provided by a few companies who may see CR as particularly important, making it interesting to evaluate the quality of these reports. Due to the fact that annual reports and separate reports are being evaluated separately in this year's study, the figures we present are not directly comparable with the results from last year's survey.

To guide companies in improving their reporting along the triple bottom line, a number of standards and guidelines are being developed by various institutions such as the Global Reporting Initiative³ (GRI) and the International Organization for Standardization (ISO)⁴. Our evaluation of voluntary reporting is based on the concept of the triple bottom line (TBL). In addition to the environmental and social dimensions, the TBL also includes the

³ For further information, see: <http://www.globalreporting.org/> Assessed on 14 November 2005.

⁴ For further information, see: <http://www.iso.org/> Assessed on 14 November 2005.

economic dimension. Our utilisation of the TBL concept reflects GRI and SustainAbility's⁵ approach to sustainability reporting. This makes our survey more far-reaching.

Our approach is partly based on a methodology developed by SustainAbility, a research consultancy regarded as a pioneer within practical work on corporate social accountability and the role of business and industry in sustainable development. Since 1992, SustainAbility has evaluated non-financial reports with the aim of identifying best practice companies. SustainAbility's selection comprises the largest and most advanced companies within the area of sustainability reporting worldwide. Because SustainAbility's criteria are very comprehensive and demanding, we found it necessary to simplify and adjust them in order to be able to reveal differences between companies. In doing this, the experiences gained from previous ProSus studies which examined both legally mandated and voluntary non-financial reporting by Norwegian companies were of importance (Ruud and Mosvold Larsen 2002, 2003; Gjøølberg and Meling 2004).

The Norwegian awards for environmental reporting and CR reporting have the last two years used the GRI Guidelines as a methodological framework to evaluate CR reports. However, the Guidelines are first of all a tool developed to assist companies to improve their reporting, it is not intended to be a methodology to assess reporting. Using the Guidelines for evaluative purposes implies assessing companies on a number of criteria that are not necessarily of relevance to their enterprise. For example, this implies that a Norwegian based company with no affiliates or suppliers abroad, will lose points for not reporting on child labour or human rights, even though this is of minimal relevance to the company.

2.2 Research design and entities

The entities included in this survey are the 100 largest companies in Norway in terms of turnover for the financial year 2004. The list originates from the Norwegian financial newspaper Dagens Næringsliv⁶ (see Appendix 1). The final number of companies included in the survey is 98, which means that we have excluded two companies. The reason for this is that Stolt-Nielsen and Frontline. Ltd. are not registered in Norway and therefore not legally obligated to file their annual accounts and reports with the Brønnøysund Register Centre.

The basis material for the analysis was the companies' annual reports for the financial year 2004 (including the board of directors' report), plus any separate reports on sustainability, CR, environment, business ethics, HSE, corporate governance and other similar non-financial themes.

There is an increasing tendency for companies to publish non-financial information on their web sites. Reports published on web sites in PDF format, or CR information that could be downloaded as additional independent documents, were included in the survey. Any other information that appeared on a company's web site was included only if specific web sites were *explicitly referred to* in a company's hard copy version. The main reason why most web sites were excluded from the evaluation is related to the fact that

⁵ SustainAbility Online. Available at: <http://www.sustainability.com/> Accessed on 14 November 2005.

⁶ Dagens Næringsliv derives its figures from the marketing and credit information company Dun & Bradstreet. These figures are slightly different to those from, for example, Kapital, due to calculation and a different approach to the data set. We have chosen to use Dagens Næringsliv's figures because this list is well established and was also used in ProSus' analysis of environmental reporting under the Accounting Act.

this sort of web-based information often is under continual revision and updating. A fair and overall comparison of all types of CR reporting would have been difficult to undertake and demanded greater resources. In addition, a different methodical approach to carrying out the analysis would have been needed. Since many companies view the internet as their most important channel of communication, this choice of methodology could be questioned. Is it justifiable to exclude web sites from the evaluation? In SustainAbility's latest survey, web sites were included (SustainAbility 2004a). The conclusion here is that rather than contributing to increased transparency, some of these web sites could be described as "black holes" of information, making it nearly impossible to extract the vital and necessary information to get the general picture of a company's CR performance.

Our exclusion of some of the information published on the web sites may well have resulted in some companies receiving a lower score on CR reporting than they may otherwise have done. However, last year's ProSus study discovered that only two of the 100 largest companies had important CR information on their web sites that was not referred to or did not appear in the hard copy version of their annual report or CR report. A number of companies gave a general presentation of CR on their web sites, but these lacked factual reporting in the form of figures, measures or goals for environmental or social aspects that are relevant to the enterprise. Furthermore, they included no information on management systems, codes of conduct, or supply chain management. It was also difficult to establish if the information was specific to the financial year that was being looked at. This implies that these companies would have scored very low in the survey even if web sites were included.

References to a parent company's or subsidiary company's reporting have not been included in our evaluation because this would have given a distorted picture of the company's reporting practice. As an example, the survey did therefore not take into account BP's international sustainability report when evaluating BP Norway. Furthermore, subsidiaries of Norwegian parent companies were not evaluated on the basis of the parent company's reporting. For example, Coop NKL and Coop Norge are both on the list of the 100 largest Norwegian companies. Coop Norge is partly owned by Coop NKL, but the companies' reporting is evaluated separately.

2.3 Legally mandated reporting in the board of directors' report – variables and categories

The first part of the survey examines reporting in the board of directors' report. The board's report is the part of the annual report that is signed by the board of directors and sent to the Brønnøysund Register Centre along with the annual accounts. This information should contain information on central company operations, and the board is legally responsible for the information submitted. This part of the survey follows up and expands on previous evaluations carried out by ProSus of Norwegian companies' environmental reporting, based on the legal requirements laid down in the Accounting Act (Ruud and Mosvold Larsen 2002 and 2003; Jelstad and Gjølborg 2005).

We have evaluated the board of directors' report with respect to the legal requirements laid down in the Norwegian Accounting Act, Section 3-3: Contents of the Annual Report,

Subsections 9, 10 and 11.⁷ These sections deal with reporting requirements for working environment, gender equality and external environment respectively. Our operationalisation of what the Act requires in terms of specific information was based on recommendations and viewpoints from the NHO, the Norwegian Accounting Standards Board (NRS), and the Gender Equality Ombud. These are presented in more detail in Section 3.

The Accounting Act requires reporting in the board of directors' report itself. Therefore, our assessment does not include information provided elsewhere than in the board's report, even in cases where reference was made to a separate environmental, HSE or similar non-financial reports. Information given in separate non-financial reports is captured by chapter 5.

For each of the three legal requirements (environment, working environment and gender equality) we evaluated the companies' reporting in terms of five categories, where 0 was the lowest score and 4 the highest. The table below gives an overview of what the different categories signify.

Category 0: Not mentioned	Environment/working environment/gender equality not mentioned.
Category 1: Mentioned	Environment/working environment/gender equality mentioned, but minimal reporting in relation to own enterprise. Alternatively, the theme is dismissed as irrelevant, for example by stating: "The company has no impact on the external environment".
Category 2: Insufficient	Reports on own enterprise, but lacks one or more required points (e.g. measures, figures).
Category 3: Satisfactory	Reports on all relevant points and meets the minimum legal requirements.
Category 4: Very satisfactory	Comprehensive and accurate reporting above and beyond the minimum legal requirements.

A general challenge with this scoring system is that category 2, insufficient, turned out to be a large category. The category encompassed both those companies who did not quite fit in to the *satisfactory* category, but also those who provided information barely above what was required for category 1. As a result, category 2 reflects a broader range of performances than the remaining categories.

Based on our interpretation of the wording of the Accounting Act, all reporting that fell under categories 3 and 4 met the legal requirements thereof. These companies were therefore regarded as "law-abiding". Companies whose reporting fell under categories 0, 1 or 2 were deemed to be "law offenders" in the sense that their reporting practices did not meet the legal requirements.

⁷ The Norwegian Accounting Act Available at: <http://www.lovdato.no/all/tl-19980717-056-003.html#3-3>. Accessed on 14 November 2005.

2.4 CR reporting in the annual report and in separate non-financial reports – variables and categories

The second and third part of this survey examines CR reporting in the annual report and in separate non-financial reports respectively. New for this year's study is that the annual report and the separate reports have been evaluated individually. Chapter 4 of this report evaluates how companies perform when it comes to non-financial reporting in the annual report. All non-financial information in the annual report is here evaluated, meaning information found both inside and outside the board of directors' report. The reason for including the board of directors' report in this evaluation is to make it internationally comparable, regardless of legal requirements in Norway. Furthermore, this approach will document what the annual report as a whole contains of reporting on non-financial issues. Consequently, it is the non-financial content of the annual report that is interesting here, regardless of legal requirements.

Chapter 5 evaluates non-financial reporting in different forms of separate reports that the companies published for the financial year 2004. In this year's sample there are 14 companies who have issued separate reports in the form of comprehensive CR- or sustainability reports, or more specific HSE- or environmental reports. In the later years, there has been much focus on separate non-financial reports, and in this context it is interesting to evaluate the content and quality of these reports separately from the annual reports.

In chapter 6, the results from the evaluations of the board of director's report, annual report and separate reports are summarized and analyzed in total. In addition, a brief comparison to last year's result is made. Because of methodological changes, only the results on legally mandated reporting in the board of directors' report are statistically comparable with last year's evaluation, however it is possible to uncover some trends and tendencies in voluntary reporting as well.

The analysis of the annual reports in chapter 4 and of separate non-financial reports in chapter 5 follows the same methodology. Four different variables are considered. First, an assessment of the company's general CR reporting is conducted. Following this, reporting on three additional variables are considered: Management Systems, Codes of Conduct and Supply Chain Management. These three variables provide more detail and generate more comprehensive information on how the company's CR work is embedded in the organization and everyday practice.

Variable 1: General CR

This variable captures the *general* impression a company gives of its interpretation and management of CR. The reporting is evaluated in terms of the company's own operations. We examine how the companies report on central and relevant challenges, as well as on the presentation of figures, measures and goals.

Variable 2: Management Systems

This variable refers to a company's description of how, in an organisational and practical sense, it ensures that CR is managed within the company. This means that the company must inform about the management mechanisms and control systems that exist for ensuring that the company's CR policies and codes of conduct are monitored, and that deviations are uncovered and rectified. Reporting on various types of environmental and

social certification systems such as ISO and EMAS, as well as information about delegation of responsibility and whether responsibility is consolidated at top management, line management level or in a separate department/division within the company is also included in this variable.

Variable 3: Codes of Conduct

This variable examines established codes of conduct for companies' conduct with respect to CR. This can include themes such as environment, corruption, HSE, employment conditions etc. It should be guidelines adopted by the concern as a whole and comprise items with an overarching, entrenched policy. However, it is not enough to present overriding policies and goals, points are only awarded to those who explicitly present these policies and goals as specific codes of conduct.

Variable 4: Supply Chain Management

The fourth variable evaluates how a company communicates what CR demands it makes towards its suppliers on environmental, social and ethical issues. This involves looking at explicit demands made of suppliers, for instance in the form of a code of conduct. A company's profile on supply chain management sends out signals – not just to suppliers, but also to other stakeholders – about the kind of conduct the company does and does not accept.

We evaluate the companies' reporting on each of the four variables in terms of five categories, where 0 is the lowest score and 4 the highest. Reporting on each of the variables is categorised according to the following scale:

Category 0: Not mentioned	Theme not mentioned.
Category 1: Mentioned	Theme briefly mentioned in general terms, but minimal reporting on own operations. Alternatively, theme dismissed as irrelevant.
Category 2: Insufficient	Theme described with reference to own enterprise, but reporting has major deficiencies with respect to content and presentation.
Category 3: Satisfactory	Theme described and analysed with respect to own operations. Problems are identified and challenges and solutions are considered, but reporting has some deficiencies with respect to content and presentation.
Category 4: Very satisfactory	Theme is described and analysed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

In our opinion, all four variables have relevance for all the companies. An illustrative example is environment. Many regard environmental impact as relevant only to companies involved in heavy industrial production. However, all large companies have some form of environmental impact related to for instance office materials, waste, air travel, energy and water consumption, choice of suppliers/cooperation partners etc. The decisive point is that companies identify and report those aspects of each of the variables

that are most relevant for *their* business operation. We therefore rated all the companies on all the variables, and made no exceptions for office-based companies or holding companies that do not pollute in the conventional sense of the word.

When evaluating reporting practices, an emphasis was placed on a reader-friendly and easily understood presentation. This means that reports that are difficult to follow and laboriously presented, but are complete in terms of information, are placed in category 4, however these companies will not be cited as examples of best practice.

In the evaluation of the annual reports and the separate reports, we have here chosen the concept of a “triple bottom line” (TBL) as a reference for the assessment. This approach aims to cover the environmental, social and economic aspects of the firm’s activity. In this case, the economic dimension does not include traditional financial reporting, but business ethics and a company’s economic impact on society, related to issues like local value creation, competence building, innovation and entrepreneurship. The four variables already mentioned: General CR, Management Systems, Codes of Conduct and Supply Chain Management are therefore divided into three dimensions in accordance with the concept of the triple bottom line: environment, social responsibility and economy.

This is illustrated in figure 4.1:

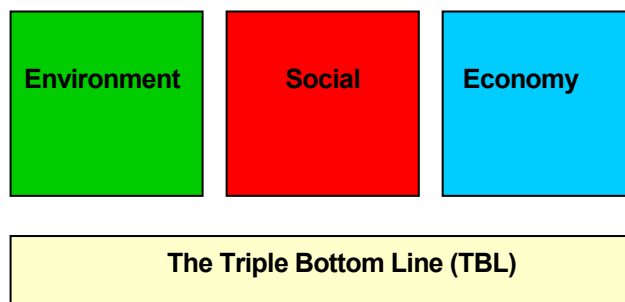


Figure 2.1 The Triple Bottom Line (TBL)

2.5 Validity and reliability

Validity refers to whether the survey is designed in an expedient and appropriate manner (Hellevik 1997:159). Are we rating what we want to rate with the approach we have chosen? There are clearly many different methods by which one can rate and map non-financial reporting. Other variables could be included and more roughly or finely graduated scales could be used to grade the results. However, we consider our system to be solid and scientifically defensible. The final choice of method for the survey was presented to and adapted by a project team at ProSus with considerable specialist competence. In addition, the ProSus methodology has been discussed with our research partners in Ireland and the Netherlands, who will use the ProSus methodology to conduct similar studies. This enhanced the validity of the survey.

Our research design for evaluation of the board of directors’ report was derived from the legal requirements in the Accounting Act, while evaluation of the voluntary reporting was based on SustainAbility’s methodology, which has been tested on international CR reporting for more than ten years (SustainAbility 2004b). Regarding the basis for the actual rating, we opted for criteria that were slightly different and more lenient than those

adopted by SustainAbility. This is because SustainAbility's design is based on global, leading companies within CR of whom one has higher expectations than the companies involved in our survey. The variables we included are, in our opinion, capable of capturing the most relevant aspects of CR reporting by Norwegian companies.

The reason for selecting the 100 largest Norwegian companies in terms of turnover was made on the grounds that, because of their size and resources, these companies can be expected to deliver the most substantial levels of CR reporting. It is these companies who have the largest influence on the Norwegian economy and society, and the results can to a certain degree be compared with previous ProSus surveys based on the same selection. When it comes to comparing the general performance on CR reporting between years, a critical factor is that the 100 largest companies vary from year to year. One is therefore not necessarily comparing the exact same samples. However, the goal is to see how reporting among the 100 largest companies develop over time, regardless of whether these are the same companies every year or not.

Reliability refers to how compliant and reliable the actual data collection is. There are often two challenges one can come up against here. Firstly, there can be deficiencies in the actual data collection itself. In order to remedy this, requests were first sent out by e-mail to all 100 companies. We then followed these up with telephone calls to ensure that we had received all available reports. Secondly, the rating of the variables is to a large degree a discretionary evaluation. In order to counteract unbalanced and inconsistent evaluating, all reports were independently assessed by two persons. The ratings were then compared and, in cases where assessments differed, agreement was reached after deliberation. Particularly difficult cases were reviewed twice. In this way we could ensure that the rating scale was as consistent as possible for all the companies concerned.

3 LEGALLY MANDATED REPORTING IN THE BOARD OF DIRECTORS' REPORT

3.1 Introduction

The Norwegian Accounting Act requires all Norwegian-registered companies who are legally bound to keep accounting records, to report on three non-financial themes in the board of directors' annual report. These three themes are: External environment, working environment and gender equality.

In relation to external environment, the companies are obligated to report on “not insignificant impacts on the external environment”, irrespective of their size or of whether they have a discharge permit granted by the Norwegian Pollution Control Authority.⁸ This requirement, introduced in 1998, entailed a radical tightening of the Accounting Act of 1977 in which the board of directors was required to account for “whether the enterprise pollutes the external environment”. In the same year (1998), a second requirement was introduced concerning reporting on the company's working environment. This required information on the working environment in general, measures taken which might influence the working environment, as well as specific information on absences due to illness, injuries and accidents. In 2003 a third legal requirement was introduced, requiring information on the situation on and measures taken related to gender equality within the company.

As the highest executive organ in a company, the board of directors has a central position, and the board of directors' report has a special status since it is signed by the board members, who are legally responsible for the information provided. All the information related to these three requirements must be included in the board of directors' report, and it is therefore not sufficient to refer to a separate CR report or non-financial information elsewhere in the annual report. This ensures that a minimum of non-financial information in the boards report, along with annual accounts, are publicly available to the stakeholders via the Brønnøysund Register Centre.

3.2 The 2004 revision of the Norwegian Accounting Act

In 1998, the Norwegian Parliament (Stortinget) decided that the Accounting Act should be evaluated after three years of experiences in practice. In June 2002, a Governmental Task Force was set up for this purpose. The Task Force was asked to evaluate the need for adjusting the Norwegian Accounting Act to resolutions in the European Union and European Economic Area aimed at modernizing the European accounting directives and to require the use of international accounting standards for consolidated financial statements of listed companies from 2005. In its report to the Ministry of Finance, the Task Force proposed that the requirements for reporting on non-financial aspects should be restricted “to the degree necessary to understand the enterprise's development, results,

⁸ For further details, see Ruud (2005).

financial situation and risks”⁹ The Task Force’s suggestion was linked to EU Directive 2003/51/EC (“Moderniseringsdirektivet”)¹⁰, which amended Article 46 in the earlier EU directive on annual accounts to the following:

To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;

This amendment was based on the EU’s view that the information in the annual report should not be restricted to the financial aspects of the company's business. An analysis of environmental and social aspects should be included where necessary for an understanding of the company's business development, financial performance or position. This leaves it more or less up to the companies to decide whether non-financial information is relevant and required. In addition, member states may choose to waive this requirement for smaller companies.

However, the Norwegian Ministry of Finance, did not want any changes made to the wording of the Norwegian Accounting Act, and justified this as follows:

The Ministry deems that the requirement of non-financial information should be subjugated to objective requirements so that the decision as to what extent such information should be given does not lie with the individual enterprises themselves. Such a restriction could pave the way for some enterprises setting high standards in terms of what information shall be given. This will diminish the argument for setting requirements for non-financial information in annual reports, which is precisely to make company administrators and boards of directors aware of this aspect of the enterprise. Furthermore, the Ministry reasons that such non-financial information could be significant for investors and other users of financial statements when evaluating an enterprise.¹¹

The Ministry of Finance won support for this view from a majority in the Parliament’s Standing Committee on Finance and Economic Affairs. The revised Norwegian Accounting Act was passed by the Parliament on 26 November 2004 and was made effective from the financial year 2004, without any major changes in the requirements for non-financial information in the board of directors’ report.¹² Only a minor amendment was made concerning the requirement for reporting on working environment: On grounds of protection of privacy, companies who are legally bound to keep accounting records and who have employed less than five man-labour years no longer have to report on absences due to illness. It was also agreed that the annual reports of corporations who compiled group accounts should cover operations in the group. This means that for an ASA company it is not sufficient to provide information regarding the activities and employees connected to the ASA only. The board is also requested to report on the activities and employees related to the group, i.e. the enterprise as a whole.

⁹ Proposition to the Odelsting no. 89 (2003-2004). Available at: <http://odin.dep.no/fin/norsk/dok/regpubl/otprp/006001-050062/dok-bn.html> Assessed on 14 November 2005.

¹⁰ Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings Available at : http://odin.dep.no/fin/norsk/dok/andre_dok/nou/006001-990035/ved005-bn.html. Accessed on 4 October 2005.

¹¹ Proposition to the Odelsting no. 89 (2003-2004), Chapter 8. Available at: <http://odin.dep.no/fin/norsk/dok/regpubl/otprp/006001-050062/hov008-bn.html>. Accessed on 14 November 2005.

¹² Former Section 3-3 relating to the contents of the annual report is now divided into two: Section 3-3: Contents of annual reports for small enterprises, and Section 3-3a: Contents of annual reports for enterprises who are legally bound to keep accounting records and who are not small enterprises. However, the same requirements for non-financial information apply to both small and large enterprises.

3.3 Reporting on external environment

According to the wording of the Accounting Act, Section 3-3a, Subsection 11, the board of directors is obligated to report on the following conditions:

Information concerning current activities, including production inputs and products, that could cause a not insignificant impact on the external environment shall be provided. Information on the types of environmental effects the different aspects of the operation have or could have, and what measures have been implemented or are planned to implement to prevent or reduce negative environmental effects shall be provided.

This wording demands a comprehensive reporting obligation, in as much as it requires reporting on input factors, products and aspects of the operation that both have and could have a not insignificant impact on the external environment, as well as reporting on measures. It is important to be aware that the requirement not only includes companies producing material products, but also purely office-based companies. The requirement has been the subject of much debate because the phrase “not insignificant impact” leaves room for different interpretations (Ruud and Mosvold Larsen 2003). Both the Norwegian Accounting Standards Board and the NHO have written guidelines and recommendations regarding exactly what type of information the companies must provide. In our evaluation we have used NHO’s recommendations as our starting point.¹⁵ The NHO points out that even if a company publishes a separate environmental report, the following information must be included in the directors' report:

- Production inputs (including chemicals) and their environmental impacts
- Emissions and waste from production and their environmental impacts
- Environmental impacts due to use and scrapping of products
- Implemented or planned measures for preventing or reducing negative environmental effects

In order for companies to meet the minimum legal requirements of the Act, we set a minimum requirement for quantitative information relating to resource management (for example energy consumption, emissions, waste, recycling and transport) and for an identification of measures. In a strict interpretation of the law, however, this would not be adequate because there are a number of other conditions which can be said to have an environmental impact. But the board of directors' report is usually limited to 6-7 pages, and with limited space available.

In addition, companies producing material products are in addition required to report on conditions related to the production. In a strict interpretation of the law this would not be seen as adequate either, because it could be argued that the law requires reporting on the entire life cycle, i.e. not just the production stage. Here, too, we have opted for a somewhat more lenient interpretation of the wording than that recommended by the Norwegian Accounting Standards Board and the NHO. Nonetheless, we found that very few companies managed to satisfy even a lenient interpretation of the law.

¹⁵ The Accounting Act's requirement for environmental information: NHO's recommendations. Available at: <http://www.nho.no/article2801.html>. Accessed on 14 November 2005.

Figure 3.1 illustrates how the 100 companies score on a scale from 0 to 4 for the financial year 2004. 0 means that external environment is not mentioned at all, while 4 refers to very satisfactory reporting (see p. 18).

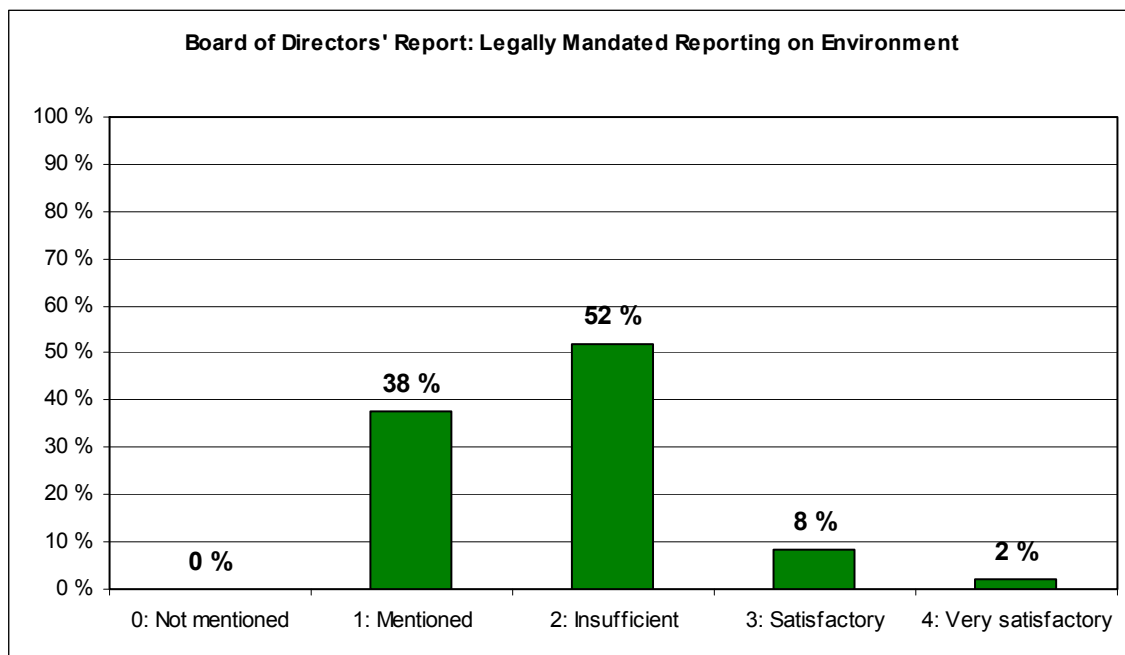


Figure 3.1 Board of directors' report: Legally mandated reporting on environment (N=98)

Since none of the companies fail to mention external environment in the board's report, all 100 companies are apparently aware of the legal requirement on environmental reporting. However, in total only 10 per cent of the companies report satisfactory or very satisfactory (2 per cent very satisfactory and 8 per cent satisfactory), based on the environmental requirement of the Accounting Act.

