



Corporate Sustainability Overview | 2022

– Danish OMXC25 Companies

Background

Sustainability is an important focus area for Danish enterprises. Focus on sustainability matters is not only an expectation from stakeholders, but is also becoming an increasingly regulated area where enterprises become subject to enhanced requirements, including with respect to reporting and governance.

In this presentation we provide an introduction to key trends related to sustainability governance and reporting by offering examples and statistics from Danish OMXC25¹ companies (the “Companies”) for the financial year 2021.

The presentation is based on publicly available information found in the Companies’ sustainability reports for the financial year 2021.² The information provided by the Companies has not been independently verified, and direct comparison among the Companies is, at times, not possible owing to different terminology, focus and structure.

This presentation uses the term “sustainability” to cover a broad range of legal and commercial considerations that include other terms such as “CSR” (Corporate Social Responsibility) and “ESG” (Environmental, Social and Governance).

In this presentation, BoD = Board of Directors, ExMa = Executive Management and percentages are to one decimal place.

This presentation is not exhaustive and is for illustrative purposes only. It is not intended to provide legal advice.

For further information, please feel free to contact a member of our compliance and sustainability team.

1) OMXC25 currently comprises 24 companies as A.P. Møller - Mærsk is counted twice owing to share class sizes.

2) 2021/2022 for companies with a non-calendar financial year.

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Introduction

Sustainability governance and reporting landscape

- key focus points

Financial Statements Act: Statutory reporting

Sections 99a(1) and (2) of the Financial Statements Act³ state that large companies must supplement the management commentary with a non-financial CSR report.⁴

The report must include information on environmental matters, social and staff matters, and matters relating to human rights, anti-corruption and bribery, including policies and processes related thereto.

If a company does not have CSR policies, the management commentary should state why.

Proxy advisors

Proxy advisory firms, especially Institutional Shareholder Services Inc. (“ISS”) and Glass, Lewis & Co. (“Glass Lewis”), play an increasingly influential role in Danish corporate governance by providing shareholders with recommendations on how to vote at general meetings of listed companies (thereby influencing voting outcomes).

Both ISS and Glass Lewis have made separate voting recommendations on sustainability, respectively International Sustainability Proxy Voting Guidelines and Policy Guidelines on ESG initiatives.

3) Regulation based on Non-Financial Reporting Directive, which is expected to be replaced by the new Corporate Sustainability Reporting Directive.

4) Financial institutions are covered by Executive Order no. 281 of 5 September 2014. Section 135 imposes disclosure obligations on corporate sustainability.

5) The Recommendations on Corporate Governance (the “Recommendations”) are prepared by the Danish Committee on Corporate Governance. In accordance with section 107b of the Financial Statements Act, listed companies must include a statement on corporate governance in which they are required to consider the Recommendations and either comply with them or provide explanations of alternative practices.

Recommendations on Corporate Governance

The Corporate Governance Recommendations⁵ include several recommendations relevant in relation to sustainability. For instance, the Recommendations (1.4.1) state that the board of directors is recommended to approve a policy for the company’s CSR, including social responsibility and sustainability, and recommend that the policy be accessible in the management commentary and/or on the company’s website.

The board of directors should continuously ensure that the company complies with the CSR policy, and the company should consider to report CSR development and any new measures on its website on an annual basis.

EU Taxonomy Regulation and Disclosure Regulation

The EU Taxonomy establishes a green classification system for determining the degree to which an economic activity is environmentally sustainable. It is a transparency tool introducing mandatory disclosure obligations on certain companies and investors, requiring them to disclose their share of Taxonomy-aligned activities.

The Sustainable Finance Disclosure Regulation (SFDR), effective from 10 March 2021, imposes new transparency and disclosure requirements on financial market participants at both the product and entity level, distinguishing in general between (i) financial products with sustainable investment as their specific objective and (ii) financial products that promote environmental and/or social characteristics.

Companies in the benchmark analysis

C25 companies 2021⁶

A.P. Møller - Mærsk A/S	H. Lundbeck A/S ⁷
Ambu A/S	Jyske Bank A/S (New)
Bavarian Nordic	ISS A/S
Carlsberg A/S	Netcompany Group
Chr. Hansen Holding A/S	Novo Nordisk A/S
Coloplast A/S	Novozymes A/S
Danske Bank A/S	Pandora A/S
Demant A/S	ROCKWOOL International A/S
DSV A/S	Royal Unibrew A/S
FLSmidth & Co. A/S	Tryg A/S
Genmab A/S	Vestas Wind Systems A/S
GN Store Nord A/S	Ørsted A/S

