The Landscape is changing

Icelandic state owned enterprises and corporate social responsibility (CSR): Assessing Landsvirkjun´s CSR strategy

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Abstract

Corporate social responsibility (CSR) is increasingly required of companies. However, CSR at state owned enterprises (SOEs) has not received much attention in the CSR literature. This thesis has the objective to add to knowledge on CSR of Icelandic SOEs. The objective led to three research questions: **Q1**. How do internal and external factors, affect the implementation and communication of CSR at state owned enterprises in Iceland? **Q2**. Is the implementation and communication of CSR more complex at Icelandic state owned enterprises than at Icelandic privately held companies? Lastly, the third question applies to a case study that was conducted: **Q3**. What affects Landsvirkjun´s (LV) [state owned energy company] CSR implementation and communication, and how mature is the company´s CSR strategy? To answer these questions a qualitative research approach was applied. Interviews were carried out with five CSR experts, four current employees at LV, and one former employee. Secondary data was also reviewed, and a short survey was presented. **Q1** finds that potential factors influencing CSR at SOEs can be categorised into internal and external factors. The internal factors, which are more universal, are: Company size, existence of a CSR strategy, management support, level of independency (interdependent with management support), company awareness, budget, and use of CSR guidelines. The external factors, which are more contextual, are: Sector, laws and regulations, level of independency (interdependent with laws and regulations), stakeholders, parliament resolutions, state policies, state interest, political interference, and state-cutbacks. No clear answer was found to **Q2**, since some factors can make CSR more complicated for SOEs, while others can assist them with CSR engagement. **Q3** was answered by applying three CSR frameworks to Landsvirkjun´s CSR strategy. LV´s overall CSR is found to be on a high level, and the factors identified as influential for SOEs affect LV´s CSR as well. Finally, since the literature review of the research revealed that reporting on CSR according to the Global Reporting Initiative (GRI) can improve organisation´s CSR, Icelandic SOEs are recommended to implement this procedure in their CSR work.

Keywords: CSR, SOE, LV, ISO 26000, GRI.

Executive Summary

Company operations affect society and the natural environment. This means that corporations, and other organisations, have a responsibility to their internal and external environment. Corporate social responsibility (CSR) is a concept that deals with corporate impact. The importance of the concept has grown in the business world in recent years, and many organisations use CSR systematically in their strategic planning and overall business. For this reason, CSR is a well established notion in business and social research. Nevertheless, CSR at corporations that are wholly or partly owned by states; state owned enterprises (SOEs), has not received much attention among researchers. The ownership status of SOEs influences how CSR is implemented and communicated at those respective companies. Other factors, both those that are directly linked to the ownership status and others that are more general, also influence how CSR is practised at SOEs. Compared to its neighbouring countries, Iceland´s encounter with strategic CSR is a rather new phenomenon. However, growing number of Icelandic companies are systematically implementing CSR into their business. For Icelandic SOEs, acting responsibly is vital with regard to their working environment. That is, if their owners, the Icelandic public, perceive that an SOE places emphasis on CSR, and if the SOE is successful in demonstrating the value of the company for the society, the respective SOE can attain approval of its operations from their owners. This is particularly important if a SOE operates in an environmentally sensitive sector where the legitimacy of the company´s actions is constantly questioned.

Landsvirkjun (LV) - National Power Company of Iceland is the largest SOE in Iceland. The company produces renewable energy and operates in different parts of the country. In fact, the company produces 75% of all electricity produced in Iceland. LV´s operations are not uncontroversial, but the impact of its business on Icelandic society is undisputed. Therefore, Icelandic political parties, as well as the Icelandic public, have strong opinions on Landsvirkjun. The company has always been aware of its social responsibility, but in recent years it has systematically and strategically worked with CSR.

This thesis has several objectives. Firstly, in order to get a better insight into CSR at Icelandic SOEs, to examine what possible factors influence their CSR implementation and communication. Secondly, to discuss if CSR at SOEs is more complicated than at private companies. Thirdly (by carrying out a case study) assess the CSR strategy of Landsvirkjun. And finally, to compare factors that affect LV´s CSR (identified in the assessment) to the factors identified as influencing SOEs in general. These objectives led to the formulation of the following research questions:

First, working as umbrella-questions for the research, Q1 and Q2 are addressed:

Q1. How do internal and external factors, affect the implementation and communication of CSR at state owned enterprises in Iceland?

Q2. Is the implementation and communication of CSR more complex at state owned enterprises in Iceland then at privately held companies in Iceland?

Secondly, in order to get a closer perspective of CSR at SOEs, a case-study was carried out where Landsvirkjun´s CSR strategy was analysed. That also allowed for comparison of the factors influencing LV´s CSR activities with the factors identified as influential in CSR work of SOEs in general. This led to the proposition of question number three:

Q3. What affects Landsvirkjun´s CSR implementation and communication, and how mature is the company´s CSR strategy? In other words, by comparing LV´s CSR strategy to CSR/sustainability-assessment frameworks, what influencing factors are identified, and what is the maturity level of LV´s CSR strategy?

A qualitative research approach is applied in this study. The research methods consist of semi structured interviews, review of secondary data, and a survey. To get a clearer picture of what factors affect CSR at SOEs in Iceland, and in order to better understand what might affect Landsvirkjun´s CSR, an overarching analysis of possible factors affecting the CSR work of Icelandic SOEs was conducted. Interviews were carried out with five CSR experts, four employees from LV, and one former employee of the company. This analysis was based on observing statements in the interviews, and on reviewing various documents, reports, regulations, etc. In addition to observing statements from all the interviews, reviewing responses to statements in the survey, and looking into secondary data, the analysis of LV´s CSR strategy was based on identifying repeated themes in the data. The seven core subjects of social responsibility according to the ISO 26000 standard, an internationally recognised standard on social responsibility, where used as motifs when reviewing the data. The core subjects are: 1. Organisational governance 2. Human rights 3. Labour practices 4. The environment 5. Fair operating practices 6. Consumer issues 7. Community involvement and development. The reason for using ISO 26000´s core subjects as motifs is because Landsvirkjun uses the standard as a guiding document in its CSR implementation. With detailed close reading and comparing of the interview transcripts, survey responses and the secondary data, it was possible to match the identified themes with the motifs, and draw them out of the data for further analysis.