In last year's evaluation by ProSus, ENI Norge was the only company with very satisfactory reporting. This year it is accompanied by another oil company: Total E&P Norge. These two companies report extensively and in line with the environmental requirement. ENI Norge provides information on the company's strategies, revisions and reporting related to external environment, as well as on occurred accidents with possible effects on the environment. Statistics on waste, energy consumption, rate of recovery for waste (from office premises), discharges, emissions, chemical spills and waste from the Norwegian continental shelf is included in the board's report. The report also informs about ongoing research projects aimed at improving environmental conditions in connection with petroleum activities. Total E&P Norge reports on environmental challenges and measures taken, and provides statistics on waste and discharges. Total also includes information on environmental goals and results, and on Total's involvement in EMAS (Eco-Management and Audit Scheme) and ISO14000. Seminars held discussing climate changes and sustainable development are mentioned.

Because the environmental requirement in the accounting act is so wide and extensive, it might be argued that these 2 companies do not report more than satisfactory. However, they stand out with more detailed, systematic and informative reporting compared to the companies who receive a score of 3 (satisfactory). 8 per cent report satisfactory on the

external environment. These include: Cermaq, ICA Norge, Jotun, NCC Construction, Norske Shell, BP Norge and Conoco Phillips Norge.

Still, 90 per cent of the companies do *not* report satisfactory based on the environmental requirement of the Accounting Act. 38 per cent of the companies only mention their impact on the environment in one or two sentences, and barely relates this to the company's activities. For example one company mentions in one sentence that recycling systems have been put in place, without any further details. This qualifies only for category 1.

Another 52 per cent of the companies have somewhat better, but still insufficient reporting. Some of the companies in this category present rather comprehensive and detailed information on their environmental impact, but they leave out important elements related to performance and/or measures implemented to reduce negative environmental effects. A minimum of statistics on parameters such as energy consumption, waste, transport and/or discharges should be included to make the reporting satisfactory.

3.4 Reporting on working environment

The legal requirement to report on working environment is worded in a more specific and self-explanatory manner than the requirement on external environment. The Accounting Act, Section 3-3a, Subsection 9 reads as follows:

Information on working environment and a summary of implemented measures that are significant to the working environment shall be provided. Information pertaining to injuries and accidents shall be provided separately. Separate information pertaining to absences due to illness shall in addition be provided by companies legally bound to keep accounting records who have a minimum of 5 man-labour years in the course of the financial year.

In line with the wording of the legal requirements and in order to meet the legal requirements, we set a minimum requirement of the following information: Total absences due to illness, accidents and injuries and the mentioning of at least one measure related to the working environment. If this information is provided, the company scores 3 points (satisfactory). In order to receive a score of 4 (very satisfactory), extensive information has to be provided, including other factors of relevance to the working environment. Companies that report very satisfactory account for various measures taken and how they influence employee satisfaction, health and safety. Several companies report on signed agreements on inclusive working environment (Avtale om inkluderende arbeidsliv - IA), annual employee surveys, HSE courses, working environment committees, internal audits, etc.

Figure 3.2 illustrates the companies' reporting on working environment based on the requirements in the Accounting Act:

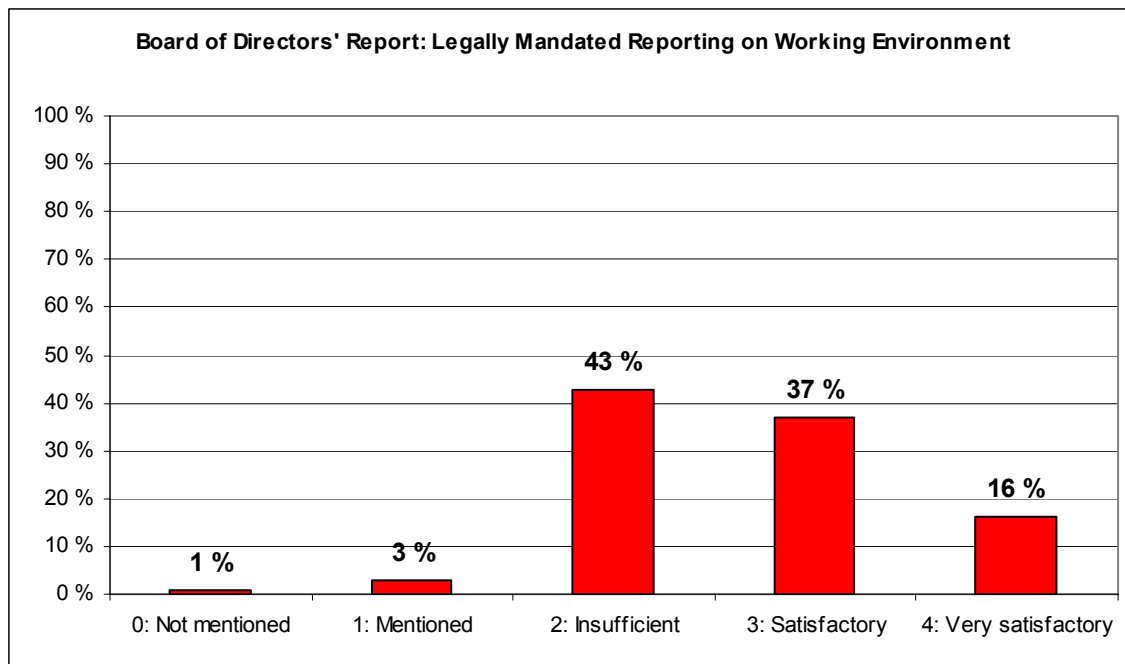


Figure 3.2 Board of directors report: Legally mandated reporting on working environment (N=98)

16 per cent of the 100 companies report very satisfactory. The following three companies are examples of best practice: Helse Midt-Norge RHF, the Sparebank 1 Group and Gjensidige NOR. All three companies provide the necessary statistics on absences due to illness, accidents and injuries. These companies also report on annual employee surveys and the agreements on inclusive working environment (IA). Gjensidige NOR and the Sparebank1 Group both report on training and competence development possibilities, as well as activities and meetings in the working environment committee. Helse Midt-Norge RHF and Gjensidige NOR report briefly on HSE activities.

Another 37 per cent of the companies receive a score of 3 for satisfactory reporting. This means that in total, 53 per cent of the companies report satisfactory or better.

43 percent of the companies report insufficiently with major weaknesses. However, many of the companies that receive a score of 2, could easily have gotten a 3 if they had provided information on *both* injuries and accidents. Many companies only present the H-value and fail to recognize that accidents are more than accidents causing human injuries and that it might also involve accidents causing environmental or material damage.

3 per cent of the companies only mention working environment in one general sentence, with no additional relevant reporting. One company neglects the legal requirement and does not mention working environment at all in the board's report.

3.5 Reporting on Gender Equality

The Norwegian Accounting Act's Section 3-3a, Subsection 10 contains the following requirement to report on gender equality in the board's report:

An account of the actual state of gender equality in the enterprise shall be provided. An account of measures implemented and measures planned to promote gender equality and to prevent discrimination contrary to the Gender Equality Act shall be provided.

This requirement was incorporated into the Accounting Act in January 2003, and is therefore a new requirement compared to the two other requirements from 1998. This is the second year of legally mandated reporting on gender equality.

As in the case of working environment, the wording is relatively self-explanatory and precise. With respect to accounting for the actual state of gender equality, our minimum requirement is information on gender distribution for the company as a whole, and for at least one part of the company's management. With respect to reporting on measures, our minimum requirement is that the company should list what measures they have in place or plan to implement. We also accept the following type of reporting: "We have no measures in place with respect to gender equality". The main purpose of reporting is to provide transparency for stakeholders, and being candid about not having any measures in place provides the reader with this information. Whether or not this represents a breach of the Gender Equality Act is another matter. In our opinion, it does not represent a breach of the *Accounting Act*, which is what we are analysing in this report.

The NHO and the Gender Equality Ombud go a step further in their recommendations and suggest reporting on gender distribution in terms of pay, part-time work and recruitment. The NHO makes the following recommendation:

For most companies it would be relevant to account for the gender balance in general and at management level, pay conditions and other factors relating to recruitment and further training/education of employees.¹⁴

The Gender Equality Ombud has been mapping and evaluating gender equality reporting by Norwegian companies, but has not come to any conclusions yet. The Ombud has adopted more far-reaching criteria for its basis than those of the NHO and ProSus. According to the Ombud, gender distribution in terms of recruitment and internal promotion as well as working hour schemes should also be reported on, if the report is to be complete.¹⁵ These more specific recommendations by the NHO and the Gender Equality Ombud cannot, in our opinion, be derived from the wording of the Accounting Act. We choose therefore to classify this kind of reporting as 'very satisfactory' and to acknowledge it as exceeding the minimum legal requirement.

Despite gender equality reporting being a quite new legal requirement, it seems that many companies have taken this legislative amendment on board and are making efforts to report correctly. The results for the companies are as follows:

¹⁴ Gender Equality reporting. Available at: <http://www.nho.no/article4614.html>. Accessed on 6 October 2005.

¹⁵ Activity and accounting obligations in the private sector. Available at: http://www.likestillingsombudet.no/fremme/16290_lopri.pdf. Accessed on: 6 October 2005

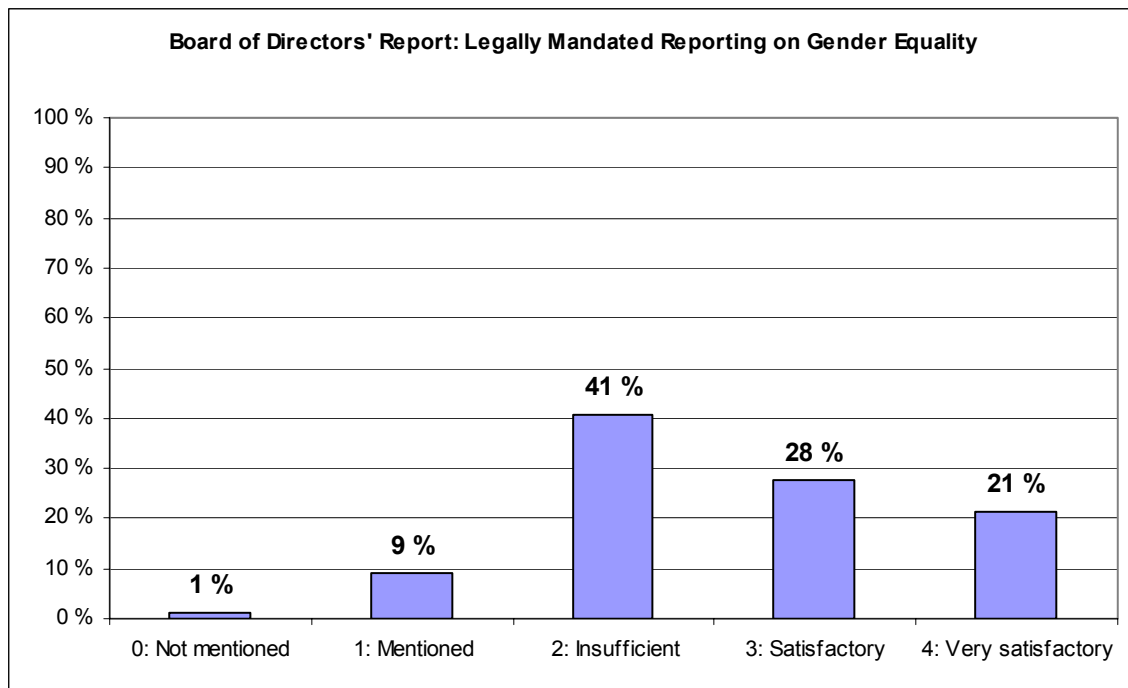


Figure 3.3 Board of directors' report: Legally mandated reporting on gender equality (N=98)

Figure 3.3 illustrates that 21 per cent of the 100 companies have very satisfactory reporting on gender equality, while another 28 per cent have satisfactory reporting. This means that 49 per cent of the companies fulfil this legal requirement.

Coop Norge, DnB NOR and Gjensidige NOR are among the 21 companies that receive a score of 4 – very satisfactory. These companies report on gender distribution on several levels in the company as well as listing several measures taken to strengthen gender equality: Gender equality committees and work groups, company policies, agreements and strategies, annual analysis and reporting, female participation rate in leadership development programs etc. Many of the companies with a score of 4 also report on some of the elements emphasized by NHO and the Gender Equality Ombud: salary distribution, part-time work and recruitment procedures relevant for gender equality. Some companies also mention their participation in NHO's Female Future program.

Still, 41 per cent of the reports are insufficient, lacking information on gender distribution in total or on management level and/or information on whether measures are in place to secure gender equality.

Another 9 per cent of the companies only mention gender equality in a general way without any relevant reporting on the gender situation in the company. One of the 100 companies does not mention gender equality at all in the board's report.

3.6 Summary of findings

Figure 3.4 shows the percentage of companies with satisfactory and very satisfactory reporting on the three different legal requirements: External environment, working environment and gender equality. We can see that the companies to a much larger extent fulfil the legal requirements on working environment and gender equality, than on external environment. The best results are for working environment where 53 per cent

fulfil the requirement. For gender equality 49 per cent fulfil the requirement. For reporting on external environment only 10 per cent of the 100 companies can be said to fulfil the requirement. These results are based on a lenient interpretation of the three requirements.

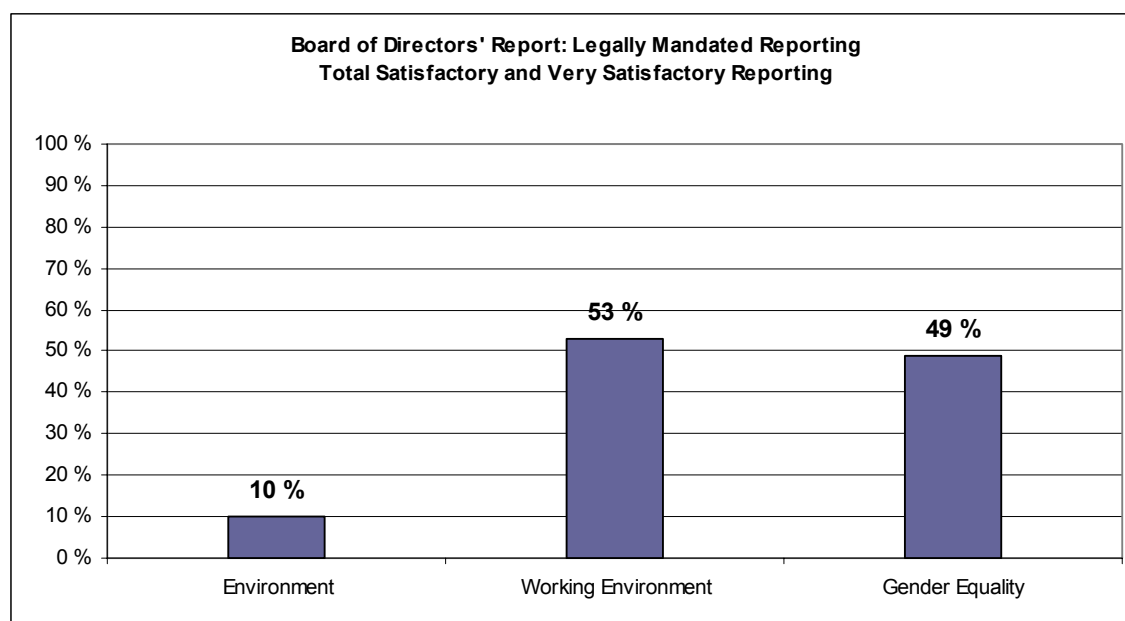


Figure 3.4 Board of directors' report: Legally mandated reporting – total satisfactory and very satisfactory reporting (N=98)

In terms of total score for all three variables, the best legally mandated reporting is provided by BP Norge, Cermaq og NCC Construction, with 11 out of 12 possible points. All three companies loose one point on their environmental reporting. Also the Norges Group, ConocoPhillips, Norske Shell and ENI Norge receive a good total score.

Some companies that do not fulfil the requirements in the board of directors' report, include all the necessary information on environmental impact, working environment and gender equality other places in their annual report or in separate non-financial reports. A few of the board of directors' reports include an explicit reference to this additional information, but many do not. Nevertheless, the Accounting Act requires the information to be included *in* the board of directors' report, and a reference to a separate report or a web site is not sufficient to comply with the legal requirements.

4 CR REPORTING IN THE ANNUAL REPORT

4.1 Introduction

In last year's ProSus evaluation, all CR reporting beyond the board of director's report was analyzed together. This year we have chosen to split the analysis into two parts: One analysis of CR information presented in the annual report and one analysis of CR information presented in separate non-financial reports for 2004. Therefore, the results presented here are NOT directly comparable to last year's results. Still, it is possible to uncover tendencies and trends in Norwegian companies' CR reporting. The reason for this separation between the annual report and separate reports, is that we would like to map out the extent to which companies use the annual report to provide CR information, regardless of legal requirements. This differentiation is also done since this year's evaluation is to be part of an international research collaboration involving a comparison of CR reporting among companies in Norway, Ireland and the Netherlands. Ireland and the Netherlands do not have any legal requirements on non-financial reporting, and the evaluation will be related to annual reports and separate reports.

The 100 companies in the sample have been evaluated on the following four variables:

- General CR
- Management Systems
- Codes of Conduct
- Supply Chain Management

The companies have been given scores from 0 to 4, where 0 means the relevant theme is not mentioned at all; while a score of 4 means that the reporting is very satisfactory.

4.2 Reporting on General CR – Annual reports

The variable General CR, evaluates the *general* impression a company gives of its understanding and management of CR in the annual report. The reporting is evaluated in terms of how challenges and goals, figures, measures, and performance are presented, and whether the most important and relevant CR aspects of the company's activities are discussed. Concrete examples of how the company's CR work is undertaken, as well as orderly presented and systematic information, is awarded.

4.2.1 General CR – Environment

This variable measures to what extent and how the company reflects on its impacts on the external environment. To receive a score of 3 (satisfactory) or 4 (very satisfactory), an account should be given of the company's environmental challenges, measures and goals, and the actual environmental impact should be reported. This might include emissions, waste, use of chemicals, energy consumption, recycling, transport, effects on biological diversity, etc.

Figure 4.1 illustrates how the 100 companies report in general on external environment in the annual report:

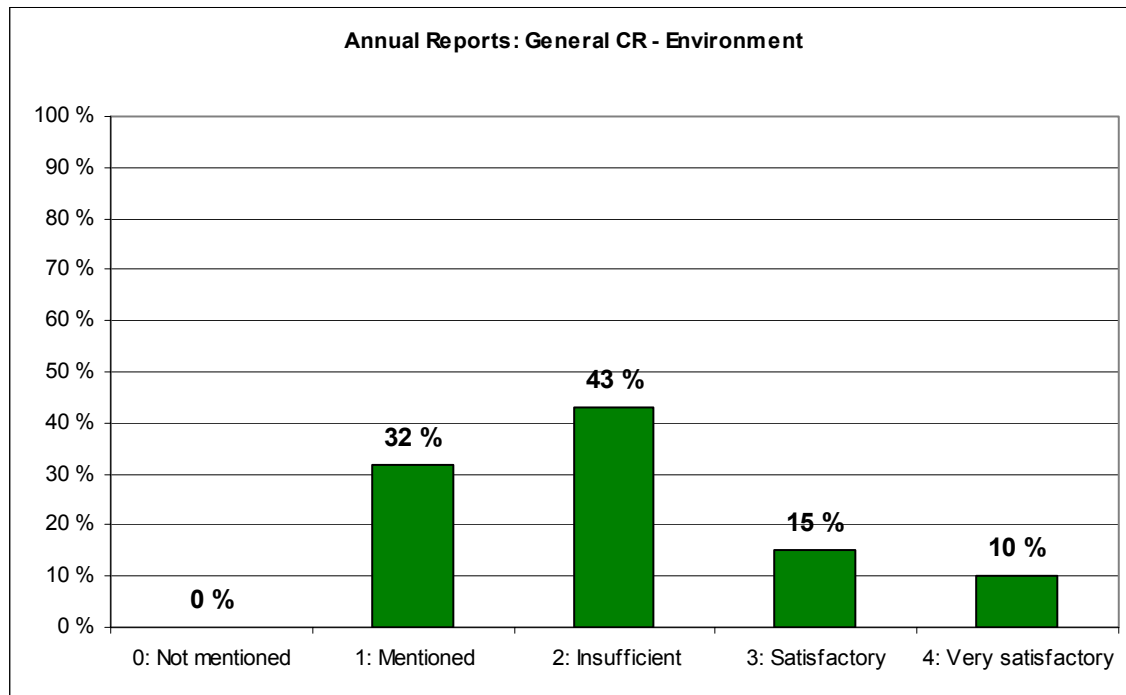


Figure 4.1 Annual reports: General CR – Environment (N=98)

A 2-3 page presentation with information on the company’s performance, goals, strategies and projects related to the external environment, is sufficient to receive a score of 4 (very satisfactory). Still, only 10 per cent of the 100 companies report very satisfactory on their impact on the external environment in, while another 15 per cent report satisfactory, a total of 25 per cent. Norske Skog and Posten represent best practices on this variable.

Norske Skog (paper production company) provides a separate chapter of 20 pages on environment in its annual report. This includes information on the company’s environmental policy, ISO14000 certifications, organisation and responsibility for Norske Skog’s environmental work, consumption of raw materials versus recycled paper, energy use, emissions to air and water, waste, noise, transport, environmental investments and biodiversity. In addition, a summary of numbers on emissions and energy consumption for the company’s specific plants around the world is given.

However, it is not necessary to produce a report as comprehensive as this, to be categorized as having very satisfactory reporting. Posten (postal services) uses two pages on environmental reporting in its annual report, but still receives the top score. They provide an easy-to-read and systematic presentation on the company’s environmental challenges, strategies, management systems, environmental certification (“Miljøfyrtårn”), and future goals and programs. Statistics and figures for 2003 and 2004 on transport, energy consumption, waste and emissions to air are also presented in a satisfactory way.

Despite some good performance, the majority of the 100 companies do not report sufficiently on their impact on the external environment. 43 per cent of the companies report insufficiently, accounting for certain aspects of their activities, but lacking specific information in terms of figures, measures, goals or in terms of identifying relevant environmental challenges.

32 per cent of the companies receive a score of 1, only mentioning external environment in one or two sentences, with minimal relevance to their own activities. None of the companies receive a score of 0 “not mentioned”, meaning that all companies touch upon this aspect in the annual report, but many of them do this in the board of directors’ report *only*, as a response to the requirement of the Accounting Act.

4.2.2 General CR – Social responsibility

The social dimension of the triple bottom line refers to the companies’ relations to *people*, both employees and others stakeholders affected by the company’s operations. On this variable we have divided the analysis into two parts: one on *internal* social responsibility and the other on *external* social responsibility. While internal social responsibility focuses on the company’s relations with the employees, referring to health, safety and working environment issues (HSE) and training, external social responsibility deals with the company’s social relations to the rest of society and external stakeholders.

4.2.2.1 Internal social responsibility

The variable *internal* social responsibility includes working conditions with respect to health and safety, working environment, employee satisfaction, competence development, gender equality, agreements on inclusive working environment (Avtale om inkluderende arbeidsliv - IA), cultural diversity and similar. Figure 4.2 illustrates the distribution of company scores in terms of reporting on internal social responsibility in the annual report:

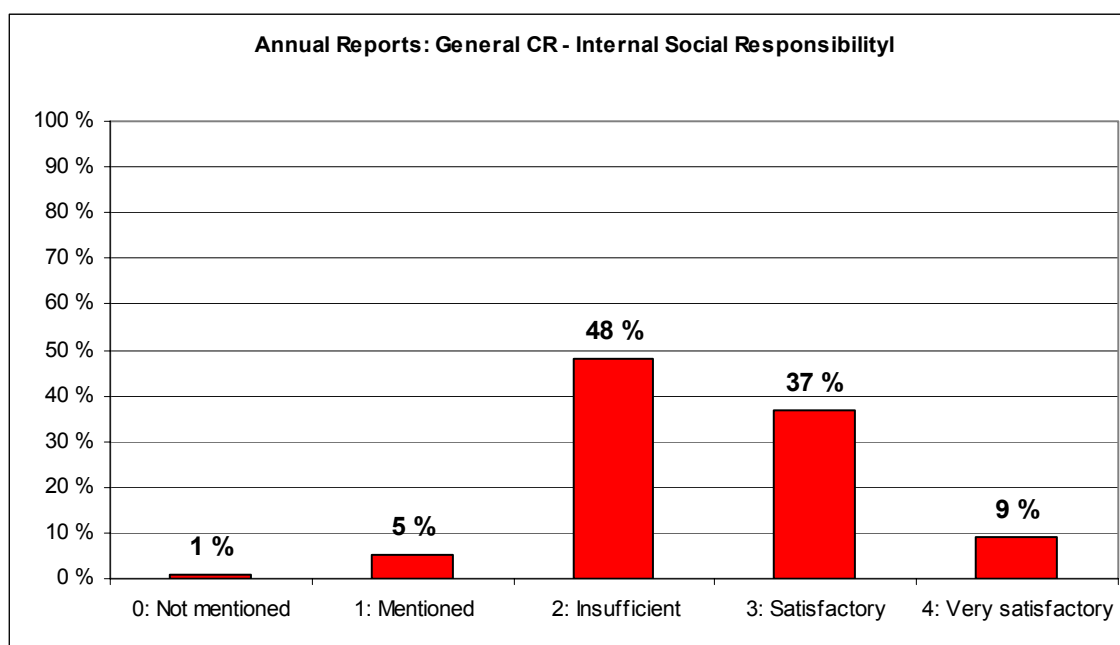


Figure 4.2 Annual reports: General CR – Internal social responsibility (N=98)

9 per cent of the 100 companies in the sample report very satisfactory. Two examples of best practice are represented by the insurance company Gjensidige NOR Forsikring and the energy and aluminium supplier Hydro.

