

Corporate Social Responsibility: Assessing Contour Design and Carlsberg's Alignment with the UN Guiding Principles

Tea Vidovic

Department of Social Sciences and Business, Roskilde University

Project oriented internship

Project Supervisor: Francesco Campo

May 27, 2024

Characters: 56 744



EXECUTIVE SUMMARY

Based on a 4 months internship at a consultancy firm Global CSR, this project examines how the sustainability practices of Danish companies compare in terms of their alignment with the UN Guiding Principles. In order to investigate this topic, the project uses document analysis combined with comparative analysis. It compares two Danish companies, Contour Design and Carlsberg, in an attempt to answer the research question and is guided by institutional theory as a theoretical framework. Literature review and academic debate on the UN Guiding Principles is also included in this project.

As a company, Global CSR focuses mainly on the social aspect of sustainability and its work revolves around advising companies on their human rights due diligence and compliance with the UN Guiding Principles on Business and Human Rights. During my internship I conducted desk reviews, assisted with impact assessment for a number of companies and participated in writing reports, which, combined with the knowledge I gained from my university courses, helped me to analyse and answer the research question. Additionally, I had the opportunity to organise and participate in the meetings with other sustainability professionals from leading Danish companies, which gave me a deeper knowledge and understanding of sustainability dynamics in the corporate setting. Through the analysis of relevant company documents, this project concludes that when it comes to sustainability practices of the two Danish companies they differ in many aspects. In terms of the alignment with the UN Guiding Principles, one of the companies is fully aligned, while the other is partially aligned, using only the elements of the Guiding Principles.

Table of content

EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
2. LITERATURE REVIEW	5
2.1. Due diligence as a central part of the UNGPs.....	5
2.2. Criticism of the UNGPs.....	6
2.3. Challenges with the implementation of the UNGPs.....	7
3. THEORETICAL FRAMEWORK	9
4. METHODOLOGY	11
4.1. Document analysis.....	11
4.2. Comparative analysis.....	11
4.3. Research design.....	12
5. ANALYSIS	15
5.1. Code of Conduct for Employees.....	15
5.2. Code of Conduct for Business Relationships.....	16
5.3. Stakeholder engagement.....	17
5.4. Human Rights.....	17
6. DISCUSSION AND LIMITATIONS	20
6.1. Limitations.....	22
7. CONCLUSION	23
8. BIBLIOGRAPHY	24

1. INTRODUCTION

In today's era, we are not asking ourselves anymore whether or not corporations have human rights responsibilities, but rather how extensive they are. Traditional views on human rights which have dominated the human rights discourse for a very long time, provided little space for addressing potential human rights responsibilities of non-state actors such as companies. It cannot be said that they did not see corporate human rights violations, however, they perceived it as a failure of governments to protect their people against corporate abuse (Wettstein, 2015, p. 164).

My internship at Global CSR has shown me that it is impossible for any business, no matter how socially sustainable, not to have any adverse impacts. The same goes for their business relationships; it would be naive to expect that there are no impacts in a company's value chain or among their business relationships. In recent years, human rights protection systems started new initiatives dedicated to the fields of business and human rights, prompted by the UN Guiding Principles on Business and Human Rights (O'Brien & Christofferson, 2023, p. 180). The United Nations Guiding Principles (UNGPs) were unanimously endorsed in 2011 by the United Nations Human Rights Council, and were a product of a substantial development process led by Harvard Professor John Ruggie. They represent the first time that either the Council or the Commission on Human Rights had endorsed a proper text on any subject that governments did not negotiate themselves (Rasche & Waddock, 2021, pp. 227-228). The Guiding Principles (2011) consists of three main components: a policy commitment that outlines business' commitment to the UNGPs, sustainability due diligence and access to remedy. The central part of the UNGPs is the human rights due diligence, which is described as a process that companies must take to become aware of, prevent and address adverse human rights impacts (Bonnitcha and McCorquodale, 2017, p. 900). The UNGPs and their due diligence concept have been incorporated in the other relevant international bodies and institutions. In 2023, the OECD adopted a comprehensive set of guidelines for businesses and extended the matter of due diligence beyond human rights to environmental and economic issues (O'Brien & Christofferson, 2023, p. 181). It is important to notice that UNGPs themselves do not represent a law, they are merely a guiding framework. According to the UNGPs, the nation states have a duty to protect against human rights abuses by third parties, businesses have the responsibility to respect human rights, and victims need to be able to access remedy when their human rights have been abused (Rasche & Waddock, 2021, p. 230).

There are many reasons for a company to respect human rights and implement the UNGPs. Some of the practical ones I learned during my internship include empowering the employees, fulfilling global expectations, and identifying negative human rights impacts, which can ultimately help a company to avoid unpleasant surprises. Additionally, conducting human rights due diligence can help protect a company from public criticism. Using the UNGPs as a framework can also help companies to structure their policies and practices around an overarching set of principles. It also helps to improve the lives of a company's stakeholders and to meet the growing demands of customers and business partners for social responsibility. Lastly, many countries have incorporated the UNGPs into some of their regional instruments (*Global CSR, n.d.*).

It has been 13 years since the UNGPs were adopted and became a standard of business conduct. Although they were not an official law, they put a pressure on companies, together with various stakeholders such as investors, consumers and employees, to start paying attention to human rights, as well as respecting environmental and economic factors. Considering my tasks during the internship and the meetings that I had the opportunity to attend, as well as various discussions on the UNGPs and human rights due diligence, I became even more interested in the sustainability practices of the companies which ultimately led to the research question: *How do Danish companies' sustainability practices compare in terms of their alignment with the UN Guiding Principles?* I chose to compare two Danish companies from very different industries, Contour Design and Carlsberg. In addition to the research question, another working question that guided my analysis was: To what extent do the two companies implement the UNGPs?

