



# Corporate Sustainability Overview | 2023

## – Danish OMXC25 Companies

# Introduction

Corporate sustainability has taken on a completely new role in recent years. What was once considered a peripheral concern has over a short period of time risen to become a central pillar of corporate strategy and risk management.

The focus on sustainability is not just a preference from stakeholders; it is evolving into a large web of regulations encompassing comprehensive reporting and governance requirements. Danish enterprises are alert to the sustainability agenda, the existing and upcoming legislation and the increasing stakeholder focus and are preparing for the new requirements.

The regulatory environment surrounding sustainability has undergone substantial growth, and the concept of sustainability has transcended its early, narrow definitions. It now understood more holistically and seeks to integrate environmental, social and governance (ESG) factors into every aspect of business operations.

In this presentation, we provide our annual update and introduction to key trends related to corporate sustainability by offering examples and statistics from Danish OMXC25<sup>1</sup> companies (the “Companies”) for the financial year 2022<sup>2</sup>. In this year’s overview, we have expanded our analysis to include also benchmarks on the trend “ESG activism” at annual general meetings, e.g., whether ESG-related proposals were presented at the annual general meeting, and whether the presentation of the candidates for the board of directors at the annual general meeting included ESG matters. We have also included an analysis related to remuneration KPIs related to sustainability.

Since the release of our Sustainability Overview 2022, the Corporate Sustainability Reporting Directive (“CSRD”) has been adopted by the EU. The CSRD and the underlying mandatory reporting standards (called the European Sustainability Reporting Standards or “ESRS”) will have a massive impact on sustainability reporting and will lead to significant changes to the corporate sustainability agenda. The CSRD will apply to the first scope of companies for the financial year 2024. Another key piece of incoming legislation is the Corporate Sustainability Due Diligence Directive (“CSDDD”), which is still subject to political negotiations. When adopted, the CSDDD is expected to introduce strict requirements on actual sustainability actions related to value chains.

#### *Data collection and analysis:*

- The presentation is based on publicly available information found in the Companies’ sustainability reports for the financial year 2022.<sup>2</sup>
- 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.

1) OMXC25 currently comprises 23 companies as A.P. Møller - Mærsk is counted twice owing to share class sizes. Nordea Bank Abp, which has replaced H. Lundbeck in the OMXc25, is subject to Finnish law and is therefore not included in this overview. The statistic basis of comparison throughout the overview will therefore here be characterized by a percentage decrease due to a smaller number of companies.

2) 2022/2023 for companies with a non-calendar financial year.

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# Companies in the benchmark analysis

## C25 companies 2022<sup>3</sup> and <sup>4</sup>

A.P. Møller - Mærsk A/S	Jyske Bank A/S
Ambu A/S	ISS A/S
Bavarian Nordic	Netcompany Group
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	Tryg A/S
FLSmidth & Co. A/S	Vestas Wind Systems A/S
Genmab A/S	Ørsted A/S
GN Store Nord A/S	

## C25 companies 2021

A.P. Møller - Mærsk A/S	H. Lundbeck A/S
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 2020

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

3) A.P. Møller - Mærsk has two listed shares but is only counted once in the statistics.

4) Nordea Bank Abp is subject to Finnish law and is therefore not included in the statistics in this overview.

# Corporate Sustainability – Legal landscape and key trends

# Governance and reporting landscape – key focus points

## Financial Statements Act: Statutory reporting

Sections 99a(1) and (2) of the Financial Statements Act<sup>5</sup> state that large companies must supplement the management commentary with a report on non-financial matters.<sup>6</sup>

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 policies on non-financial matters, the management commentary should state why.

## CSRD – Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (“CSRD”) will amend the existing reporting requirements of the current Non-Financial Reporting Directive and is expected to be implemented in Danish legislation, including in the Financial Statements Act.

In the annual written part of the Danish Prime Minister’s opening statement to the Danish Parliament, the legislative programme (in Danish: *Lovprogrammet*), which was published on 3 October, it was stated that the legislative amendments implementing the CSRD will be submitted to the Danish Parliament in the first half of February 2024.

The ESRS – European Sustainability Reporting Standards – are a central element of the CSRD. Reporting according to the ESRS is mandatory for all companies covered by the CSRD.

The CSRD will apply to the first scope of companies for the financial year 2024 and so the first annual reports to reflect the new reporting requirements will be available in 2025.

## EU Taxonomy Regulation and Disclosure Regulation (SFDR)

The EU Taxonomy establishes a green classification system for determining the degree to which an economic activity may be considered 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, effective since 2021, imposes 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.

## Recommendations on Corporate Governance

The Corporate Governance Recommendations<sup>7</sup> include several recommendations relevant in relation to sustainability.

For instance, the Recommendations (1.4.1) recommends that the board of directors approve a policy for the company’s CSR, including social responsibility and sustainability, and that the policy be accessible in the management commentary and/or on the company’s website.

It is also recommended that the board of directors continuously ensure that the company complies with the CSR policy, and the company should consider reporting CSR development and any new measures on its website on an annual basis.

## Proxy advisors

Proxy advisory firms, especially Institutional Shareholder Services Inc. (“ISS”) and Glass, Lewis & Co. (“Glass Lewis”), play an 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.

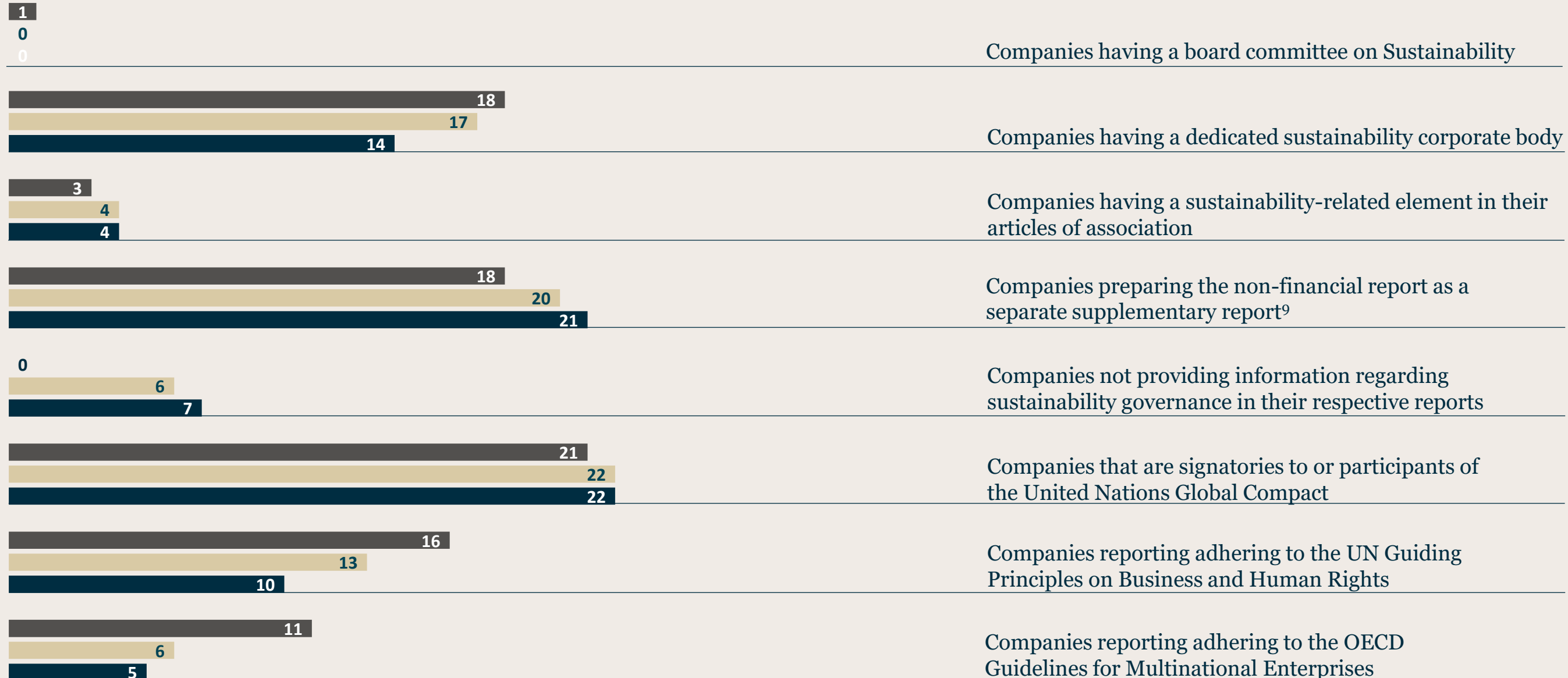
5) Regulation based on Non-Financial Reporting Directive, which is expected to be replaced by the new Corporate Sustainability Reporting Directive.