Gjensidige writes 6 pages on employee policy, educational level among its employees, the company’s regular employee survey, gender equality, leadership development and

training programs, relevant company values etc. Gjensidige also reports on health, safety and environment (HSE), absentees due to illnesses, accidents and incidents. Hydro uses 3 pages in their annual report to account for similar aspects of internal social responsibility: employee strategies and individual development plans, HSE courses and results, diversity and gender equality, an established trainee program, the company’s annual employee survey etc.

37 per cent of the companies report satisfactory on internal social responsibility, meaning that almost half of the sample (46 per cent), report satisfactory on this variable. 48 per cent of the companies, however, report insufficiently, lacking crucial information on relevant HSE issues, employee satisfaction, management and competence development, and training. 6 per cent of the sample belongs to the “not mentioned” and “mentioned” category, with minimal information provided.

4.2.2.2 External social responsibility

This variable focuses on the company’s relations with society and stakeholders outside the company. Does the company reflect upon the impact it has on society and its role as a social actor? Are NGOs and voluntary organisations, the local community, authorities and other actors seen as important in the company’s CR challenges and strategies? If relevant, are human rights, relations with local populations and indigenous people, use of security forces etc, discussed in the report? Sponsoring and charity work associated with humanitarian organisations, sports and cultural institutions are also encompassed by this variable.

Figure 4.3 illustrates the 100 companies’ reporting on external social responsibility in the annual report:

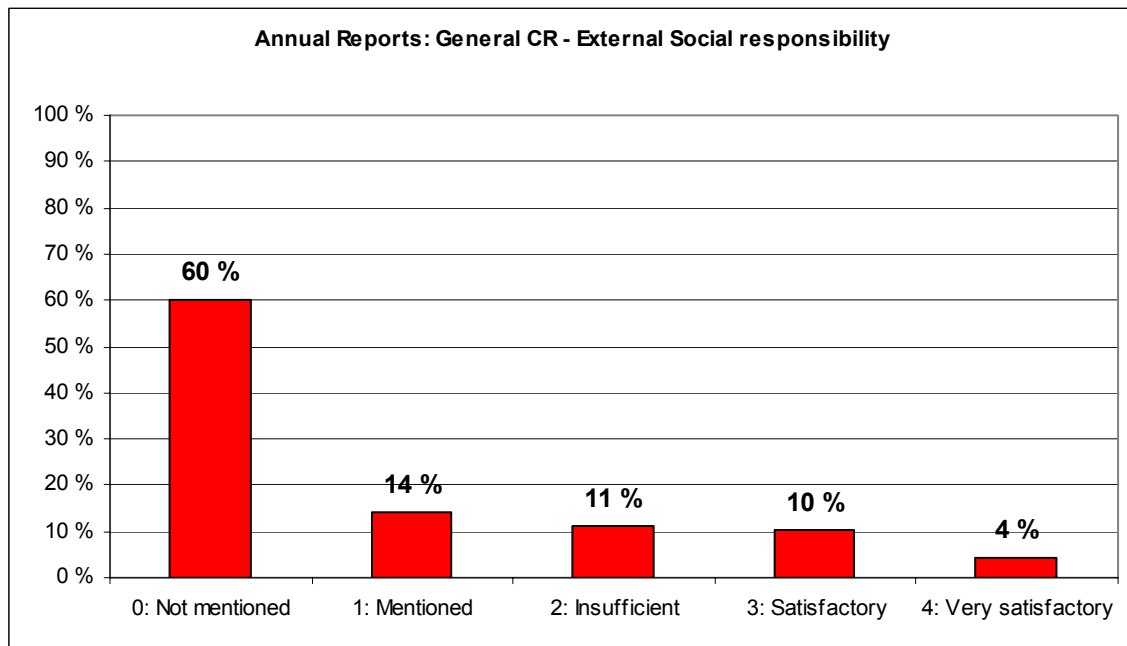


Figure 4.3 Annual reports: General CR – External social responsibility (N=98)

First of all, it is worth noticing that the companies’ reporting on this variable is much poorer than their reporting on external environment and internal social responsibility. 60 per cent of the 100 companies do not refer to external social responsibility in the annual

report, and only 14 per cent of the companies report satisfactory or better (out of these, 4 per cent report very satisfactory). 11 per cent of the companies report insufficiently, while 14 per cent mention the company's external social responsibility or a relevant theme like human rights, charity work, relations to NGOs or local communities in one or two sentences.

Examples of best practice companies are Norsk Tipping (games company), Det Norske Veritas (provides risk-related services) and Hydro. These three companies can be cited as best practice companies, though there is room for improvement in reporting on this variable, even for the best reporters. Like last year, Norsk Tipping gives a comprehensive account of its responsibility in relation to compulsive gambling. Hydro writes about human rights and workers' rights, their co-operation with the Norwegian section of Amnesty International, and social investments in Angola. Det Norske Veritas (DNV) reports on established instructions for country assessments, which include human rights and the humanitarian and political situation. Their report has detailed information on DNV's partnership with the Red Cross, but also mentions their involvement in the UN Global Compact, the World Business Council for Sustainable Development, and the Norwegian based CR forum, KOMpakt.

4.2.3 General CR – Economy

It is important to underline that the economic dimension of the triple bottom line (TBL) does *not* entail traditional financial analysis and reporting, as it appears in a company's annual accounts. In our evaluation, the economic dimension of the TBL has first and foremost to do with business ethics and the company's socio-economic impact at the local, national and global levels, related to issues such as local value creation, competence building, innovation and entrepreneurship. Included here is also the concept of corporate governance. Corporate governance has gained increasing currency in the aftermath of international financial scandals such as Enron and WorldCom, and FinanceCredit here in Norway. Corporate governance has no direct translation to Norwegian, but terms such as 'virksomhetsstyring' og 'selskapsledelse' are commonplace, although none of these quite covers the English term.¹⁶ In a strict sense of the term, corporate governance has to do with financial management and with making boards accountable to shareholders by means of control mechanisms between the owners, the board and the company management. The purpose of corporate governance is to build confidence and ensure transparency, and this is incorporated into the broader term 'good corporate governance'; a term associated with CR. Issues concerning corruption, directors' fees, relations between board and management, the board's independence and possible competence issues are important when discussing good corporate governance.

How do the companies in our sample report on this variable in their annual reports?

¹⁶ *What is Corporate Governance?* Oslo Stock Exchange. Available at: <http://www.oslobors.no/ob/hvaercg> Assessed on 14 November 2005.

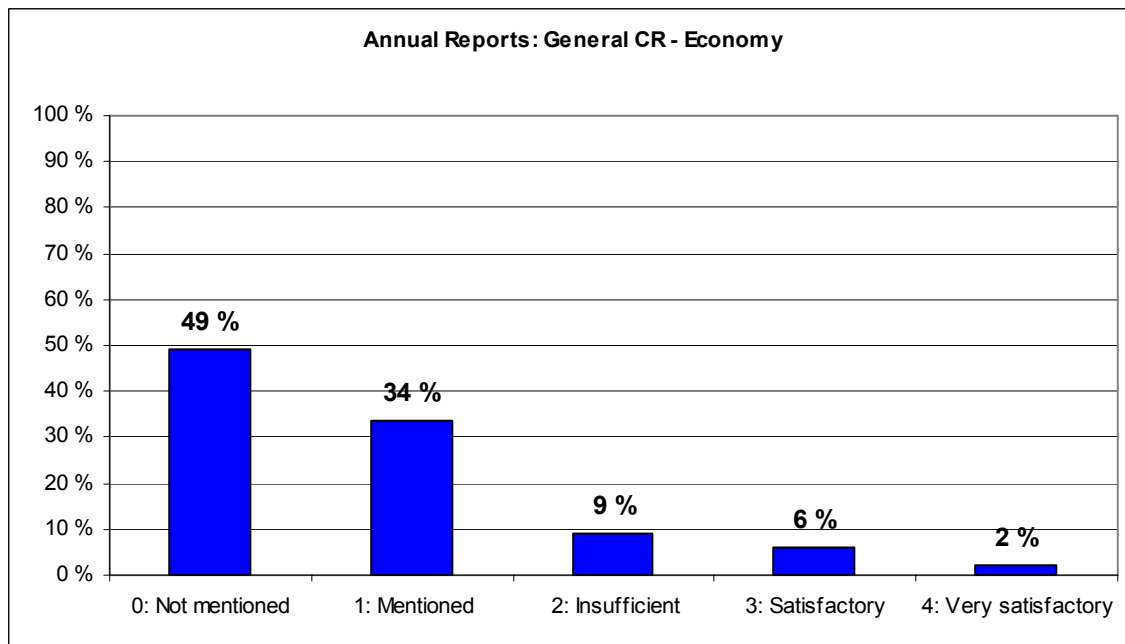


Figure 4.4 Annual reports: General CR – Economy (N=98)

Figure 4.4 shows that the economic dimension generates the weakest results out of the four sub-categories under the variable General CR. Only 2 per cent of the companies report very satisfactory on the economic dimension in the annual report, while another 6 per cent report satisfactory. Nearly half of the sample (49 per cent) fails to mention any aspect relevant to the economic dimension of the TBL.

The energy company Statkraft and Hydro represent the best reporting of the 100 companies. Using five pages, Statkraft reports well on the company’s economic impact on society in relation to actual performance, initiatives and future goals. In addition, the company reports well on corporate governance and business ethics. Hydro reports on the establishment of industrial development companies and taxes paid in countries where Hydro is operating. Hydro also reports on business ethics and integrity, hereunder co-operation with Transparency International (TI)¹⁷ and TRACE¹⁸. In addition, it mentions a critical incident related to the tendering procedure for a contract on supply ships in the North Sea.

6 per cent of the companies receive a score of 3 (satisfactory). Some of these companies present fairly good information on corporate governance and business ethics, while others report on the company’s wider economic impact on society in their annual report. 9 per cent of the companies obtain a score of 2 (insufficient reporting).

34 per cent receive a score of 1. These companies get their one point for mentioning business ethics or socio-economic impact in one or two sentences. Also included in category 1 are the companies that only give a standard presentation of corporate governance.

¹⁷ For further details on Transparency International, see: <http://www.transparencyinternational.org/> Assessed on 14 November 2005.

¹⁸ For further detail son TRACE, see: <https://www.traceinternational.org/> Assessed on 14 November 2005.

4.3 From general CR reporting to specific CR reporting

The first variable in the evaluation of the annual report, General CR, examines the *general* impression a company gives of its understanding and management of CR. The variable evaluates how the companies report on challenges and performance, as well as on the presentation of figures, measures and goals. Figure 4.5 shows the percentage of companies with satisfactory reporting on General CR in their annual report.

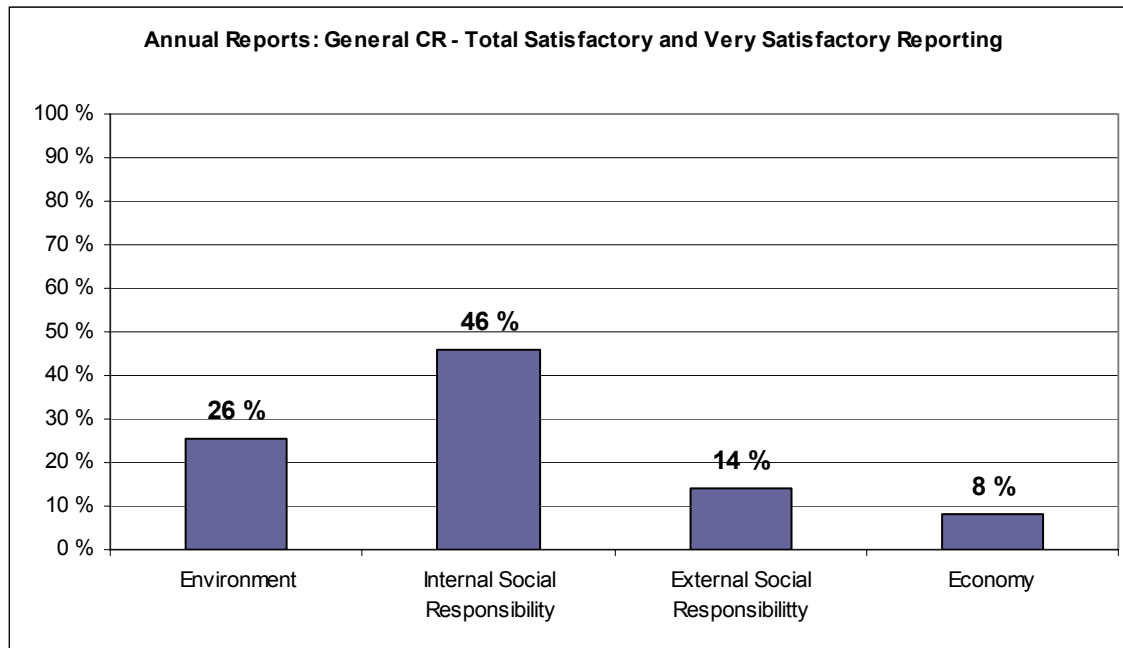


Figure 4.5 Annual Reports: General CR – Total satisfactory and very satisfactory reporting

The best reporting is found on internal social responsibility, where 46 per cent of the companies report satisfactory or better in the annual report. 26 per cent report well on external environment, while 14 per cent report satisfactory on external social responsibility. The weakest reporting is on the economic dimension of the triple bottom line. Only 8 per cent of the 100 companies report well on this.

The next three variables to be evaluated: Management Systems, Codes of Conduct, and Supply Chain Management, are much more specific. The variable Management Systems refers to a company's description of how, in an organisational and practical sense, it ensures that CR is handled within the company. The variable Codes of Conduct examines information on established company guidelines with respect to CR. The last variable, Supply Chain Management, evaluates how a company communicates what CR demands it makes of its suppliers.

For these three variables too, we have drawn distinctions with respect to aspects that can be grouped under environment, social responsibility and the economic dimension of the triple bottom line. However, reporting on social responsibility is no longer split up in one internal and one external dimension.

To receive a score of 3 or 4 on General CR, quite extensive and systematic information is required. We have been more lenient in our requirements when we have evaluated the next three variables. A score of 4 indicates good information on the relevant aspect, but for most companies there are still room for improvements in this category. Improvements

are not necessarily related to the quantity of information presented, but rather to the quality of it.

4.4 Reporting on management systems – Annual reports

To be able to present a reliable and trustworthy CR strategy, a company should provide information on management systems connected to their CR work. This second variable includes reporting on delegation of responsibility and the organisation of the CR work. In addition, information on control systems, reporting procedures and routines, positive or negative sanctions relating to employee conduct, environmental or social certifications, as well as presentations of corporate governance are included. Relevant questions here are: Is CR consolidated at top management, line management level or in a separate department/division within the company? What procedures are in place to monitor and uncover deficiencies and offences against guidelines and policies? Is the work on CR audited externally or internally?

4.4.1 Management systems – Environment

Under this variable we examine how a company, in the annual report, describes the organisation of its environmental work, where responsibility is consolidated, whether any concrete management systems are in place and whether the business activity, or parts of it, have certifications, for example from ISO or EMAS. The results can be seen in figure 4.6:

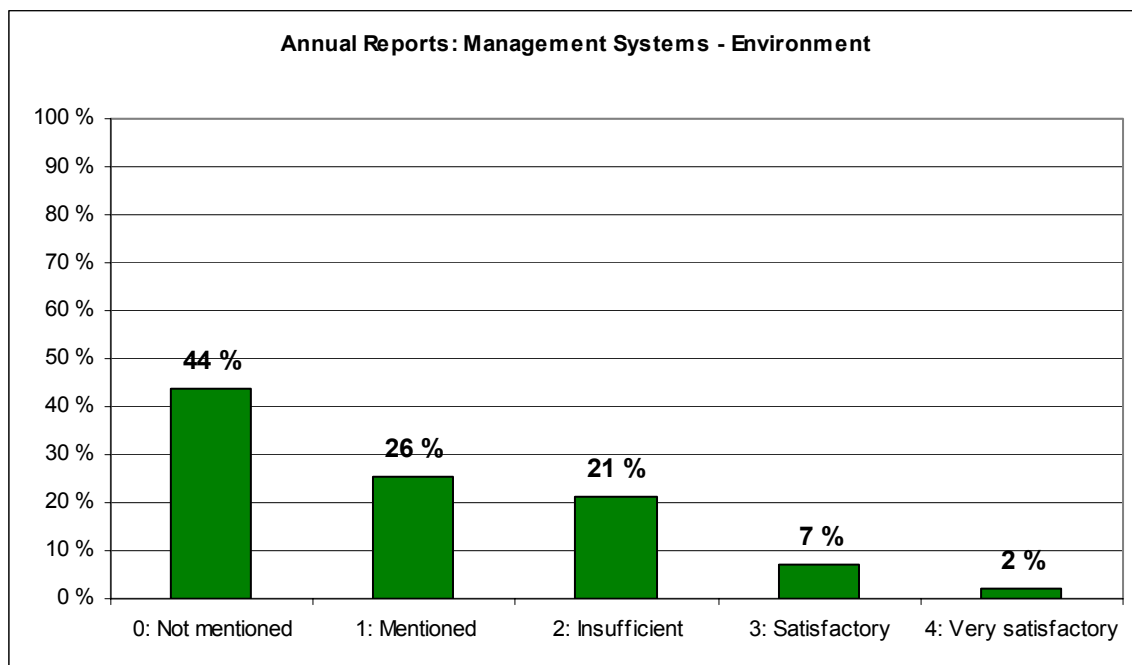


Figure 4.6 Annual reports: Management systems – Environment (N=98)

Only 2 per cent of the 100 companies report very satisfactory on environmental management systems. These two companies are Norske Skog and Statoil (petroleum company). Statoil presents information on how the company reports and evaluates environmental data. Statoil also refers to a web page listing all ISO14000 certificated entities in the company. Norske Skog reports in a similar way, mentioning ISO14000

certifications, and environmental registration and reporting of the company's performance.

Another 7 per cent of the companies report satisfactory on environmental management systems. To receive a score of 3 (satisfactory), it is sufficient to write a few lines on who is responsible and how the environmental work is organized in the company, as well as mentioning a couple of concrete management systems, related to for example ISO14000, EMAS, the Norwegian certification standard "Miljøfyrtårn", and/or established reporting routines or internal audits and control systems.

21 per cent report insufficiently, while 26 per cent of the companies mention that some sort of management system is in place, without any further clarification. 44 per cent do not mention environmental management systems or any related theme in their annual report.

4.4.2 Management systems – Social responsibility

For the variable Management Systems – Social Responsibility, we assess the following information in the annual report: organisation and delegation of responsibility, concrete management systems and control procedures related to HSE and other social themes relevant for employees. In addition, management systems related to a company's external social responsibility and relations with relevant stakeholders outside the company, like NGOs, the local community, local and national governments and international organisations are considered. The results of the evaluation on this variable are shown in figure 4.7:

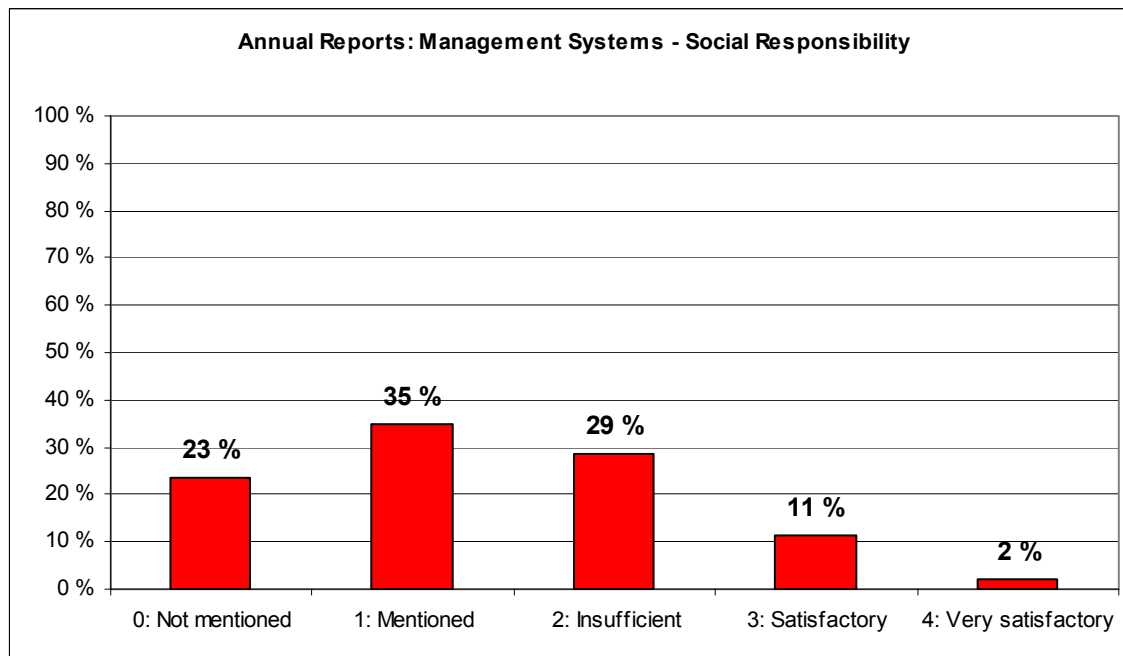


Figure 4.7 Annual reports: Management Systems – Social responsibility (N=98)

13 per cent of the companies report satisfactory or better on social management systems in their annual report. Another 29 per cent of the 100 companies report insufficiently and receive a score of 2. 35 per cent only mention organisation structures or some sort of

management system related to social issues in very general terms, while 23 per cent do not mention this at all in their annual report.

Among the best are Hydro, Statoil and Yara International (fertilizing producer). Yara International reports on responsibilities and organisation of the HSE work, HSE performance indicators and reporting routines, a safety committee established at management level, different types of relevant standards and reviews, auditing of HSE management, a company wide program on behaviour-based safety, IA agreements, and a product stewardship program including HSE aspects through the whole value chain.

Hydro reports on the organisation of HSE work, a manual for evaluating working environment, reporting routines, a program for HSE training, employee strategies and individual development plans aimed at raising the employees' competence level.

Statoil presents a HSE account, including information on the organisation of the HSE work, reporting routines, analysis and indicators and an annual employee survey. Statoil also reports on its colleague program for safety (Kollega-programmet), IA agreements etc.

These three companies all report well and systematically on organisation and management systems related to *internal* social responsibility, but there is still room for improvements in their reporting on management systems related to *external* social responsibility. This requires going beyond reporting on management systems related to internal working environment and employees, to reporting on routines for dialogue with other external stakeholders. While both Hydro and Statoil mention strategic impact assessments related to social aspects in the countries where they operate, involving human rights, political systems etc, little is said about how the companies' work on external social responsibility is organized.

4.4.3 Management systems – Economy

Management systems for the economic dimension of the triple bottom line are first of all linked to the debate on good corporate governance (see p. 37). On this variable, points are mainly awarded for information on how the company is managed and led in order to secure sound and ethically defensible economic management, and how the company handles business ethical issues relating to corruption and bribery.

Companies presenting a standard description of corporate governance are given a score of 2, while companies linking corporate governance to CR and/or presenting further information on relevant management systems for business ethics are given a score of 3. To receive a score of 4, it is also necessary to include information on management systems related to the company's work and policy on economic impact.

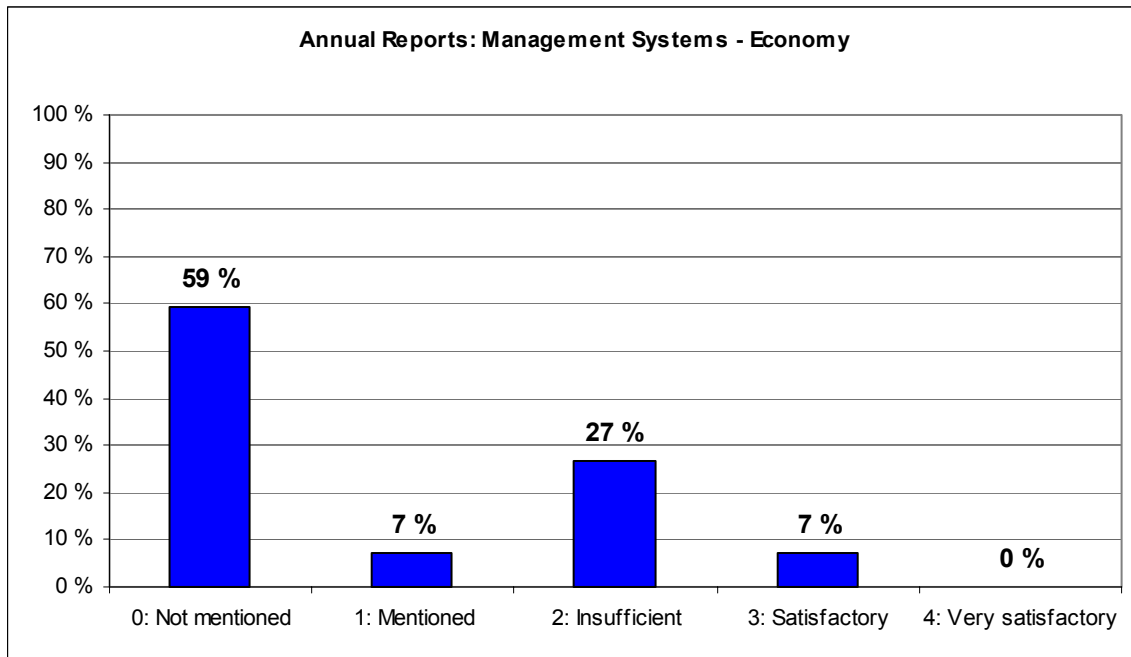


Figure 4.8 Annual reports: Management systems – Economy (N=98)

Figure 4.8 illustrates that none of the 100 companies receive the top score for very satisfactory reporting in the annual report on this aspect. However, 7 per cent receive 3 points for satisfactory reporting. These companies report well on corporate governance by viewing it in a broader context and connecting it to CR, sustainable development and/or the triple bottom line concept. These companies also report on systems and routines established to secure board and management independence and to avoid corruption and bribery etc. But the companies lack information on management systems related to their economic impact on society, related to issues as local value creation, competence building, innovation and entrepreneurship.