For the succeeding assessment of Landsvirkjun´s CSR strategy, two other frameworks were applied in addition to the overarching ISO 26000 framework. These frameworks are Baumgartner´s and Ebner´s framework (BE-framework) for corporate sustainability strategies, and an adjusted version of the Geneva Association framework (GA-framework) on climate actions of insurance companies. These frameworks grade CSR/climate change efforts of organisations according to the maturity of their efforts. Primitive efforts place organisations at lower maturity levels, whereas matured efforts place them on higher levels. The BE-framework is a much more comprehensive framework than the GA-framework. It presents a four-level maturity grid with six sustainability strategies, four categories of sustainability aspects, and in total 21 sustainability aspects. A definition is provided for each aspect, and criteria for the different levels of maturity of each aspect are also given. The GA-framework is a simple framework that lists five maturity levels. Each level has two criterions. For this reason the BE-framework served as the main assessment tool, and the GA-framework was meant as a supportive framework in order to bring more reliability to the assessment.

It should be addressed that the nature of the thesis topic brings certain 'subjectivity' to the research. The ISO 26000 standard, published in 2010, touches on this issue by noting that "The elements of social responsibility reflect the expectations of society at a particular time, and are therefore liable to change. As society's concerns change, its expectations of organizations also change to reflect those concerns." Therefore, the 'subjectivity' lies, for instance, in the fact that this research reflects among other things the concerns/opinions of the interviewees, and various opinions found in the secondary data. Thus, interpretativeness is inevitable when researching a topic such as CSR, that is, in the meaning that one has to choose from numerous options that can be interpreted as elements of CSR. However, to minimise the 'subjectivity', the ISO 26000 standard, the CSR frameworks, and repeated themes in the interviews and in the secondary data, are utilised as guidelines in the research.

The results of the research indicate that it is possible to divide potential factors influencing CSR at Icelandic SOEs into two categories; internal and external. Whereas the internal factors can be viewed as more universal, and affecting all organisations, state owned or private, the external factors are more contextual, and directly related to the ownership status of the SOEs.

The internal factors identified in this research as influential in terms of CSR at Icelandic SOEs are (in no particular order): Company size, existence of a CSR strategy, management support, level of independency (interdependent with management support), company awareness (proactiveness, improved image/value adding, competitive advantage/optimisation), budget, and use of CSR guidelines/standards.

The identified external factors are (in no particular order): Sector, laws and regulations, level of independency (interdependent with laws and regulations), stakeholders, parliament resolutions, state policies, state interest, political interference, budget (state-cutbacks), international conventions and norms.

In reviewing the secondary data and the answers from the interviews it became clear that while some of the factors linked to the nature of the ownership of SOEs can help them with their CSR, others can make their CSR efforts complicated. Therefore, the research does not provide a one-sided answer to the question if the implementation and communication of CSR at SOEs is more complicated than at private companies.

The weight of influence of the external and internal factors found to affect the CSR of Icelandic SOEs differs when they are considered in connection with LV´s CSR efforts. The internal factors identified as the most decisive ones for LV´s CSR work are: Company awareness, management support, existence of a strategy and use of a CSR standard. Landsvirkjun has always placed emphasis on CSR, but the arrival of a new executive management team in 2009-2010 resulted in a creation of a strategy, where CSR has been systematically and strategically implemented and communicated.

The external factors identified as the most decisive ones for LV´s CSR are the interconnected factors *sector* and *stakeholders*. The environmental sensitivity of the sector plays a major role in the importance of, and the emphasis on, stakeholder dialogue- and collaboration for LV. The factors *state policies* and *political interference* are as well important for the company, without being as determinant as the sector- and stakeholder factors.

The analysis of Landsvirkjun´s CSR strategy shows that the strategy is overall well implemented and communicated. The company reaches high maturity levels for majority of the sustainability aspects identified by the BE-framework, and comparing the results to the criteria of the GA-framework shows that LV bounds across the two highest maturity levels of the framework.

The interviews with LV´s employees revealed that the company is looking into how it can use the sustainability reporting guidelines of the Global Reporting Initiative (GRI) in the company´s CSR work. However, a decision has not been made yet on reporting according to the guidelines. Recent research carried out in Sweden (where it is mandatory for SOEs to apply the GRI guidelines in disclosing their sustainability activities) found that using the guidelines led to increased awareness and transparency on sustainability issues, improvements in operation methods, and more focused procedures. Therefore, in light of these results, LV and other Icelandic SOEs are recommended to apply the GRI Guidelines in their CSR work.

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Abbreviations

BAT	Best available technologies
CC	Corporate citizenship
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
FJS	Fjársýsla ríkisins (The Icelandic Financial Management Authority)
GA	Geneva Association
GRI	Global Reporting Initiative
HSAP	Hydropower Sustainability Assessment Protocol
ISO	International Organisation for Standardization
ISO 9001	Standard for quality management systems
ISO 14001	Standard for environmental management systems
ISO 26000	Guidance on social responsibility
ISO 27001	Standard for information security management systems
LV	Landsvirkjun
MNE	Multinational Enterprise
MS	Management System
NASF	North Atlantic Salmon Fund
NGO	Non Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OHSAS	Occupational Health & Safety Advisory Services
OHSAS 18001	Standard for occupational health and safety management systems
SIS	Swedish Standards Institute
SOE	State Owned Enterprise
SR	Social Responsibility
SSC	Swedish Space Corporation
TBL	Triple Bottom Line
UN	United Nations
ÁTVR	Áfengis og tóbaksverslun ríkisins (The State Alcohol and Tobacco Company of Iceland)