6) Financial institutions are covered by Executive Order no. 281 of 26 March 2014. Section 135 imposes disclosure obligations regarding corporate sustainability.

7) 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.

# Key sustainability governance and reporting trends for OMXC25 Companies<sup>8</sup>

■ 2022 ■ 2021 ■ 2020



8) Nordea Bank Abp, which has replaced H. Lundbeck in the OMXc25, is subject to Finnish law and is therefore not included in this overview. The statistic basis of comparison throughout the overview will therefore here be characterized by a percentage decrease due to a smaller number of companies.

9) From January 2024, as a result of requirements in the CSRD, the Companies must include the reporting in the annual report and not as a separate report.

# Sustainable Corporate Governance



# Corporate sustainability bodies

**One Company (4%)** has established a **separate, dedicated sustainability committee** as part of the board of directors. It is the first time that a Danish OMXC25 has established a separate, dedicated sustainability committee.

**19 Companies (83%)** have established a **separate sustainability body that reports directly to the ExMa or BoD**.

**Three Companies (13%)** 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.

*See the table on the following page for details.*

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

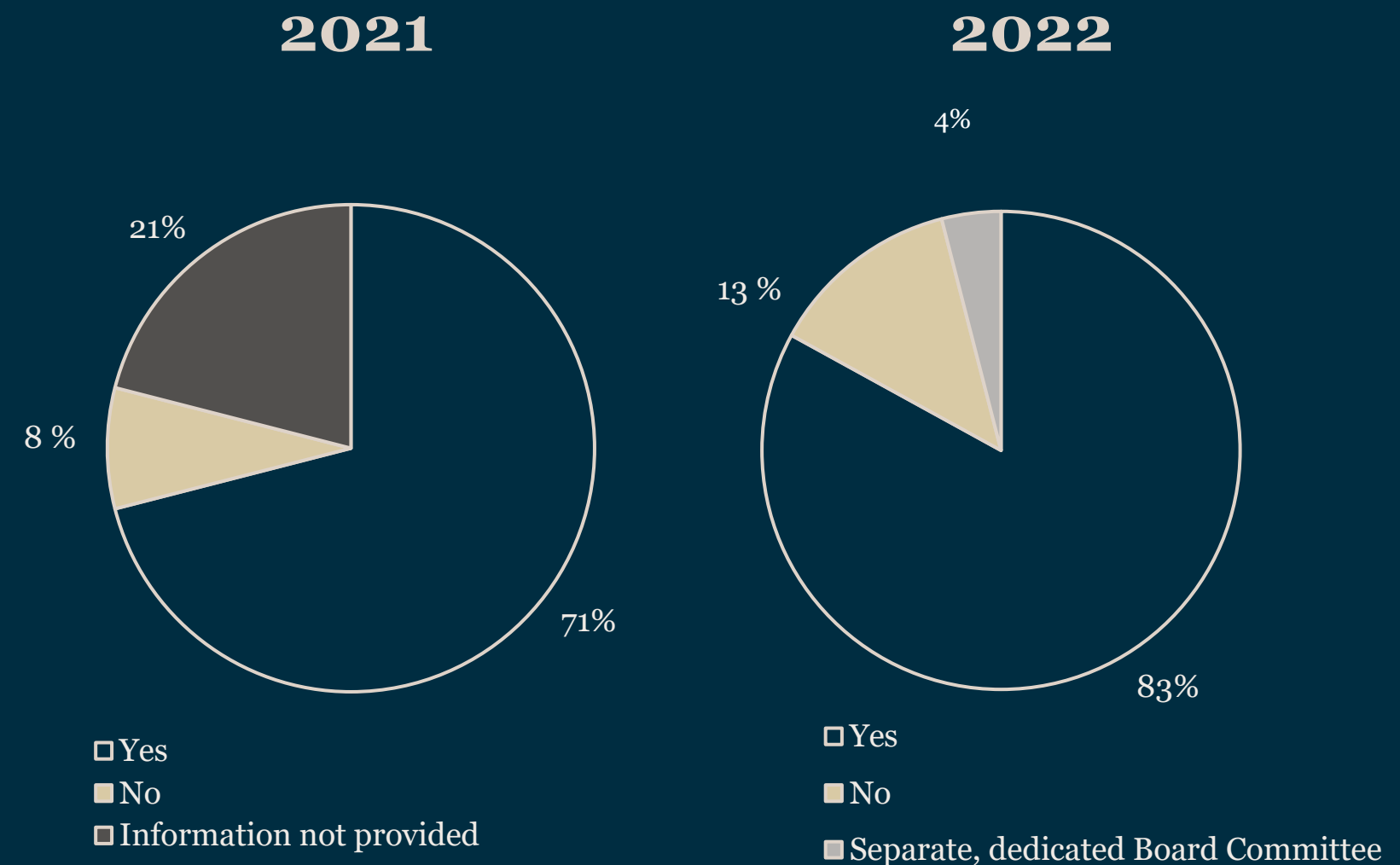
## CSRD may impact governance structures and trends

According to the CSRD:

*"Member States may allow the tasks assigned to the audit committee in relation to sustainability reporting and in relation to the sustainability reporting assurance function to be carried out by the administrative or supervisory body as a whole or by a specialised body set up by the administrative or supervisory body."*

Thereby, the CSRD will allow sustainability reporting to be handled by the board of directors as a whole or by a separate, dedicated body established by the board of directors; however, it is not a requirement.

# Corporate sustainability bodies



# Board committees dedicated to ESG and sustainability

Company	Separate, dedicated sustainability committee as part of the board of directors
AMBU	No
A.P. Møller - Mærsk	Yes, there is an “ESG Committee”. The primary purpose of the ESG Committee is to support the development of the Company’s overall ESG strategic direction, acting both as a sparring partner to Management and supporting the Board with strategy insights on specific ESG matters. The establishment of the ESG Committee does not change the responsibilities of the Board or the Management and the Committee is preparatory for the Board’s work.
Bavarian Nordic	No
Carlsberg	No
Chr. Hansen Holding	No
Coloplast	No
Danske Bank	No <sup>10</sup>
Demant	No
DSV	No
FLSmidth & Co.	No
Genmab	No
GN Store Nord	No
ISS	No
Jyske Bank	
Netcompany	No
Novo Nordisk	No
Novozymes	No
Pandora	No
Rockwool	No
Royal Unibrew	No
Tryg	No
Vestas Wind Systems	No
Ørsted	No

10) Danske Bank has adopted a Conduct & Compliance Committee related to conduct and reputational risk, compliance and financial crime, whistleblowing cases, and other matters related thereto.