The bank and insurance company Storebrand and the tele company Telenor can be presented as examples of good practice on this variable. Storebrand has a well-written presentation of corporate governance linked to CR and mentions the company's business ethical codes, which are distributed in a booklet to all employees. Storebrand's annual report also includes information on who to contact in cases of 'whistle blowing', and information on ethical criteria introduced in Storebrand's work on social responsible investments (SRI).

Telenor has a comprehensive report on corporate governance, which includes information on how the business ethical codes are implemented in the organisation and potential reactions to offences against these codes. There is information on how Telenor's work on business ethics is organized, and there is information on an interactive computer based training program and an ethical board, established to secure high ethical standards in the company.

27 per cent of the 100 companies report insufficiently on economic management systems. These companies usually give reasonable, standard accounts of corporate governance, but there is no attempt to link this information to CR or to the triple bottom line. This weakness in companies' reporting on corporate governance was also highlighted by SustainAbility and UNEP in their 2004 survey of the best companies reporting on non-financial reporting worldwide (SustainAbility and UNEP 2004:4).

7 per cent of the companies in our sample mention corporate governance or a relevant theme in one or two sentences in their annual report, but includes no relevant reporting connected to the company. 59 per cent of the companies do not touch on corporate governance at all, or any other theme related to management systems and the economic dimension.

4.5 Reporting on codes of conduct – Annual reports

Codes of conduct, in the form of a separately adopted document containing fixed guidelines, is an important tool in a company’s CR work. In addition to increasing transparency and credibility externally, reporting on codes of conduct can contribute to increasing familiarity with these guidelines internally. For those companies who have drawn up their own code of conduct, it is easy to make these known through non-financial reporting. Nevertheless, our analysis revealed minimal reporting on codes of conduct in the companies’ annual report.

It is important to note here that in order to score points on this variable, it is not sufficient to mention some general policies, goals or values. To receive a score of 4, the report must explicitly present the codes as actual codes of conduct, not as general goals or similar, and at least 3-4 of the codes must be listed and explained. The report should also make it clear that the codes have been adopted in the form of a binding document that obligates the company and its employees.

4.5.1 Codes of Conduct – Environment

How many of the 100 companies report on codes of conduct related to the external environment in the annual report? Figure 4.9 illustrates that the results are not impressive. Very few of the companies give information in the annual report on their environmental codes of conduct.

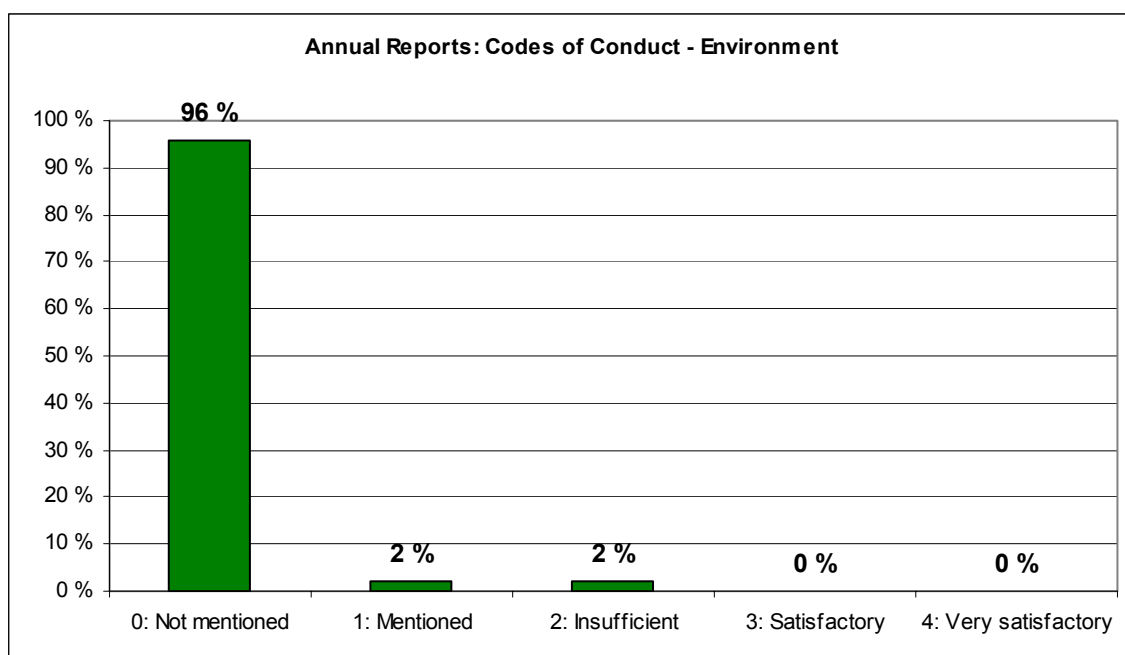


Figure 4.9 Annual reports: Codes of conduct – Environment (N=98)

96 per cent of the 100 companies in the sample do not mention environmental codes of conduct whatsoever in their annual report, and none of the companies can be said to show examples of best practice. Veidekke (building contractor and property developer) and Telenor have the best results with a score of 2 (insufficient reporting). Veidekke presents 3 general environmental codes, while Telenor refers to their CR web site where they present a couple of general environmental codes. Two other companies mention that they have codes related to external environment, but without further details on what this involves.

4.5.2 Codes of conduct – Social responsibility

Our evaluation reveals that very few companies report on codes of conducts related to internal and external social responsibility. Codes related to employees are connected to health, security and working environment (HSE), while codes related to external social responsibility are connected to the company’s relations to external stakeholders (NGOs, local and indigenous populations, governments etc) or related to human rights, social development projects and programs, sponsoring and charity, etc.

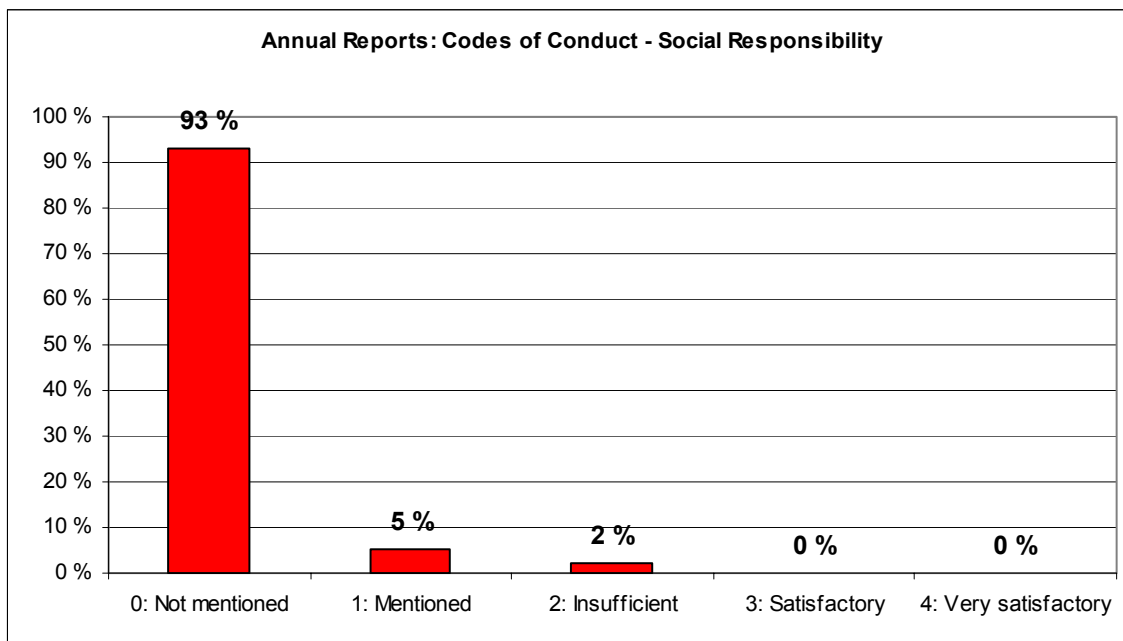


Figure 4.10 Annual reports: Codes of Conduct – Social responsibility (N=98)

Figure 4.10 illustrates the same tendency as for environmental codes. None of the 100 companies have satisfactory or very satisfactory reporting on this theme in their annual report, and none of them can therefore be said to show examples of best reporting practice. 2 per cent of the companies report insufficiently. One of these two companies connects social codes of conducts to the company’s partnership with the UN Global Compact, to the company’s work on social responsible investments (SRI) and development of SRI criteria.

5 per cent of the 100 companies mention in one general sentence that they have established some kind of social codes or guidelines, but without any further information, while 93 per cent do not mention this theme at all in the annual report.

4.5.3 Codes of conduct – Economy

The results for codes related to the economic dimension of the triple bottom line are better than the results for environmental and social codes. The reason for this is probably the greater focus on business ethical codes after corruption scandals both internationally and nationally the last couple of years. In order to score a good mark on this variable, the company must present codes of conduct related to business ethics and/or the company’s socio-economic impact.

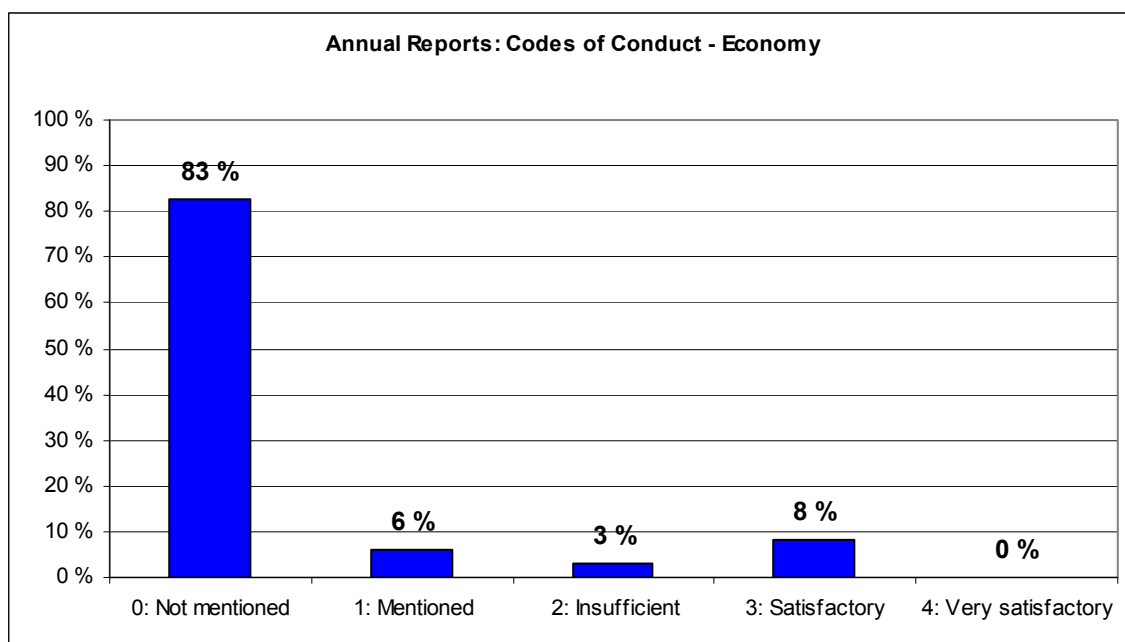


Figure 4.11 Annual reports: Codes of conduct – Economy (N=98)

Figure 4.11 shows that 8 per cent of the companies receive a score of 3 (satisfactory) for their reporting on this variable in the annual report. This includes 8 companies, where the Kongsberg Group and Mesta can be seen as examples of best practice. The Kongsberg Group presents information on the implementation of business ethical codes, and refers specifically to a company web site, which includes a good presentation of the codes. Mesta presents the company’s ethical codes on one page in the annual report.

Similar to the previous variable related to the economic dimension (Management Systems – Economy), the presentation of codes among the best companies is limited to business ethics, and none of them provide information on codes related to their economic impact on society and external stakeholders. Therefore, no companies are awarded a score of 4.

Another 3 per cent of the companies report insufficiently. 6 per cent mention business ethical codes in one general sentence, but the vast majority, 83 per cent of the companies, do not even mention this aspect in their annual report.

4.6 Reporting on supply chain management – Annual reports

How do the 100 companies report on supply chain management? Are CR demands put on the companies' suppliers, for example in the form of codes of conduct or certifications similar to that of the buyer company? Are control mechanisms in place for monitoring the follow up of demands made? Like for the previous variables, we have here distinguished between demands that can be grouped under environment, social responsibility and the economic dimensions of the triple bottom line.

Similar to the results for reporting on codes of conduct, the results on supply chain management reporting are also weak. The major bulk of the 100 companies do not mention any non-financial demands to their suppliers in their annual report.

4.6.1 Supply Chain Management – Environment

Reporting on environmental demands to suppliers in the annual report is generally weak. Figure 4.12 illustrates that only 1 per cent – i.e. one company – has very satisfactory reporting in the annual report on this variable.

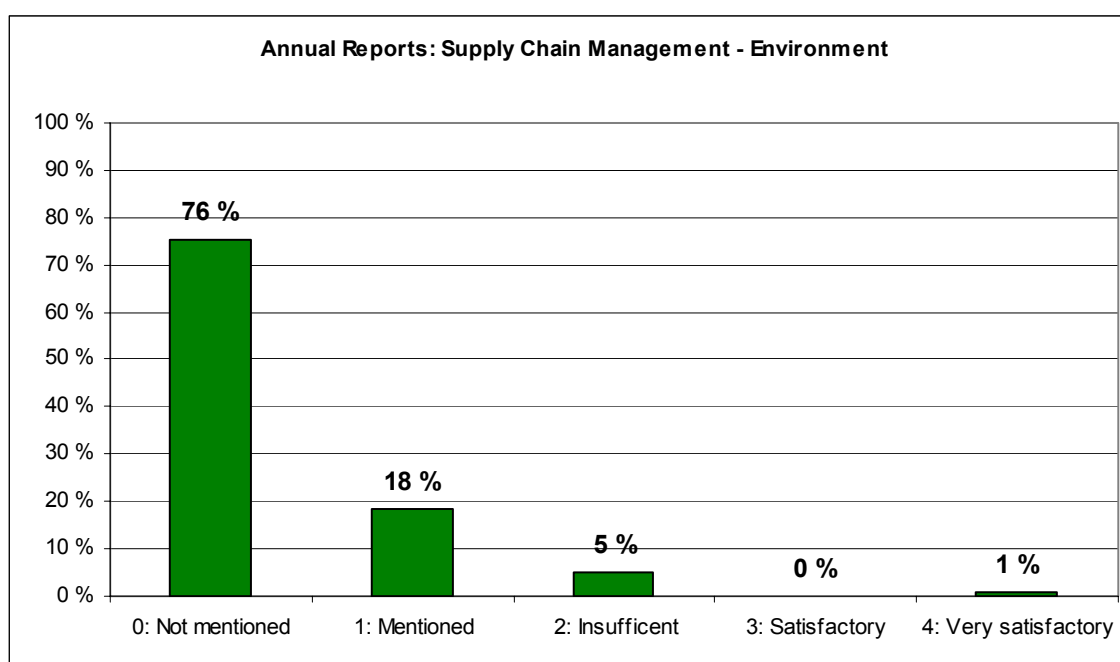


Figure 4.12 Annual reports: Supply chain management – Environment (N=98)

The best company is Norgros that presents two pages on environmental requirements that are included in agreements and contracts with suppliers. This includes, among other things, that no products, packaging or preservatives sold to Norgros can be harmful to the environment. All packaging has to be handled in accordance with governmental requirements. Norgros also requires that all suppliers are members of 'Materialretur'¹⁹. In addition to this, all suppliers of timber to Norgros must guarantee that the tropical timber provided, has not resulted in any damage to rain forests. Standards and codes have been

¹⁹ Materialretur is a system established by the business community in response to the Norwegian authorities' requirement that used packaging is recovered and recycled. Available at: <http://www.materialretur.no/>. Assessed on 14 November 2005.

set in co-operation with the Rainforest Foundation in Norway and the Norwegian Association of Timber Importers. Norgros' reporting is, by far, the best on this variable. However, there is still room for some improvement. Norgros could present more information on its performance related to following-up these supplier demands.

None of the other 100 companies qualify for category 3 (satisfactory reporting), while 5 per cent of the companies have insufficient reporting, listing one general environmental demand on suppliers.

18 per cent of the companies mention that they put environmental demands on their suppliers, without any further specifications. 76 per cent of the companies do not report on environmental supply chain management at all in their annual report.

4.6.2 Supply chain management – Social responsibility

With respect to reporting on social supplier demands, the figures are even poorer. The results are illustrated in figure 4.13 below.

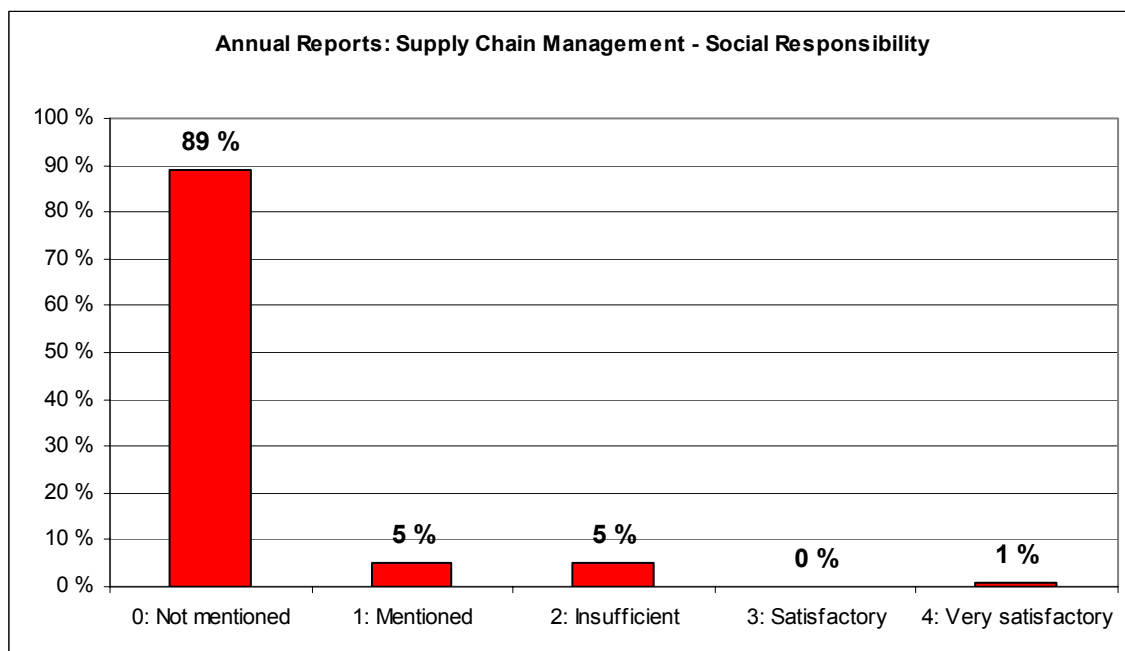


Figure 4.13 Annual report: Supply chain management – Social responsibility (N=98)

Only 1 of the 100 companies can be said to report very satisfactory in the annual report on social demands on suppliers. This is the Bama Group (distributor of freshfoods). Bama co-operates with the Ethical Trading Initiative (Initiativ for Etisk Handel – IEH)²⁰, and the company has written agreements with all its suppliers, based on the SA8000 standard²¹. SA8000 includes requirements on workers' rights related to payment, working hours, working environment and hygienic aspects of the production. Bama also has an agreement with Max Havelaar²², an organization who certifies so-called fair trade products, such as bananas and coffee, securing reasonable payment to the farmers. Bama

²⁰ For further details on IEH, see: <http://www.etiskhandel.no/> Assessed on 14 November 2005.

²¹ For further details on SA8000 and Social Accountability International (SAI), see: <http://www.sa-intl.org/> Assessed on 15 November 2005.

²² For further details on Max Havelaar, see: <http://www.maxhavelaar.no/> Assessed on 15 November 2005.

reports on the regularly conducted visits to suppliers, to serve as a preventive measure, and they also provide data/figures illustrating that the amount of complaints against its suppliers have been reduced during the last four years.

5 per cent of the 100 companies report insufficiently on social supplier demands, while 5 per cent mention this aspect in one general sentence. 89 per cent of the companies do not mention social demands on suppliers at all in the annual report.

4.6.3 Supply chain management – Economy

This variable measures how companies report on demands to suppliers with respect to general business ethics, corruption and bribery; and also in relation to economic impact on society (local value creation, competence building, innovation and entrepreneurship).

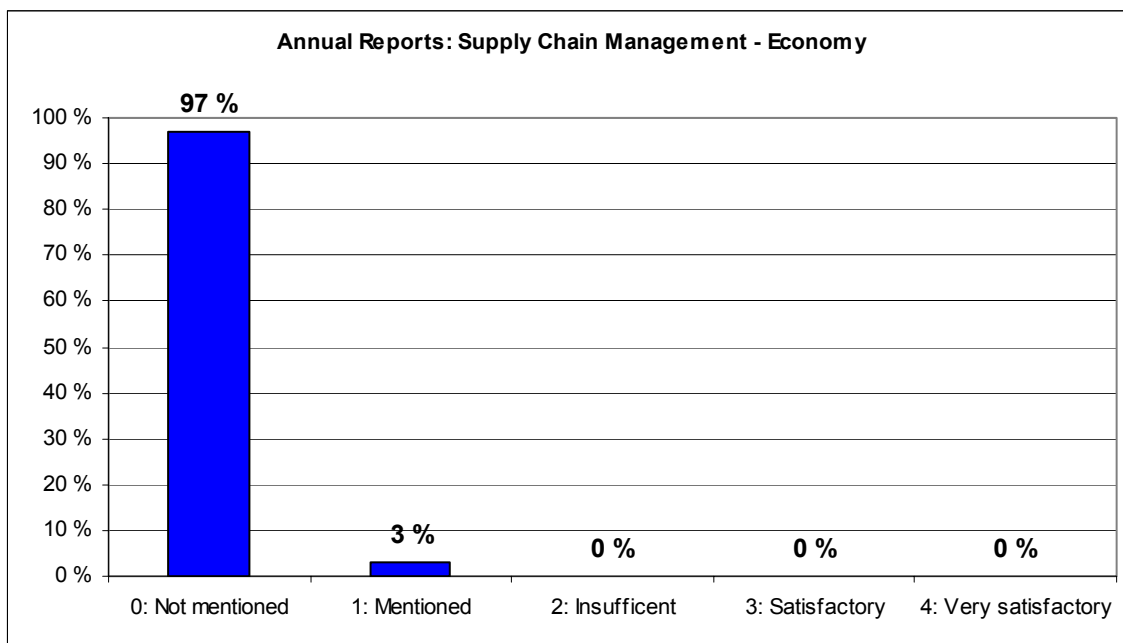


Figure 4.14 Annual reports: Supply chain management – Economy (N=98)

Figure 4.14 shows the weakest results of all variables in the evaluation of the annual reports. None of the 100 companies report satisfactory or even insufficiently on this variable. 3 per cent mention business ethical demands on suppliers in one general sentence, while almost all of the companies – 97 per cent – do not touch upon this issue in their annual report.

4.7 Annual report: Summary of findings

Figure 4.15 shows the percentage of the 100 companies reporting satisfactory or very satisfactory in their annual reports on all four variables respectively: General CR; Management Systems; Codes of Conduct and Supply Chain Management.

The first variable, General CR, captures the general impression the company gives of its performance on CR. 26 per cent of the companies report satisfactory on environment in general in the annual report. The social dimension was divided into two parts on this variable: *internal* social responsibility and *external* social responsibility. There are

considerable variances in reporting practices within these two areas. While 46 per cent of companies report satisfactory on internal social responsibility, only 14 per cent report well on external social responsibility in the annual report. In sum, 30 per cent report satisfactory on the social dimension of the triple bottom line. The weakest results are on the economic dimension of General CR, where only 8 per cent of the 100 companies report satisfactory.

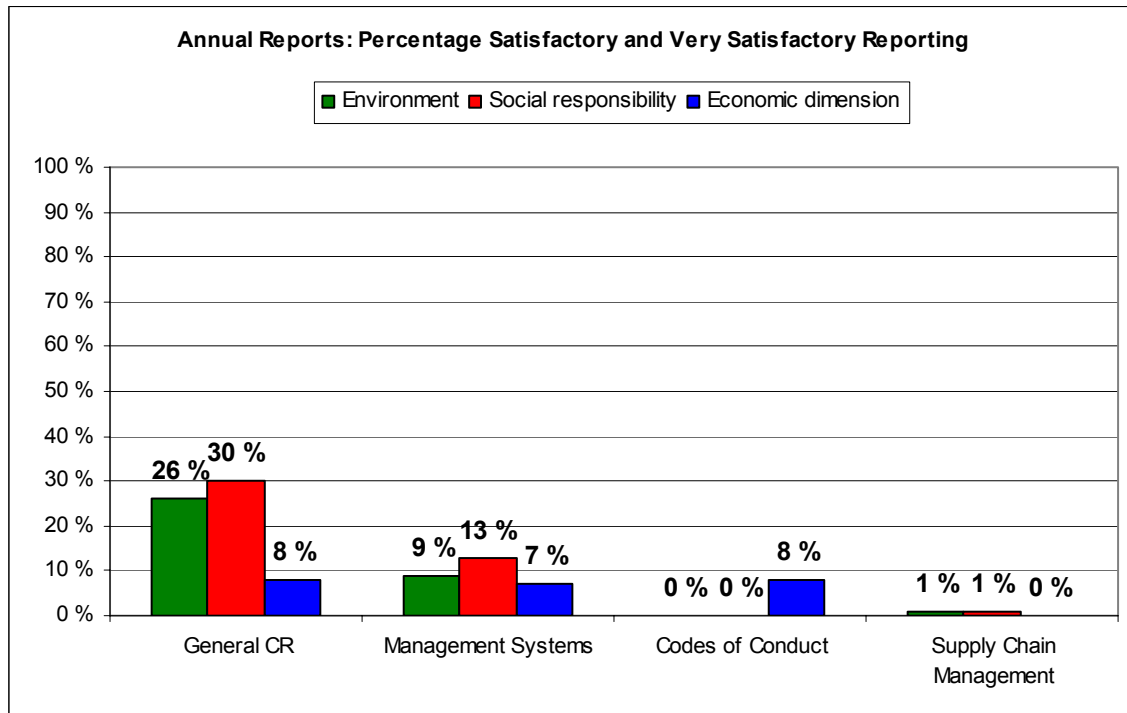


Figure 4.15 Percentage satisfactory and very satisfactory reporting in annual reports (N=98)

On the more specific variables: Management Systems, Codes of Conduct and Supply Chain Management, the results are generally weaker. On Management Systems, the best reporting is found on the social dimension, where 13 per cent report satisfactory. 9 per cent report well on environmental management systems, and 7 per cent report well on corporate governance and management systems related to the economic dimension.