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1 Introduction

Responsibility can be calculated, but it can also be subconscious. Corporations, like other organisations, have responsibilities. Where those responsibilities lie, and how aware corporations are of them, is a different story. The discussion and the debate about the external and internal responsibilities of corporations, nowadays most commonly coined Corporate Social Responsibility (CSR), is intertwined with corporate evolution (van Oosterhout and Heugens, 2008). However, given the vastness of the topic it should not come as a surprise that conceptualising the relationship between business and society is troublesome. Howard R. Bowen (1953) has been credited with the first attempt to frame CSR. In his book *Social Responsibilities of the Businessman,* Bowen argues that businessmen are obliged ". . . to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives of our society" (p.6). *Social Responsibilities of the Businessman* is said to have started the beginnings of modern literature on CSR (Carroll, 2008). However, during the decades that have passed since the publication of Bowen´s book, the meaning of the concept, as well as its importance have expanded.

The main reason for the increased relevance of corporate social responsibility goes hand in hand with the growing power corporations have in society. Corporations are getting larger and more powerful, and the scope of some of MNEs´s operations, even outweigh the economies of their hosting nations. In 2012, 37 of the world´s 100 largest economies were corporations (Buxton, 2014). As the branches of corporations reach further into social, economic and environmental spheres corporate operations can affect sustainable development[1] in various ways. For that reason it is necessary to put effort in minimising these impacts (e.g. in terms of negative impact on the environment), or maximising them (e.g. in terms of positive impact on social affairs and economies). With CSR intrinsically linked to sustainability, and the important role corporations can play in the endeavour of sustainable development there is an increasing interest of the business world to develop the business sector towards sustainability (Dahlsrud, 2008; Eweje, 2011).

The interest and implementation of CSR as a corporate strategy has, over the last decades, mainly been concentrated in the private sector, where companies have seen business opportunities in implementing CSR (Roper and Schoenberger-Orgad, 2011; Bolívar et al., 2014). However, state owned enterprises (SOEs) have, in recent years, increasingly been incorporating CSR strategies into their operations (ibid), and today the concept is fully institutionalized (Caroll, 2008). One argument that confirms the institutionalisation of CSR is the ISO 26000 standard on CSR that the International Organisation for Standardization (ISO) issued in 2010. ISO is a respected and authoritative provider of information for businesses and industries, and as Greene (2010) notes, that "when ISO chooses to develop a standard on an issue, it is a clear sign that the issue is now of mainstream concern" (p. 525). With the special obligations SOEs have to their owners, the citizens of the respective state, the responsibilities of those enterprises is perhaps more complex than responsibilities of private enterprises. A clear structured standard like ISO 26000 can thus be helpful for SOEs.

In Iceland, strategic corporate social responsibility is, according to the CSR experts interviewed in this study, a fairly new phenomenon compared to its evolution in the other Nordic countries. On the other hand, awareness of CSR among businesses in Iceland has

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[1] According to a content analysis of the most frequently quoted definitions of *sustainable development* the concept means "a process of achieving human development in an inclusive, connected, equiparable, prudent and secure manner." (Gladwin and Kennelly 1995, p. 876 as cited in Garriga and Melé, 2008)

grown considerably in recent years. One company that has set ambitious CSR goals is Landsvirkjun (LV)-National Power Company of Iceland. LV is a state owned enterprise and the biggest energy producer in Iceland. The company has had CSR on its agenda for several years[2] and in 2011 the company introduced its revised CSR policy ("Landsvirkjun implements a new strategy", 2011). In 2008 LV started working on its new CSR strategy and used the-then draft version of ISO 26000 as a guiding document (Hilmarsson and Marinósdóttir, 2009). In 2009, a new CEO was appointed, and in 2010 LV introduced a new general policy where, among other things, sustainable exploitation of energy resources was emphasised ("Starfsemin", n.d.). In 2011, a special policy for CSR was introduced. The policy has been gradually implemented, and in 2013, the CSR implementation was a priority at the company ("Fjórtán markmið", 2014).

In this thesis influencing factors of CSR at SOEs in Iceland will be examined, and the CSR strategy of Landsvirkjun will be assessed. Section 1.2 will discuss why assessing a CSR strategy at a state owned company is interesting, and further, why LV´s CSR strategy was chosen for assessment.

Before we turn to this, in the view of that the topic is CSR, and the aforementioned difficulties in grasping it, next section will briefly attempt to explain what CSR is.

1.1 What is CSR?

Corporate Social Responsibility is a concept that can be hard to comprehend. Scholars do not even agree what it stands for, and as van Oosterhout and Heugens (2008) point out, it is difficult to define the concept when there is a problem of understanding its causes and consequences. Most likely, for this reason, a single common definition for CSR does not exist.

Therefore, with the aim to get a comprehensive understanding of what CSR means, four definitions will be highlighted. These four definitions seem to be, when read conjunctively, exhaustive of the meanings usually attached to the concept.

Van Marrevijk defines CSR broadly and states it is ". . . company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders" (2003. p. 102).

With the issuing of its social responsibility standard, ISO purposely took out the *Corporate* in Corporate Social Responsibility, and the term Social Responsibility (SR) is used instead. The reason for this is that ISO wants its guidelines to be applicable for all organisations and not just large businesses (SIS, 2010).[3] The ISO 26000 offers an extensive definition of CSR, which reads as follows:

> [R]esponsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that
> – contributes to sustainable development, including health and the welfare of society;
> – takes into account the expectations of stakeholders;
> – is in compliance with applicable law and consistent with international norms of behaviour; and

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[2] This statement refers to the use of CSR as a business methodology, that is, how LV has been systematically working with the methodology.

[3] To prevent complications the term CSR will be used in this thesis when discussing social responsibilities of *all* organisations.

− is integrated throughout the organization and practised in its relationships. (SIS, 2010, p. 3).