The overall structure of this project is formulated as follows: *Section 1* introduces the research topic of the UNGPs and due diligence practices, and explains the relevance of the research question. *Section 2* consists of academic research on the topic. *Section 3*, presents and discusses the theory. *Section 4*, discusses the methodology. *Section 5* is the analysis. *Section 6* presents discussion along with the limitations. Lastly, *Section 7* is the conclusion.

2. LITERATURE REVIEW

Due to globalisation, the power and reach of national governments has gotten constrained while the number of multinational companies has increased. The result was that corporate human rights violations went entirely unchallenged and unnoticed (Wettstein, 2015, p. 164). It was out of this period that the idea of UNGPs started to come into view. The UNGPs sought to affect the decision-making system of the companies and establish certain expectations on states to advance corporate human rights observance. The term ‘institutionalised voluntarism’ captures the difference that the UNGPs have made to the business and human rights debate (Muchlinski, 2021, p. 219). Some scholars such as Rasche and Waddock saw UNGPs as a promising way to specify the managerial implications of human rights responsibilities defined by voluntary standards (Rasche & Waddock, 2021, p. 239).

2.1. Due diligence as a central part of the UNGPs

The Principles are focused on due diligence processes which provide managers a more precise idea how to live up to general demands when it comes to human rights. According to Rasche and Waddock, the UNGPs provide clarity regarding the role of state and non-state actors *vis-à-vis* business and human rights (Rasche & Waddock, 2021, p. 239). By introducing the due diligence-based corporate responsibility, the UNGPs expect businesses to conduct human rights risk assessments to avoid human rights violations and to mitigate as well as remedy violations that have already arisen (Muchlinski, 2021, p. 219).

The UNGPs are best understood as imposing different responsibilities for business enterprise’s own adverse human rights impacts and for the human rights impacts caused by third parties with which the business enterprise has relationships. In other words, businesses have a responsibility for their own adverse human rights impacts and therefore have a responsibility to provide remedy whenever they infringe human rights. Due diligence processes are the means by which businesses should make sure that they discharge these responsibilities. Business should avoid its own impacts and seek to prevent them when it comes to third party’s impacts (Bonnitcha and McCorquodale, 2017, p. 912). The Guiding Principles use the term ‘leverage’ to define the extent of a business enterprise’s responsibility for the adverse human rights impacts of the third parties. Leverage is understood as a business’s ability to apply influence over the third party. According to the Guiding Principles,

leverage requires contextual judgement, and some of the relevant factors are how important is the relationship to the business enterprise, the severity of abuse and if the termination of the relationship would have adverse human rights impacts. Furthermore, if a business enterprise has taken reasonable steps to acquire and exercise leverage, it will not be responsible for third party's adverse human rights impacts (Bonnitcha and McCorquodale, 2017, p. 915).

Fasterling and Demuijnck argue that the effectiveness of the due diligence is in many aspects dependent upon the moral commitment of corporations (Fasterling & Demuijnck, 2013, p. 799). If people working in corporations do not share the vision that human rights are universal, and do not accept these rights as absolute moral constraints, human rights due diligence becomes a vague concept (Fasterling & Demuijnck, 2013, p. 799). The academic literature is somewhat unclear if the beneficial effects of corporate social responsibility arise from the actual implementation of social standards or from communicating and reporting about them. It may be equally uncertain if there is a business case for respecting human rights or only pretending to do so (Marslev, 2020, p. 31). However, the main argument is that due diligence, as the central part of the UNGPs, if done right, can ensure that sustainability practices of companies are perceived as sincere and genuine rather than superficial, self-serving and hypocritical (Marslev, 2020, p. 33).

2.2. Criticism of the UNGPs

Despite the many benefits of the UNGPs, there is no shortage of criticism and it mostly involves the voluntary nature of the principles and their coverage (Rasche & Waddock, 2021).

Deva argues that the UNGPs do not rely on a strong general agreement, but rather they reflect a fragile consensus. He sees them as a weak instrument for the protection of human rights, because the underlying terminology does not allow for a stronger framing of corporate obligations (Deva, 2013, as cited in Rasche & Waddock, 2021, p. 232). Wettstein claims that even though the UNGPs are relevant for assessing and understanding human rights, there was little emphasis on normative thinking and ethical reflections. He also mentions that the UNGPs provide a limited account of the corporate human rights responsibilities and are generic, and therefore could be applied to all types of organisations, regardless of their roles in society (Wettstein, 2015, as cited in Rasche & Waddock, 2021, p. 232). Additionally, Wettstein argues that Guiding Principles failed to fix the very problem they were supposed to;

the problem of growing governance gaps between companies' increasing sphere of activity and governments decreasing ability to regulate them (Wettstein, 2015, p. 166). Simon and Handel provide a feminist perspective on the UNGPs saying that they divert attention away from deeply embedded and institutionalised structures of discrimination (Simon and Handel, 2019, as cited in Rasche & Waddock, 2021, p. 232).

Many scholars want the UNGPs to be more prescriptive and detailed so that their application can be more straightforward and less of an interpretative exercise, however, according to Rasche and Waddock such requests misjudge the intention behind the UNGPs and historical, legal and political context in which they are embedded (Rasche & Waddock, 2021, p. 234). They try to reduce conceptual confusion and promote consensus and application to specific sectors (Rasche & Waddock, 2021, p. 235). Another issue is that it is hard to move away from principle-based approach, because it is difficult to identify all of the specific needs and demands in each possible context and situations (Rasche & Waddock, 2021, p. 238). Muchlinski argues that if John Ruggie insisted on legally binding norms for business, it would only lead to failure. The lack of international legal personality for corporate actors, prevented the UNGPs from having direct international legal obligations (Muchlinski, 2021, p. 221).