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

**Three Companies (13%)** have included a sustainability-related element as part of their corporate objects set out in their articles of association:

**Chr. Hansen Holding:**

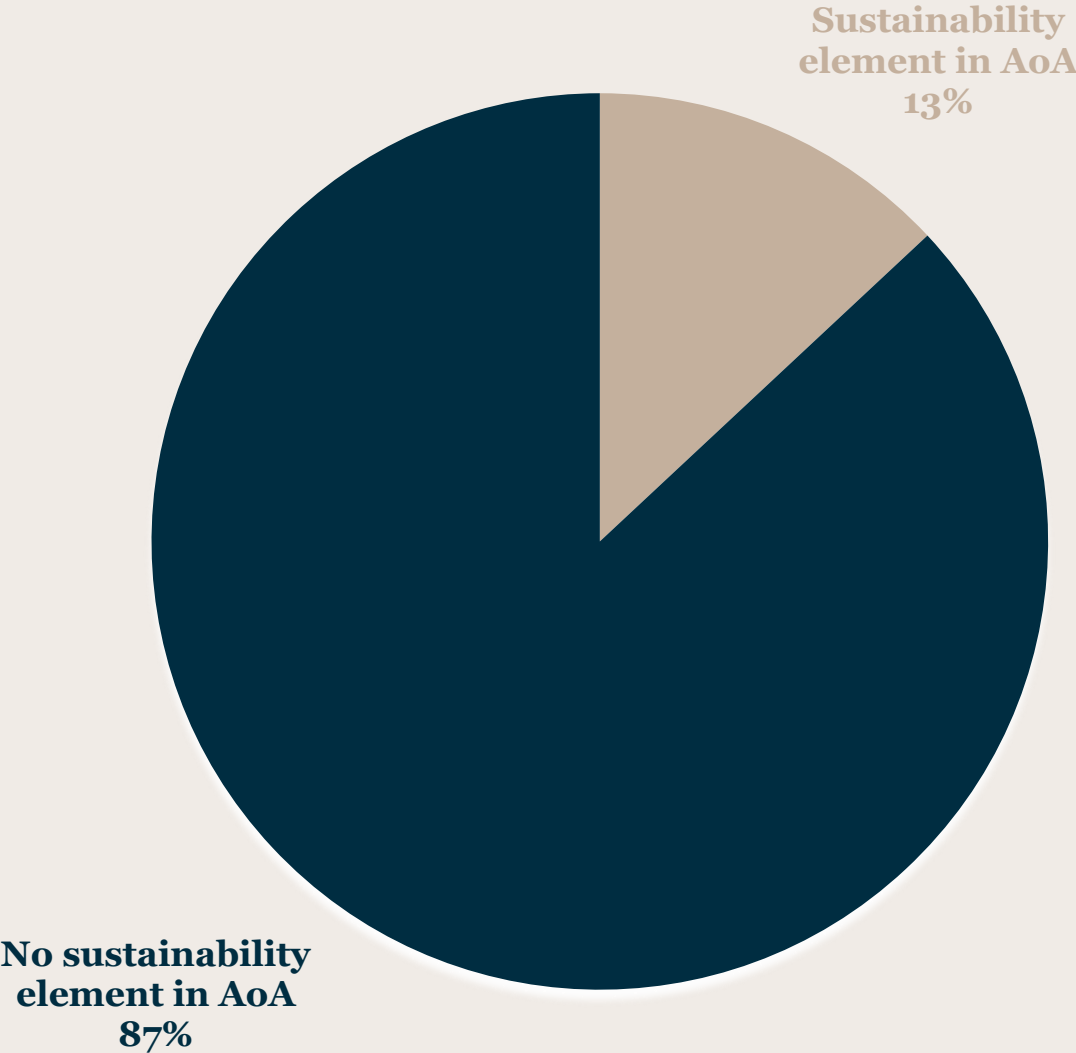
*“In every respect, the Company will seek to carry on its activities in a socially, environmentally and financially responsible manner.”*

**Novo Nordisk:**

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

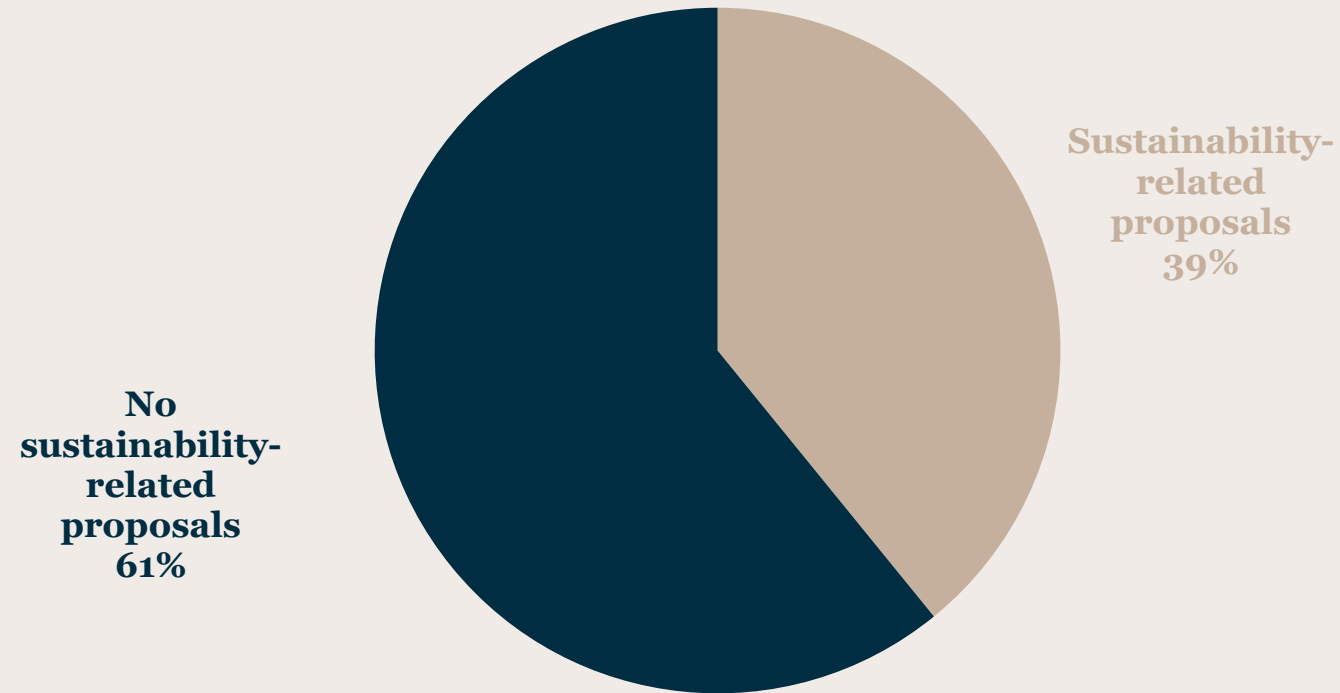
**Novozymes:**

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



# Sustainability-related proposals at the annual general meeting

Companies with sustainability-related proposals at the annual general meeting



**Examples:**

**A.P. Møller Mærsk**

*“...the Board of Directors shall communicate: (1) The company's effort to respect human rights and labour rights in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs), and (2) Which, if any human rights related financial risk the company has identified, and how it seeks to address these.”*