The European Commission has also defined CSR. In fact, the ISO 26000 standard influenced ("Corporate Social Responsibility", n.d.) the European Commission´s re-definition of CSR, put forth in 2011, which is now defined briefly as "the responsibility of enterprises for their impacts on society" (EC, 2011, p. 6).

Finally, McWilliams, Siegel and Wright (2006) emphasise beyond compliance behaviour as they define CSR as all the situations where "the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (p. 1).

These definitions should at least help in preventing the misconception some have about CSR, which is that CSR is only about giving money, for example, through funds and grants, and illustrate that it indeed goes beyond such philanthropic activities.

As aforementioned the responsibilities of SOEs can be more complicated than of companies that are privately owned. It can be argued that due to the ownership status of SOEs, where the "citizens are arguably the principal shareholders" (Roper and Schoenberger-Orgad, 2011, p. 693), SOEs have broader stakeholder groups than enterprises that are privately owned. Where then, should their CSR focus lie? Should CSR, for example at a state owned energy company, focus on acting responsibly in the eyes of citizens that demand conservation of untouched nature, or should the focus be on acting responsibly to citizens that support harnessing of nature´s resources and argue that doing so will have positive effects on society? Or should communities close to the company´s main operations have the biggest weight in the CSR approach? These questions are of course a simplification of reality as other areas of CSR such as labour practices and consumer issues need to be considered as well. But the question remains. What influences CSR at state owned enterprises? These are important questions, but nevertheless, despite the important relationship between SOEs and society, the CSR issues of SOEs have not been addressed properly in the academic literature (Ates and Büttgen 2011; Cunningham, 2011; Heath, 2011; Roper and Schoenberger-Orgad, 2011; Bolívar et al.).

LV has to consider the above questions in its operational management. The company´s mission is to produce renewable energy by harnessing and maximise the potential yield of natural resources in a sustainable way ("Our mission", n.d.). LV´s operations are, however, not uncontroversial amongst the Icelandic public, and therefore the company has to consider carefully how to run its business. The construction of Kárahjúkar Dam in East Iceland is a good example of a controversial project carried out by LV. The construction of the dam (from 2002-2008), which is the largest dam in Europe and the single largest construction project in Iceland´s history (Jóhannesson, n.d.), sparked heated disputes in Iceland. Those opposing the construction argued that unique natural areas would be permanently destroyed but those supporting it argued that building the dam would have positive effects on, for example, the national economy and regional development.

The Kárahnjúkar project was one of the pivotal points in the improvement of the company´s CSR strategy. Ragna Sara Jónsdóttir, LV´s CSR director, mentions that LV´s CSR policy derives from LV´s strategic planning that took place in 2010:

> Our revised policy demonstrates great will to build a consensus around the company
>
> and its operations. The operations at Kárahnjúkar (2002-2008) sparked heated

controversies in the society, and our CSR policy is developed to increase information

flow from the company, increase cooperation and build a consensus around our

operations. (Personal communication, February 6, 2013).

The contextual factors influencing CSR at Icelandic SOEs, and the fact that LV´s CSR strategy has not been researched before shed a light on why influential factors of CSR at Icelandic SOEs, and LV´s CSR strategy are interesting to research. The following section will give a brief overview of Landsvirkjun.

1.2 Landsvirkjun (LV) - Case study

Landsvirkjun is the largest SOE in Iceland. The company was founded on July 1, 1965, by the Icelandic state and the city of Reykjavík. The aim with its foundation was to produce reasonably priced electricity to the domestic market, by constructing and operating hydroelectric power plants, as well as to encourage foreign investors within the power intensive industries to invest in the country ("History", n.d.; "Í þágu þjóðar", n.d.). LV, which is a public partnership, was equally owned by the state and the city until 1983, when Akureyri Municipality acquired a 5% share in LV, and became the third owner ("Í þágu þjóðar", n.d.). On January 1, 2007, the state took over the ownership shares of Reykjavík and Akureyri ("Reykjavík og Akureyri selja", 2006), and the company became fully owned by the state.[4] Figure 1 shows the organisational chart of Landsvirkjun.

Figure 1. Landsvirkjun´s organisational chart.

Source: http://www.landsvirkjun.com/company/executiveboard
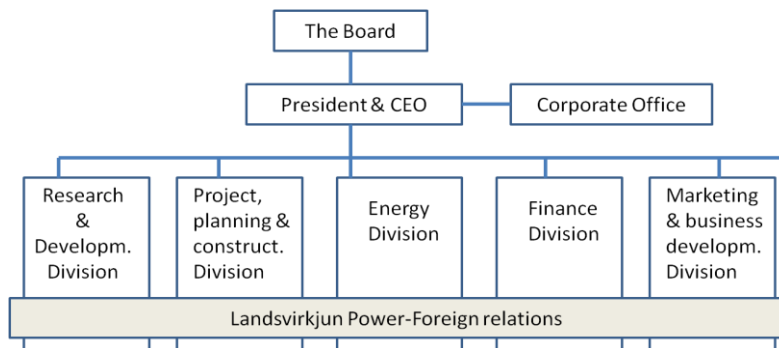
LV is by far the largest producer of electricity in Iceland, producing 75% of the total production ("Hydro power plants", n.d.). The company supplies 80% of its production to power-intensive industries, whereas 20% is sold to the public and to the transmission system operator. The company, which is one of the largest producers of renewable energy in Europe ("Power stations", n.d), operates 16 power stations in Iceland, two geothermal and 14 hydro, in five operation areas (ibid). In light of Landsvirkjun´s comprehensive operations the company operates according to several certifiable management systems. LV´s business is certified according to ISO 14001 (standard for environmental management systems), ISO

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[4] In an amendment to the act on LV (act no. 43/1983), that took effect on December 30, 2006, Eignarhlutir ehf., a private limited company, was established to keep LV's legal form unchanged. According to the amendment, the Icelandic state owns 99.9% in LV and Eignarhlutir 0.1%.