2.3. Challenges with the implementation of the UNGPs

The research carried out in 2018, indicated that out of 350 businesses, 37% were implementing human rights due diligence, however, only half of them covered the entire value chain. Another 34% undertook due diligence only in selected areas such as health, safety, labour, non-discrimination and etc. (McCorquodale & Nolan, 2021, p. 465). There are still significant numbers of businesses which scored 0% in having and operating due diligence. This was the situation even after investors intervened and urged them to do due diligence as a part of their operations (McCorquodale & Nolan, 2021, p. 466). If we take a specific look at Denmark, the report from 2022 showed that companies fail to demonstrate alignment with the UNGPs, as well as describing how they undertake human rights due diligence. From 30 of the largest Danish companies, nearly two thirds scored under 50% and over one third of companies scored below 30% when it comes to showing full respect for human rights (The Danish Institute for Human Rights, 2022, p. 7).

There is another interesting debate regarding the implementation of the UNGPs and the human rights due diligence. McVey (2022) argues that the corporations rely on external expertise and that in reality human rights due diligence and the UNGPs are very much influenced and mediated by the work of many actors such as consultants, auditors, NGOs. The vague language of the UNGPs creates a space for the experts to carve out the roles for themselves in business and human rights. Whether intentionally or not, experts grant legitimacy to the corporate actions, providing a perceived guarantee that businesses were implementing the UNGPs to a certain (high) standard (McVey, 2022, pp. 634-635).

Concerning the critiques involved around the discussions that the UNGPs need to become a legal and regulatory framework, the European Union (EU) has come to play a more significant role in articulating expectations on businesses to manage human rights risks and other sustainability issues. The EU has enacted new laws establishing mandatory sustainability due diligence for certain industry sectors and value chains (O'Brien & Christofferson, 2023, p. 182). In 2023 the EU enforced the Corporate Sustainability Reporting Directive (CSRD) which requires companies to report on the impact of corporate activities on the environment and society, and requires the audit of reported information (KPMG, *n.d.*). In February 2022, it also negotiated a Proposal for a Directive on Corporate Sustainability Due Diligence (CSDDD) which was approved by the Council of the European Union in May 2024 (*Corporate Sustainability Due Diligence, n.d.*). This directive will extend responsibilities and exposure to administrative penalties to larger economic actors in respect of human rights and environmental impacts (O'Brien & Christofferson, 2023, p. 182). The aim of CSDDD is to include mandatory obligations for large corporations within the EU and third country companies to prevent, mitigate and remedy adverse impacts on human rights and the environment, not only in their own operations, but in their supply chain as well (Treviño-Lozano & Uysal, 2023, p. 3).

3. THEORETICAL FRAMEWORK

This project is based on and supported by the institutional theory which was developed in the late 70s by John Mayer and Brian Rowan. Institutional theory is a theoretical framework which focuses on the pressures and constraints of the institutional environment. Those pressures include not only state, but also interest groups and public opinion (Oliver, 1991, pp. 146-147). Campbell states that there are several institutional factors that pressure companies to act socially responsible such as public and private regulations, nongovernmental organisations, institutionalised norms regarding appropriate corporate behaviour, associative behaviour among corporations and dialogues between corporations and their stakeholders (Campbell, 2007, p. 947). Moreover, he mentions that the extent to which companies are going to behave socially responsible greatly depends on the industrial or other associations to which the companies belong to and their engagement in institutionalised dialogue with stakeholders (Campbell, 2007, p. 962).

Another component of institutional theory is coercive isomorphism developed by DiMaggio and Powell. They argue that organisations are pressured by cultural expectations in the society within which they function (DiMaggio and Powell, 1983, p. 150). In accordance with coercive isomorphism, Oliver (1991) argues that companies may engage in the activities just because they are proper. Additionally, she points out that organisations/companies may be blind or take for granted the institutional processes to which they adhere to. Organisations could act ethically or responsibly simply because it would be unthinkable to do otherwise (Oliver, 1991, pp. 148-149). DiMaggio and Powell also developed the idea of mimetic isomorphism which refers to conscious or unconscious mimicry of institutional models, which includes the imitation of successful organisations and acceptance of advice from consulting firms or professional associations (DiMaggio and Powell, 1983 as cited in Oliver, 1991, p. 152).

One of the critiques of institutional theory is its lack of attention to the role of companies' self-interests (Oliver, 1991, p. 145). In alignment with this critique, we could argue that companies cohere to UNGPs, not only because it's proper and what most of the businesses do these days, but exactly because of self-interest, and to appear more socially responsible to potential stakeholders and public. Maignan and Ralston did a cross-national comparative analysis where they found out that companies behave in a socially responsible way because managers value such behaviour and believe it helps companies' financial performance.

Furthermore, stakeholders such as consumers and regulators are pressuring companies to be more socially responsible (Maignan and Ralston, 2002, as cited in Campbell, 2007, p. 949).

For the purpose of this research, institutional theory can help to analyse how companies interpret sustainability practices and react to pressures coming from international standards such as UNGPs. Additionally, it can help us to investigate if companies are fully endorsing the UNGPs or if it is a superficial compliance. Zucker mentions that the indicators of institutionalisation are more indirect than direct (Zucker, 1987, p. 447), so when it comes to incorporating institutional theory into this project, it will be used to research how companies adopt codes of conduct and human rights into their reports and policies. Moreover, it will be used to indicate the two components of the institutional theory, coercive and mimetic isomorphism.

The idea that corporations should engage in some form of responsible behaviour has become a legitimate expectation (Brammer et al, 2012), and institutional theory as a theoretical framework can be a valuable lens to see if institutional factors are shaping companies' behaviours when it comes to human rights.