**ISS**

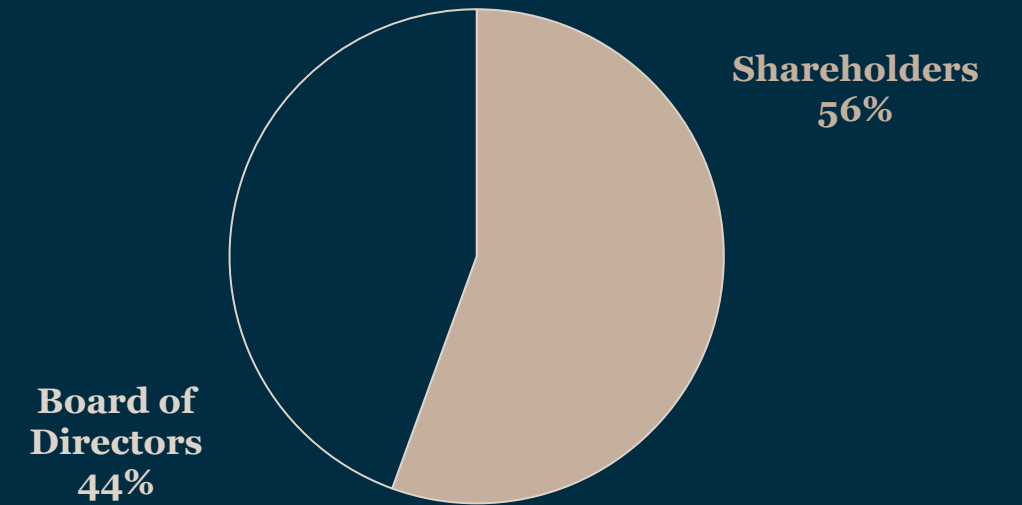
*Amendment to the current remuneration policy to reflect the material changes, among other, “(1) ESG and other sustainability related targets or objectives are introduced as a measurement of the performance with respect to the company's short-term and long-term incentive programmes.”*

**Danske Bank**

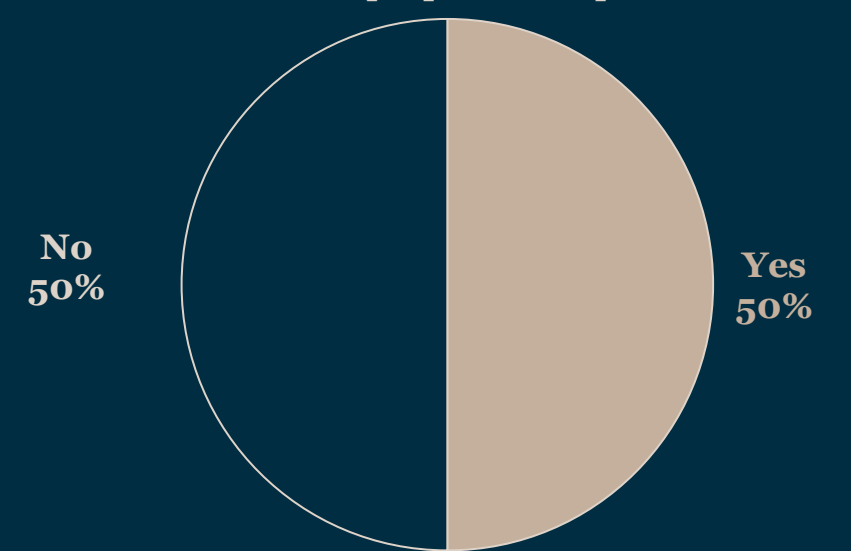
*“Adjustment to the Remuneration Policy: (1) Clarification of the governance relating to severance entitlement to members of the Executive Leadership Team, (2) Clarification of the link between sustainability risks and remuneration.”*

Across the 23 Companies, there were 12 proposals tabled, in some cases, more than one per Company

Who put forward these 12 proposals?



Were the proposals adopted?

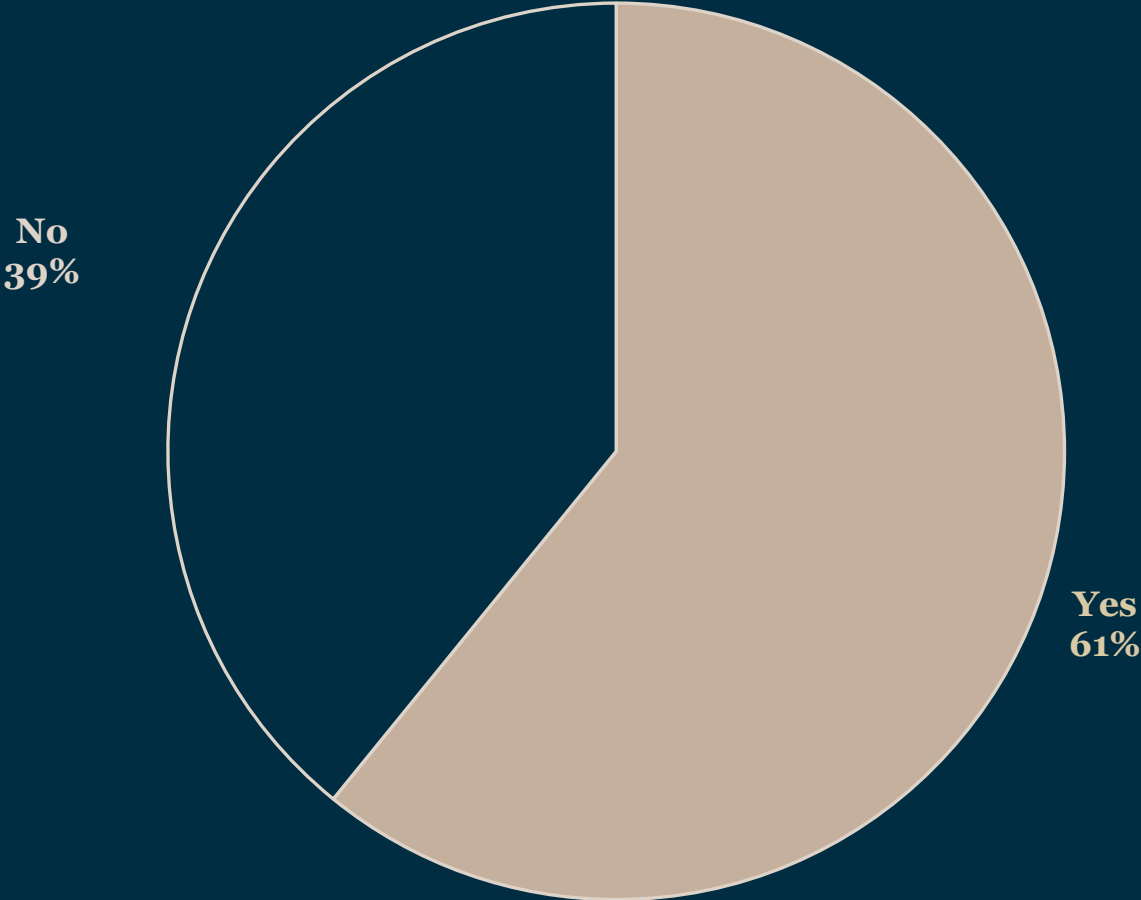


# Sustainability competencies included in the presentation of candidates to the board of directors

**14 Companies (61% )** specifically highlighted sustainability qualifications in the presentation of the candidates to the board of directors at the annual general meeting and in the presentation of the candidates when convening the annual general meeting.

The companies referred to sustainability qualifications, such as expertise, experience and understanding of sustainability principles and practices of the candidates to the board of directors.