9001 (standard for quality management systems), ISO 27001 (standard for information security management systems, and OHSAS 18001 (standard for occupational health and safety management systems).

The impacts LV´s operations have/can have on natural areas in Iceland, and the fact that the company is state owned, place the company in a very politically sensitive environment. Various political parties have different opinions on the company´s objectives, and what distinguishes LV from many other companies in Iceland, is that most Icelanders seem to have their own opinion on the company. Hörður Arnarson, the CEO of LV, touched upon this in an interview in 2012, where he was asked to compare his current position as CEO of the state owned LV to his previous CEO position at a large, privately owned company in Iceland. "Yes, there is a big difference. First and foremost, the difference is that there are so many that hold an opinion on Landsvirkjun" (Valdórsson, 2012, own translation). Those various opinions which Arnarson refers to, have sparked heated controversies in Icelandic society, especially regarding the disruption of natural areas, with the previously mentioned Kárahnjúkar project in the forefront (Helgason, 2011; Ingólfsson, 2006; Kaldal, 2006).

Landsvirkjun is a rather small company in terms of human resources, with only 248 full time employees (LV, 2013, a, para. 6). However, the economic impact of the company´s operations (current and planned) on Icelandic society is undisputed (e.g. Guðjónsson, 2014; Ármann, 2011; Sigurjónsson, 2010). In order to understand the economic importance of LV one has to remember that the company is state owned and produces 75% of all electricity in Iceland. Thus, LV plays a major role when it comes to harnessing energy at natural areas in Iceland. Additionally, the company´s market leading position further increases its importance with regard to the role it plays in attracting foreign investment to the country.

1.3 Research Questions

State owned enterprises, like other companies, have to deal with various stakeholder groups. However, with citizens of the respective country being the owners of an SOE, and a democratically voted government mandated to act as a policy setter for its citizens, the stakeholder map becomes large, and the circumstances the SOE works under can become complicated. This can for instance be the case if the boundaries of the relationship between the state and the SOE are somewhat unclear, that is, if the SOE has full independency to operate on a free market but at the same time political influences can find their way into the company. If the SOE is also operating in a sector where controversial decisions have to be made, as is often the case in the energy sector, the communication with the large group of stakeholders and the concerns of social and environmental decisions influence all parts of the SOE´s business.

With this in mind, the impact and influence of a well structured, implemented and executed CSR strategy can have spill-over effects on society as well as on the environment.

By looking into the literature that discusses corporate social responsibility one can find what is generally accepted in terms of CSR. For the research carried out in this thesis there was an interest in finding out what factors influence CSR at SOEs, and further, assess how it is actually practiced at a SOE. Thus, further information was needed. Therefore, in addition to reading literature on the topic, a case study was carried out which includes interviews with CSR experts, as well as employees at LV.

With the above described process in mind the following research questions are addressed:

Q1. How do internal and external factors, affect the implementation and communication of CSR at state owned enterprises in Iceland?

Q2. Is the implementation and communication of CSR more complex at state owned enterprises in Iceland than at Icelandic privately held companies?

With Q1. and Q2. working as umbrella-questions for the research, a third question is necessary. The scope for answers to Q1. and Q2. is very broad, and the necessity of a more narrow perspective on the issue leads to a question with a case study-focus. Therefore, with LV being a SOE operating in an environmentally-sensitive sector, the third research question has a double purpose. On the one hand, by adding a case study to the research it is possible to see if the factors identified in Q1 and Q2 are important in terms of Landsvirkjun´s CSR. That is, if the factors that are identified as generally affecting CSR of SOEs in Iceland are also applicable in terms of LV´s CSR. On the other hand, by assessing Landsvirkjun´s CSR strategy the assessment can reveal possible strengths and weaknesses in its CSR implementation and communication, and thus assist the company in its CSR work. Therefore, the following research question is considered:

Q3. What affects Landsvirkjun´s CSR implementation and communication, and how mature is the company´s CSR strategy? In other words, by comparing LV´s CSR strategy to CSR/sustainability-assessment frameworks, what influencing factors are identified, and what is the maturity level of LV´s CSR strategy?

1.4 Method

With no predefined hypothesis or a theory on how CSR is established in SOEs, nor what factors influence CSR at SOEs in Iceland, the research began without a priori assumption on the issue. In fact, the initial research was conducted on CSR in general with the aim to assess LV´s CSR strategy without looking particularly at the effects of the ownership of the company. As the research carried on, the literature revealed a potential for research on the relationship of CSR and SOEs with LV as the focal point. A special interest was also placed on ISO 26000, and to some extent the Global Reporting Initiative (GRI), in particular GR G4, since these tools are increasingly being used as guidelines by companies to evolve their CSR operations.

The research uses both primary and secondary data. Before conducting the core research on the questions that set the basis for this thesis, the initial data collection took place through a literature research via a desk-top study where LUBsearch (Lund University online library service) and Google Scholar were used. Relevant books on the topic where also found at various libraries in Lund, and at the National and University Library of Iceland. Key words and concepts used in the desk-top study were: CSR, state owned companies, ISO 26000, Landsvirkjun, CSR strategy, "CSR and public policy", GRI, and likewise.

The next step of the data collection was the research on CSR and SOEs in general, and CSR and LV in particular. As discussed in section 1.2, LV is, from many perspectives, one of the biggest companies in Iceland. Due to the limited number of employees, the management of LV´s CSR activities is in the hands of one person, titled Director of Corporate Social Responsibility. The CSR director is the only employee working full time on CSR issues. However, the director appoints selected and defined CSR projects to employee-workgroups managed by top managers that are responsible for the respective projects. Furthermore, it is also their responsibility that the projects they have been appointed to manage, result in some form of an "end-product".

For these reasons, that is, Landsvirkjun being a company with relatively few employees, where only one employee works full time on CSR issues (thus making it a difficult task to gather comprehensive quantitative data with, for example, surveys or questionnaires) it was considered appropriate to apply qualitative research techniques as the main research approach.[5] The inductive approach applied in order to gather data was based on several methods. The methods were: interviews, review of reports, documents, news articles and LV´s website, and a short survey. This triangulation helped in analysing the research questions in a descriptive way from multiple perspectives.