4. METHODOLOGY

The methodology for this project is document analysis, which will guide the analysis of documents related to companies' policies. Moreover, the document analysis will be complemented by a comparative analysis which will serve as both research design and a methodology. The reason for using a comparative analysis is to give guidance on how to compare the documents and findings, and to structure the research around the comparison of the two companies. Some of the tasks during my internship were conducting impact assessments, analysing policies and reports, organising and participating in the workshops and professional meetings, hence I am also reflecting on the knowledge gained from performing these tasks to help me with the analysis.

4.1. Document analysis

According to Bowen, document analysis is a systematic procedure for reviewing or evaluating documents, both printed and electronic material (2009, p. 27). Document analysis calls for the data to be examined and interpreted to obtain meaning, gain understanding and develop empirical knowledge (Corbin & Strauss, 2008, as cited in Bowen, 2009, p. 27). When it comes to this project, document analysis is used for the scanning of the sustainability reports, human rights policies, codes of conduct for employees and business relationships. It should provide a foundation for the analysis and help to provide more detailed information about companies' sustainability practices.

4.2. Comparative analysis

The reason for using a comparative analysis is to provide guidance on how to compare the documents and findings. Lijphart defines comparative method as one of the basic methods of establishing general empirical propositions. According to Lijphart, comparative analysis is a method of discovering empirical relationships among variables, and should be used when the number of cases for the analysis is small (Lijphart, 1971, p. 683). Two companies were selected for the analysis, Contour Design and Carlsberg Group. Both companies are originally from Denmark with global subsidiaries, however, they differ when it comes to size and industry. Contour design is the market leader in research, development and design of ergonomic computer mouse solutions (*Contour Design, n.d.*), and is considered a medium size company, while Carlsberg Group is one of the leading brewery groups in the world with a presence in more than 125 markets (*Carlsberg Group, n.d.*). The main reason for choosing

those two companies is that they both state in their reports that they are aligned with the UNGPs and that they perform human rights due diligence. Given the nature of this project's research question and what it is trying to investigate, the best way to do this is to choose companies that claim to be aligned with the UNGPs. Other reasons for choosing two companies, who are from different industries and of different sizes, are to give a broader perspective on human rights and stakeholder pressure. Additional reasons are access to the data and their comparability. Lastly, considering that Carlsberg is a large, well-known company compared to Contour Design, I was interested to see how they differ in their reporting and sustainability practices.

The principal problem of comparative method is too many variables (Lijphart, 1971) and sometimes, too small number of cases, which could potentially be the problem with this project, however, considering the research question and the timeframe of the project, it was deemed that two cases would be sufficient to investigate the sustainability practices. Lijphart points out another potential problem with the comparative method, which is attaching too much significance to the negative findings (Lijphart, 1971, p. 686). To avoid this problem, the analysis will try to consider both positive and negative findings, as well as provide context for the companies and acknowledge limitations.

Taking into account the differences between the companies, in the sense of comparative analysis, it can be said that this is the most different method of case selection. When it comes to most different methods, rather than looking for cases that are most similar, one looks for cases that are different. The researcher tries to identify cases where one independent or dependent variable correlates, while all other independent variables show different values (Seawright and Gerring, 2008, p. 306). Lijphart says that comparative analysis should restrict itself to key variables (Lijphart, 1971, p. 690). In the case of the Carlsberg and Contour Design, the dependent (key) variable is their level of alignment with the UNGPs. The independent variables are their size and industry sector, as well as different dynamics when it comes to human rights due diligence.

4.3. Research design

The research design is divided into two steps, the first being document analysis, where relevant documents and reports are analysed to address the research question. In the second part, the data gained from the document analysis will be used for the comparative analysis of

the two companies. In terms of data, as mentioned above, sustainability reports, annual reports as well as human right policies will be used to derive the data. The analysis of how many human rights do companies address in their reports will reflect the areas of social sustainability developed by Global CSR (see Appendix 1). They consist of 48 human rights which incorporate human rights from the International Bill of Human Rights, UN Covenant on Economic, Social and Cultural Rights and the UN Covenant on Civil and Political Rights (Appendix 1).

When choosing the documents for the analysis, the primary aspect was their connection to the UNGPs and that they provide detailed information about companies' business practices and their credibility. The criteria for extracting the information from the documents were guided by the research question and the theoretical framework. The criteria can be viewed as the following questions:

1. How do companies demonstrate their alignment with the UNGPs? Do they differ in the language and structure of their reports? This criteria helps to investigate whether the two companies are imitating other companies or feeling pressure to state their compliance with the UNGPs, and to see the extent of alignment.
2. The UN Guiding Principle 16 (2011, p. 16) states that companies should communicate their expectations when it comes to respecting human rights to their personnel and business relationships. Do Carlsberg and Contour Design clearly communicate their expectations to their business relationships and employees? Do they have mechanisms in place for employees and business relationships to raise grievances?
3. In regards to stakeholders, the main question that was leading the analysis was how do the two companies identify, engage and involve stakeholders? Are there any signs that stakeholders expect from the company to address human rights and their alignment with the UNGPs?
4. In terms of human rights due diligence as a central part of the UNGPs, the main questions that guided the human rights analysis were: do the two companies identify both actual and potential adverse impacts and their connection to the impacts? How many human rights are they addressing? The UN Guiding Principles (2011) mention that companies should provide access to remedy where they cause or contribute to human rights impacts. Do these two companies state in their reports, grievance mechanisms or any other mechanisms where they account for their impacts and

describe actions to prevent them? The UNGPs advocate a level playing field when it comes to conducting due diligence, so the analysis also focused on investigating whether the two companies conduct human rights due diligence starting with their own headquarters or only focus on value chain.