The weakest results are found on the last two variables: Codes of Conduct and Supply Chain Management. 8 per cent report satisfactory or better on business ethical codes of conduct, while none of the companies report well on environmental or social codes of conduct in the annual report. This implies that the majority of the 100 companies either fail to mention this theme completely, or they only mention it by name in the annual report. One company reports well on environmental demands towards suppliers, while one other company reports well on social demands towards suppliers. None of the 100 companies report satisfactory on business ethical demands or other relevant themes for the economic dimension related to supply chain management.

It is possible that the information provided in companies' annual reports does not fully reflect the actual situation in the companies, especially in the area of codes of conduct and supply chain management. Companies may have established codes of conduct or demands on suppliers that are known and communicated internally, but which they omit to present in their external communication and reporting. However, the lack of external

reporting on these issues, weakens the reliance on the company's will and eagerness to actually try to implement codes and demands. The company's commitment to CR could then be questioned, as the lack of information makes it difficult to carry out external audits of compliance and performance.

Summing up the results, the three energy companies Statkraft, Statoil og Hydro are the companies with the best and most comprehensive CR reporting in the annual report. These three companies receive 25 out of 39 possible points. Statkraft and Hydro report well on all three dimensions of the triple bottom line, while Statoil's reporting on the economic dimension is limited to corporate governance, with little information on business ethics and socio-economic impact. Also Yara International, Telenor, Norske Skog, DnB NOR (finance institution), Mesta (road entrepreneur), Det Norske Veritas (DNV) and the Norges Group (consumer goods) receive 20 points or more in total for the reporting in the annual report. All these companies report fairly well on the variables General CR and Management Systems. However, many of them report poorly on Codes of Conduct and Supply Chain Management.

5 CR REPORTING IN SEPARATE REPORTS

5.1 Introduction

The third part of this report evaluates CR reporting in separate paper copy reports, which some companies publish in addition to their regular annual reports. This includes general CR reports and sustainability reports, as well as different types of HSE reports, environmental reports and similar. Only 14 of the 100 companies in our sample provide separate reports for the financial year 2004. 5 of these 14 reports are based on the triple bottom line approach, 4 of them are environmental and/or HSE reports, and one report is a pure codes of conduct report.

The variables are the same as for the evaluation of the CR reporting in the annual report: General CR, Management Systems, Codes of Conduct and Supply Chain Management. These four variables are divided into three dimensions in accordance with the concept of the triple bottom line (TBL): Environment, social responsibility and economy. For more information on the TBL concept and details on the different variables, see chapter 2 on methodology.

5.2 Reporting on general CR – Separate reports

The variable General CR reflects the general quality of the company's CR reporting. We examine how the companies report on central and relevant challenges, as well as on the presentation of figures, measures and goals. The best results in the evaluation of separate reports are found on this variable. Of the 14 reports evaluated, the petroleum company Statoil's report receives the highest total score on General CR with good and systematic reporting reflecting all three dimensions of the triple bottom line.

5.2.1 General CR – Environment

Figure 5.1 illustrates that among the 14 CR reports evaluated, 8 companies report very satisfactory and 4 report satisfactory on environmental challenges, goals and performance. This means that 12 of the 14 CR reports are classified as having satisfactory environmental reporting. Several of these companies could be presented as examples of best practice. Three of them are: Mesta (road entrepreneur), Orkla (branded consumer goods, specialty materials and financial investment sectors) and Storebrand (financial institution).

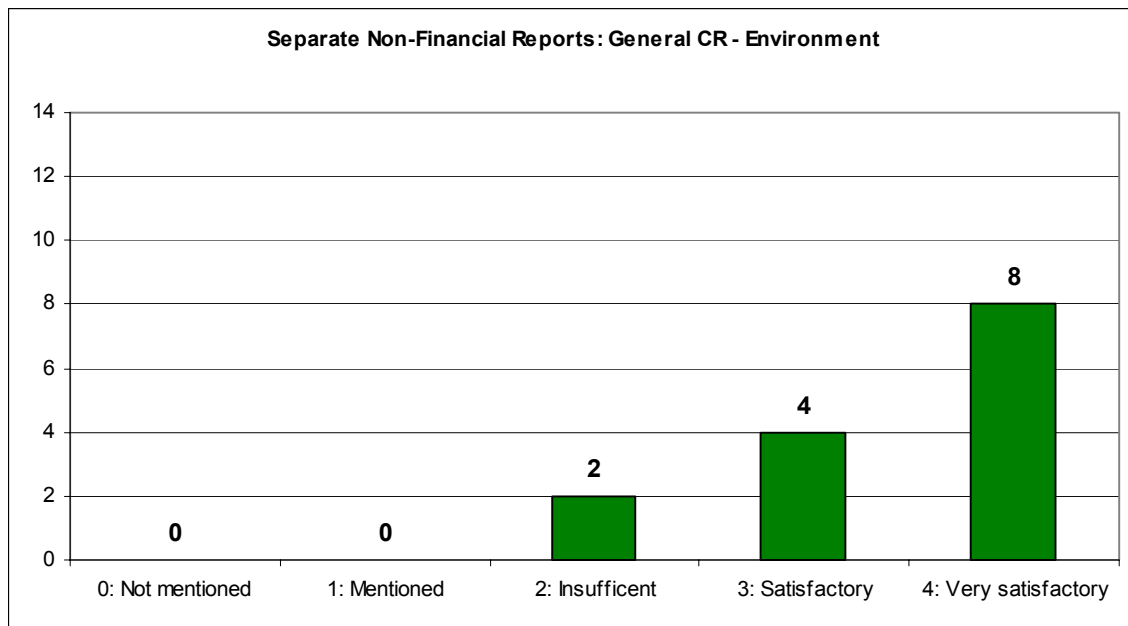


Figure 5.1 Separate non-financial reports: General CR – Environment (N=14)

Mesta’s report is a pure environmental report which presents the company’s strategy, their co-operation agreement with the environmental NGO Bellona, a list of relevant environmental challenges and potential risks, environmental accounts with data and figures for 2003 and 2004, a general presentation of performance, different projects and programs in place, a summary of incidents/accidents for 2004, information on organizational structure and responsibilities and courses related to Mesta’s environmental strategy.

Orkla has also published a separate environmental report, presenting goals, policy, performance and data/figures on energy consumption, waste, spills, and the use of chemicals. Information is given both for the Orkla group as a whole and separately for the four sub-companies: Orkla Foods, Brands, Media and Chemistry.

Storebrand has published a CR report, in which the company also reports well on its environmental impact. It is the only pure office-company out of the 7 companies that receive a score of 4. This report is less comprehensive than some of the others, but Storebrand reports well, considering it is not a regular production company. The report includes statistics on water and energy consumption, waste production and recycling of paper and electronic equipment. Storebrand also writes about environmental challenges related to transport and traveling, and real-estate management.

2 of the 14 companies provide insufficient reporting on environment, while none of the 14 companies leave out environmental concerns all together, in their separate reports. The results indicate that among the companies that publish separate non-financial reports, external environment is regarded as a central and relevant theme to report on.

5.2.2 General CR – Social responsibility

The 14 CR reports are also evaluated on information given on social responsibility – both related to the company’s own employees (internal) and to society and external stakeholders (external). What is the general impression from reading the reports? Are

relevant social challenges, risks, goals and results presented in a systematic and easy-to-read manner?

5.2.2.1 Internal social responsibility

The results on internal social responsibility are a lot weaker than the results on environmental reporting (see figure 5.2). The reason for this is mainly that 4 of the 14 reports are almost purely concerned with the external environment. Therefore, these 4 reports score high on the environment variable, but very low on the social dimension of CR. 2 companies report very satisfactory on internal social responsibility, which includes issues as health, environment and safety (HSE), employee satisfaction, management, training, gender equality, and similar. 6 companies report satisfactory (category 3).

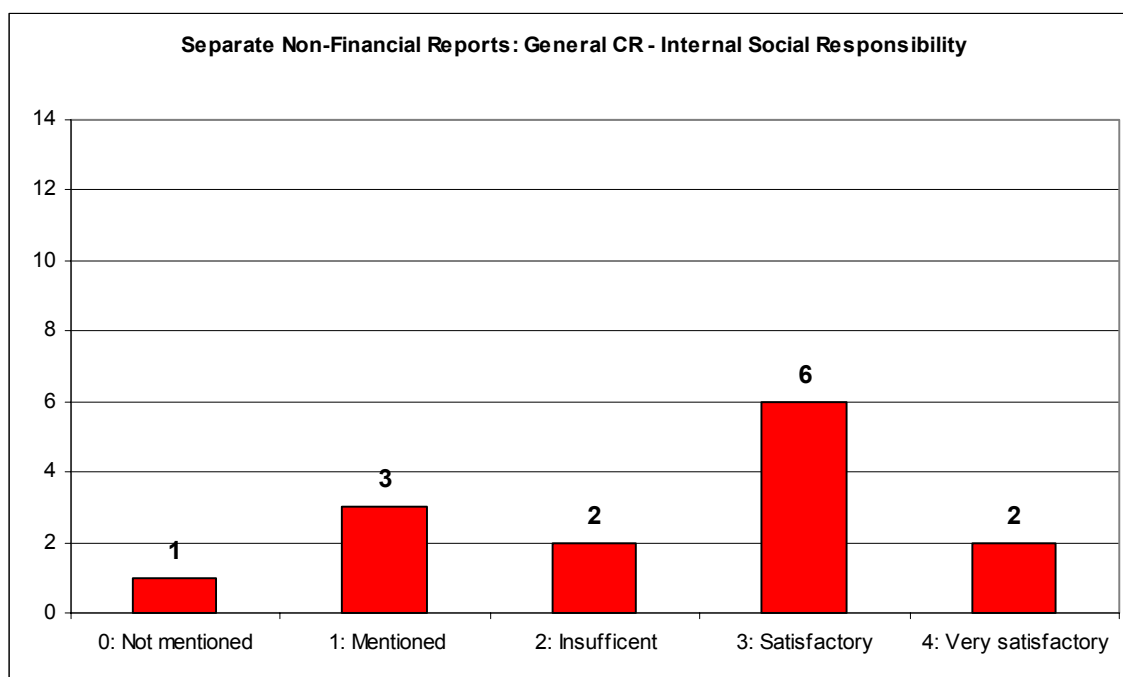


Figure 5.2 Separate non-financial reports: General CR – Internal Social Responsibility (N=14)

The oil and gas company Statoil and TINE (supplier of food products) can be mentioned as examples of best practice. Statoil writes ten pages and Tine four pages, on issues of internal social responsibility. They both report on the company's policy and performance on HSE, data and figures from their annual employee surveys, courses and training available for employees, absentees due to illnesses, and agreements on inclusive working environment ("IA-avtaler"). In addition, Statoil gives information on its trainee program, the work with apprentices, and a program for improving safety among the employees ("Kollega-programmet").

2 of the companies report insufficiently, while 3 companies only mention internal social concerns in one or two general sentences. One of the reports, which is an environmental report, does not mention the social aspect whatsoever. Here, it is worth noting that some of these reports do not aim to be full CR reports, but are pure environmental reports.

5.2.2.2 External social responsibility

How do the 14 companies report on their societal impacts and their relations to society and external stakeholders? This variable evaluates information on dialogue and co-operation with different kinds of NGOs and voluntary organisations, the local community, authorities and other relevant actors. Reporting on human rights, social projects as well as sponsoring and charity work associated with humanitarian organisations, sports and cultural institutions are also included.

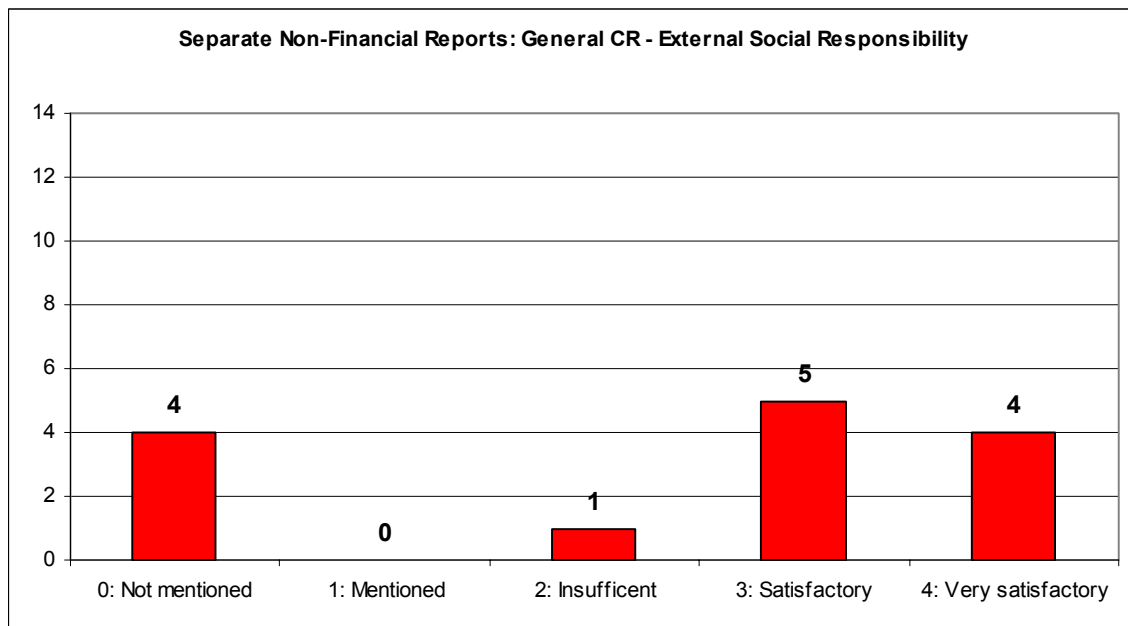


Figure 5.3 Separate non-financial reports: General CR – External Social Responsibility (N=14)

Looking at figure 5.3, we can see that 9 of the 14 companies report satisfactory or very satisfactory on external social responsibility in their separate reports. 4 of these 9 companies report very satisfactory, while 5 report satisfactory. One company reports insufficiently, while the last 4 companies do not mention social responsibility related to society and external stakeholders in their separate reports. 3 of these 4 reports are pure environmental reports, while the last report is a combined HSE and environmental report.

Among the best companies are Statoil and TINE. Statoil writes several pages about the company's effects on local society, participation in the UN Global Compact, human rights in general, Statoil's co-operation with UNDP, the Norwegian sections of Red Cross and Amnesty International. The report also includes information on social investments and various programs in developing countries where Statoil operates. Examples are an initiative to support training of judges in Nigeria and a human rights project in Venezuela in cooperation with the Business Leaders Initiative on Human Rights (BLIHR)²⁵.

TINE's report has three pages on animal health, four pages on food safety, consumer health and ethical trading, as well as two pages on reputation. The company also reports on their co-operation with the Red Cross, their sponsoring of sport arrangements and other social projects.

The major weakness in the 14 companies' reporting on external social responsibility is the lack of quantitative information, like statistics and figures. There are some good

²⁵ For further detail son BLIHR, see: <http://www.blihr.org/> Assessed on 15 November 2005.

general presentations of social projects and stakeholder-dialogues, but the lack of more concrete information is evident. This reflects a basic challenge in reporting on external social responsibility: Most companies have information on their environmental impact and aspects related to their employees, and there are common standards and indicators used to measure the companies' performance. However, there are few common indicators or standards used to measure external social responsibility, but organizations like the Global Reporting Initiative (GRI), with its *Guidelines for sustainability reporting*, is currently working to strengthen the implementation of indicators for all dimensions of the triple bottom line, including external social responsibility.

5.2.3 General CR – Economy

In our evaluation, the economic dimension of the triple bottom line includes reporting on corporate governance, business ethics and the company's wider economic impact related to issues like local value creation, competence building, innovation and entrepreneurship. It does not entail traditional financial analysis and reporting.

How do the 14 companies report in general on this variable in their separate reports?

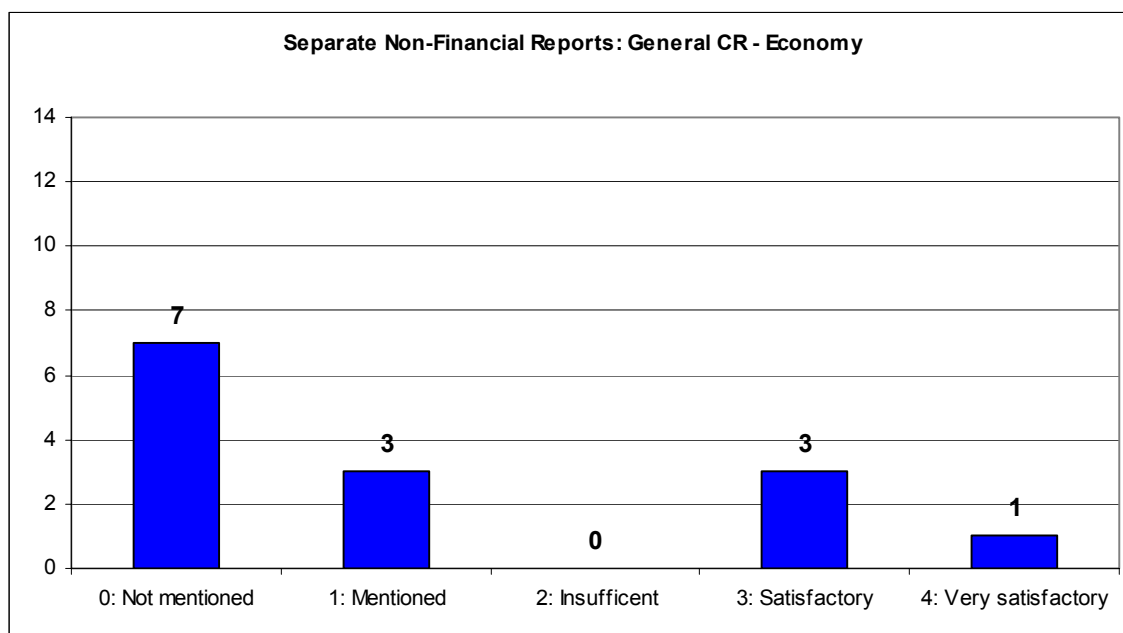


Figure 5.4 Separate non-financial reports: General CR – Economy (N=14)

Compared to general environmental and social reporting, the weakest reporting on General CR is found on the economic dimension. Figure 5.4 illustrates that only one of the 14 companies report very satisfactory on economic impact on society and business ethics. 3 companies report satisfactory. Another 3 companies mention the economic dimension or a relevant theme in their reports, while this aspect is not mentioned at all in 7 of the 14 separate reports.

Statoil is the only company that reports well enough on both societal economic impact and business ethics, to receive a score of 4. Norske Shell (energy company) reports fairly well on its economic impact on society, while the Kongsberg Group and Telenor report quite well on business ethics in their separate reports.

In its CR report, Statoil has a separate chapter on their economic impact on society and various spin-off effects they generate. The company accounts for investments, taxes paid, signature bonuses, salaries, various social costs, number of employees, purchase of goods and services, and investments in R&D activities. Much of the information is provided both for the company as a whole and separately for each of the countries where Statoil is operating. Statoil's report also has a separate chapter on business ethics and relevant challenges related to corruption and bribery. It reports on Statoil's program for business ethics and CR, an established ethics helpline, ethical codes of conduct, ethical training, audits and reporting, performance and results for 2004, and relevant programs and projects initiated, or planning to be initiated in 2005. The chapter also provides information about last year's development in the Horton case and the decision to accept a fine of 20 million NOK to Økokrim.²⁴ Statoil also reports on support given to a number of organizations that work to counter corruption, namely the Partnering Against Corruption Initiative (PACI)²⁵ as well as a network of construction, energy and mining companies working to counter corruption.

5.3 Part Summary: General CR Reporting

Figure 5.5, sums up the results of reporting on General CR in the separate report, by showing the share of companies who report satisfactory or better

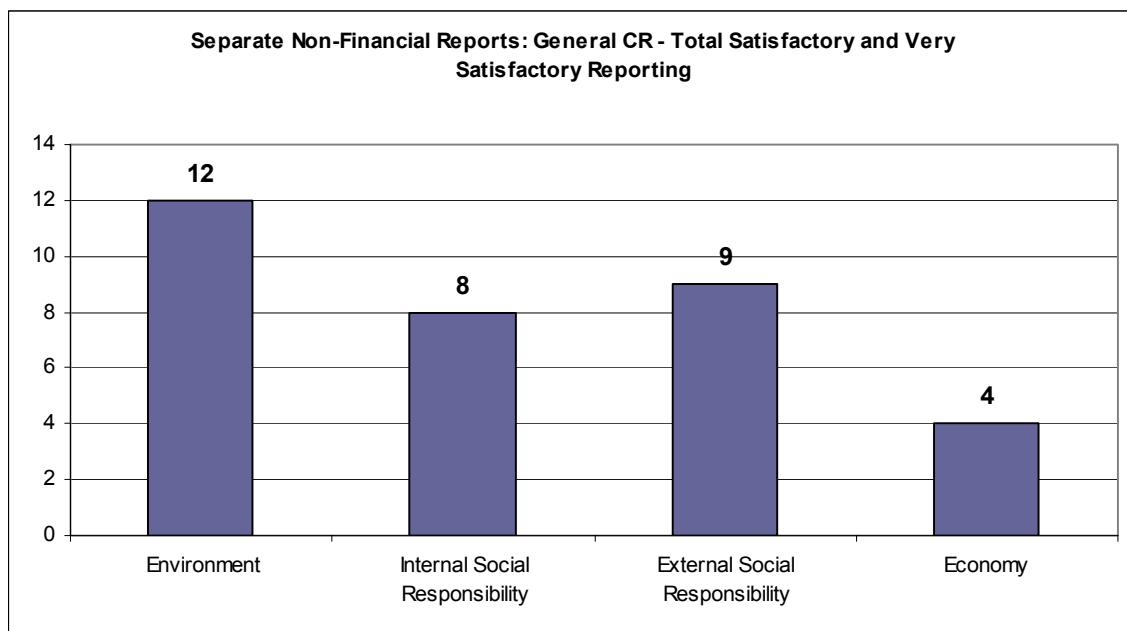


Figure 5.5 Separate non-financial reports: General CR – Total satisfactory and very satisfactory reporting (N=14)

²⁴ For further information on the Horton case, see for example "Statoil accepts Økokrim penalty in the Horton case", Available at: <http://www.statoil.com/> Assessed on 15 November 2005.

²⁵ PACI is based on Transparency International's Business principles for Countering Bribery. For further details on PACI, see: <http://www.weforum.org/site/homepublic.nsf/Content/Partnering+Against+Corruption> Assessed on 15 November 2005.

The best results are on General CR – Environment, where 12 of 14 companies report well on environmental challenges and performances. This is related to the fact that four of the 14 reports are pure environmental reports. The results are a little weaker on social reporting: 8 companies report satisfactory on internal social responsibility, while 9 report well on external social responsibility. Surprisingly, and in contrast to the results from the evaluation of the annual reports, the results from the separate reports are slightly better on *external* social responsibility than on *internal* social responsibility. Similar to the findings in the annual reports, the weakest reporting is on the economic dimension of the triple bottom line: Only 4 of the 14 reports have satisfactory information on this aspect.

5.4 Reporting on Management Systems – Separate Reports

The variable Management Systems includes reporting on the delegation of responsibility and organisation of CR. It also evaluates information on control systems, reporting procedures and routines, positive or negative sanctions relating to employee conduct, environmental or social certification, as well as corporate governance.

The Kongberg Group and Statoil receive the best total score on this variable, with fairly good reporting on both environmental, social and economic management systems. TINE reports well on environmental and social management systems, but leaves out the economic dimension of the triple bottom line.

5.4.1 Management systems – Environment

How do the 14 companies report on the organisational structure of its environmental work, responsibilities, concrete management systems and/or environmental certification systems like ISO14000 or EMAS in their separate reports?

Figure 5.6 shows that 6 of the 14 companies report very satisfactory on environmental management systems in their separate non-financial reports while 2 other companies report satisfactory. 4 companies report insufficiently, meaning that they mention one or two relevant management systems, such as the company or some of its plants being certified according to ISO14000. One company mentions environmental management systems in general, but without any further details. The last of the 14 reports does not mention this aspect at all.