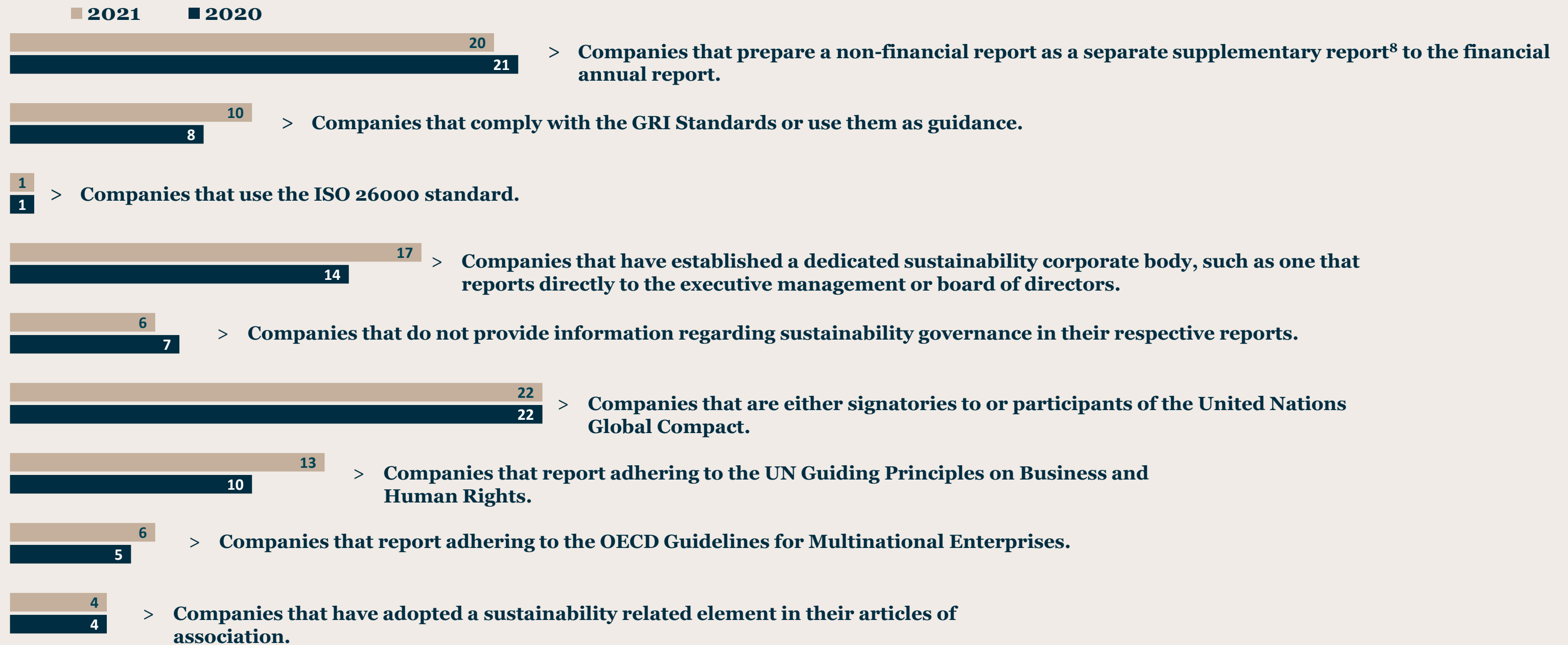
C25 companies 2020⁶

A.P. Møller - Mærsk A/S	H. Lundbeck A/S
Ambu A/S	ISS A/S
Bavarian Nordic	Netcompany Group A/S
Carlsberg A/S	Novo Nordisk A/S
Chr. Hansen Holding A/S	Novozymes A/S
Coloplast A/S	Pandora A/S
Danske Bank A/S	ROCKWOOL International A/S
Demant A/S	Royal Unibrew A/S
DSV A/S	SimCorp A/S
FLSmidth & Co. A/S	Tryg A/S
Genmab A/S	Vestas Wind Systems A/S
GN Store Nord A/S	Ørsted A/S

6) A.P. Møller - Mærsk has two listed shares, but only one is included.

7) In 2022, Nordea Bank replaced H. Lundbeck in the OMX Copenhagen 25 Index. As this benchmark is based on information from the financial year 2021, the report will not reflect the change made to the index in 2022.

Development in sustainability reporting for OMXC25 Companies



8) The Companies refer to their non-financial report as “Sustainability report”, “CSR report” or “ESG report”, and these are all included in the diagram.

Governance

Corporate sustainability bodies

17 Companies (71%) have established a separate sustainability body that reports directly to the ExMa or BoD.

Two Companies (8%) have explicitly decided not to have separate sustainability bodies. Instead, they state that the BoD and ExMa are actively involved in the implementation and accountability of the sustainability strategy.

Five Companies (21%) have not provided information regarding sustainability governance in their respective sustainability reports.

None of the Companies have established a separate, dedicated sustainability committee as part of the board of directors, see the table on the following page.

Information provided by the Companies in their sustainability reports is not directly comparable. In the table overleaf, the respective sustainability body for each Company has been presented with the same name and description as the Company has used in its sustainability report.

Note that some Companies include ESG and sustainability matters within their audit committee.