# Sustainability qualifications included



# Sustainability KPIs

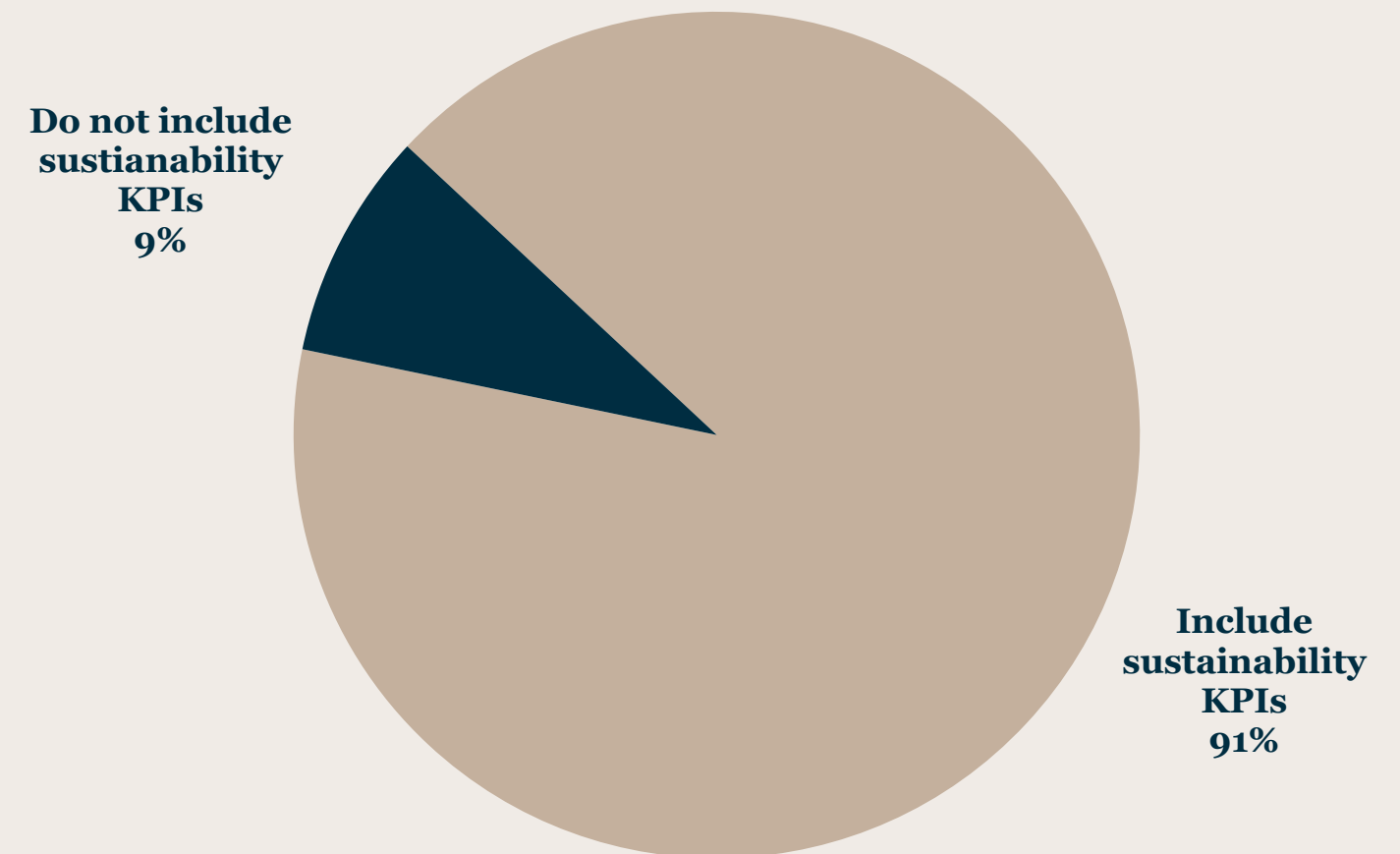
Section 139a of the Danish Companies Act states that a company's remuneration policy should be clear and comprehensible and contribute to the company's business strategy, long-term interests, and *sustainability*.

**21 Companies (91%)** report sustainability KPIs in their remuneration policy or report.

"Sustainability", "diversity", "equity and inclusion" are among the most reported ESG targets/KPIs.

The nature of these KPIs varies from company to company. Some companies include the KPIs as part of short-term incentives, while others integrate them into long-term incentive structures. Moreover, several companies opt for a combination of both short-term and long-term incentives to comprehensively address sustainability and ESG goals.

## Sustainability KPIs included in the Remuneration policy or report



# Sustainability Reporting

# Sustainability reporting format

**Five Companies (21.7%)** report on non-financial matters in accordance with the Danish Financial Statements Act directly in the management commentary as part of the annual report. **18 Companies (78.3%)** report on non-financial matters by means of a separate supplementary report to the annual report. None of the Companies include the reporting only on the company website with a reference to the management commentary.

The titles of the report differ, particularly if it is a supplementary report, i.e. separate from the annual report. Where there is a supplementary report, **13 Companies** refer to the report as a *Sustainability Report*; **two** of the Companies have a *CSR Report*; and **three** of the Companies have an *ESG Report*.

Section 99a(5) of the Financial Statements Act states that the report on non-financial matters must be included:

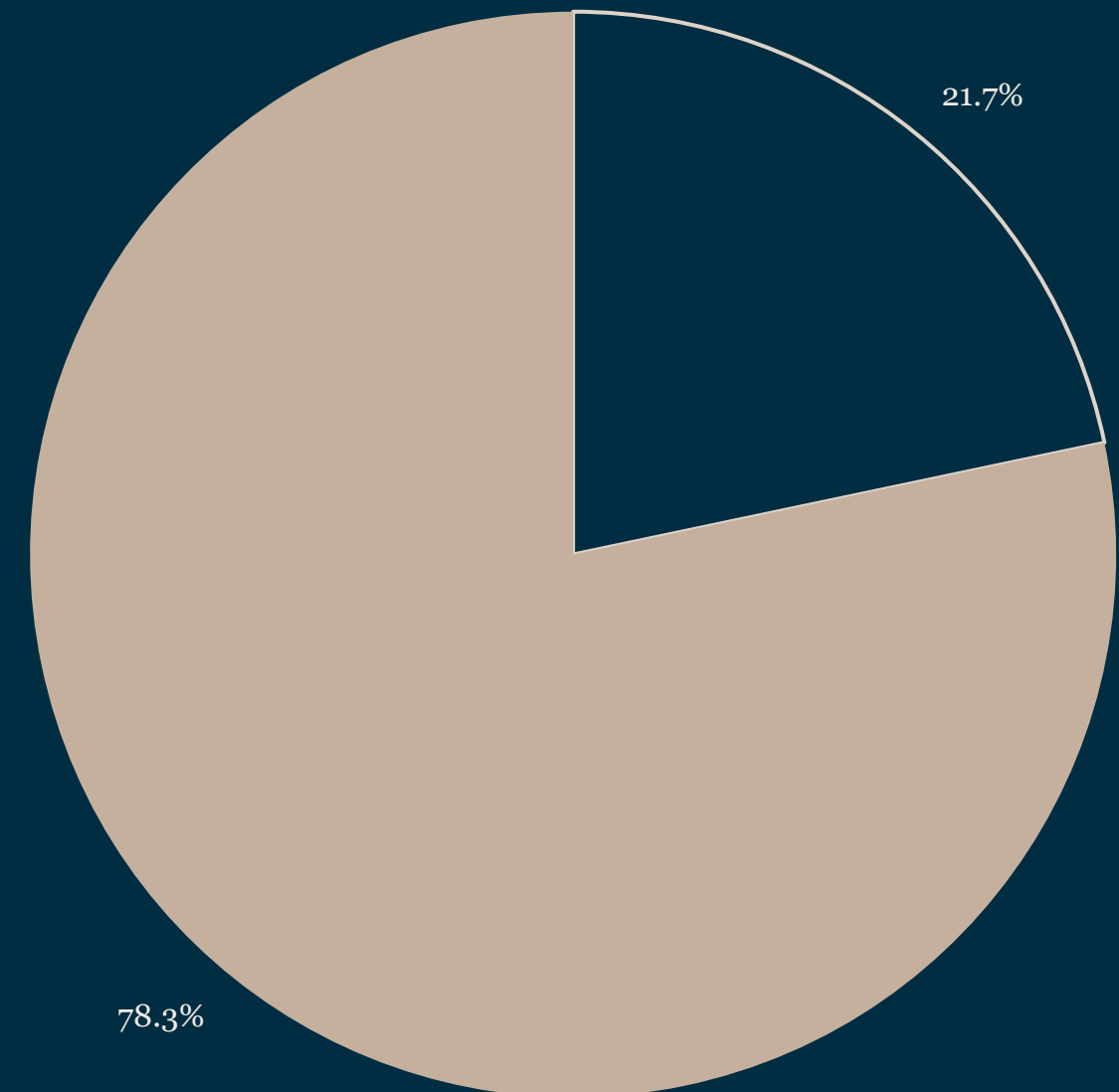
- in the management commentary (as part of the annual report);
- as a supplementary report to the annual report with a reference to the management commentary; or
- on the company's website with a reference to the management commentary.

