

## **Annex 5A CSR performance per indicator**

### **Compliance with international standards**

Signing up for the Global Compact is relatively rare (16% of the companies according to the IFU Annual Report 2017). From the 50 case study companies, 40 developed a CSR Action Plan or Sustainability Policy. This is one of the IFU Key Performance Indicators (KPIs): in 2010 27% of companies had a CSR Action Plan and in 2017 this increased to 78%, which corresponds with our findings. A few of the ten companies without a plan<sup>1</sup> did report on CSR issues. The content and details of these CSR Action Plans vary enormously.<sup>2</sup> It should be realised that a CSR Action Plan or policy is useful and it can be seen as a necessary, but definitely not a sufficient condition for good performance.

For agribusiness specific norms apply. The DAF Annual Reports state that companies are required to comply with Danish standards regarding animal welfare and slurry management. However, interviews indicated that Danish norms in particular for pig farms are more strict than EU norms and in the agreements a reference to EU norms is included, while the host country norms are the first point of reference. This shows that IFU is not have very strict on which norms for agribusiness should apply, as some flexibility is allowed. In practice, IFU checks during the appraisal phase which norms will be applied. This is the only sector where external verifications during implementation are done by veterinarians and consultants. The reports show that in most cases the companies comply with the agreed norms, which may vary from one case to another. In some cases deviations were found and in these cases immediate action is taken for which IFU provides support. IFU follows up whether improvement has been realised and norms are respected.

### **Decent labour conditions, occupational health and safety (OHS)**

This is the CSR area that received most attention. It includes issues such as staff development, salaries above minimum wage, workers council, employment satisfaction, canteens and kindergartens. Training is regularly provided with the assistance of a CSR grant. The majority of companies provide labour conditions that are better than average in the local market. Of course, there is quite some variation among companies with some companies excelling and others being just above average.

A related issue is OHS, which is also an important area of attention in almost all companies if applicable. Many companies have clear and detailed safety protocols for employees and visitors with rules that are strictly adhered to. Also regular health checks of employees is a common measure. In some of the exited companies visited, where not only IFU, but also the Danish Partner (DP) operates at a distance, the field visits showed that not in all cases the same level of standards as in the past was still adhered to. This suggests that especially the DP is important in many cases to keep up the high standards. IFU can provide support at a distance, but is not determinant for good

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<sup>1</sup> The ten companies without such a policy included six relatively big companies in which IFU recently invested (including through PPP Funds) where IFU did not insist on elaboration of such a specific policy. The other four cases included two early investments (2004-2005) when this was not yet a strict requirement, one company where the business case was problematic, and one company in the finance sector for which the format was less applicable.

<sup>2</sup> The main focus is on labour conditions, OHS, business ethics and environmental issues.

performance. IFU focuses in its reporting on one KPI: the establishment of a health and safety committee, which was found in 57% of the companies in 2017.

### **Environmental awareness and measures taken**

This is the second most important CSR area/indicator to measure performance.<sup>3</sup> Its importance increased over time in line with international attention to the environment and climate. The field research found evidence for environmental measures taken in at least half of the companies. Environmental actions vary according to the type of industry and sector. Environmental management is very important and includes air pollution mitigation measures, waste management (e.g. closed slurry systems for agribusiness, waste water treatment systems) and separation and recycling of waste. Energy efficiency is another important area of attention and at least in half of the case studies energy efficiency measures were implemented.

### **Business ethics and anti-corruption**

This is an important area, but difficult to measure in practice. Therefore, the assessment is necessarily mainly based on compliance such as anti-corruption clauses in the company's strategy. IFU reports that in compliance terms this area gets relatively less attention than the other areas.

### **Community awareness and actions**

Companies in the production sectors- not finance, IT, funds, services- pay in most cases attention to the community, with the exception of China where most companies are located in industrial zones. IFU KPI 'active participation in local community' is reported to have increased from 30% in 2013 to 54% in 2017. Our count is lower and approx. 30% of the companies in the sample were actively engaged with the community. Community activities often start with awareness actions on safety, health and environmental issues related to the production. In addition, companies are engaged in a broad range of community activities such as kindergartens, establishment of schools, health posts, road maintenance, clean water provision (incl. boreholes) as well as village halls/restaurants, annual parties/tours, presents to community children at national holidays. They are often quite proud of these activities, which are appreciated by the community. In this way the companies can fulfil an important social role in their local environment. However, these ad-hoc well-intended community activities should not be confused with broader development efforts where effects at a larger (sector or other) scale are envisaged. There is a certain risk that these community activities become charity type of activities. One big Danish company with many activities abroad became aware of this challenge and decided to change its strategy towards community engagement. The company decided to replace these ad-hoc activities with support to one global initiative 'Two billion eyes', a NGO providing affordable, adjustable and attractive glasses to people in need. In this specific case, at the entrance of the premises, truck drivers are offered the opportunity to have their eyes checked and they receive glasses if needed. This is considered as a limited focused development action.

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<sup>3</sup> IFU has identified one KPI in this area: sustainability in the supply chain, which went up from 31% in 2013 to 49% in 2017 but it is not clear what exactly is measured.