Corporate sustainability bodies

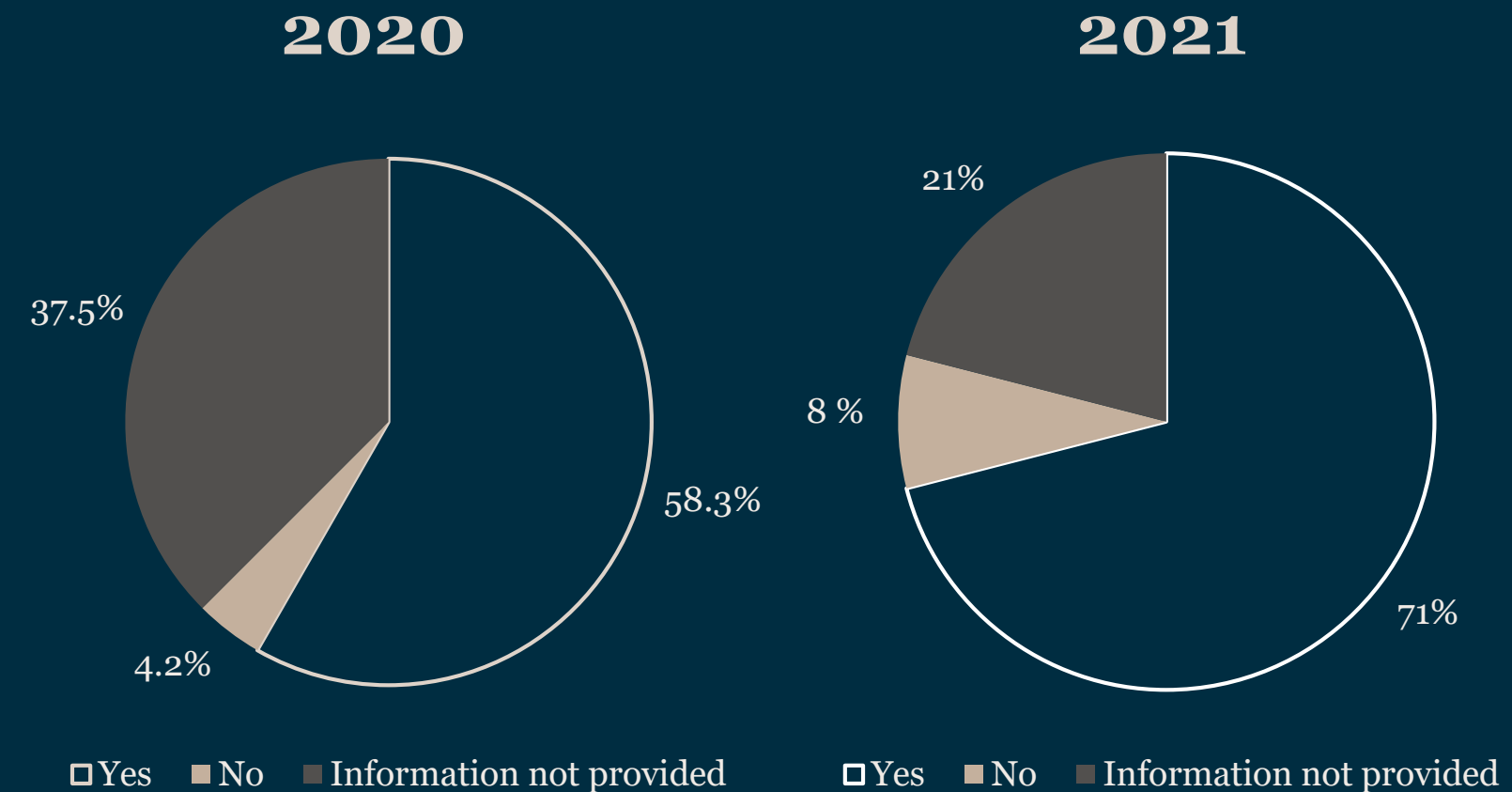


Table of sustainability bodies – based on sustainability reports

Company	Separate, dedicated sustainability committee as part of the board of directors	Other sustainability bodies and reporting structure
AMBU	No	Yes, a Sustainability & ESG Committee reporting to the ExMa.
A.P. Møller - Mærsk	No	Information not provided in the sustainability report.
Bavarian Nordic	No	Yes, a Sustainability Committee reporting to the ExMa.
Carlsberg	No	Yes, a Sustainability Advisory Board reporting to the ExMa.
Chr. Hansen Holding	No	Yes, a Sustainability Board. Chaired by the President and CEO. Reporting not specified.
Coloplast	No	Yes, a sustainability steering committee reporting to the ExMa.
Danske Bank	No	Yes, a Sustainable Finance Theme Steering Committee, which operates as a sub-committee to the Business Integrity Committee, which is reporting to the BoD.
Demant	No	Yes, a Sustainability Board reporting to the BoD.
DSV	No	Yes, a Sustainability Board reporting to the ExMa.
FLSmidth & Co.	No	No, but active involvement from the BoD and the ExMa in the accountability and implementation of the sustainability strategy.
Genmab	No	Yes, a CSR Committee. Co-chaired by the CEO and SVP Investor relations and Communications. Reporting to the Nominating and Corporate Governance Committee.
GN Store Nord	No	The company has intentionally decided not to adopt separate sustainability governance, but sustainability is subject to discussion between the BoD, ExMa and senior management level.
ISS	No	Yes, a Sustainability Committee of the Executive Group Management (wider group than the ExMa) addressing ESG-related matters.
Jyske Bank		Yes, a Sustainability Committee reporting to the Senior Management.
Lundbeck	No	Information not provided in the sustainability report.
Netcompany	No	Information not provided in the sustainability report.
Novo Nordisk	No	Information not provided in the sustainability report.
Novozymes	No	Yes, a Corporate Sustainability Committee. Information on reporting not provided in the sustainability report, however, the BoD is responsible for ESG performance.
Pandora	No	Yes, a Sustainability Board. Reporting structure not specified.
Rockwool	No	Yes, a Group Sustainability Committee reporting to the ExMa.
Royal Unibrew	No	Information not provided in the sustainability report.
Tryg	No	Yes, a Corporate Responsibility Board reporting to the ExMa.
Vestas Wind Systems	No	Yes, a Sustainability Committee reporting to the ExMa.
Ørsted	No	Yes, a Sustainability Committee reporting to the ExMa.

OMXC25 Companies with a sustainability related element in their articles of association

Four of the 24 Companies (17%) have included a sustainability related element as part of their corporate objects set out in their articles of association:

Chr. Hansen Holding:

“In every respect, the Company will seek to carry on its activities in a socially, environmentally and financially responsible manner.”

H. Lundbeck:

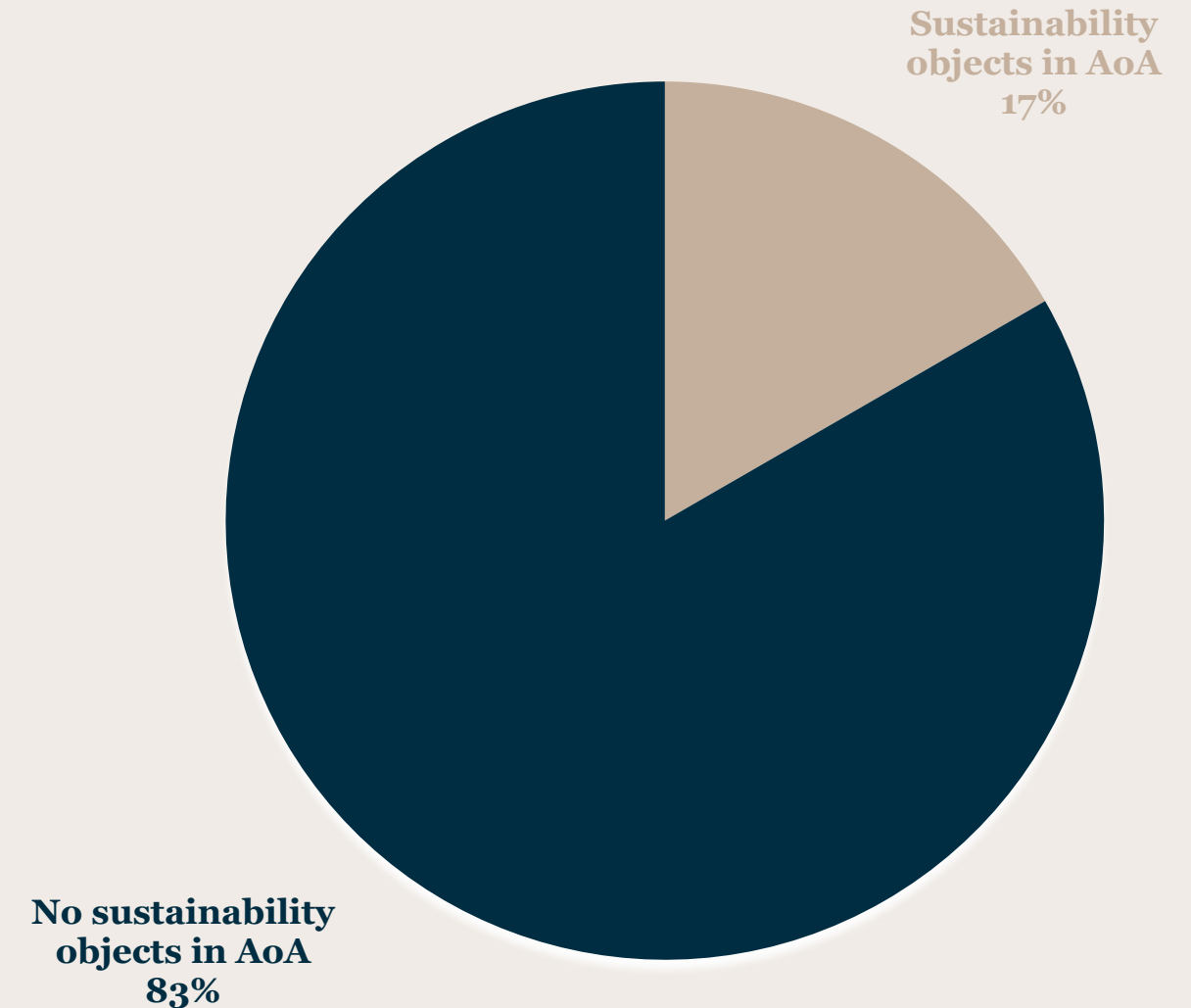
“The Company is committed to conducting its business in a financially, environmentally and socially responsible manner.”