1.4.1 Interviews

The most important part of the qualitative research was the interviews. The limitations of other research methods applied in this study in acquiring answers to the research questions made the interviews vital to fill the gaps. Ten semi-structured, in depth interviews were conducted. Three of the interviews were done face-to-face and seven where done via telephone, and they lasted between 20-60 minutes. The interviews were all recorded and transcribed, and read thoroughly by the researcher to find common opinions as well as to notice differences. Five CSR experts were interviewed (scholars and consultants), and employees at LV were also interviewed. Those four employees were specifically chosen because of their involvement in the CSR implementation at LV. An interview with one former employee at LV was also conducted. Appendix A lists the names and titles of all interviewees.

The structure of the interviews was in all cases rather similar even though the questions directed at LV´s employees focused more at the company´s CSR operations. Apart from that, the interviews started with a wide focus with general questions on CSR. Then, questions were asked about CSR and SOEs, and finally CSR and LV. Several structured questions were used to guide the interviews as they took place but spontaneous questions also rose from the answers given by the respondents.

1.4.2 Reports, documents, news articles & LV´s website

The secondary data reviewed for the purpose of the research consisted of LV´s annual reports and environmental reports, LV´s CSR-report from 2009[6] and other relevant reports issued by LV, various documents concerning LV´s operations (consultancy reports, assessment reports, parliamentary documents, etc.), news articles addressing LV´s business, and finally, LV´s website.

All annual- and environmental reports that LV has published on its website were reviewed. Annual reports from 2001-2013 and Environmental reports from 2006-2012 can be found on the website as well as several other reports touching on CSR matters, such as a report on LV´s carbon footprint from 2008, and a report addressing requirements toward contractors and service providers in regard to environmental, health and safety matters (without a date).

Because of the importance and impact LV has on Icelandic society it is regularly covered by the national press and addressed/discussed at Alþingi, the Icelandic parliament. Therefore plenty of data on LV was attainable from those sources.

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[5] A short survey was presented to the interviewees from LV. Therefore, a part of the research is quantitative. However, the survey is not comprehensive, and was only thought of as an addition to the qualitative research. See section 1.4.3.

[6] LV´s CSR-report from 2009 is the only independent CSR-report that the company has issued.

Apart from finding the aforementioned reports on LV´s website, other information of use to the author was also found on the website. The website´s different categories provided practical information on the company as well as more specific information concerning different parts of the company´s operations.

1.4.3 Survey

In addition to the interviews and the secondary data, a survey was presented to the employees from Landsvirkjun. Though it has been previously mentioned and argued for, that a quantitative approach is not as appropriate as qualitative in the attempt to answer the research questions addressed in this thesis, the four employees from LV that participated in the interview process, were nonetheless asked to answer a short survey. As mentioned above those four employees were chosen because of their knowledge of the CSR-process at LV. For that reason, it was thought to be applicable to ask them structured questions about the CSR implementation with the aim to comprehend better their views on CSR at the company. The statistical outcome of the survey is thus not a result that should be used independently to generalise about LV´s CSR-policy. Rather, the intention was to get an idea about the opinions and assessments of those four employees on LV´s CSR-policy, and also, the outcome was thought of as an "add-on" to the data collected for the qualitative research.

The survey used for this purpose is designed by Cochius and Moratis (2011). The reason this survey was chosen is because its questions are based on the ISO 26000 standard which is a universal guidance document for CSR implementation, applicable to all organisations and encourages organisations using the document as a guiding tool to adapt the standard´s guidelines to its operations (SIS, 2010). That is precisely what LV has been doing in recent years. The survey, called the "ISO 26000 Quick Scan" consists of 14 items/closed sentences with three answer choices: Yes - No - Don´t know.

Not a part of the "ISO 26000 Quick Scan", but particularly for this survey, an open text box was placed after the last item (no. 14) where respondents could add comments. The survey was sent out via e-mail and answers could not be traced to respondents. Appendix B holds the introductory text for the survey, and the closed sentences in the survey can be viewed in Appendix C.

1.4.4 Approach to the analysis of internal & external factors of CSR at Icelandic SOEs

The analysis carried out in this research is twofold. The main analysis, the assessment of LV´s CSR, is described in section 1.4.5. To get a clearer picture of what factors affect CSR at SOEs in Iceland, and in order to better understand what might affect LV´s CSR, an overarching analysis of possible internal and external factors affecting the CSR work of Icelandic SOEs was conducted. This analysis was based on reviewing secondary data, and interviewing Icelandic CSR experts and employees from LV. Thus, the overarching analysis was based on observing statements in the interviews and on a review of various documents, reports, regulations, etc. In addition to observing statements from all the interviews, reviewing responses to statements in the survey, and looking into secondary data, the analysis of LV´s CSR strategy was based on identifying repeated themes in the data. The seven core subjects of social responsibility (and their definitions), according to the ISO 26000 standard, where used as motifs when reviewing the data. They are: 1. Organisational governance 2. Human rights 3. Labour practices 4. The environment 5. Fair operating practices 6. Consumer issues and 7. Community involvement and development (SIS, 2010) (Appendix D provides a brief definition of the seven core subjects). With detailed close reading and comparing of the

interview transcripts, survey responses and the secondary data, it was possible to match the identified themes with the motifs, and draw them out of the data for further analysis. For the succeeding analysis, two frameworks were applied.

1.4.5 Frameworks used for analysis of LV´s CSR

CSR can be, as the U.S. legal scholar Dow Votaw (1972, p. 25) ironically phrased it ". . . something, but not always the same thing, to everybody". This means that when CSR is assessed the analyst must be clear in what criteria he applies when carrying out his research. In this thesis LV´s CSR will be matched with three frameworks. As aforementioned, one of those three frameworks is the ISO 26000, which´s seven core subjects of social responsibility were used as an overarching framework due to the fact that LV is using the standard as a guiding tool in their CSR work.[7] The other two have their conceptual roots in corporate social responsibility and environmental management literature. The reason for comparing the research data to two frameworks instead of only one is to increase the reliability of the analysis. These frameworks will be discussed further in the following sections.