5. ANALYSIS

5.1. Code of Conduct for Employees

Both of the companies have fairly standard codes of conduct when it comes to employees. The language and approach is different. Carlsberg's code has a slightly harsher undertone, stating that any serious failure to comply with Carlsberg's ethical values may result in the involvement of law enforcement authorities (Code of Ethics and Conduct, 2023, p. 6). Furthermore, Carlsberg's code is more oriented on the economic areas and goes a little deeper in explaining what exactly they expect from their employees, while Contour Design's is a little broader. Carlsberg also mentions do's and don'ts for employees when it comes to activities such as bribery and corruption, gifts, political activities, trading, money laundering, and does not tolerate any discrimination or harassment (Code of Ethics and Conduct, 2023). Contour Design's Code of Conduct for Employees (CoCE) involves their employees, management and board members. They expect their employees to comply with their code of conduct and law (Code of Conduct for Employees, 2022). Both companies have a zero-tolerance towards harassment and expect their employees to stop any kind of discrimination, and both state safe and healthy working conditions in their codes of conduct. However, Contour Design mentions in its code the right to maternity leave, equal opportunities for promotion and the right to rest, leisure and paid holidays, while Carlsberg does not. When it comes to other areas of sustainability, Contour Design expects its employees to care for the environment and not to engage in the activities that endanger economic sustainability of the company (Code of Conduct for Employees, 2022, pp. 3-4). Neither company mentions the UNGPs in its code of conduct for employees, however Contour Design states in its sustainability policy that it expects its employees to assist them in implementing the UN Guiding Principles (Sustainability Policy, 2023).

In case of any violations regarding compliance with the code, Carlsberg does have a SpeakUp system where their employees can anonymously file a report (Code of Ethics and Conduct, 2023, p. 31). Similarly, Contour Design has Tell Us and Whistle-blower mechanisms where employees can speak up and bring their grievances to their immediate manager (Code of Conduct for Employees, 2022, p. 4).

5.2. Code of Conduct for Business Relationships

If we compare the two codes of business, we see that the Contour Design's is more aligned with the UNGPs. In regards to the Code of Conduct for Business Relationships (CoCBR), Contour Design expects its business relationships (partners and suppliers) to follow the UN Guiding Principles and OECD Guidelines, and as a minimum their management system needs to cover areas such as human rights (including labour rights), environment and anti-corruption (Code of Conduct for Business Relationships, 2022, p. 1). On the other hand, Carlsberg's Supplier and License Code of Conduct does not explicitly mention business relationships, but rather refers to them as suppliers. Although Carlsberg does not explicitly mention the UNGPs, Carlsberg's Supplier and License Code of Conduct extends to all of its suppliers and their employees in its value chain and supports the UN Universal Declaration of Human Rights. In case of any non-compliance with the code, Carlsberg has a right to terminate its business with the supplier in question (Supplier and License Code of Conduct, 2019, p. 2)

Additionally, Contour Design expects its business relationships to adopt a Policy Commitment that is approved by the most senior level of the company, is informed by the UNGPs and OECD Guidelines, clearly states the company's expectations of employees and business relationships, is publicly available and is embedded in all other operational policies. Another set of requirements is to regularly assess, at an operational-level, actual and potential adverse impacts; prevent, mitigate and remediate impacts; communicate findings and require their business relationships to conduct due diligence (Code of Conduct for Business Relationships, 2022, pp. 1-2). Carlsberg's Supplier and License Code of Conduct is very similar to its Code of Ethics for employees in the style of writing and expectations, especially when it comes to business ethics and its expectations toward bribery, corruption and conflict of interest. When it comes to what Carlsberg expects of its suppliers, it requires them not to discriminate against employees on the basis of race, colour, gender, language, religion, etc. Carlsberg also requires its suppliers to respect labour rights, such as no forced or child labour, and paid parental and sick leave (Supplier and License Code of Conduct, 2019, pp. 2-3). While Contour Design expects its business relationships to conduct due diligence processes, Carlsberg simply expects its suppliers to share their standards.

When it comes to access to remedy as part of the UNGPs, the Contour Design requires from its business relationships, where they are linked to actual severe impacts, to use or build

leverage through legitimate processes to make it stop (Code of Conduct for Business Relationships, 2022, p. 2), while Carlsberg mentions that suppliers need to remedy any non-compliance in a timely manner (Supplier and License Code of Conduct, 2019, p. 1).

5.3. Stakeholder engagement

In order to ensure stakeholder engagement, Contour Design conducts its first assessments in all sustainability areas with stakeholder interaction. Besides its business relationships and employees, Contour Design has also identified customers and local communities as stakeholders. In Contour Design's Sustainability Report they mention English lessons for their employees in China, quarterly employee satisfaction assessments and whistleblower hotline as some of the ways they interact with stakeholders (Sustainability Report, 2023, p. 6). Same as Contour Design, Carlsberg also engages with communities in the countries where they operate through various campaigns and volunteering (Sustainability Report, 2023, p. 81). Carlsberg has identified its investors as one of its stakeholders. Carlsberg's Investor Relations Policy (2021) describes how the company communicates with its investors through regular meetings, annual and half-year reports and trading statements.

As mentioned above, Contour Design has also developed a grievance mechanism to address any concerns raised by employees, business relationships or other stakeholders. When it comes to Carlsberg, in its Sustainability Report from 2023, Carlsberg writes about several channels through which its business partners as well as its employees can report any concerns or violations of its Code of Ethics and Conduct (Sustainability Report, 2023, p. 73). Looking at their sustainability reports, both companies describe actions they take to prevent human rights or any other violations. Carlsberg's report states that in 2023 they had 183 cases of misconduct and as a result 62 employees were dismissed, 50 received verbal or written warnings and 30 were required to attend feedback meetings (Sustainability Report, 2023, p. 73).