Novo Nordisk:

“The Company strives to conduct its activities in a financially, environmentally, and socially responsible way.”

Novozymes:

“The Company strives to operate in a sustainable and responsible manner, inter alia in a financial, environmental and social regard.”



Soft law standards and guidelines

The United Nations Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs) were adopted by UN Member States in 2015 as part of the 2030 Agenda for Sustainable Development.

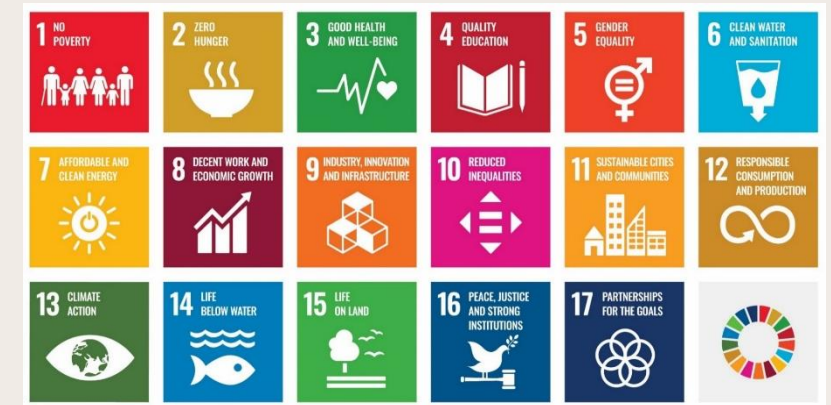
The SDGs are built on work among the UN Member States, the UN and the UN Department of Economic and Social Affairs.

All of the Companies report that they work actively with the SDGs.



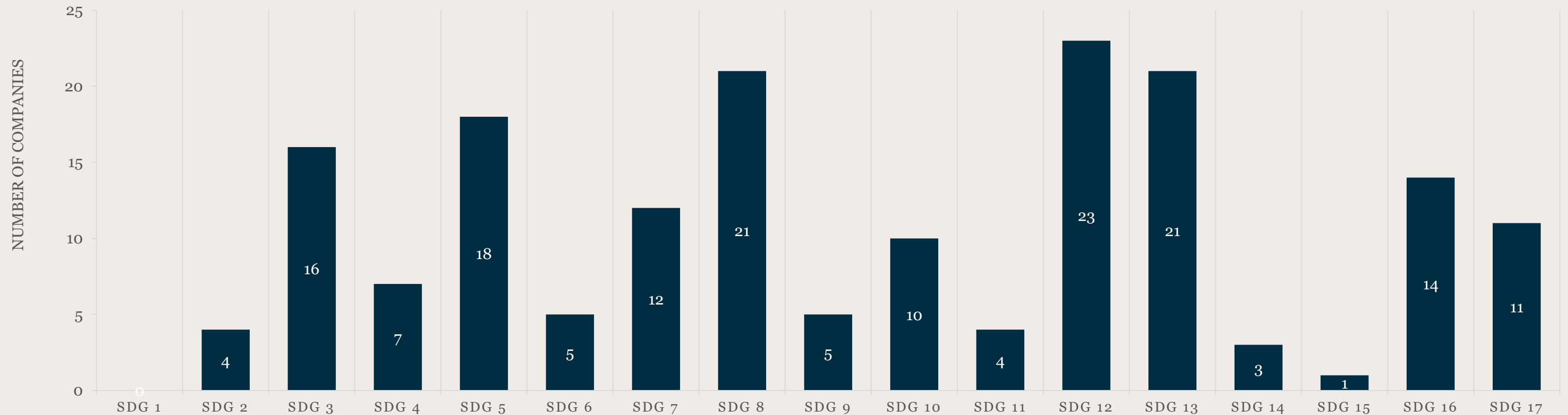
Number of Companies focusing on each SDG

This chart provides an overview of the SDGs that the Companies actively focus on.

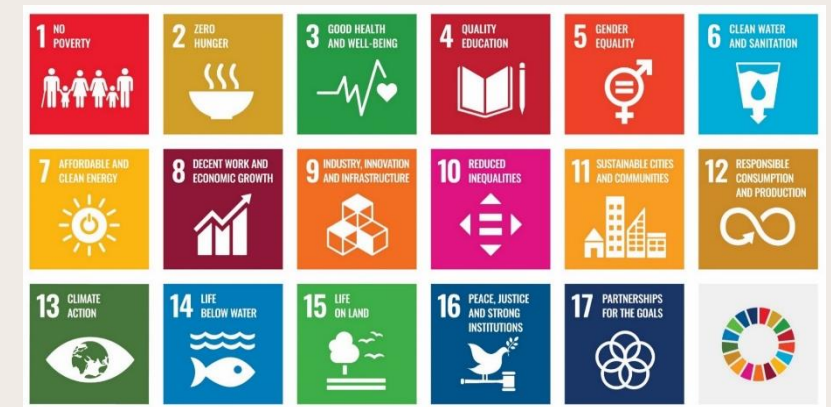


SDG 12 (responsible consumption and production) is the goal with most focus. 23 of the 24 Companies (95.8%) focus on this goal. This goal is closely followed by **SDG 8** (decent work and economic growth) and **SDG 13** (climate action), on which 21 of the Companies (87.5%) focus.

SDG 1 (no poverty) is the one goal that none of the Companies focus on, and **SDG 15** (life on land) is only mentioned by one of the Companies (4.2%). **SDG 14** (life below water) is mentioned by three Companies (12.5%). Both **SDG 2** (zero hunger) and **SDG 11** (sustainable cities and communities) are mentioned by only four Companies (16.7%).