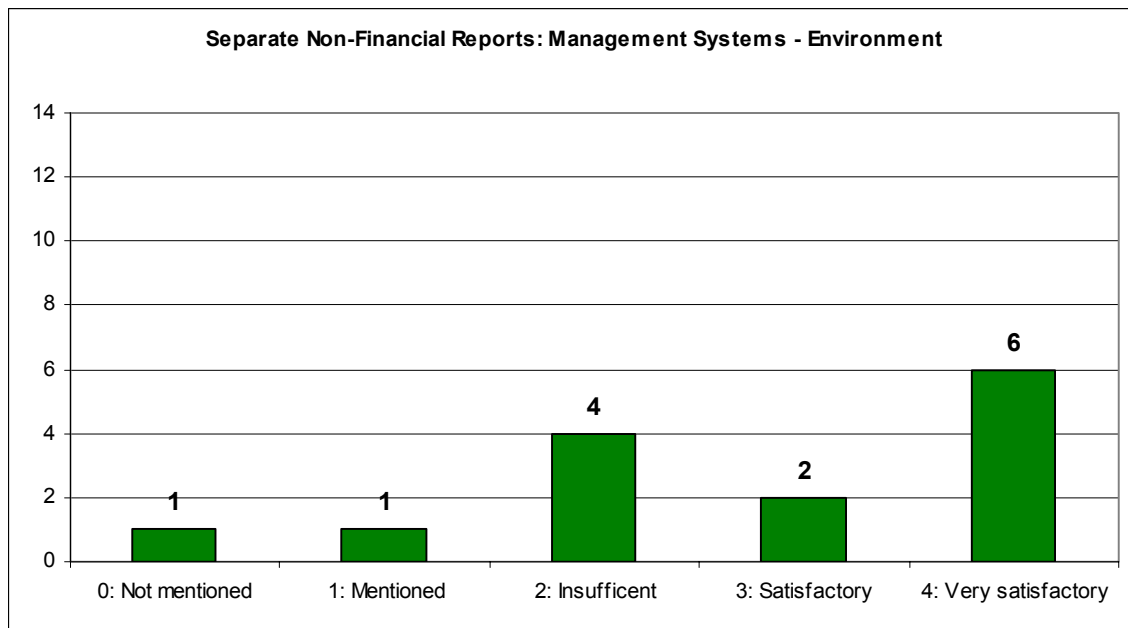


Figure 5.6 Separate non-financial reports: Management systems – Environment (N=14)

The best company performances are given by TINE (supplier of food products) and the Kongsberg Group (technology company). TINE presents ‘TINE Vis’, the company’s management system, which includes environmental and social strategies. TINE also has a systematic presentation of its environmental reporting routines (‘Green Reporting’), as well as information on evaluations and responsibilities related to the environmental strategy. The report also has a well-arranged presentation of environmental goals and measures for 2005, which indicates that a functioning environmental management system is in place.

The Kongsberg Group has a one page presentation of the organizational structure of the environmental work, responsibilities and reporting routines. An environmental forum has been established, which is responsible for coordinating the company’s environmental strategy. Kongsberg also writes about further formalization and standardization of its environmental management system in 2005, with ISO14000 certification of several plants.

5.4.2 Management systems – Social responsibility

Figure 5.7 shows the results for reporting on management systems related to the social dimension of the triple bottom line. This variable relates both to the company’s own employees and external stakeholders. It evaluates information on the organisation of responsibility, concrete management systems and control procedures related to HSE as well as other social themes related to employees. This variable also includes management systems related to a company’s external social responsibility and relations with relevant stakeholders outside the company.

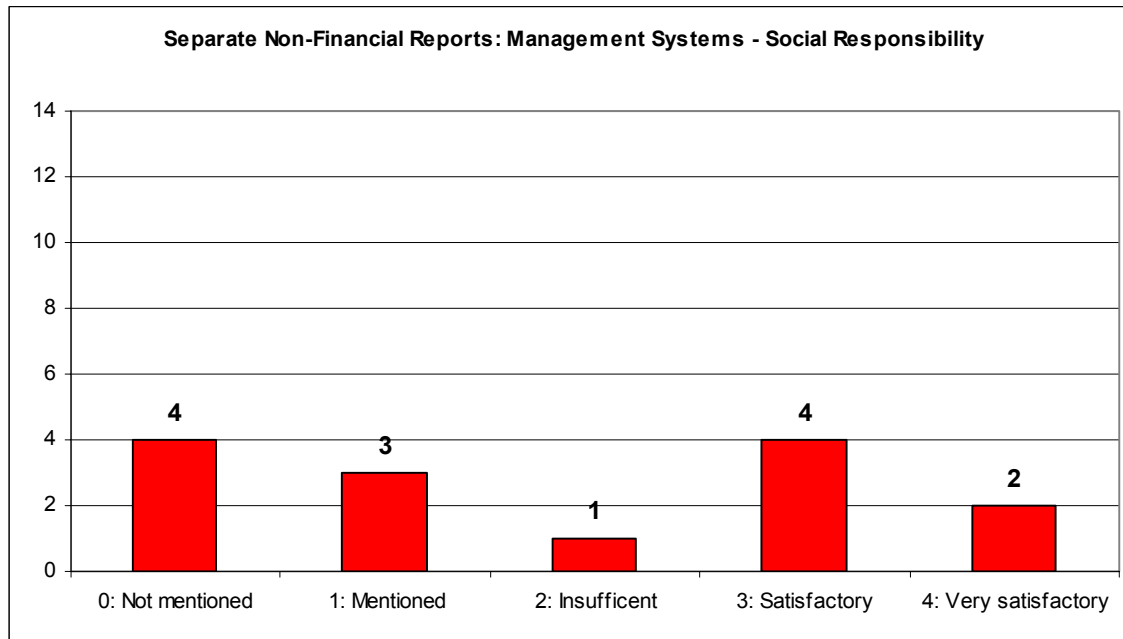


Figure 5.7 Separate non-financial reports: Management systems – Social responsibility (N=14)

A total of 6 companies report satisfactory or better on this variable: 4 companies report satisfactory and 2 companies report very satisfactory. However, also in these best 6 reports, there is room for improvement when it comes to reporting on social management systems, especially regarding external social responsibility. Of the remaining 8 companies, one company reports insufficiently. 3 companies mention social management systems shortly, while the last 4 companies do not mention this issue at all.

TINE and Statoil are the two companies who receive the top score of 4 for very satisfactory reporting on this variable. Both companies write about IA-agreements and the implementation of this, their annual employee satisfaction surveys which are used systematically to improve the working environment, different forums and task groups established to improve HSE performance, and relevant training programs for employees and leaders. In addition, TINE reports on its personnel policy, a new web based system to secure joint practice, and a policy for administration and leadership. Statoil writes about their Human Factors analysis and the so-called ‘open security talk’, introduced to improve the company’s safety performance and to avoid accidents. On management systems that can be related to external social responsibility, Statoil mentions the establishment of new internal guidelines for ‘Environmental and social impact analysis’ (ESIA) connected to new investments and operations in host countries.

5.4.3 Management systems – Economy

Management systems related to the economic dimension of the triple bottom line includes organizational structures and systems related to business ethics and socio-economic impact. It also includes corporate governance, which has to do with financial management and with making boards of directors accountable to shareholders by means of control mechanisms between the owners, the board of directors and the company management. Issues concerning corruption, directors’ fees, relations between board and

management, the board’s independence and possible competence issues are important when discussing good corporate governance.

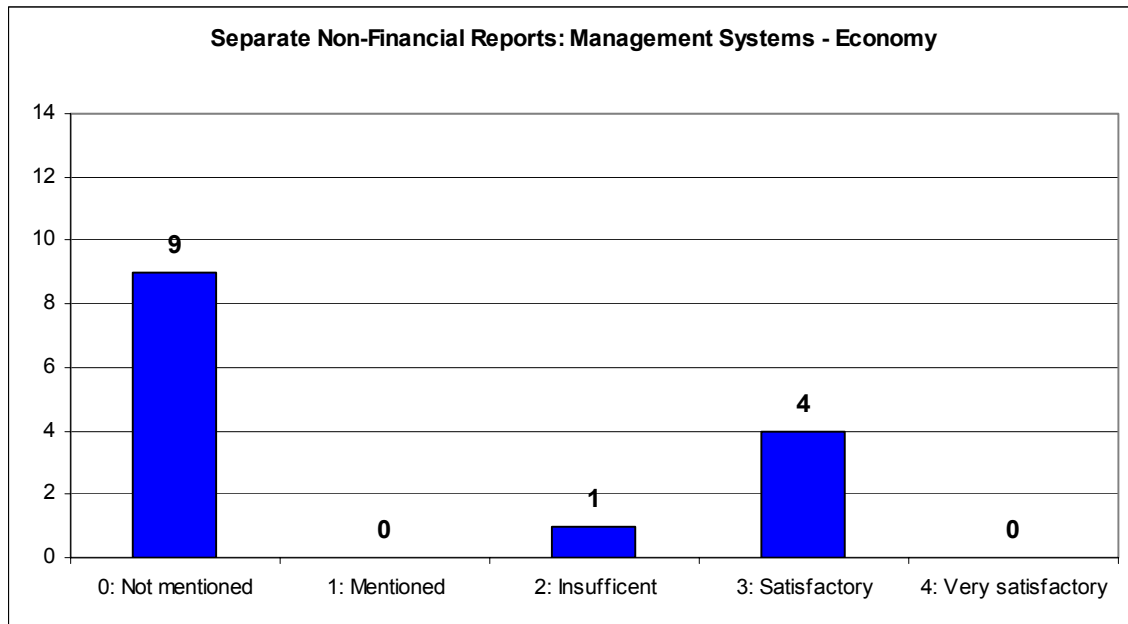


Figure 5.8 Separate non-financial reports: Management systems – Economy

None of the 14 companies report very satisfactory on this variable. 4 companies report satisfactory, which means that they either have a good presentation of corporate governance connected to CR and the triple bottom line approach, or that they have a good presentation of business ethical management systems. One company reports insufficiently, while 9 of the 14 reports do not mention corporate governance or relevant management systems at all in their separate report.

The Kongsberg Group, Storebrand and Statoil are three of the companies that report fairly well on this variable. The Kongsberg Group has one separate page on organisational structure and responsibilities related to the company’s CR work. In addition, they have a separate page on business ethics, which includes information on the company’s web based ethical training program (‘walk the talk’) which is soon to be implemented in the whole organization. They also account for an ethical council, led by the chief executive and established in 2004 in order to discuss and identify the Kongsberg’s ethical challenges. They also report that the basis of their ethical work are the ethical codes of conduct adopted in 2004 and distributed in a leaflet to all employees.

Both Statoil and Storebrand have corporate governance presentations in their CR reports as well as in their annual reports, while 4 of the 14 companies include corporate governance only in their annual report. In addition to corporate governance, Statoil and Storebrand mention a few other relevant aspects related to management systems as business ethical internal reporting and control routines, an ethical help-line/mailbox, and approved ethical standards and guidelines. Statoil also mentions their work on establishing indicators and reporting systems to measure the company’s economic impact on society and external stakeholders.

5.5 Reporting on codes of conduct – Separate reports

This variable examines the companies' presentation of established codes of conduct. It is not sufficient that the company mentions a general policy, goals or values; the codes must be presented as actual codes of conduct. Preferably, the report should make clear that the codes have been adopted in the form of a binding document that obligates the company and its employees.

We find very poor results on reporting on codes of conduct. Most of the 14 companies do not mention codes of conduct whatsoever in their separate reports, and only a couple of companies have satisfactory reporting on this variable. Telenor and the Varner Group provide the best reporting on codes of conduct in total. Telenor reports best on business ethical codes, while Varner report fairly well on environmental and social codes of conduct. Varner does not have a full CR report, but has instead a 6 page Codes of conduct-document, presenting the company's codes together with specific demands on its suppliers, as well as information on how the codes are to be implemented and followed up. This gives Varner good scores on Codes of Conduct, as well as on the last remaining variable, Supply Chain Management.

5.5.1 Codes of conduct – Environment

11 of the 14 reports ignore the codes of conduct related to the company's impact on the external environment altogether (figure 5.9). None of the 14 companies present very satisfactory reporting on environmental codes of conduct in their separate reports. One company reports satisfactory, one reports insufficiently, and one makes a brief mention of the theme.

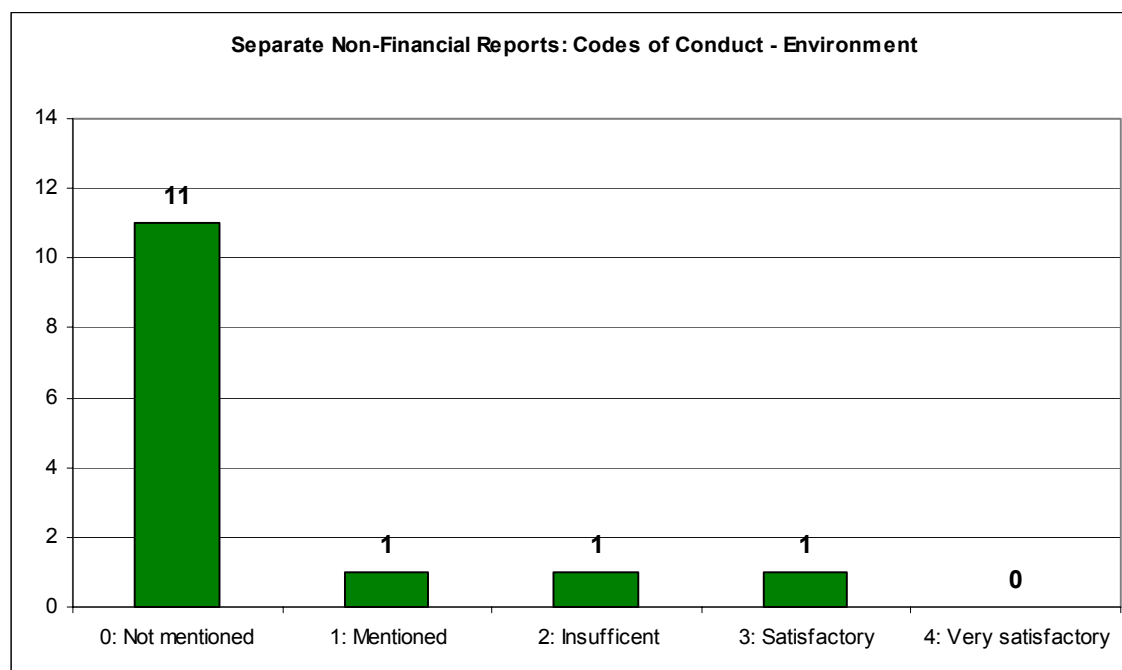


Figure 5.9 Separate non-financial reports: Codes of conduct – Environment (N=14)

The best reporting on environmental codes of conduct is provided by Varner, who presents some general environmental requirements, but also more specific requirements

related to the use of different chemicals in production of the textiles purchased from suppliers. Still, there is room for improvement.

5.5.2 Codes of Conduct – Social Responsibility

Also on the variable social codes of conduct, the results are weak. Only one company, Varner, reports satisfactory on the variable.

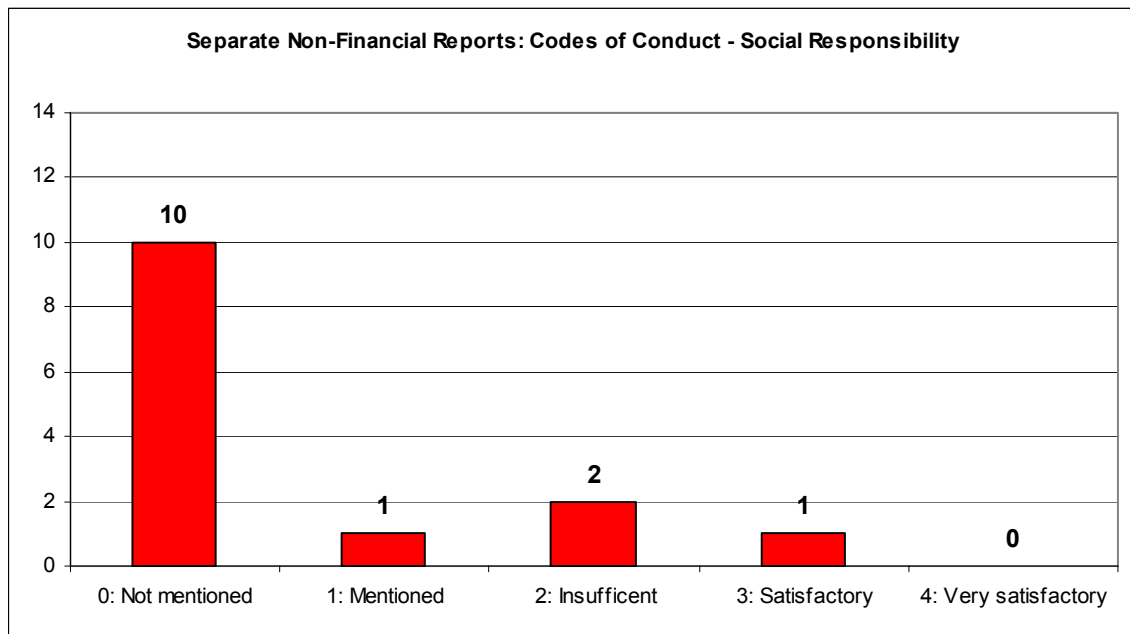


Figure 5.10 Separate non-financial reports: Codes of Conduct – Social responsibility (N=14)

Varner reports extensively on social codes of conduct. However, this is mainly related to suppliers’ employees, not to Varner’s own employees, and will instead be assessed in relation to the next variable, Supply Chain Management. The company therefore receives a score of 3 instead of 4. Varner’s codes are based on the UN human rights convention and the ILO core convention. The codes are concerned with positive engagement and dialogue with the employees, training, discrimination, forced labour and child labour, apprentice contracts, union organization and collective bargaining, wages, working hours, working conditions, reporting and verification etc. When it comes to the remaining 13 companies, 2 report insufficiently, one company mentions social codes in one general sentence, and 10 of the 14 reports do not mention social codes of conduct at all.

5.5.3 Codes of Conduct – Economy

We see the same tendency on economic codes of conduct as we do in relation to environmental and social codes. In their separate reports, 10 of the 14 companies do not mention business ethical codes or codes related to the company’s economic impact on society (figure 5.11).

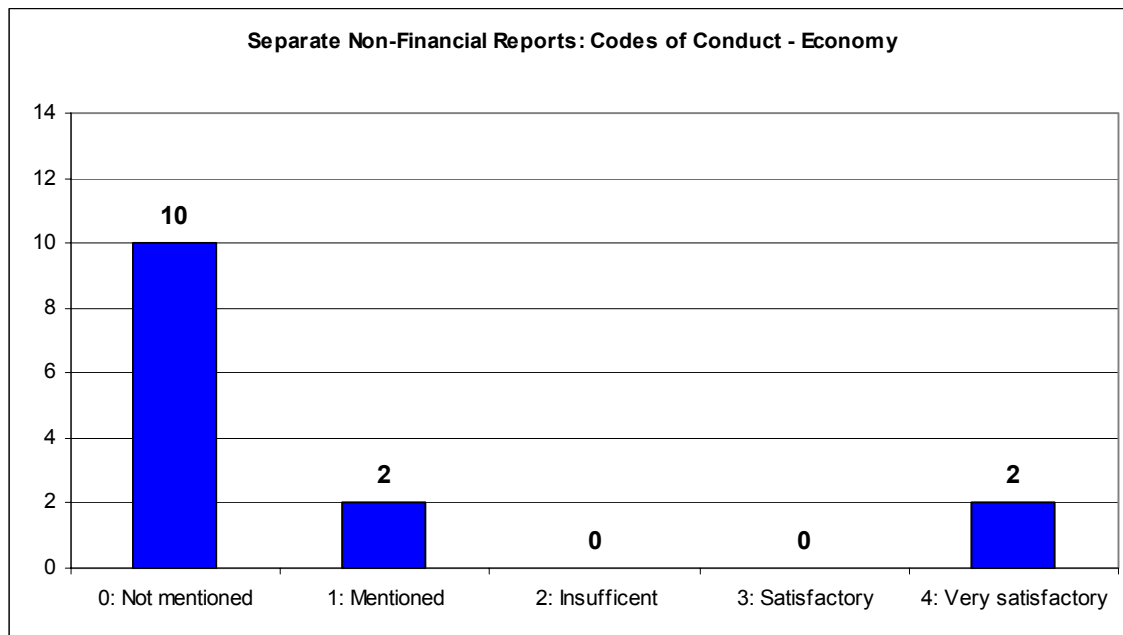


Figure 5.11 Separate non-financial reports: Codes of Conduct – Economy (N=14)

2 companies mention business ethical codes shortly, while none of the companies report satisfactory. However, two companies report very satisfactory. These two are the Kongsberg Group and Telenor. Both have a reference in their paper reports to a company web page containing a comprehensive presentation of their business ethical codes of conduct. Telenor's codes are concerned with the relationship with costumers, suppliers, competitors and government in relation to competition, corruption, bribery, gifts and favors. It also contains restrictions on Telenor employees' activities related to engagement in other companies, different kinds of memberships and engagements, political activities, etc. Kongsberg's ethical codes of conduct deal with many of the same issues. Both Telenor and Kongsberg include information on how the codes will be followed up as well as how to react and who to contact it the codes are offended.

5.6 Reporting on supply chain management – Separate reports

How do the 14 companies report on CR related demands placed on their suppliers? For example, do the companies demand certification or codes of conduct, in line with their own? Similar to the results on codes of conduct, we find very weak reporting on supply chain management in the companies' separate reports. Again, only the Varner Group receives a good total score for information on the company's environmental and social demands on suppliers. None of the 14 companies with separate reports obtain a good score on supplier demands related to business ethics and economic impact on society and stakeholders.

5.6.1 Supply chain management – Environment

Figure 5.12 shows that only one of 14 companies reports very satisfactory on environmental demands put on suppliers. 3 companies report insufficiently, 3 other companies mention environmental demands on their suppliers, while the remaining 7 companies do not even mention this theme in their separate reports.

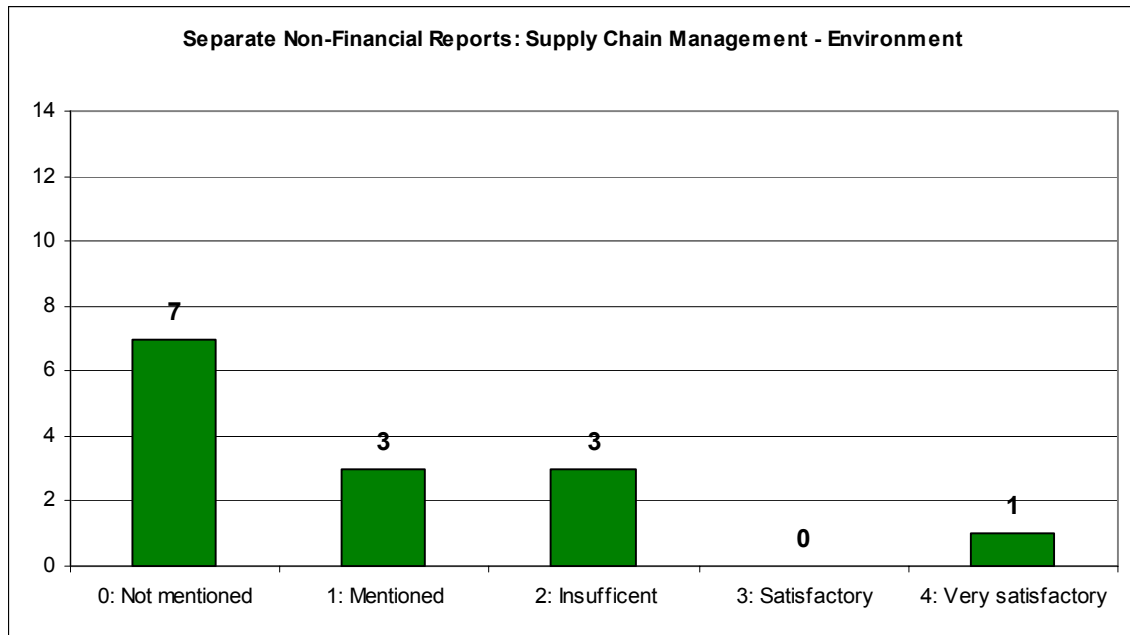


Figure 5.12 Separate non-financial reports: Codes of Conduct – Economy (N=14)

Varner has the best reporting on this variable, presenting its general environmental codes, also applicable for its suppliers, as well as an overview of accepted amounts of specific chemicals in the textiles purchased from suppliers.

5.6.2 Supply chain management – Social responsibility

Also when it comes to the social aspect of supply chain management, only Varner can be said to report very satisfactory on this issue. Varner’s suppliers are required to follow national laws., forced labour and child labour is not accepted and discrimination related to ethnic origin, nationality, gender, political affiliation, religion etc. is not to occur. The demands also cover apprentice contracts, union organization and collective bargaining, wages, working hours and working conditions, factory and housing conditions, reporting and verification etc.