Baumgartner´s & Ebner´s Corporate sustainability strategies framework

Baumgartner and Ebner provide a scheme that is designed to support how companies develop, establish and execute their sustainability strategies (2010). This framework is by far the more comprehensive one of the two frameworks applied in assessing Landsvirkjun´s CSR strategy, and therefore works as the main assessment framework. Baumgartner and Ebner present a four-level maturity grid with six sustainability strategies, four categories of sustainability aspects, and in total 21 sustainability aspects. A definition is provided for each aspect, and criteria for the different levels of maturity of each aspect are also given. For the purpose of the assessment carried out in this thesis a specific sustainability aspect, found lacking in Baumgartner´s and Ebner´s framework, has been added to the framework (hereafter; the BE-framework). This aspect is called *Political interference*. The BE-framework indeed contains the aspect *No corruption and cartel*, however the criteria for that aspect does not fully grasp what is intended to assess in this thesis, which is, possible political interference with LV´s business. Therefore it was found necessary to distinguish between these two aspects, and to lay down criteria specifically for political interference.

One aspect, *Corporate citizenship*, was excluded in the assessment. Its definition (see Appendix E) is very broad and virtually covers the criteria for the rest of the aspects. However, its criteria are rather narrow (see Appendix F). Therefore, the match between the definition, and the criteria for the respective aspect, are somewhat imbalanced. Thus, since each aspect is being assessed individually it was not found applicable to assess LV based on the definition and criteria provided for the assessment of different maturity levels of Corporate citizenship.

An overview of the categories of sustainability aspects and a definition for each aspect is in Appendix E (including a definition for the added aspect Political interference). An overview of the different maturity levels, and criteria, for the aspects of each category can be found in Appendix F (including criteria for the added aspect Political interference).

The four categories of sustainability aspects in the BE-framework are; economic sustainability aspects, ecological sustainability aspects, internal social sustainability aspects, and external social sustainability aspects. With the concept of CSR containing all of the framework´s

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[7] Chapter 2.3 discusses the ISO 26000 standard in more detail.

defined sustainability aspects the framework is useful for looking at how mature, according to the criteria of the framework, a company´s CSR strategy is. A compact description of the maturity levels of the grid is presented in Table 1.

Table 1. Maturity levels of sustainability aspects.

Maturity Level	Description
1 - Beginning	Considerations of sustainability aspects are on the rudimentary level - only mandatory rules and laws are respected.
2 - Elementary	Integration of sustainability aspects is focused on complying with - and going slightly further - than sustainability-related laws.
3 - Satisfying	Satisfying - often above the industry average - consideration is brought to sustainability aspects of the company.
4 - Sophisticated	Outstanding effort is made towards sustainability aspects of the company.

Source: Adapted from Baumgartner and Ebner, 2010.

Baumgartner and Ebner further describe the six different corporate sustainability strategies. They are; introverted strategy, conventional extroverted strategy, transformative extroverted strategy, conservative strategy, conventional visionary strategy and systemic visionary strategy.

The *introverted strategy* describes a risk mitigated strategy where a company´s effort does not go deeper into sustainability issues than just making an effort to start focusing on conformity and compliance with relevant rules and guidelines. This strategy would fit on Level 1 of the maturity grid (Table 2).

For a company following the *conventional extroverted strategy* the aim is to communicate to the society how the company complies and sometimes goes further than obliged by laws, in its sustainability commitments. For this strategy the majority of the sustainability aspects are in line with Level 2 criteria. However, this strategy also has a strong emphasis on external communication of sustainability, due to the importance of credibility of the company to society. Since the responsibility for communicating those commitments is often situated at the public relations department of companies, where limited communications between the PR department and other departments can lead to green-washing, this strategy must be on a high level when it comes to communications between that department, and other corporate functions and processes (ibid). Therefore, sustainability aspects such as corporate citizenship, no corruption or cartel, health and safety and collaboration with stakeholders must be on Level 3 of the maturity grid.

The *transformative extroverted strategy* has the same basic focus as conventional extroverted strategy, where society-related aspects are the most important. However, a company following this strategy is a role model for other companies in terms of corporate sustainability in society and has the aim to influence basic conditions of corporate sustainability in a positive way. Thus, internal sustainability aspects are as well important. Therefore, the maturity level for all aspects is usually one level higher (Level 3-4) than maturity level of aspects in conventional extroverted strategy.

Conservative strategy focuses mostly on cost efficiency and processes that must be very well defined. Thus, the internal measure "processes" should be on the highest level and other aspects like commitment in the investment in appropriate technology, sophisticated health and safety for staff, effective knowledge management, and most importantly ecological

sustainability must as well be on a high level (Level 3). Other sustainability aspects, especially society-related ones are not emphasised in this strategy (Level 1 and Level 2).

Companies following visionary strategies have a highly developed commitment to sustainability in order to become leaders in sustainability issues. However, conventional visionary strategy and systemic visionary strategy differ in terms of motivation and orientation, where the *conventional visionary strategy* puts focus on its overall impact on the market but the *systemic visionary strategy* merges, " . . . based on an internalization and continuous improvement of sustainability issues inside the company . . .", (ibid, p. 85) internal and external perspectives in order to reach a unique competitive position.

The *conventional visionary strategy* is therefore mostly on Level 4 with only the aspects Processes, Purchase, No controversial activities and Corporate citizenship on Level 3, " . . . as these have not enough direct impact to affect the situation in the market as sustainability leader." (ibid, p. 86).