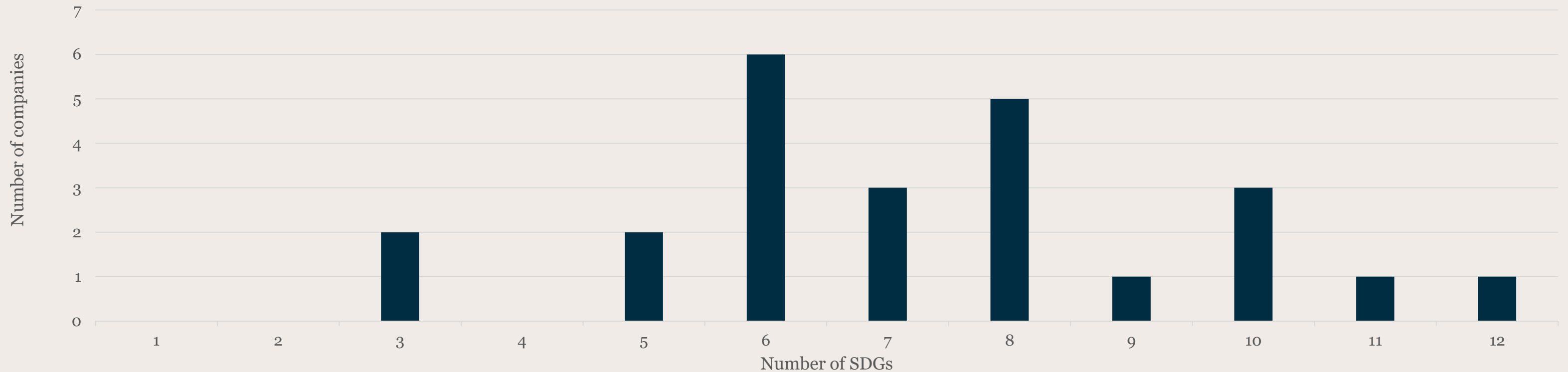
Number of SDGs focused on by each of the Companies



This chart illustrates the number of SDGs each of the Companies actively focuses on.

Six is the most popular number of SDGs for the 24 Companies to focus on. **Six** of the Companies focus on six SDGs. **Five** Companies focus on eight SDGs.

The highest number of SDGs focused on is **12**, as reported by one of the Companies. The lowest number of SDGs specifically focused on is **three**, which applies to two of the Companies. All of the Companies report that they focus on specific SDGs.



Number of Companies adhering to the UN Global Compact

22 of the Companies (91.7%) are either signatories to or participants of the United Nations Global Compact (“UNGC”).⁹

13 of the Companies (54.2%) are signatories to the UNGC, meaning that they must actively engage with the UNGC at their national or regional level and make an annual financial contribution based on their annual gross sales or revenue if their revenue is over USD 50 million.

9 of the Companies (37.5%) are participants of the UNGC, meaning that they must actively engage with the UNGC at the global level and at their national or regional level. All businesses must make a yearly financial contribution based on their annual gross sales or revenue.

The UNGC is the UN’s corporate sustainability initiative.

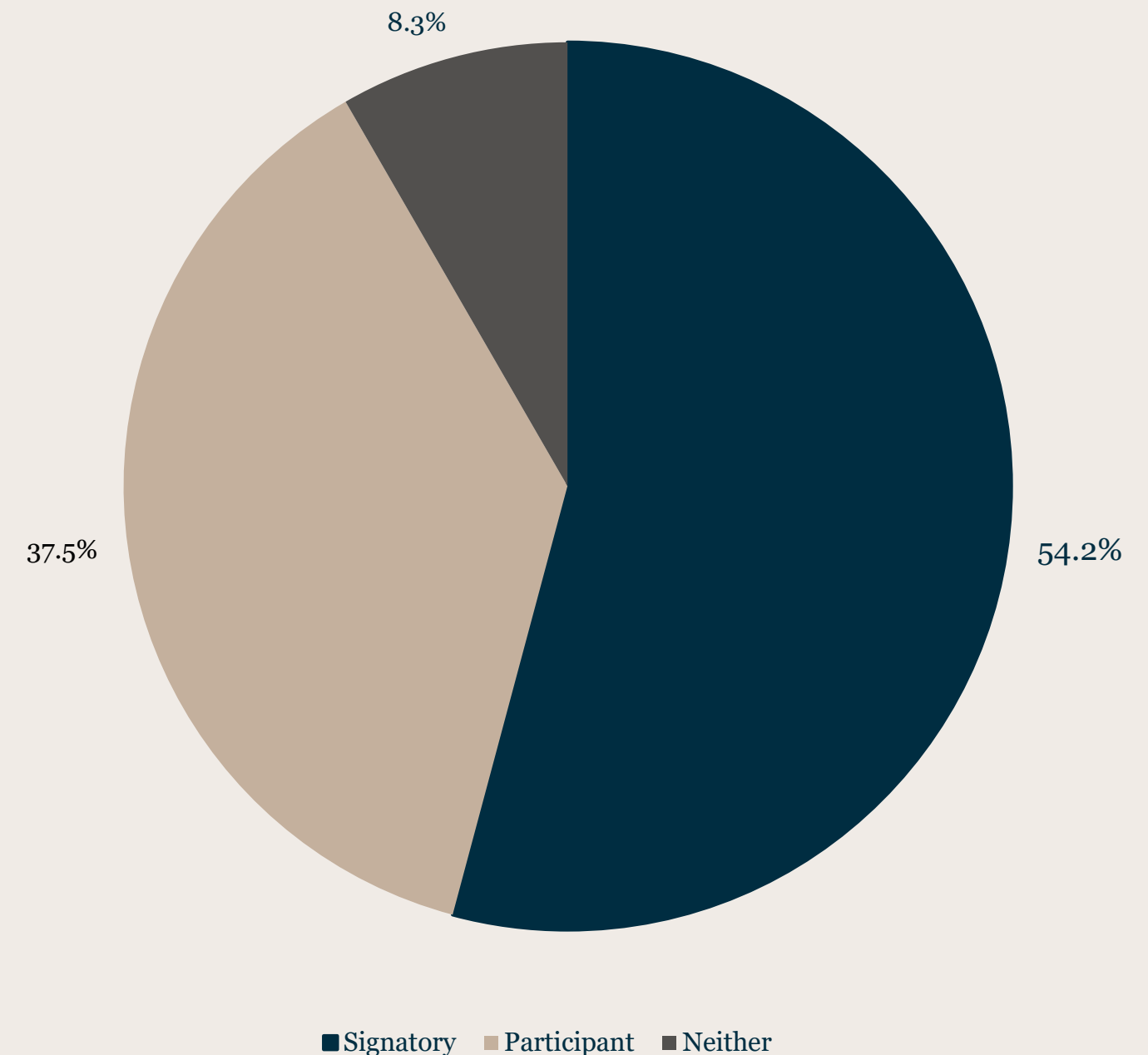
The UNGC highlights that it supports companies in:

- doing business responsibly by aligning their strategies and operations with the 10 UNGC principles on human rights, labour, environment and anti-corruption; and
- taking strategic actions to advance broader societal goals, such as the SDGs, with an emphasis on collaboration and innovation.