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

## CSRD will set new requirements to the reporting format

With the implementation of CSRD, it will become a legal requirement to include the sustainability report in the annual report.

## Reporting format



□ In the management commentary (as part of the annual report)

■ As a supplementary report to the annual report

In 2021:

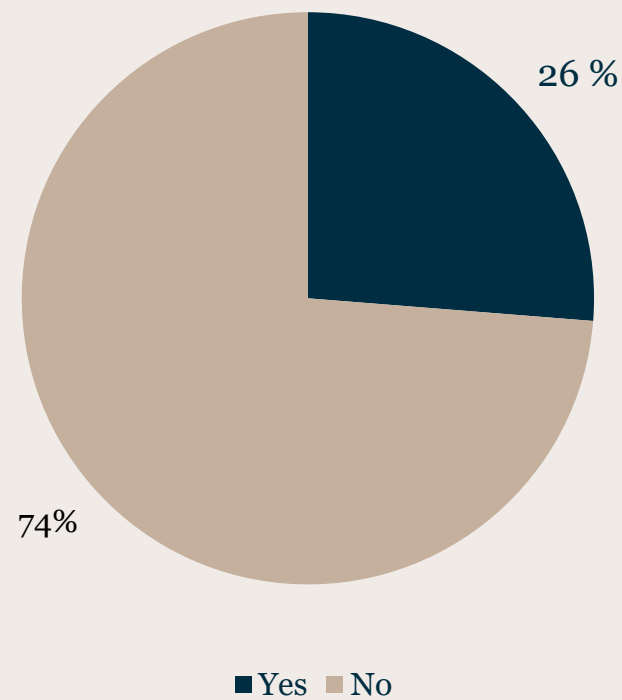
16.7 % had the report included directly in the management commentary (as part of the annual report)

83.3% had the report included as a supplementary report to the annual report.



# Sustainability reporting guidelines

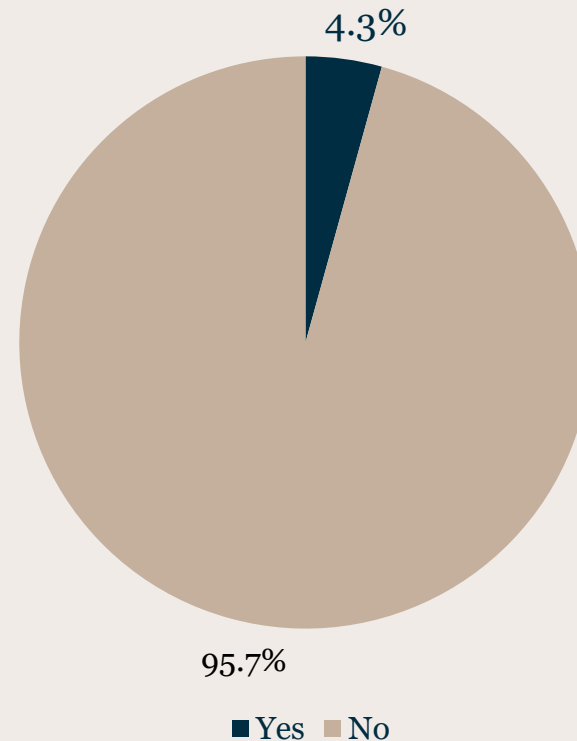
### GRI Standards



**Six Companies (26%)** 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.

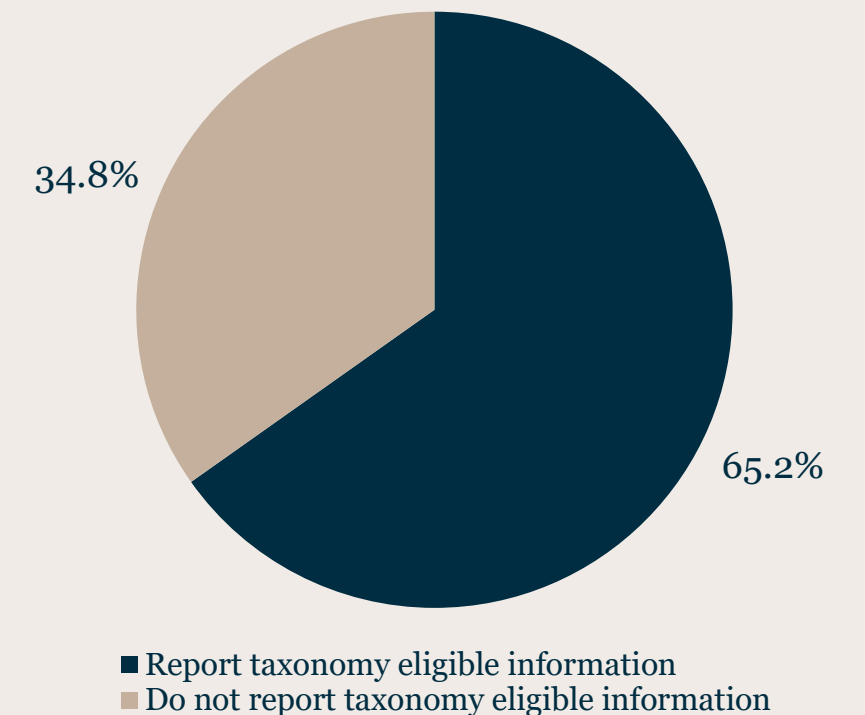
### ISO 26000



**One Company (4.3%)** reports 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



**15 Companies (65.2%)** report taxonomy eligible information in accordance with the EU 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".

# 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.



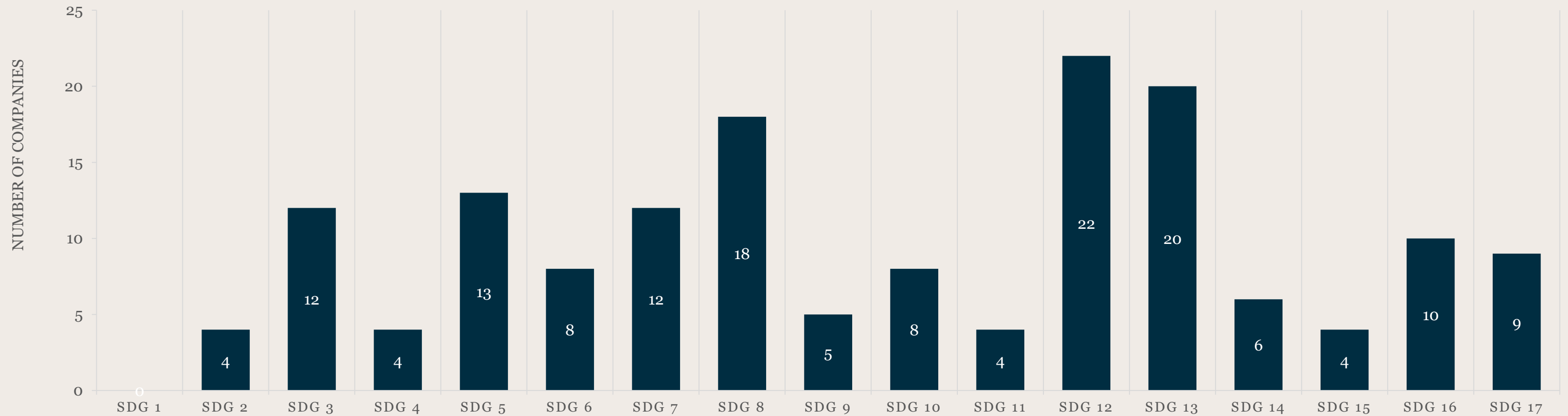
# Number of Companies focusing on each SDG

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. 22 of the 23 Companies (95.6%) focus on this goal. This goal is closely followed by **SDG 13** (climate action), on which 20 Companies (86.9%) focus.