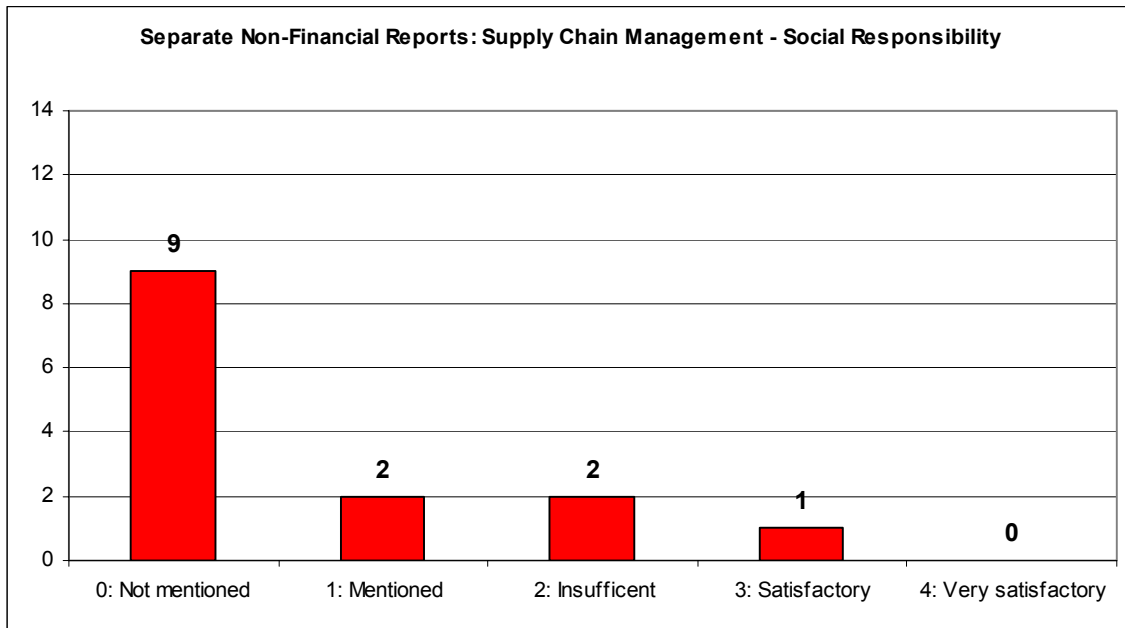


Figure 5.13 Separate non-financial reports: Codes of Conduct – Social Responsibility (N=14)

While the Varner Group provides the only case of satisfactory reporting, 2 other companies report insufficiently, while 2 companies only mention that they put social demands on their suppliers, failing to supply details on what these demands are. 9 of the 14 companies do not mention any social factors related to supply chain management.

5.6.3 Supply chain management – Economy

The weakest results for reporting on supply chain management are found on the economic dimension of the triple bottom line. None of the 14 companies present information on demands made towards their suppliers in relation to business ethics and economic impact on society in their separate reports.

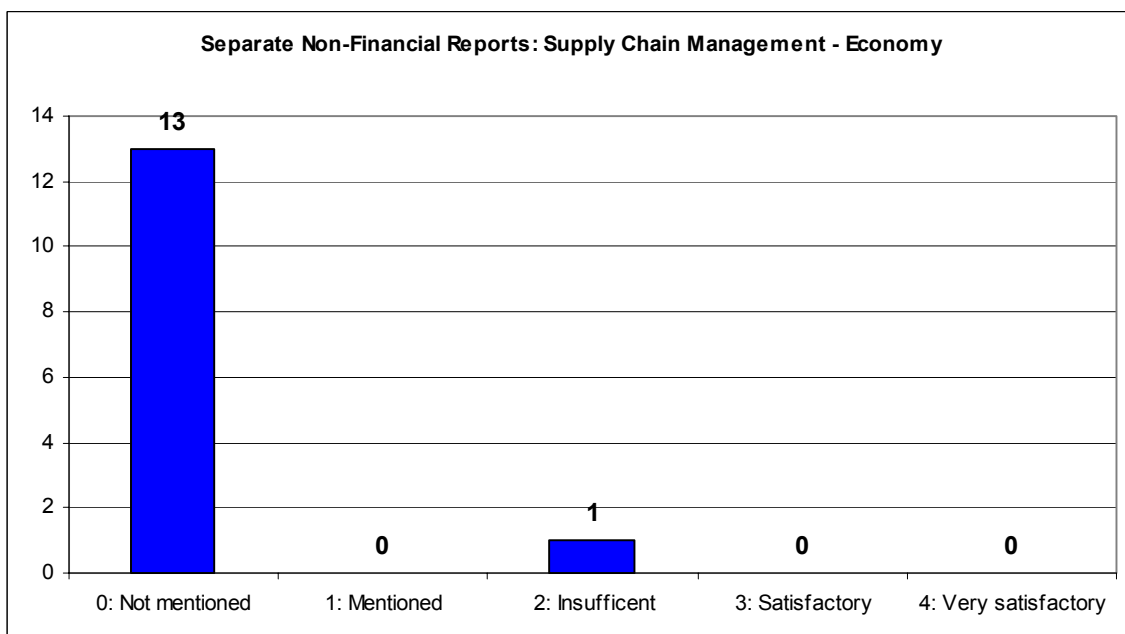


Figure 5.14 Separate non-financial reports: Codes of Conduct – Economy (N=14)

The best score on this variable is 2 (insufficient), given to one of the 14 companies. This is Statoil, who mentions this aspect in one sentence by stating that suppliers will be chosen partly based on ethical criteria. Statoil’s suppliers are required to have established codes for ethics and legal competence that are in accordance with the company’s values and goals. However, the reporting is scarce and insufficient.

5.7 Separate reports: Summary of findings

Figure 5.15 shows the distribution of companies with satisfactory and very satisfactory reporting on the four different variables: General CR, Management Systems, Codes of Conduct and Supply Chain Management.

We find the best results on General CR and Management Systems. The reporting on both Codes of Conduct and Supply Chain Management is very weak. Furthermore, on three of four variables, the weakest reporting is found on the economic dimension, suggesting that this may be a particular challenge. However, on Codes of Conduct, the best reporting actually is on the economic dimension, first of all on business ethical codes of conduct.

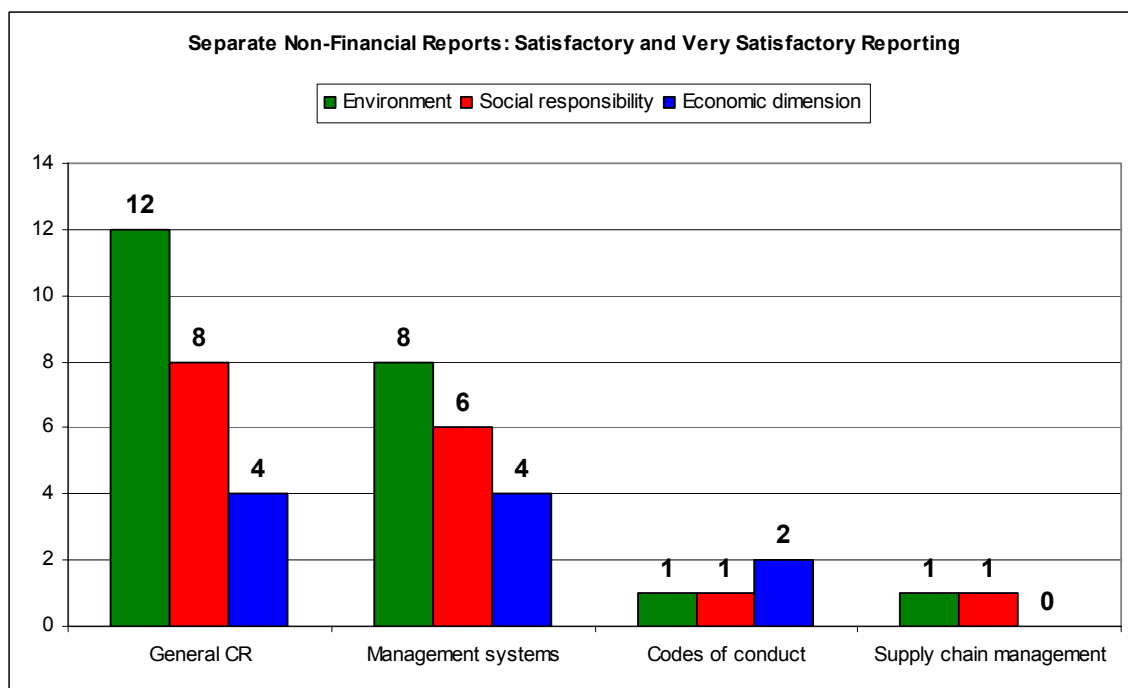


Figure 5.15 Separate non-financial reports: Satisfactory and very satisfactory reporting (N=14)

On General CR 12 of the 14 companies report satisfactory or better on the environmental dimension. This is the best result in the evaluation of separate reports. The results on the social and economic dimension of General CR are poorer. An average of 8 companies report well on social responsibility (8 on internal and 9 on external), while 4 of the companies report well on business ethics and economic impact on society.

Reporting on Management Systems obtains the second highest score in the evaluation of separate non-financial reports. Also for Management Systems the best reporting is found on the external environment, 8 of 14 report satisfactory or better. 6 companies

report well on social management systems, while 4 report well on management systems related to the economic dimension of the triple bottom line.

The reporting on Codes of Conduct is generally very weak. Only one company reports satisfactory or better on environmental and social codes, in addition 2 companies report fairly well on business ethical codes.

On the last variable, Supply Chain Management, we find the weakest results in the evaluation of separate non-financial reports. One company reports well on environmental and social demands on its suppliers, whereas none of the 14 companies report satisfactory on economic/business ethical demands towards suppliers.

The Kongsberg Group and Statoil receive the best total score, and are the 2 companies with the most systematic and extensive CR reports. Storebrand, Telenor and TINE also receive a good total score by reporting on three dimensions of the triple bottom line. However, even for these companies there is room for major improvements, especially in relation to information provided on codes of conduct and supply chain management. In general, it also seems that the greatest room for improvement is found in relation to the economic dimension of the triple bottom line.

6 EVALUATING CR REPORTING IN NORWAY: DISCUSSION OF MAIN RESULTS

6.1 Introduction

This chapter presents an appraisal of the main results gathered under chapter 3-5. Chapter 3 evaluated legally mandated CR reporting under the Norwegian Accounting Act in the annual board of director's report. The Accounting Act requires the board of directors to provide information regarding i) the external environment, ii) the working environment and iii) gender equality. Chapter 4 evaluated CR reporting in firms' annual report, while chapter 5 appraised the content of separate non-financial reports. The evaluation assessed CR reporting with reference to four variables: CR reporting in general (General CR), Management Systems, Codes of Conduct, and Supply Chain Management.

This chapter provides a summary and discussion of the results in total, with the aim to provide a full and general picture of both legally mandated and voluntary CR reporting in large Norwegian companies. The report argues that there is room for major improvements among most companies, both in regards to legally mandated reporting in the board of directors' report and in regards to voluntary reporting in the annual report and in separate non-financial reports.

Our evaluation reveals that the best reporting is on environment and social issues related to own employees. Reporting on external social responsibility, business ethics and socio-economic impact are generally much weaker. This is not very surprising, taking into consideration that reporting on environmental issues and issues relating to own employees (such as HSE and training) have been on many corporate agendas for a much longer time. Reporting on the economic dimension and the external social dimension represent relatively new issue areas, with which companies are less experienced. It seems clear that there is a long way to go before companies can be said to report extensively along the triple bottom line, including relevant CR aspects as management systems, supply chain management and codes of conduct.

6.2 Legally mandated CR reporting in the board of directors' report – main findings

The analysis of the board of directors' reports shows that the vast majority of the companies included in our sample, fail to abide by the legal requirements under the Norwegian Accounting Act (see figure 6.1). In terms of providing information regarding impacts on the external environment – and the measures taken to manage and mitigate such impacts – only 10 per cent of the companies report satisfactory. With respect to reporting on the working environment, 53 per cent of the companies report satisfactory, while 49 per cent report satisfactory on the status of gender equality. 94 per cent of the companies do not fulfil one or more of the legal requirements.

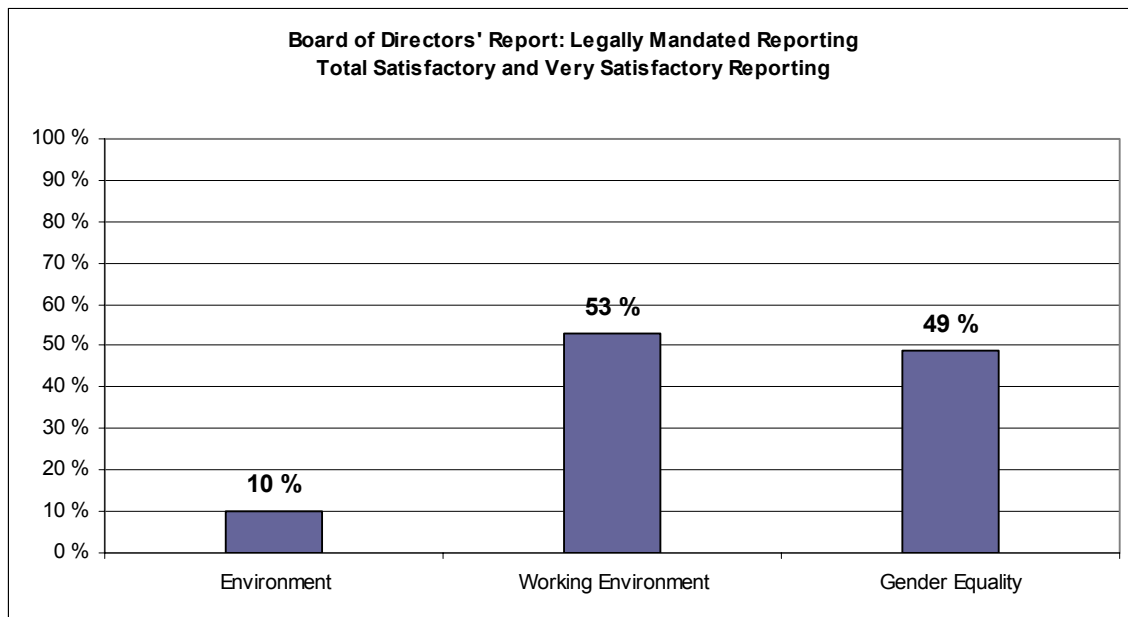


Figure 6.1 Legally mandated reporting: the board of directors' Report. Total satisfactory and very satisfactory reporting (N=98)

None of the companies included in our sample receive the maximum score of 12 points (4 points are attainable for each of the three legal requirements) in the evaluation of the board of directors' report. However, some companies exhibit good practice. Three companies: BP Norge, Cermaq and NCC Construction receive 11 out of 12 points, while four companies: ENI Norge, Conoco Phillips, the Norges Group and Norske Shell receive 10 points. A score of 9 (3+3+3) points is deemed necessary to be classified as "law-abiding", however a score of 7 is the average score. It is thus clear that the majority of the 100 largest Norwegian companies indeed fail to abide by the legal CR reporting requirements in the Accounting Act. These results raise concerns regarding the implementation deficit of the Accounting Act, and the salient lack of executive focus and attention to CR in many Norwegian companies.

6.3 Annual reports – main findings

Chapter 4 provides an assessment of CR reporting in companies' annual reports. All companies provide an annual report, although some comprise *only* the annual financial records and the board of directors' report. The appraisal of annual reports is conducted with reference to four variables: General CR, Management Systems, Codes of Conduct and Supply Chain Management. Each variable is furthermore specified in accordance with the concept of the triple bottom line, and thus split into three dimensions: environment, social responsibility and economy. It should be noted that the economic dimension does not refer to traditional financial reporting, but to business ethics and companies' socio-economic impacts.

The results demonstrate that the majority of the companies included in our sample report unsatisfactory with respect to CR policy and practice in their annual reports. In terms of the variable General CR – which evaluates companies reporting on CR policy and performance in general – 30 per cent of the companies report satisfactory with respect to social responsibility, while only 26 per cent report satisfactory on the external

environment (see figure 6.2). It should be noted however that the analysis reveals a considerable variance between the internal dimension of social responsibility (i.e. HSE and training) and the external dimension (i.e. relations to external stakeholders/NGOs, human rights, local/indigenous people, sponsoring and charity etc.). While 46 per cent of the companies report satisfactory on internal aspects of social responsibility, only 14 per cent report well on external social responsibility. Furthermore, no more than 8 per cent report satisfactory on the economic dimension (i.e. business ethics and the company's economic impact on society). These findings indicate a clear lack of attention and action on behalf of Norwegian companies pertaining to their responsibilities within society at large; such as the management and mitigation of negative social, environmental and economic impacts on the various *external* stakeholders that they affect.

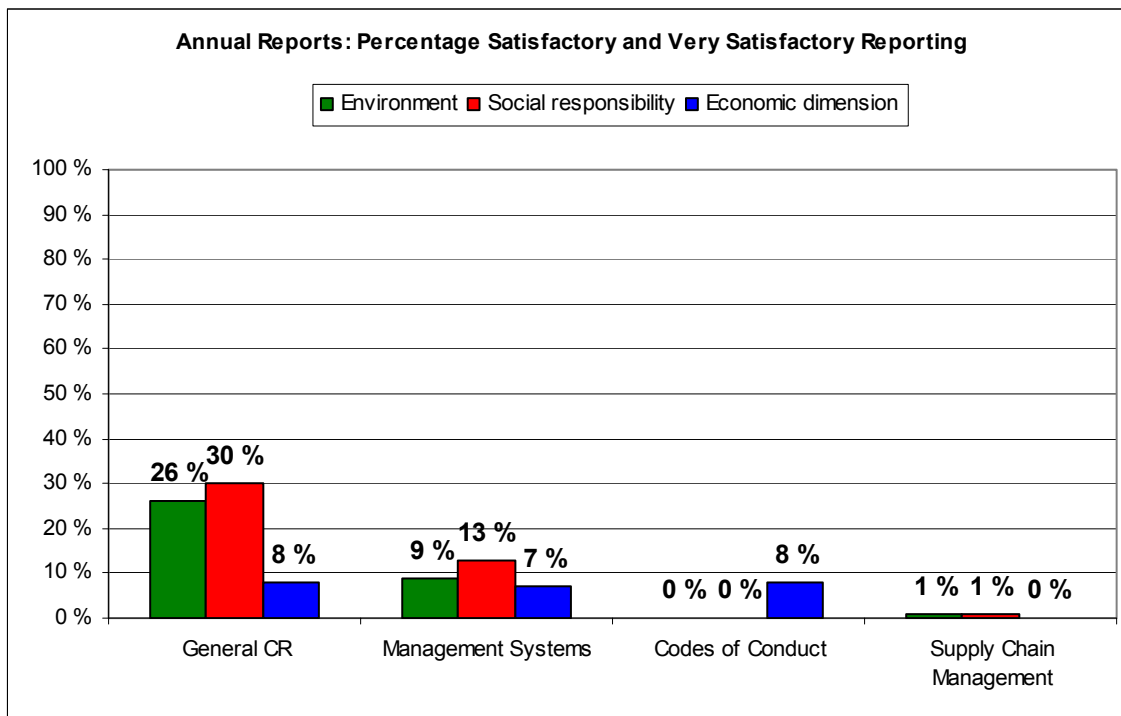


Figure 6.2 Annual Reports: Percentage satisfactory and very satisfactory reporting (N=98)

In terms of reporting on CR management systems, the results are weaker. Only 13 per cent report satisfactory with respect to the social dimension, while 9 per cent report satisfactory on environmental management systems. No more than 7 per cent of the companies report satisfactory with respect to corporate governance and management systems related to the economic dimension of the triple bottom line.

As regards reporting on Codes of Conduct and Supply Chain Management, the results are outstandingly poor. The only area in which more than 1 per cent of the companies report satisfactory with respect to these variables is the economic dimension of codes of conduct (8 per cent). Our evaluation shows that not a single company report satisfactory on environmental and social codes of conduct. No more than 1 per cent report satisfactory on the environmental and social dimensions of supply chain management, while none of the companies report satisfactory on business ethical demands or other relevant themes for the economic dimension related to this variable. The results thus indicate that a management focus on implementing CR related codes of conduct, as well

the recognition of supply chain management as a key driver for CR, is almost entirely absent in Norwegian companies' reporting. Indeed, the apparent lack of attention towards these issues corresponds to the tendency for companies to report insufficiently on external responsibility.

The three best annual reports are produced by Statoil, Hydro and Statkraft, which receive 25 points each in total. Furthermore, Norske Skog, Yara International, Telenor, DnB NOR, Mesta, Det Norske Veritas (DNV) and the Norges Group report fairly well and receive a minimum score of 20. The average score for companies however is only 10.5 out of 52 possible points.

It is clear that the content of the annual report greatly diverge between companies. The majority of companies provide a minimum account only of their CR policy and practice, in relation to the requirements under the Accounting Act, and with respect to the four variables General CR, Management Systems, Codes of Conduct and Supply Chain Management. On the whole results are thus considerably poor, although a handful of companies provide satisfactory reports and go beyond what is legally required.

6.4 Separate non-financial reports – main findings

The final part of our evaluation assessed voluntary reporting through separate non-financial reports. Only 14 of the 100 companies in our sample produce separate reports. The content of such reports vary. Some companies provide comprehensive triple bottom line reports; some provide pure environmental reports; while others account for environmental and HSE issues combined.

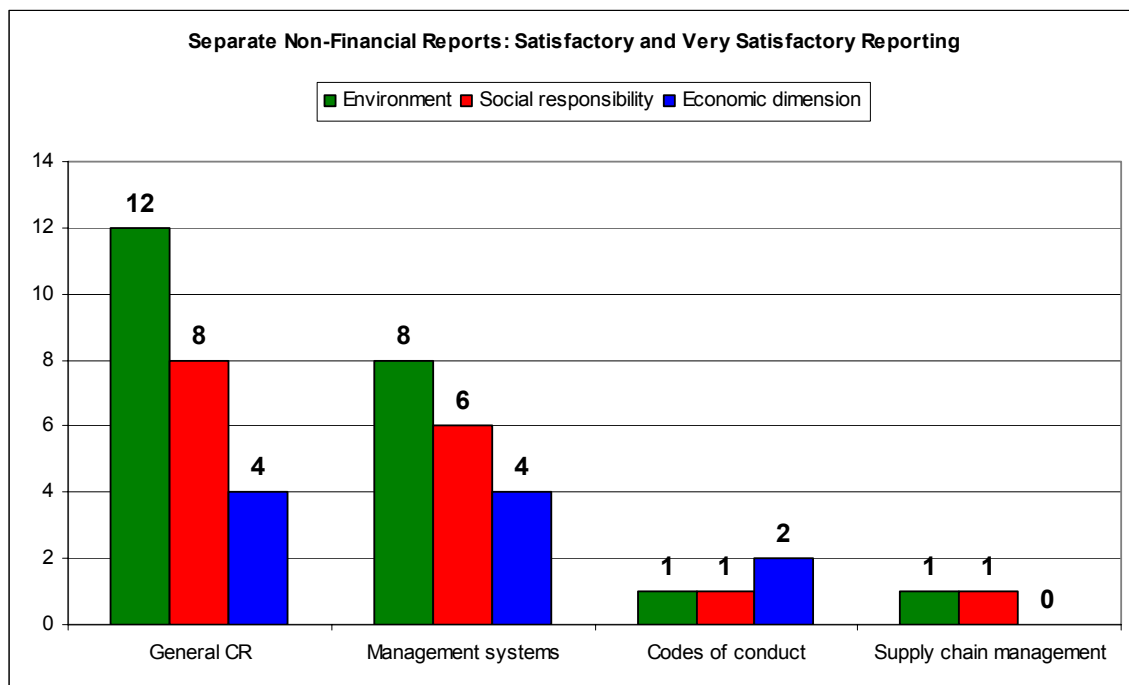


Figure 6.3 Separate non-financial reports: Satisfactory and very satisfactory reporting (N=14)

In terms of providing information regarding General CR policy challenges and performance related to the environmental dimension, 12 of the 14 companies report satisfactory (see figure 6.3). This is the best result overall in the evaluation of CR reports.

With respect to the social and economic dimensions of this variable, results are somewhat poorer. 8 of the companies report well on internal social responsibility, while 9 companies report well on external social responsibility. 4 of the 14 companies report satisfactory or better on business ethics and economic impact on society and stakeholders.

As regards Management Systems, the 14 companies also report best on external environment, where 8 report satisfactory or better. 6 companies report satisfactory on social management systems, while 4 report well on management systems related to the economic dimension of the triple bottom line. It thus appears that in the separate non-financial reports, the tendency to provide insufficient or no information related to external responsibility is reversed. On the contrary, external CR related issues appear to be the area where companies' reports are best on these two variables.

However, as for the annual reports, reporting with respect to Codes of Conduct and Supply Chain Management is particularly weak. No more than one company reports satisfactory on environmental and social codes, while 2 companies report well on business ethical codes. Furthermore, only one company reports well on environmental and social demands to its suppliers, whereas none of the 14 companies report satisfactory on economic/business ethical demands on suppliers in their separate reports. These findings affirm the conclusion from the evaluation of annual reports that a recognition of and a focus on codes of conduct and supply chain management as central elements of CR, is almost entirely absent in the reporting of the 100 largest Norwegian companies.

The average score for companies' separate non-financial reports is 22 out of 52 points. The Kongsberg Group and Statoil ASA receive the highest score, with 30 points each in total. Storebrand, Telenor and Tine similarly obtain satisfactory results, each company receiving a score of 24 points or more.

It is clear that the quality of the separate reports is generally better than the quality of annual reports, although the best separate reports and the best annual reports are of comparable quality. However, it is noteworthy that only 14 out the 100 largest companies in Norway produce separate non-financial reports, and with an average score of only 22 (of 52 possible), there is considerable scope for improvement. There is still a long way to go until companies are reporting extensively along the triple bottom line and include relevant CR aspects as management systems, supply chain management and codes of conduct.

6.5 Differences in reporting practices – due to company size?

This section examines the relationship between the quality of CR reports and company size. Do the largest companies provide superior and more extensive CR reports compared to the smaller companies?

Figure 6.4 illustrates the distribution of the overall scores for the companies' reporting in the board of directors' report, ranged by the size of the company. Size is measured in terms of annual turnover.