⁹) Two Companies adhere to the principles.

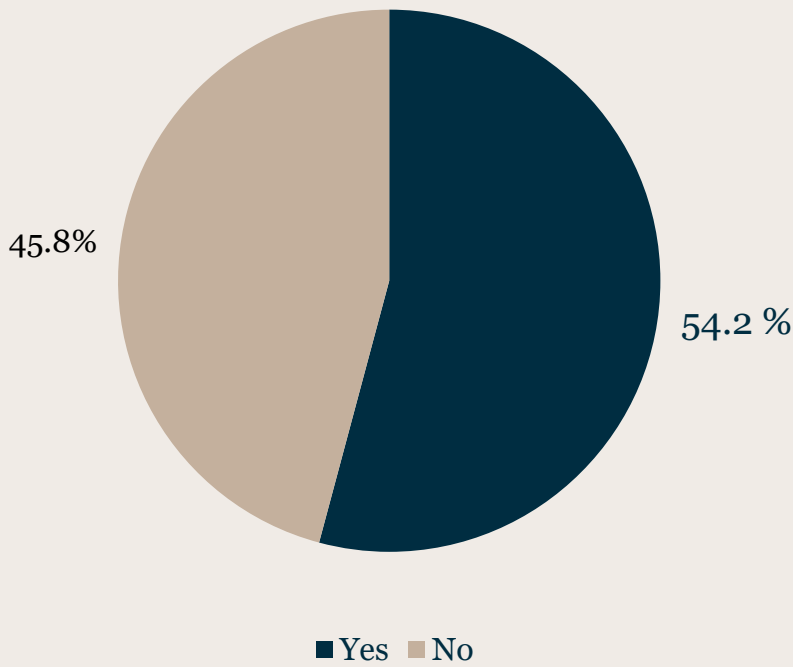


Signatory/participant of the UNGC



Number of Companies that adhere to the UN Guiding Principles or OECD Guidelines

UN Guiding Principles on Business and Human Rights



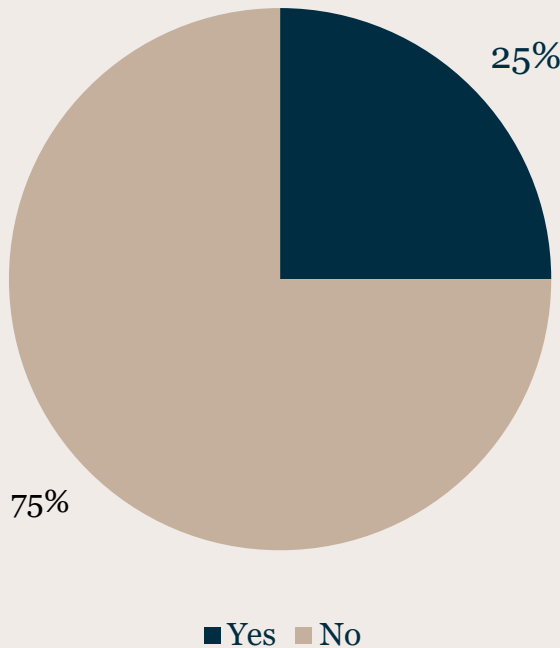
13 of the Companies (54.2%) report to be adhering to the UN Guiding Principles on Business and Human Rights.¹⁰

The Companies’ adherence to the principles is stated in various ways. A few examples: “*the company is guided by the principles*”, “*committed to the responsibility in the principles*”, “*committed to the principles*”, “*focused on implementing the principles*”, and “*committed to be compliant with the principles*”.

The UN Guiding Principles on Business and Human Rights are a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.

10) This benchmark only includes information on whether the Companies have mentioned that they adhere to the principles and not how they comply with the principles. Companies that have stated that they adhere to the principles on the websites have been included in the diagram.

OECD Guidelines for Multinational Enterprises



Six of the Companies (25%) report to be adhering to the OECD Guidelines for Multinational Enterprises.¹¹

The Companies’ adherence to the principles is stated in various ways. A few examples: “*committed to the principles*”, “*adhere to the standards and commitments in the OECD Guidelines...*”, “*follows the OECD guidelines*”, and “*guided by the OECD Guidelines...*”.

The OECD Guidelines for Multinational Enterprises are a set of recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from adhering countries.

11) This benchmark only includes information on whether the Companies have mentioned that they adhere to the principles and not how they comply with the principles.

Sustainability Reporting

Sustainability reporting format

Four of the Companies (16.7%) report on CSR directly in the management commentary as part of the annual report. **20 of the Companies (83.3%)** report on CSR by means of a separate supplementary report to the annual report. None of Companies include the CSR reporting only on the company website with a reference to the management commentary.