5.4. Human Rights

Both companies state that they are committed to respecting human rights as defined in the UN Guiding Principles, and that they will regularly assess and identify both potential and actual adverse impacts. While Contour Design mentions that they will assess, identify and communicate how they manage both potential and actual adverse impacts in which they may

be involved through their business relationships, Carlsberg only states that its expectations of its suppliers can be found in its Supplier and License Code of Conduct. Additionally, Carlsberg mentions in its 2023 Sustainability Reports that they follow few recognised frameworks such as EU Corporate Sustainability Reporting Directive, EU Taxonomy, UN Women's Empowerment Principles, etc (Sustainability Report, 2023, p. 92). Furthermore, Carlsberg says that they will communicate externally and internally their respect for human rights and guide their employees on appropriate behaviour (Human Rights Policy, 2021, p. 2).

While Carlsberg has a human rights policy and human rights report, Contour Design does not, but states on its website that in 2021, it conducted its first impact assessment on social, environmental and economic sustainability. They found out that they are at risk of impacting 19 of 48 social areas, 7 of 20 environmental and 6 of 16 economic areas (*Contour Design, n.d.*). Contour Design's methodology for sustainability due diligence is to assess one unit at a time starting with its headquarters. When carrying out an impact assessment, Contour Design considers all sustainability areas, and where they find no risks, they describe why they have come to this conclusion. To ensure stakeholder engagement, they conduct their first assessments with interactions with stakeholders. As a part of their methodology, when assessing a business unit for the first time, they focus only on potential adverse impacts and then during the re-assessment they start including actual impacts. Contour Design's belief is that the positive collaboration in becoming more sustainable will be strengthened by not looking for flaws, but merely risks (*Contour Design, n.d.*).

Unlike the Contour Design, Carlsberg has identified only those human rights that are most significant for its business, including non-discrimination, forced and child labour, harassment, freedom of association, working hours, benefits, wages and health and safety. Carlsberg's Human Rights Policy mostly addresses workers and not the business relationships. It also focuses on labour rights and makes no mention of due diligence. Opposite of its Human Rights Policy, Carlsberg's Sustainability Report, like its 2023 Human Rights Report, explains its due diligence efforts and how Carlsberg pays special attention to groups that are more vulnerable to human rights violations, such as indigenous people, children, women and migrants. In its 2023 Sustainability Report, Carlsberg states that they conducted an in-depth human rights assessment, however, only in two high-risk markets in Asia (Sustainability Report, 2023, p. 75). Carlsberg's methodology consists of assessing salient human rights risks, which means that they assess only the most severe human rights

impacts in their value chain (Carlsberg Group Human Rights Report, 2023, p. 5). When it comes to salient human rights risks related to Carlsberg's own operations, they only identified health and safety issues and harassment (Carlsberg Group Human Rights Report, 2023, p. 11)

When it comes to remedy as a part of the UNGPs, Carlsberg engages in remedying any adverse human rights impacts it may cause or contribute to through its grievance mechanisms (Sustainability Report, 2023, p. 76). Similarly, if it causes or contributes to an actual adverse impact, Contour Design will provide access to remedy for affected stakeholders and prevent or mitigate so that it does not happen again (Sustainability Policy, 2022). If Contour Design finds itself linked to severe impacts through its business relationships, it will use or build its leverage to stop the impact. Contour Design's sustainability policy is reflected in all other company policies, procedures and guidelines and has been reviewed by external experts on the UNGPs and OECD Guidelines, and approved by the most senior level of the company (Sustainability Policy, 2022). Contrary to this, if we take a closer look at who is responsible for owning and endorsing Carlsberg's Human Rights Policy, it is the HR person; they do not look at the whole management (Human Rights Policy, 2021, p. 5).

6. DISCUSSION AND LIMITATIONS

If we take a look at the two companies and the way they structure their policies and reports, it is very different. They both write in their sustainability reports that they are guided by the UNGPs, however, it seems that Contour Design is more aligned with the UN Guiding Principles than Carlsberg.

During performing desk reviews and impacts assessment throughout the internship, I discovered that many companies link human rights due diligence with double materiality assessment or salience, meaning that they only identify severe impacts, but not potential ones. Double materiality is a mandatory exercise for the companies to identify which sustainability matters are most material to the organisation and its stakeholders (*PwC, n.d.*). The UNGPs clearly state that companies should assess both actual and potential human rights impacts when conducting human rights due diligence and be transparent about it (Guiding Principles on Business and Human Rights, 2011, p. 17). Contour Design assesses all sustainability areas, and where they find no risks, they describe why they have come to this conclusion. Although Carlsberg mentions that they assess potential and actual impacts, they do not fully demonstrate this. It seems that Carlsberg also somewhat views human rights due diligence as a double materiality assessment.

Another reason to conclude that Carlsberg does not fully comply with the Principles is operational level assessments. Contour Design writes on their website that as a part of their sustainability due diligence they assess one unit at a time starting with their headquarters, and that their corporate policies are approved by the most senior level of the company. Looking at Carlsberg's Sustainability Report from 2023, it seems that they assess extensively only their value chain, especially in high risk markets. Considering that they operate in conflict areas such as Ukraine (Carlsberg Group Human Rights report, 2023), it is only natural to pay special attention to these areas when conducting an assessment. However, according to the UN Guiding Principles, companies should conduct human rights due diligence starting with their own organisation and headquarters, and then up the value chain (Guiding Principles on Business and Human Rights, 2011, p. 19). Carlsberg has operations in Western, Central and Eastern Europe and Asia, but it conducts in depth human rights due diligence only in Asia (Sustainability Report, 2023, p. 75). Even though Carlsberg does not mention specifically that it will use its leverage in case it is linked to an actual adverse impact, it does mention that once it identifies actual adverse impacts on human rights in its value chain, it will take

appropriate actions to prevent those impacts (Carlsberg Group Human Rights Report, 2023, p. 4).