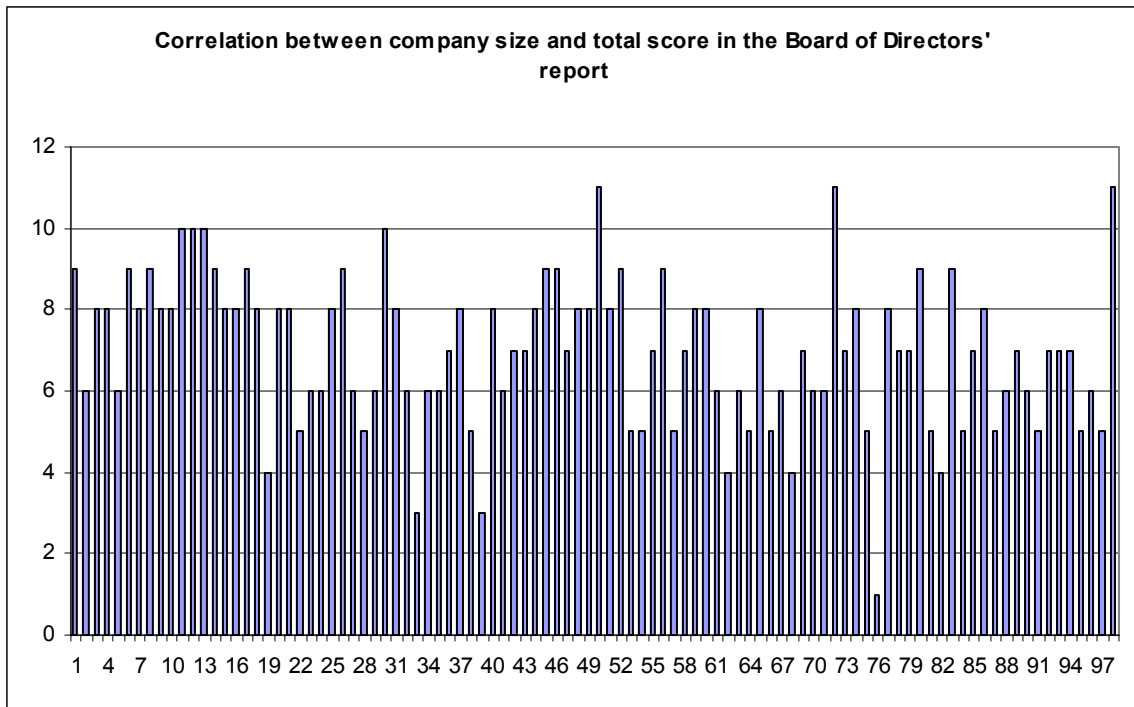


Figure 6.4 Correlation between company size and total score in the board of directors' report (N=98)

No. 1 in the figure represents the largest company in the selection and no. 98 the smallest.

If the largest companies performed consistently better than smaller companies in terms of CR reporting, the tallest columns would be concentrated on the left hand side of the figure. As the figure show however, the distribution is relatively evenly spread, although there is a slight tendency for the largest companies to score a little better. A number of small companies nevertheless measure up to the larger companies best practice, such as NCC Construction and Cermaq, which both obtain a score of 11 (out of 12).

Figure 6.5 illustrates the distribution of overall scores for the CR reporting in the annual report, ranked by size of company. It should be noted that the annual report includes *all* CR information provided in the annual reports (including the board of directors' report). As the figure show, there is a slight but insignificant tendency for larger companies to score higher in terms of quality of CR reporting. Thus in total, these findings suggest that there is no significant correlation between company size and satisfactory CR reporting.

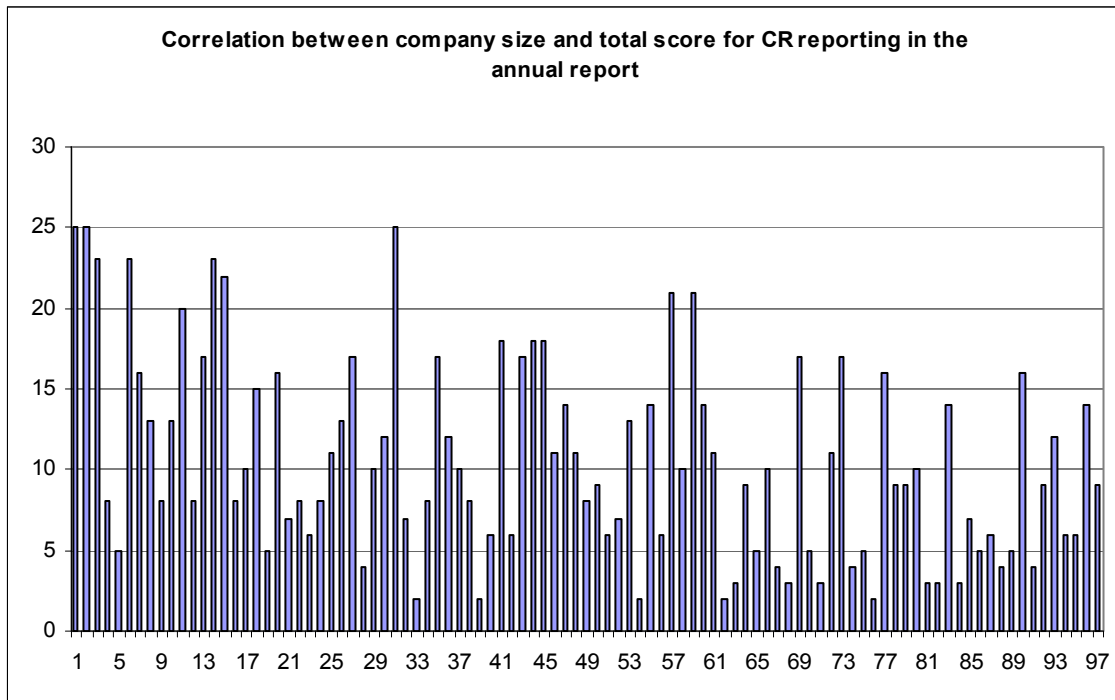


Figure 6.5 Correlation between company size and total score for CR reporting in the annual report (N=98)

Considering the relationship between the factors that motivate companies to issue separate non-financial reports and company size; is it usually the largest companies that produce such additional reports? A common assumption is that large companies are more likely to publish separate reports, as they generally are more familiar with the concept of CR, and because they have the resources necessary to produce them. As figure 6.6 illustrates however, there is no strong tendency for the largest companies to publish separate non-financial reports than for smaller companies. 5 of the 14 reports are issued by the 10 largest companies in our sample. However, 6 of the reports are published by companies among the 50 smallest companies of our sample. This further confirms the proposition that there is no significant correlation between quality CR reporting and company size.

However, it should be kept in mind that this assessment includes the 100 *largest* companies in Norway. Had the survey included for example the 500 largest companies, we would probably have found a stronger correlation between company size and the quality and quantity of CR reporting.

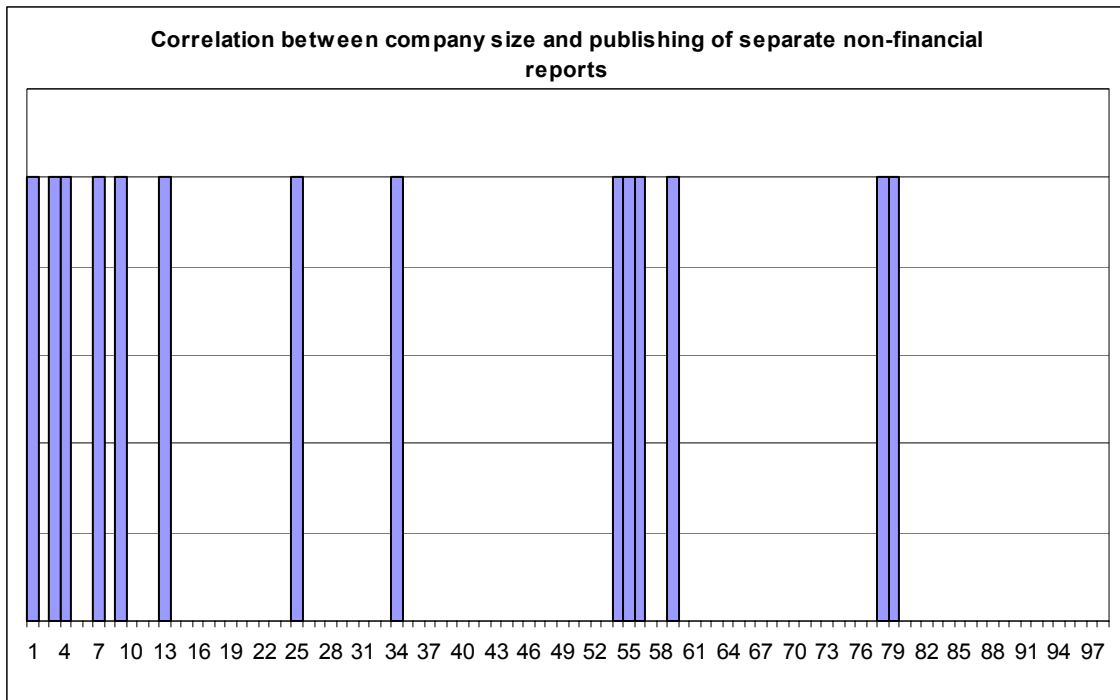


Figure 6.6 Correlation between company size and publishing of separate non-financial reports (N=98)

6.6 Are there any changes in reporting practice during the last years?

ProSus has evaluated CR reporting practice among the largest Norwegian companies since the financial year 2001 (Ruud og Mosvold Larsen 2002 and 2003; Gjølberg og Meling 2003; Jelstad and Gjølberg 2005). Some aspects of the methodology have been changed and improved during these years, which unfortunately renders direct comparison of results difficult in some areas. The results for legally mandated reporting however are statistically comparable with last year's results. Figure 6.7 shows the percentages of satisfactory reporting from 2003 to 2004 with respect to the three legal requirements: environment, working environment and gender equality.

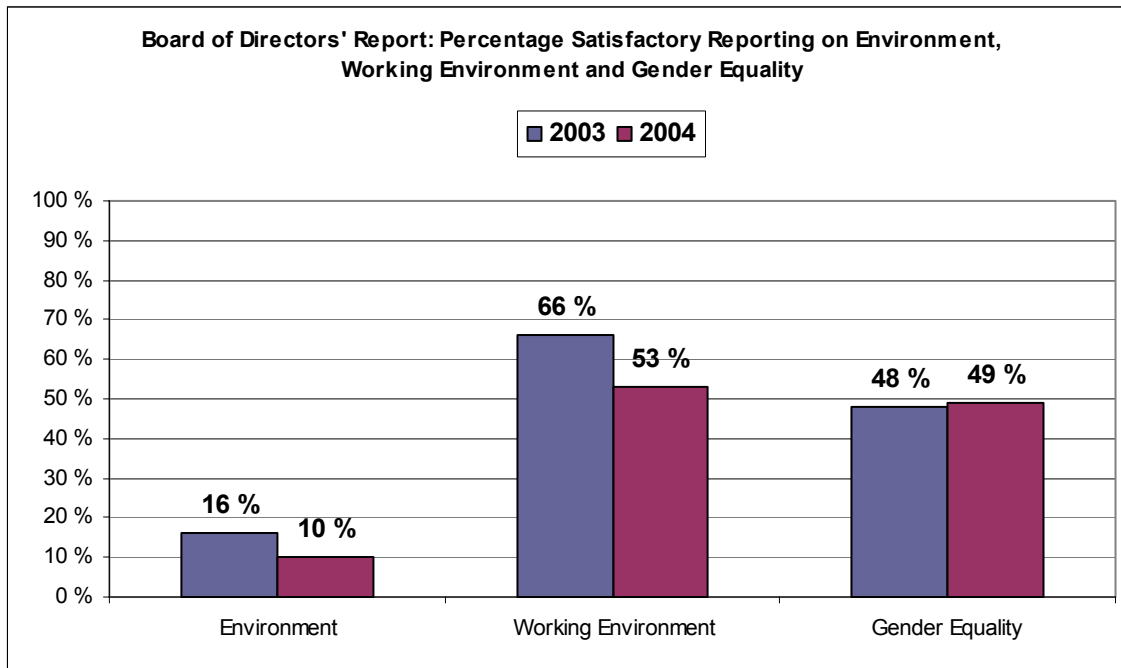


Figure 6.7 Board of directors' report: Comparison of results for legally mandated reporting, financial year 2003 and 2004. Percentage satisfactory and very satisfactory reporting,

This year's results for gender equality reporting are almost identical with last year's results. 48 per cent reported satisfactory or better in 2003, compared to 49 per cent this year. Comparing the results on external- and working environment, it is clear that the share of so-called "law-abiding" companies has decreased. Satisfactory environmental reporting has declined by 6 per cent, while satisfactory reporting on the working environment has declined by 13 per cent. The results thus signify a noteworthy step back in the percentage of "law abiding" companies, to the level of 2001.

After the requirement on gender equality reporting was introduced in 2003, the Gender Equality Ombud has evaluated the provisions and provided information on the requirement to Norwegian companies. The active involvement of the Ombud as such, may serve to elucidate why satisfactory reporting on gender equality has *not* decreased during the last year, in contrast to reporting on environment and working environment.

Previous ProSus-studies distinguished explicitly between *legally mandated* reporting in the board of directors' report and *voluntary* reporting elsewhere in the annual report or in separate reports. These previous studies thus evaluated annual reports and CR reports *together*, and not separately as in this report. In consequence, statistically comparing this year's results with the earlier studies of annual- and separate non-financial reports is unfortunately problematic. Nevertheless, the results indicate that the quality and the amount of space dedicated to CR information in corporate reports has not changed substantially compared to last year, but that a slight decrease in quality of CR reporting is apparent. This tendency is evident with respect to the three variables that are statistically comparable: Codes of conduct – Environment, Codes of Conduct – Social Responsibility, and Supply Chain Management – Economy.

6.5. CR reporting and practice – the Norwegian case

KPMG's international survey of CR reporting for the financial year 2004 shows a substantial increase in published CR reports between 2002 and 2005. Yet, the survey also reveals that – in contrast to other countries included in the study – there has been a significant decrease in the number of separate non-financial reports issued by Norwegian and Swedish companies since 2002 (from 29 per cent to 15 per cent in Norway) (KPMG 2005:10). According to KPMG, it is plausible that in the Norwegian case, the general and extensive reporting requirements of the Accounting Act have caused a decrease in CR reporting. Our results however, do not support this postulation. While the requirements under the Accounting Act are certainly minimal and furthermore remain unsuccessfully employed by the majority of Norwegian firms, its provisions have none-the-less ensured a minimum level of non-financial reporting from companies. We find no valid grounds for the claim that the legal requirements have contributed to weaker voluntary CR reporting in general.

However, the fruitfulness of the Norwegian authorities' approach to CR reporting – which focus on including CR related information in the board of directors' report – should be questioned. Given that the board of directors' report is limited in size to usually consist of maximum 7-8 pages, while the annual report can include up to sometimes 70-80 pages in total, companies can report more extensively about CR in the annual report, beyond the board of directors' report. As the KPMG survey shows, there is already a detectable tendency for Norwegian companies to increasingly publish CR information as a part of the annual report, instead of separate non-financial reports (KPMG 2005:4). As we see it, CR reporting in the annual report (as opposed to in separate reports) offers a more advantageous model, as the incorporation of CR information into traditionally financial reporting in the annual report, can contribute to an improved understanding of the connections between financial and non-financial aspects of business, and to the integration of CR issues into 'business as usual'

Why do so many Norwegian companies fail to abide by the non-financial reporting requirements under the Accounting Act? As emphasised by Ruud, Jelstad and Mosvold Larsen (2005), Norwegian authorities have been insufficiently involved in the follow up, monitoring and enforcement of the non-financial reporting requirements of the Accounting Act. Furthermore, Norwegian authorities should provide correct interpretation of the wording of the Act. Indeed, some of the CR provisions appear too vaguely formulated, as is the case with the requirement on reporting on the external environment. Thus, in order to ensure that the three non-financial reporting requirements of the Accounting Act stands do not remain in the present regulatory vacuum, Norwegian authorities need to recognise more fully the interconnection between the three legal requirements and CR, and take a more active role and responsibility for the development and enforcement of CR related reporting.

The significance of CR reporting as a means to improve actual CR practice is a controversial issue. On the one hand, CR reporting increases transparency, which may in turn lead to enhanced CR practice. Furthermore, reporting may serve as a helpful CR management and monitoring tool. On the other hand, companies are also guilty of utilizing CR reports for marketing and PR purposes primarily, while failing to 'walk the talk'. We believe however that CR reporting is a helpful management and transparency tool. In a case study comparing CR reporting and practice in six Norwegian companies,

ProSus found that the scope of actual performance was relatively consistent with reporting, a finding which renders the argument that CR reporting is simply a PR strategy, problematic (Ruud, Jelstad and Mosvold Larsen 2005). It is notable that some companies actually rather appear to perform better in real life, than what can be read from their CR reporting. Some companies do not report satisfactory on all CR initiatives already in place, as Choice Hotels Scandinavia, which neglected to report on a successful energy consumption reduction project for the hotels. On the whole, we argue that CR reporting contributes to an increased focus and awareness on CR by management personnel and boards in Norwegian companies.

To strengthen CR reporting in Norway, a group of various financial and business stakeholders establish a yearly environmental reporting award in 1994 (now administered by GRIP)²⁶, which since 2002 has included prizes for best triple bottom line reporting by Norwegian companies. The goal of the awards has been to strengthen reporting practice in Norway; to honour and provide examples of best practice; and to influence business to take non-financial reporting into account when assessing companies for investment purposes (SRI). The award has nevertheless received inadequate attention by the media, and the effect that this voluntary initiative has had on reporting practices in Norwegian companies, is questionable. The award appears to be a motivating factor for firms that are already committed to CR reporting (i.e. the forerunners), while the remainder of the population of firms linger behind. We argue that while voluntary initiatives with respect to CR reporting are helpful, they need to be backed further by legal requirements. Many Norwegian companies support this assertion, and have clearly expressed that they view governmental and legal requirements as important drivers for enhanced CR reporting (Munkelien og Goyer 2005).

After five years of evaluating CR reporting in Norwegian companies, the ProSus methodology (see chapter 2) is now being applied by our research partners in the Netherlands and in Ireland, who will conduct similar evaluations of CR reporting among the 100 largest companies in their respective countries. These two studies will be compared to the results presented in this ProSus report. This provides the first step in a comparative study of CR in European countries in 2006 and 2007, with a special focus on CR reporting (and performance) in the Scandinavian countries.

Our decision to split up the evaluations of information presented in the annual reports and in separate non-financial reports, makes it harder to get an overview over a company's voluntary CR reporting as a whole. We realize that this is a methodological choice that can be called into question, and that some value is lost as the voluntary CR reporting is not evaluated as a whole, regardless of where the information is found. Furthermore, this choice has made direct comparison with last year's results more difficult. However, value is also added because evaluating annual reports and separate non-financial reports independently, makes it possible to compare companies' CR reporting in the annual report. In agreement with researchers in Ireland and the Netherlands, this methodological choice was seen as necessary for comparison purposes, and was therefore given priority.

²⁶ Prisen for beste rapportering om samfunnsansvar, prisen for beste rapportering om miljø. <http://www.grip.no/miljorapportering/pris/default.htm>

6.7 CR reporting in Norway: A summary of results and tendencies

On the whole, the results from the evaluation of CR reporting in the 100 largest Norwegian companies indicate that while a few companies exhibit best practice, the majority of companies fail to report satisfactory both with respect to legally mandated- and voluntary reporting. It is indeed noteworthy and alarming that as many as 90 per cent of the companies do not fulfil the legal requirements of the Accounting Act related to reporting on the external environment, while no more than approximately half of the companies report satisfactory on social responsibility and gender equality. Also in terms of voluntary reporting in annual and separate non-financial reports, are companies falling short of satisfying the criteria for satisfactory and good quality reporting.

Generally, it appears to be the case that companies report notably less satisfactory on external social responsibility than on internal social issues, with the exception of some of the companies who produce separate non-financial reports. Given that only 14 companies produce separate reports however, it is thus clear that the majority of Norwegian companies employ the concept of CR in a highly restricted manner, paying little attention to impacts they have on various external stakeholders within society at large, and to the management of these. A related trend, which is consistently evident in all the different forms of CR reports, is the tendency for companies to almost completely neglect reporting on codes of conduct and issues pertaining to supply chain management.

How do Norwegian companies report with respect to the three dimensions of the triple bottom line? In general, it appears that firms report particularly unsatisfactory on issues related to the economic dimension, compared to the environmental and social dimensions. Indeed, the percentage of companies that report satisfactory regarding issues pertaining to socio-economic impact, corruption and business ethics is notably low. It should be noted however that with respect to codes of conduct, companies report better on the economic dimension (i.e. business ethical codes) than on the social and environmental dimension. Thus, there is a tendency for companies to neglect the issue of socio-economic impact, which is an important element of the economic dimension. Regarding reporting on the social- and environmental dimensions, results are in total relatively even. In annual reports, companies generally report somewhat more satisfactory on the social dimension, while in separate non-financial reports, companies report fairly better on environment.

The population of companies studied in this report can be divided into two groups: a smaller number of 'forerunner' companies which generally perform quite well on the reporting indicators, and a larger number of laggards taking a much more reactive stand concerning CR reporting.

In sum, it is clear that Norwegian companies face major challenges in terms of upgrading the quality of reporting with respect to social and environmental external responsibility. Reporting on external impacts and on measures taken to manage and mitigate such impacts is generally weak. By and large, companies report fairly satisfactory concerning ad-hoc social projects, however reporting on the utilization, implementation and performance of management systems, codes of conduct and supply chain management generally stands as particularly inadequate. It is clear that companies find it relatively uncomplicated to report on internal issues related to their own employees, as opposed to their policy and performance regarding external issues related to external stakeholders.

It is perhaps not surprising that reporting on external issues and on the economic dimension is weaker. Reporting on internal issues, e.g. regarding HSE and training for employees, has been on corporate agendas for a much longer time. Issues such as socio-economic impact on external stakeholders in a globalised economy, and ethical, social and environmental codes of conduct, are relatively new issues which have emerged on business agendas only recently, and many companies express that they lack clear and synchronized standards and guidelines on how and what to report. While CR as a managerial idea has gained increasing recognition and adoption by business worldwide during the last decade, it is still a concept which many companies – especially small and medium sized enterprises – continue to be relatively unfamiliar and inexperienced with. This study reveals that this appears to be true for the majority of large Norwegian companies as well, who continues to report rather unsatisfactory with respect to both legally mandated and voluntary CR reporting.

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APPENDIX 1: LIST OF COMPANIES

List of the 100 largest companies in Norway (according to total turnover).²⁷ The list originates from the Norwegian financial newspaper Dagens Næringsliv.

1	STATOIL ASA	40	MØLLERGRUPPEN AS
2	HYDRO ASA	41	A.L. INDUSTRIER ASA
3	TELENOR ASA	42	SKANSKA NORGE AS
4	EXXON MOBIL NORGE AS	43	DYNO NOBEL HOLDING ASA
5	AKER ASA	44	HELSE NORD RHF
6	YARA INTERNATIONAL ASA	45	VINMONOPOLET AS
7	STOREBRAND ASA	46	HAFSLUND ASA
8	TOTAL E&P NORGE AS	47	NSB - NORGES STATSBAKER AS
9	ORKLA ASA	48	SPAREBANK 1 GRUPPEN AS
10	KLP - KOMMUNAL LANDSPENSJONSKASSE	49	PGS - PETROLEUM GEO-SERVICES ASA
11	NORGES GRUPPEN ASA	50	BERTEL O. STEEN AS
12	CONOCO PHILLIPS NORGE	51	VESTA FORSIKRING AS
13	AS NORSKE SHELL	52	BP NORGE AS
14	NORSKE SKOGINDUSTRIER ASA	53	HYDRO TEXACO AS
15	DNB NOR ASA	54	NORDEA BANK NORGE
16	HELSE ØST RHF	55	ODFJELL ASA
17	ICA NORGE AS	56	VARNER-GRUPPEN AS
18	ELKEM ASA	57	KONGSBERG GRUPPEN ASA
19	KVÆRNER ASA	58	JOTUN AS
20	POSTEN NORGE AS	59	DNV - STIFTELSEN DET NORSKE VERITAS
21	COOP NORGE AS	60	FERD HOLDING AS
22	COOP NKL BA	61	MESTA AS
23	REITANGRUPPEN AS	62	NETCOM ASA
24	HELSE SØR RHF	63	MOELVVEN INDUSTRIER ASA
25	TINE GRUPPA	64	O.N. SUNDE AS
27	GJENSIDIGE NOR FORSIKRING	65	APOTEK 1 NORGE AS
28	VEIDEKKE ASA	66	EXPERT ASA
30	HELSE VEST RHF	67	NORDEA LIV
31	GILDE NORSK KJØTT BA	68	FELLESKJØPET ØST-VEST BA
32	ENI NORGE AS	69	NMD GROSSISTHANDEL AS
33	STATKRAFT SF	70	ARROW ELECTRONICS NORWEGIAN HOLDING AS
34	BRAVIDA ASA	71	STATNETT SF
35	ELKJØP NORGE AS	72	AVINOR
36	TORVALD KLAVENESS GRUPPEN	73	UMOE AS
37	NORSK TIPPING AS	74	CERMAQ ASA
38	SCHIBSTED ASA	75	BAMA GRUPPEN AS
39	HELSE MIDT-NORGE RHF	76	TINFOS AS
38	SPAREBANK 1 GRUPPEN	77	NORGES RÅFISKLAG
39	NSB	78	ENTERPRISE OIL NORGE AS

²⁷ No. 26 Stolt-Nielsen SA and no. 29 Frontline Ltd. are not Norwegian registered companies and therefore not included in the study.

79	SIEMENS AS	90	FOKUS BANK
80	WILH. WILHELMOSEN ASA	91	OLAV THON GRUPPEN
81	ABB HOLDING AS	92	NORGROS AS
82	EMENTOR ASA	93	HEWLETT-PACKARD NORGE AS
83	OPTIMERA GRUPPEN AS	94	AF GRUPPEN ASA
84	ROLLS-ROYCE MARINE AS	95	FJORD SEAFOOD ASA
85	EDB BUSINESS PARTNER ASA	96	NRK - NORSK RIKSKRINGKASTING AS
86	IDEMITSU PETROLEUM NORGE AS	97	LERØY SEAFOOD GROUP ASA
87	KVERNELAND ASA	100	RIEBER & SØN ASA
88	AMERSHAM HEALTH AS	99	ISS NORGE AS
89	FMC TECHNOLOGIES AS	100	NCC CONSTRUCTION AS