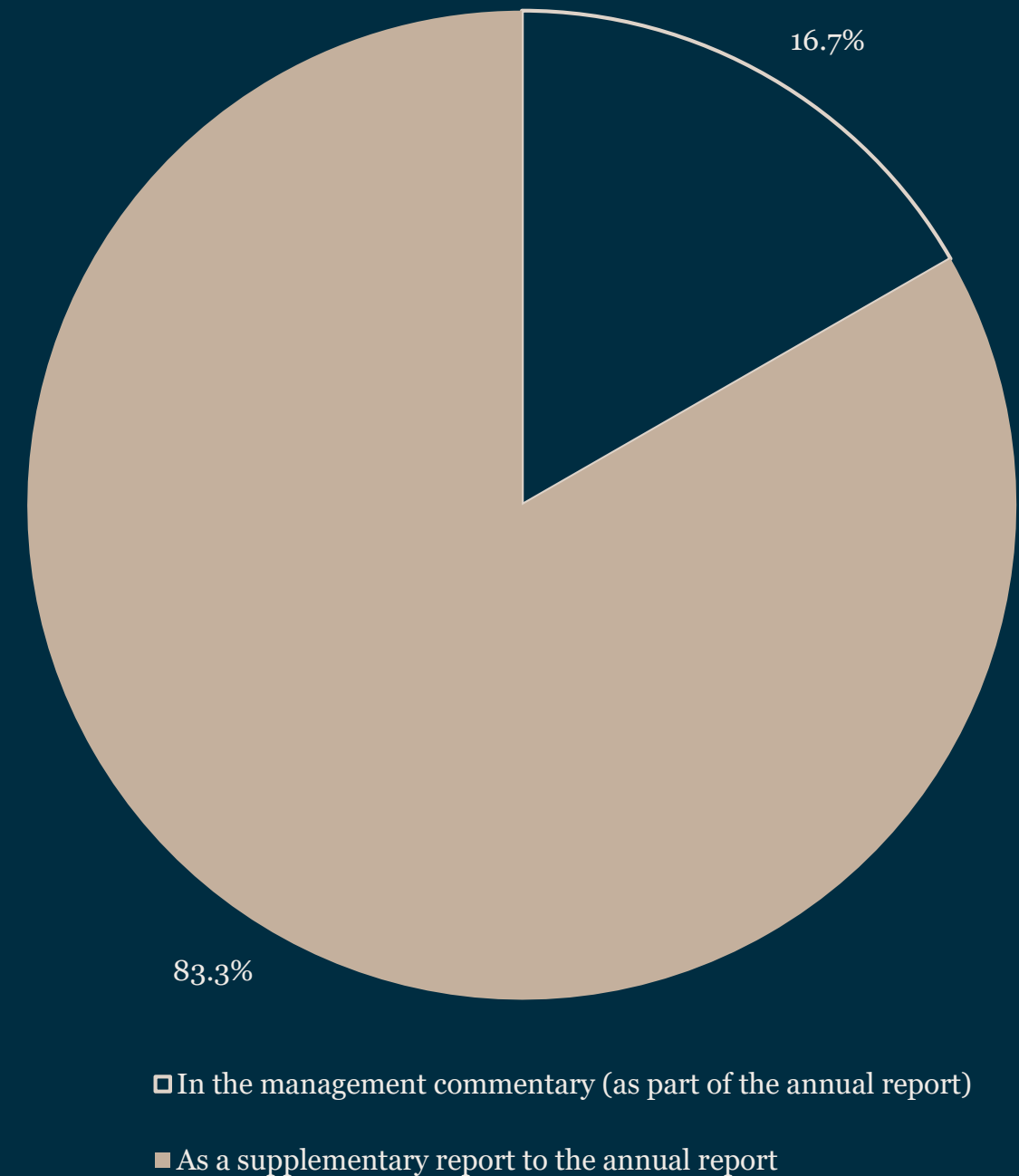
Titles of the CSR report differ, particularly if it is a supplementary report, i.e. separate from the annual report. Where there is a supplementary report, **15 of the 24 Companies** have a *Sustainability Report*; three of the Companies have a *CSR Report*; and two of the Companies have an *ESG Report*.

Section 99a(5) of the Financial Statements Act states that the CSR report must be included:

- in the management commentary (as part of the annual report);
- as a supplementary report to the annual report with a reference to the management commentary; or
- on the company's website with a reference to the management commentary.

The Recommendations on Corporate Governance reflect, at 1.4.1, the recommendation that the CSR policy be available in the management commentary and/or on the company's website.

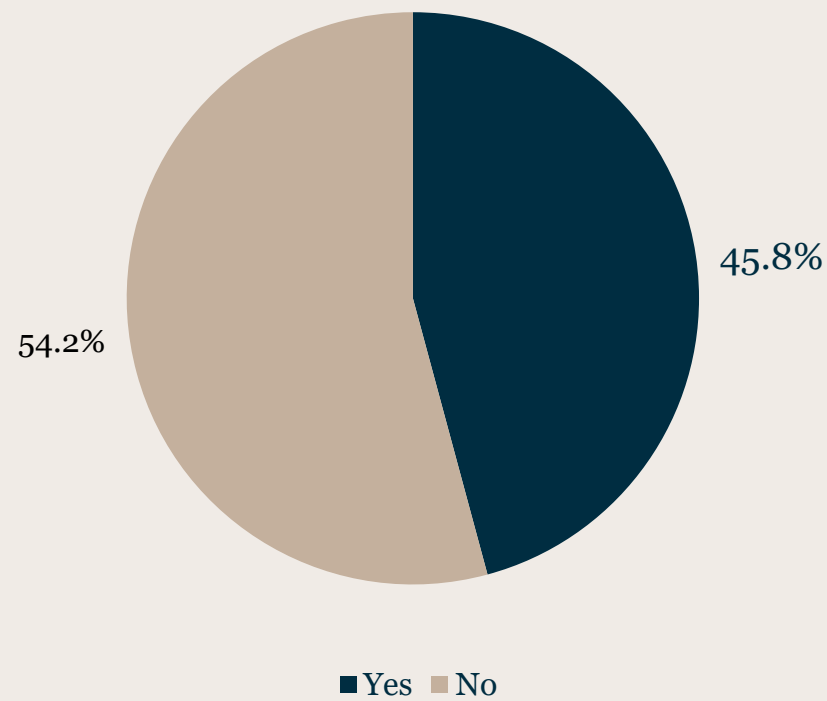
Reporting format



In 2020:
12.5% had the CSR report included directly in the management commentary (as part of the annual report)
87.5% had the CSR report included as a supplementary report to the annual report.

Sustainability reporting guidelines

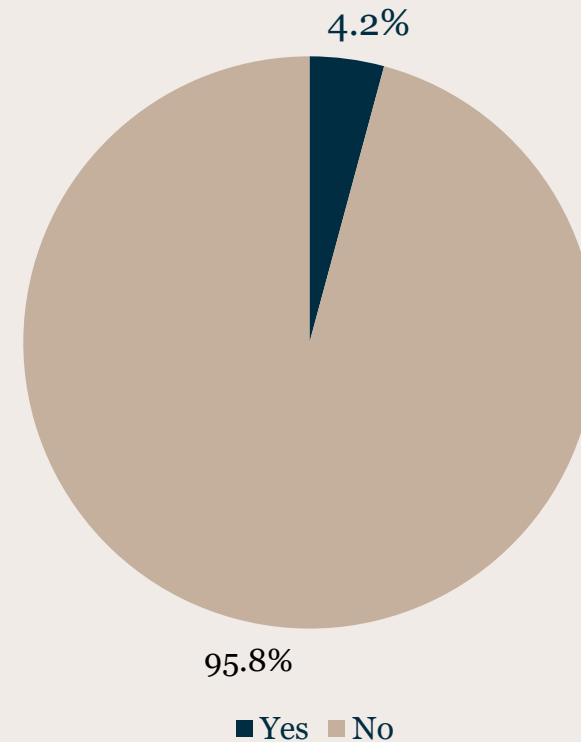
GRI Standards



11 of the Companies (45.8%) state that they report either in full compliance with the GRI Standards, or that they use the GRI Standards as guidance for their sustainability reporting.

The GRI Standards are a set of standards for sustainability reporting provided by the independent and international organization, the Global Reporting Initiative.