The Guiding Principles require companies to communicate and be transparent about their human rights impacts and to engage stakeholders (Guiding Principles on Business and Human Rights, 2011, pp. 23-24). In terms of stakeholder engagement, it could be said that both companies have adequate mechanisms in place to address any human rights impacts or concerns. Both companies have whistleblower systems and mechanisms for their employees to express their grievances.

The UNGPs state that businesses should, as a minimum, respect human rights as set out in the International Bill of Human Rights and the fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. However, they also state that situations may change and that companies should also consider the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (Guiding Principles on Business and Human Rights, 2011, pp. 13-14). While Contour Design assessed 48 human rights, Carlsberg's policies mostly only address non-discrimination, harassment and labour rights. As an alcohol company, Carlsberg has an actual impact on the right to health, yet, in their report they do not acknowledge that right. They only address harmful drinking and the potential impacts they have on consumers by stating that they provide detailed ingredient and nutritional information on their product labels (Carlsberg Group Human Rights Report, 2023, p. 12).

The debate on corporate social responsibility has led to the emergence of international frameworks that are mandatory for businesses to follow in their annual reporting, such as the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. Carlsberg mentions in its report that it follows all those frameworks and some more. In this context, we could conclude that Carlsberg, by demonstrating its compliance with the regulatory frameworks such as CSRD, the EU Taxonomy, etc. is supporting the idea of coercive isomorphism, because it is ensuring that it meets mandatory requirements without fully embracing the UNGPs. It also indicates that Carlsberg's understanding of human rights is influenced by mandatory frameworks. Furthermore, in terms of the theoretical framework, it could be interpreted that both companies' statements that they follow the UNGPs may be driven by pressure from the UNGPs themselves. Given that the UNGPs have become an essential part of corporate social responsibility, it could be argued that many companies feel

pressured to mention them in their reporting. Contour Design's sustainability practices and full alignment could be seen as an example of pressure from international standards that led to the adoption of proactive policies such as their Sustainability Policy. On the other hand, Carlsberg's sustainability practices could be perceived as superficial rather than a genuine intention to fully endorse the UNGPs. It appears that Carlsberg is only adopting elements of the UNGPs. In terms of mimetic isomorphism as a component of the institutional theory, it can be concluded that Carlsberg's partial endorsement of the UNGPs is seen as an attempt to mirror other companies. Contour Design's alignment with the UNGPs could also be seen as a mimetic isomorphism, as they are imitating best practice in order to increase their public reputation.

6.1. Limitations

When considering the limitations of this project, there are several. The first one is the sample size. This project focuses on comparing only two companies and does not include other Danish companies. The methodology used for the analysis was document and comparative analysis, however, conducting interviews and having input from stakeholders such as employees and business relationships could provide a more comprehensive view of the companies' practices. Another limitation is that it focuses on the most recent reports and it does not include older sustainability reports. However, given the timeframe of the project and the availability of the data, it was decided to use only two companies for the comparison and the most recent reports. Finally, given that the internship took place in a sustainability consultancy that has its own methodology when it comes to consulting companies on human rights due diligence, another important limitation is the researcher's bias.

7. CONCLUSION

In conclusion, a comparison between Contour Design and Carlsberg to examine how the sustainability practices of Danish companies compare in terms of their alignment with the UN Guiding Principles, showed that the companies operate very differently when it comes to the UNGPs.

The analysis shows that Contour Design is fully aligned with the UNGPs. They conduct thorough human rights due diligence, including both actual and potential impacts in their annual reporting, ensure stakeholder engagement, and that their assessment starts at headquarters, contributing to the level playing field idea of the UNGPs. On the other hand, Carlsberg, while demonstrating a commitment to the corporate social responsibility and ethical practices, is not as thoroughly aligned with the UNGPs. It seems that Carlsberg is using the UNGPs more as guidance than principles. In answering the research question, the analysis showed that while some Danish companies are leading the way in integrating the UNGPs into their sustainability practices, others are still only adopting elements of the UNGPs. Considering that the two companies use advice from different external experts and consultants, this may also influence their sustainability practices.

The aim of this project and my internship was to gain a deeper knowledge when it comes to implementing ethical practices in companies. It helped me to gain a different perspective when it comes to human rights in the corporate environment. It also provided practical knowledge and bridged the gap between academic knowledge and its application in practice. Through this project and internship, I hope to contribute to the ongoing debate about sustainability practices of the companies and whether the voluntary nature of the UN Guiding Principles on Business and Human Rights is sufficient, or are mandatory regulations more effective, especially with the Corporate Sustainability Due Diligence Directive soon coming into force.

8. BIBLIOGRAPHY

- Bonnitcha, J., McCorquodale, R. (2017). The Concept of ‘Due Diligence’ in the UN Guiding Principles on Business and Human Rights. *European journal of international law*, 2017-08, Vol.28 (3), p. 899-919
- Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27–40, [10.3316/QRJ0902027](https://doi.org/10.3316/QRJ0902027)
- Brammer, S., Jackson, G., Matten, D. (2012). Corporate Social Responsibility and Institutional Theory: New Perspectives on Private Governance, *Socio-Economic Review*, 10(1), 3–28. <https://doi.org/10.1093/ser/mwr030>
- Campbell, J. L. (2007). Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. *The Academy of Management Review*, 32(3), 946–967. <http://www.jstor.org/stable/20159343>
- Carlsberg Group. (n.d.). *About the Carlsberg Group*. Retrieved April 21, 2024 from <https://www.carlsberggroup.com/>
- Carlsberg. (2019). *Supplier and License Code of Conduct*. <https://www.carlsberggroup.com/media/iszfkujp/supplier-licensee-code-of-conduct-2019-vfinal.pdf>
- Carlsberg. (2021). *Investor Relations Policy*. https://www.carlsberggroup.com/media/mx3dc11q/ir-policy_sept-2021.pdf
- Carlsberg. (2021). *Human Rights Policy*. https://www.carlsberggroup.com/media/xofi2flr/human-rights-policy_final.pdf
- Carlsberg. (2023). *Carlsberg Group 2023 ESG Report*. <https://www.carlsberggroup.com/media/nb5jpfmq/carlsberg-group-2023-esg-report.pdf>
- Carlsberg. (2023). *Carlsberg Group 2023 Human Rights Report*. <https://www.carlsberggroup.com/media/111lolad/carlsberg-group-2023-human-rights-report.pdf>
- Carlsberg. (2023). *Code of Ethics and Conduct*. <https://www.carlsberggroup.com/media/2allas5b/code-of-ethics-and-conduct-english-external-october-2021-updated-july-2022.pdf>
- Contour Design. (2022). *Code of Conduct for Business Relationships*. https://cdn.shopify.com/s/files/1/0625/9965/9766/files/Signed_Code_of_Conduct_for_Business_Relationships_-_Contour_Design.pdf?v=1667901903