**SDG 1** (no poverty) is the one goal that none of the Companies focus on, and **SDG 2** (zero hunger), **SDG 4** (quality education), **SDG 11** (sustainable cities and communities) and **SDG 15** (life on land) are only mentioned by four Companies (17.4%).

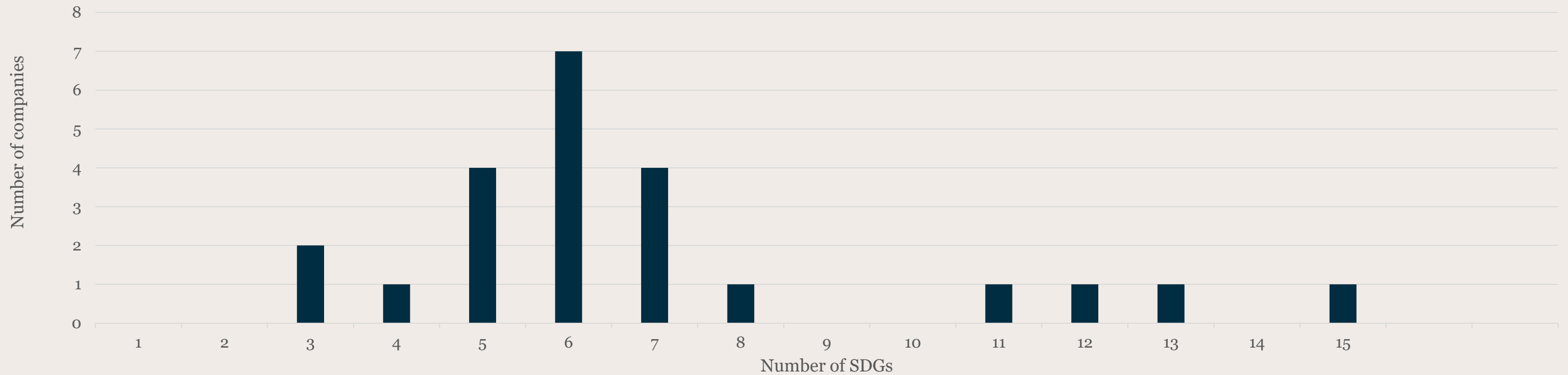


# Number of SDGs focused on by each Company

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



**Six** is the most popular number of SDGs to focus on. The highest number of SDGs focused on is **15**, 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 Companies report that they focus on specific SDGs.



# Number of Companies that adhere to the UN Global Compact

**21 Companies (91.2%)** are either signatories to or participants of the United Nations Global Compact (“UNGC”).

**5 Companies (21.7%)** 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.

**16 Companies (69.5%)** 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.

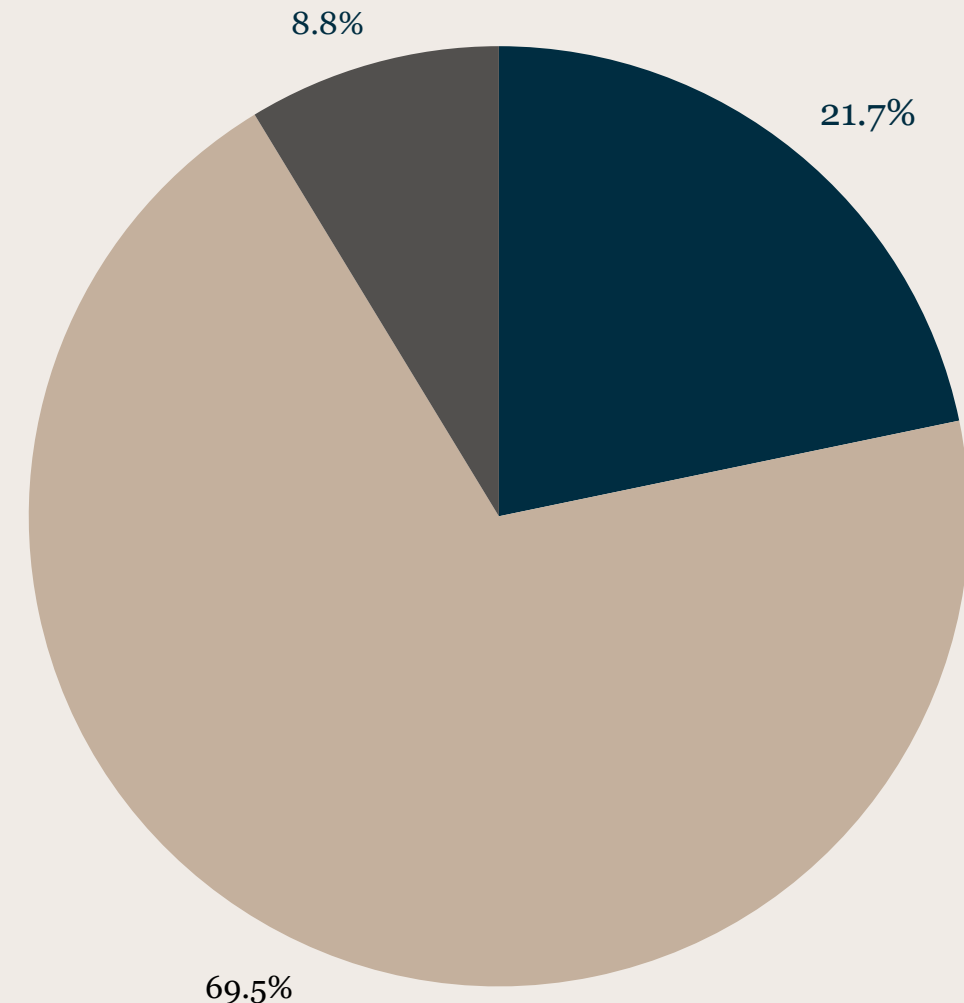
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The UNGC is the UN’s corporate sustainability initiative.

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.