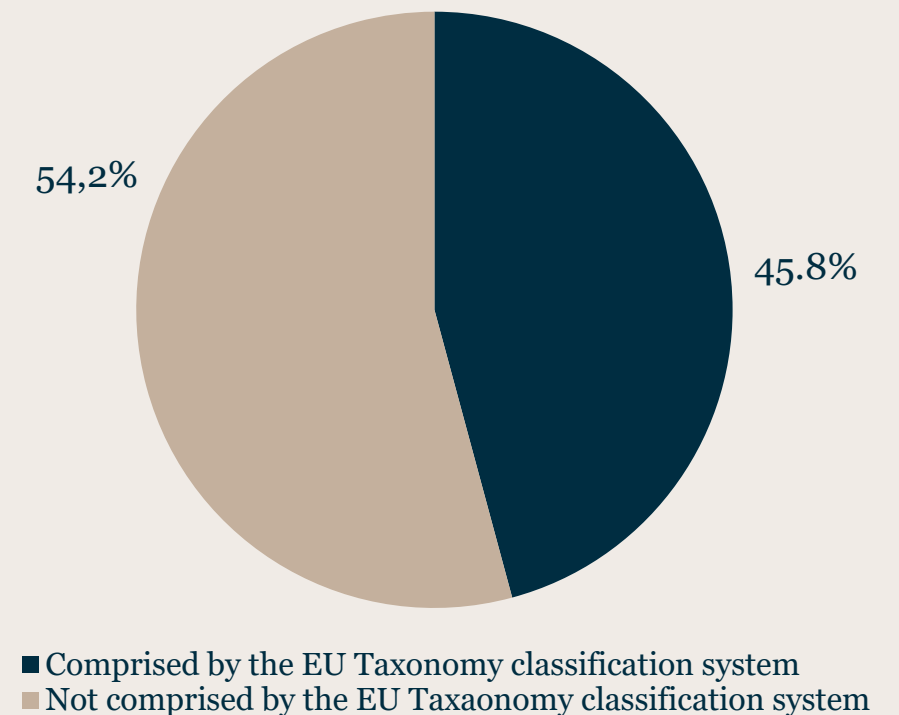
ISO 26000



One of the Companies (4.2%) report using the ISO 26000 standard.

ISO 26000 is a recognised standard of the International Organization for Standardization that provides guidance for organizations when assessing their commitment to sustainability and overall performance.

EU Taxonomy classification system



11 of the Companies (45.8%) are comprised by the Taxonomy Regulation.

The Taxonomy Regulation establishes a classification system (or taxonomy) which provides businesses with a common language to identify whether or not a given economic activity should be considered "environmentally sustainable".

What's next?

CSRD – Corporate Sustainability Reporting Directive

On 21 June 2022, the Council and European Parliament reached a provisional political agreement on the Corporate Sustainability Reporting Directive (“CSRD”) which would amend the existing reporting requirements of the current Non-Financial Reporting Directive (NFRD). The proposal aims to expand sustainability reporting requirements, as part of the EU’s Green Deal.¹² For example, companies would need to provide more detailed information on the sustainability risks to which they are exposed and on their own impact on people and the environment (the double materiality principle).

The key elements in the CSRD are:¹³

- to extend the scope of the reporting requirements: large listed companies (+500 employees) already covered by the NFRD will be covered from 1 January 2024; large companies not currently covered by the NFRD will be covered from 1 January 2025; listed SMEs, small and non-complex credit institutions, etc. will be covered from 1 January 2026;
- to require (audit) assurance of reported sustainability information;
- to specify in more detail the information that companies should report and require them to report in line with mandatory EU sustainability reporting standards;
- to require companies to digitally “tag” the reported information, so that it is machine readable and feeds into the European single access point envisaged in the capital markets action plan; and
- to ensure that all information is published in a dedicated section of company management reports.

The new sustainability reporting standards of CSRD are currently (Q3 2022) being developed and are intended to be applicable as of 1 January 2023.

[Link to proposal for CSRD](#)

[Link to FAQ on CSRD](#)

¹²) The European Green Deal is a set of policy initiatives coordinated across the EU and its Member States. The Green Deal provides a legislative framework to support the transition towards net zero gas emissions in the EU by 2050.

¹³) The draft of 21 June 2022 remains subject to further legislative scrutiny and approval. However, the draft directive gives a good indication of the scope and likely extent of the obligations which will be set out in the final directive.

Corporate Sustainability Due Diligence Directive

On 23 February 2022, the Commission adopted a proposal for a draft directive of the EU Parliament and EU Council on Corporate Sustainability Due Diligence. The directive is intended to set out a horizontal framework to advance respect for human rights and environmental protection in companies' operations and through their value chains by identifying, preventing, mitigating and accounting for their adverse human rights and environmental impacts and having adequate governance, management systems and measures in place. In its draft form, the directive includes also elements related to directors' duties.

The directive will apply to EU and non-EU companies, based on a turnover criterion.

The main requirements for companies are to:¹⁴

- Integrate due diligence into their policies
- Identify actual or potential adverse human rights and environmental impacts
- Prevent or mitigate potential impacts
- Bring to an end or minimise actual impacts
- Establish and maintain complaints procedure
- Monitor the effectiveness of the due diligence policy and measures
- Publicly communicate on due diligence

The main requirements for directors are to:¹⁴

- Take into account human rights, climate and environmental consequences of their decisions in acting in the best interest of the company
- Adopt a plan to ensure a company's business model and strategy is compatible with the transition to a sustainable economy and with limiting global warming to 1.5 degrees in line with the Paris Agreement
- Be responsible for putting in place and overseeing the company's due diligence programme, with due consideration of relevant input from stakeholders and civil society organisations

¹⁴) The draft of 23 February 2022 remains subject to further legislative scrutiny and approval. However, the draft directive gives a good indication of the scope and likely extent of the obligations which will be set out in the final directive.

EU proposal for a regulation prohibiting forced labour products

On 14 September 2022, the Commission presented a proposal for a regulation to prohibit products made with forced labour on the EU market, including goods produced in the EU, imports into the EU and exports from the EU.¹⁵

The proposal covers all products without targeting specific companies or industries.

According to the proposal, economic operators shall not place or make available products that are made with forced labour on the EU market.

The enforcement of the regulation will be carried out by the member states' competent authorities, which on a risk-based approach must investigate whether economic operators do not live up to the prohibition. Economic operators must withdraw the relevant products already made available from the Union Market if it is found that these are made with forced labour.

It is proposed that civil society can submit information for investigation by the national competent authority.

The regulation will apply 24 months from its entry into force. There is currently limited information on the further process of the proposal.

15) The draft of 14 September 2022 remains subject to further legislative scrutiny and approval. However, the draft regulation gives a good indication of the scope and likely extent of the obligations which will be set out in the final regulation.

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