- Contour Design. (2022). *Code of Conduct for Employees*. https://cdn.shopify.com/s/files/1/0625/9965/9766/files/Signed_Code_of_Conduct_for_Employees_-_Contour_Design.pdf?v=1667901903
- Contour Design. (2022). *Sustainability Policy*. https://cdn.shopify.com/s/files/1/0625/9965/9766/files/Signed_Sustainability_Policy_-_Contour_Design.pdf?v=1667901903
- Contour Design. (2023). *Sustainability Report*. https://cdn.shopify.com/s/files/1/0625/9965/9766/files/Contour_Design_Sustainability_report_2023_1.pdf?v=1713768783
- Contour Design. (n.d.). *About Contour Design*. Retrieved April 21, 2024 from <https://contourdesign.dk/>
- *Corporate sustainability due diligence*. (n.d.). European Commission. Retrieved May 27, 2024 from https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147–160. <https://doi.org/10.2307/2095101>
- Fasterling, B., & Demuijnck, G. (2013). Human Rights in the Void? Due Diligence in the UN Guiding Principles on Business and Human Rights. *Journal of Business Ethics*, 116(4), 799–814. <http://www.jstor.org/stable/42002502>
- Global CSR. (n.d.) *10 Reasons to Respect Human Rights and Implement the UNGPs*. Retrieved May 12, 2024 from <https://globalcsr.net/ten-reasons-to-respect-human-rights/>
- KPMG. (n.d.). *Corporate Sustainability Reporting Directive*. Retrieved May 12, 2024 from <https://kpmg.com/nl/en/home/topics/environmental-social-governance/corporate-sustainability-reporting-directive.html>
- Lijphart, A. (1971). Comparative politics and the comparative method. *American political science review*, 65(03), 682-693. *Political Science Review*, 99(03), 435-452
- Marslev, K. (2020). *Doing Well by Doing Right?: Exploring the Potentials And Limitations of a Business Case for Human Rights*. The Danish Institute for Human Rights. <https://www.humanrights.dk/publications/doing-well-doing-right>

- McCorquodale, R., & Nolan, J. (2021). The effectiveness of human rights due diligence for preventing business human rights abuses. *Netherlands International Law Review*, 68(3), 455–478. <https://doi.org/10.1007/s40802-021-00201-x>
- McVey, M. (2022). Untangling the authority of external experts in the corporate implementation of the UN Guiding Principles on Business and Human Rights. *Journal of Human Rights*, 21(5), 620–638. <https://doi.org/10.1080/14754835.2022.2105646>
- Methven O'Brien, C., & Christoffersen, J. (2023). The Proposed European Union Corporate Sustainability Due Diligence Directive Making or breaking European Human Rights Law? *Anales de Derecho*, 40(2), 177-201. <https://doi.org/10.6018/analesderecho.590701>
- Muchlinski, P. (2021). The impact of the UN guiding principles on business attitudes to observing human rights. *Business and Human Rights Journal*, 6(2), 212–226. <https://doi.org/10.1017/bhj.2021.14>
- Office of the High Commissioner. (2011). *Guiding Principles on Business and Human Rights*. United Nations. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf
- Oliver, C. (1991). Strategic Responses to Institutional Processes. *The Academy of Management Review*, 16(1), 145–179. <https://doi.org/10.2307/258610>
- PwC. (n.d.). *Understanding the CSRD Double Materiality Assessment Process*. Retrieved May 11, 2024 from <https://www.pwc.com/mt/en/publications/sustainability/understanding-the-csrd-double-materiality-assessment-process.html>
- Rasche, A., & Waddock, S. (2021). The UN Guiding Principles on Business and Human Rights: Implications for Corporate Social Responsibility Research. *Business and Human Rights Journal*, 6(2), 227-240. <https://doi.org/10.1017/bhj.2021.2>
- Seawright, J., & Gerring, J. (2008). Case selection techniques in case study research a menu of qualitative and quantitative options. *Political Research Quarterly*, 61(2), 294-308
- The Danish Institute for Human rights. (2022). *Documenting Respect for Human Rights*. <https://www.humanrights.dk/files/media/document/Documenting%20Respect%20for%20Human%20Rights%202022.pdf>

- Treviño-Lozano, L., & Uysal, E. (2023). Bridging the gap between corporate sustainability due diligence and EU public procurement. *Maastricht Journal of European and Comparative Law*, 0(0). <https://doi.org/10.1177/1023263X231213335>
- Wettstein, F. (2015). Normativity, Ethics, and the UN guiding Principles on Business and Human Rights: A Critical assessment. *Journal of Human Rights*, 14(2), 162–182. <https://doi.org/10.1080/14754835.2015.1005733>
- Zucker, L. G. (1987). Institutional Theories of Organization. *Annual Review of Sociology*, 13, 443–464. <http://www.jstor.org/stable/2083256>