Signatory/participant of the UNGC

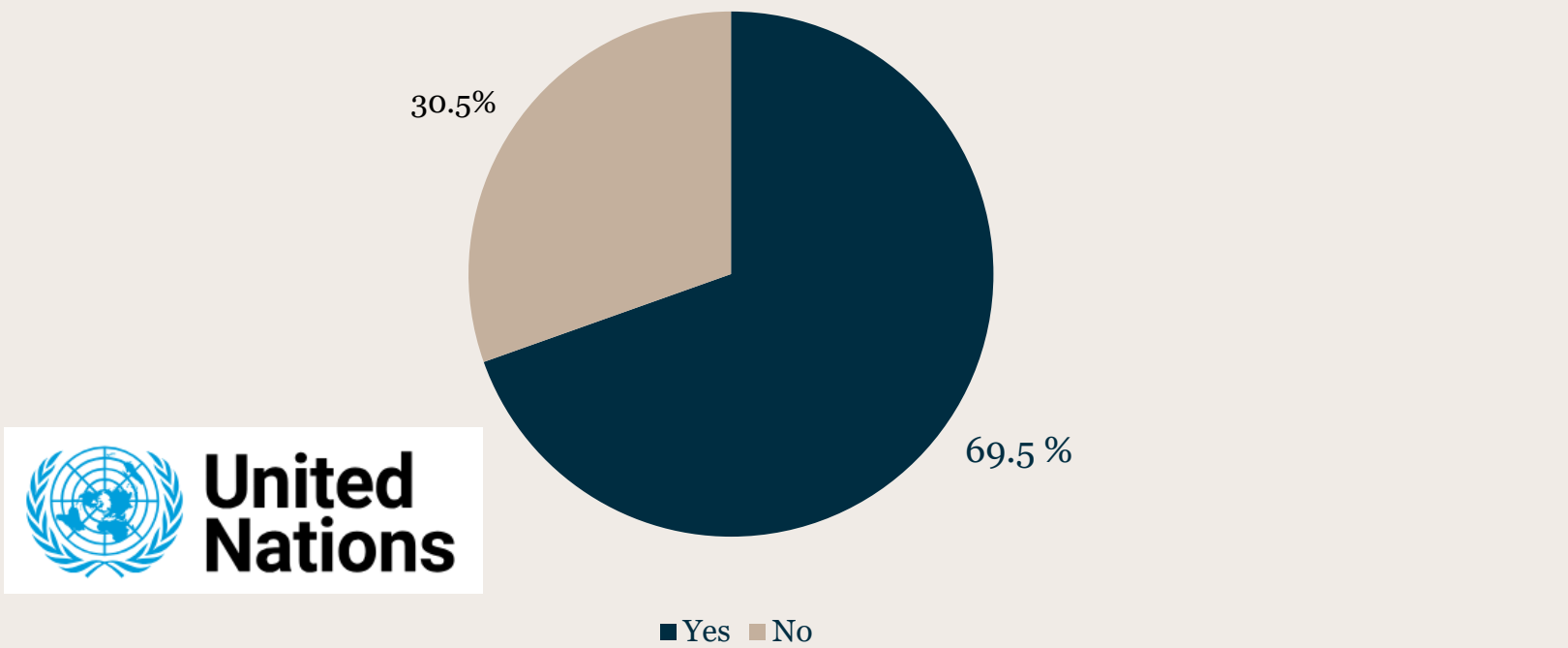


■ Signatory ■ Participant ■ Neither



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

UN Guiding Principles on Business and Human Rights



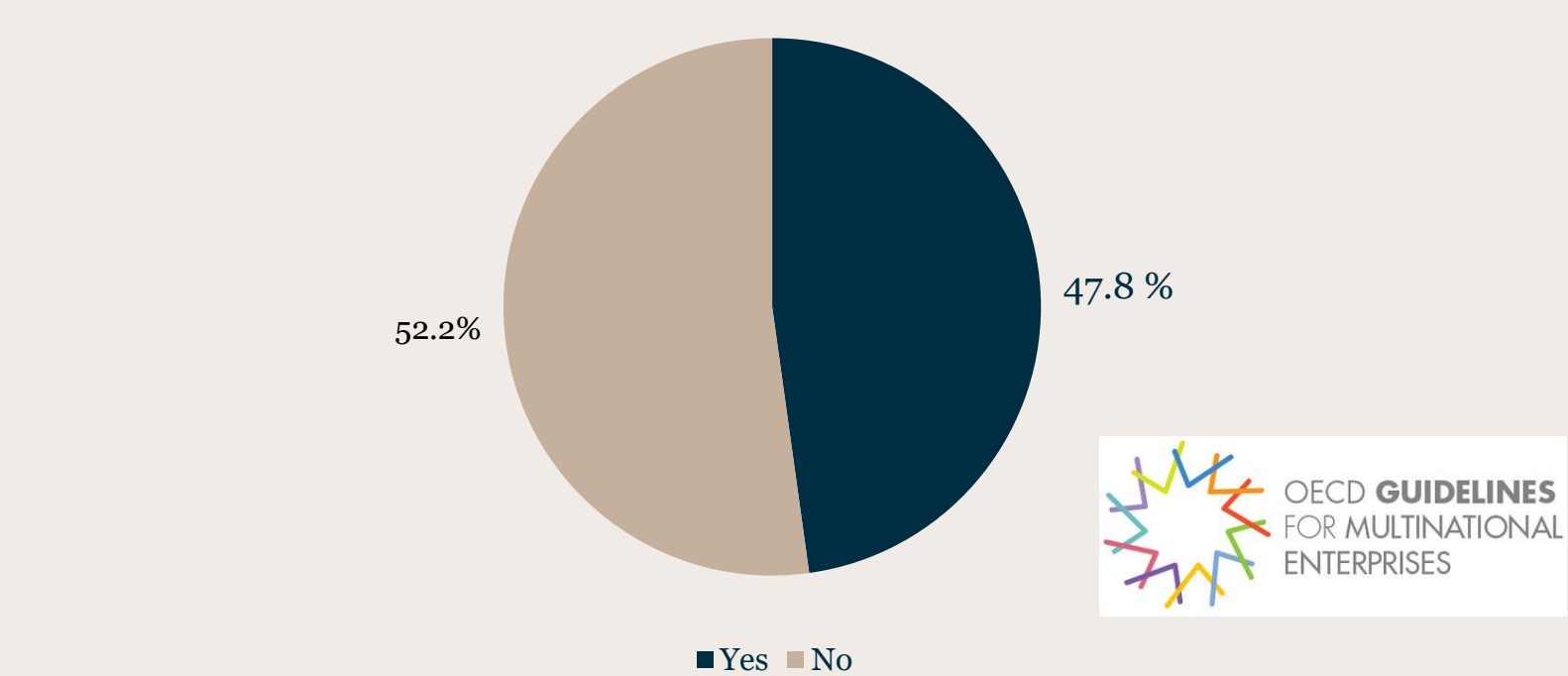
**16 Companies (69.5%)** report adhering to the UN Guiding Principles on Business and Human Rights.<sup>11</sup>

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.

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. Companies that have stated that they adhere to the principles on the websites have been included in the diagram.

OECD Guidelines for Multinational Enterprises



**11 Companies (47.8%)** report adhering to the OECD Guidelines for Multinational Enterprises.<sup>12</sup>

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.

12) 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.

What's next?



# Corporate Sustainability Due Diligence Directive

The EU Due Diligence Directive (CSDDD) has moved a step closer.

The CSDDD 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.

On 1 June 2023, the European Parliament adopted its negotiating position on the CSDDD. The Parliament's position goes further than both the Commission's and the Council's proposals on key points – now the final battles await in the negotiations between the Parliament, the Commission and the Council on the final form of the directive.

Although the Commission's, the Council's and the Parliament's proposals differ significantly from each other on a number of points, it seems that the core principles of the CSDDD have support in one form or another in all EU institutions.

Trilogue negotiations on a final text of the CSDDD between the Commission, the Council and the Parliament began in the summer of 2023, and adoption before the end of 2023 still looks uncertain. Once the CSDDD has been formally adopted, the directive will apply to both EU and non-EU companies, and EU member states will expectedly have two years to implement the directive into national law.

In its draft form, the directive includes elements related to the company and its directors' duties:

## **The main requirements for companies are expected to be:**

- 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 a complaints procedure
- Monitor the effectiveness of the due diligence policy and measures
- Publicly communicate on due diligence

## **The main requirements for directors are expected to be:<sup>13</sup>**

- 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

13) Scope of directors' duties is subject to significant debate and lack of alignment between the Commission, the Council and the Parliament. Whereas the Council wants to entirely remove directors' duties from the CSDDD, the Parliament maintained a position to include specific obligations on directors.

# Where to find us



We have offices in both Copenhagen and Aarhus with strong international relations.

## Copenhagen

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# Online

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