On the other hand, the *systemic visionary strategy* must provide very good results in all sustainability aspects (Level 4) so that stakeholders and the market see its sustainability commitment, as well as to have the ability to change in a positive way basic conditions towards sustainability. Table 2 shows the six strategies and their occurrence in the maturity grid. The first column of Table 2 lists the sustainability aspects, and columns 2-5 present the different maturity levels. By examining Table 2 one can see which level of maturity each strategy has for each sustainability aspect. Also, as can be noted by viewing the table, each level of maturity stands more or less for a specific sustainability strategy.

Table 2. Baumgartner´s and Ebner´s four-level maturity grid. Profiles of sustainability strategies, and their occurrence in maturity for each sustainability aspect.

Sustainability aspect	Maturity Level 1: Beginning	Maturity Level 2: Elementary	Maturity Level 3: Satisfying	Maturity Level 4: Sophisticated
Economic sustainab. aspects				
Innovation & technology	**Introvert**			**Systemic visionary**
Collaboration				
Knowledge management				
Processes				
Purchase				
Sustainability reporting				
Ecological sustainab. aspects				
Resource inc. Recycling				
Emissions into air		**Conv. extrovert**		
Emissions into water				
Emissions into ground			Conventional visionary	
Waste & hazardous water				
Biodiversity				
Environmental issues of the product.				
External social sustai-nab. aspects				
Ethical behaviour & human rights				
No controversial activities				
No corruption & cartel			Transformative extrovert	
Corporate governance				
Internal social sustai-nab. aspects				
Motivation & incentives		Conserv.strategy		
Health & safety				
Human capital development				
Corporate citizenship - excl. from assessm.				

Source: Baumgartner and Ebner (2010). Adapted.

The Geneva Association framework

The Geneva Association (GA) is an international think tank for strategically important insurance and risk management issues. In 2009 the association issued a report called *The insurance industry and climate change - Contribution to the global debate* (The Geneva Association, 2009). The report introduced a four-level framework for climate change actions of insurers, where their actions or non-actions can be measured (Table 3). In the report, GA recommends that the framework can be applicable for assessing other sustainability matters. According to Johannsdottir (2014), the framework "has a conceptual foundation in the environmental management and corporate social responsibility literature" (p. 22). In fact, Johannsdottir uses the framework in her own study on environmental actions of Nordic insurers (ibid). For these reasons, namely that GA recommends the framework in assessing sustainability issues, and the utilisation of the framework by scholars examining environmental actions of corporations, it was found applicable to use the GA-framework as a supportive assessment tool in assessing Landsvirkjun´s CSR strategy.

Table 3. The Geneva Association´s framework for climate change actions of insurers.

Level	Criteria
0 - Inactive	-Understanding of social and environmental impact of business is limited. -Efforts to address climate change do not exist.
1 - Reactive	-Awareness of issues is driven by outside parties or uncoordinated interest groups. -Limited efforts are reactive, public relations-based and/or inconsistent with business goals.
2 - Proactive	-Understanding business impact and key issue areas relevant to business. -Progress is recorded via first climate change reports.
3 - Developed	-Goals and relevant programmes structure climate change efforts. -Tracking and reporting capabilities are in place.
4 - Integrated	-Core business strategies address climate change issues. -Climate change efforts drive risk management, profitability and growth.

Source: (The Geneva Association, 2009)

In her article, Johannsdottir suggests that one more level, a bottom level, should be added to the framework which should be defined as *Uninformed*: *Understanding of environmental or climate impact on the business is limited* (ibid). With Johannsdottir´s suggestions the framework starts on level 1 instead of level 0 and goes to level 6. Several other minor rectifications to the framework are suggested in Johannsdottir´s article, but for the purpose of assessing LV´s CSR strategy, the Geneva framework with the added *Uninformed* level will be used in this thesis as a supportive assessment framework to the main framework used for the assessment. Also, since the framework can logically be used to assess other sustainability issues, as both Johannsdottir and the Geneva Association point out, the sustainability issue *climate change* is replaced by the sustainability issue *CSR* in the criteria. The criteria in Johannsdottir´s added level is also adjusted, and the word *climate* is replaced by the word *social*. Table 4 shows the adjusted framework.

Table 4. Geneva Association´s framework for climate change actions of insurers-Adjusted as a framework to measure CSR actions of organisations.

Level	Criteria
1 - Uninformed	Understanding of environmental or social impact *on* the business is limited.
2 - Inactive	-Understanding of social and environmental impact *of* business is limited. -Efforts to address CSR do not exist.
3 - Reactive	-Awareness of issues is driven by outside parties or uncoordinated interest groups. -Limited efforts are reactive, public relations-based and/or inconsistent with business goals.
4 - Proactive	-Understanding business impact and key issue areas relevant to business. -Progress is recorded via first CSR reports.
5 - Developed	-Goals and relevant programmes structure CSR efforts. -Tracking and reporting capabilities are in place.
6 - Integrated	-Core business strategies address CSR issues. -CSR efforts drive risk management, profitability and growth.

Compared to Baumgartner´s and Ebner´s framework the GA-framework is very simple. However, it has been used by scholars to assess environmental actions of companies, and as aforementioned, Baumgartner´s and Ebner´s framework provides the backbone of the assessment. Thus, the GA-framework is rather intended as a supportive/comparative framework in order to bring more reliability to the research.

1.5 Limitations and Scope

The nature of the thesis topic is perhaps its biggest limitation. Assessing CSR, which is a dynamic concept with all its various components, is a challenge. The ISO 26000 standard touches on this issue by noting that "The elements of social responsibility reflect the expectations of society at a particular time, and are therefore liable to change. As society's concerns change, its expectations of organizations also change to reflect those concerns." (SIS, 2010, p. 5). For these reasons, there are several limitations to the research. First of all, the qualitative approach applied in this thesis brings certain subjective elements (Hayek, 1941) to the research. Also, the ´subjectivity´ lies in the fact that this research is about, using Kutáš´s words, "relations of men and things or about the relation between man and man, or . . . about opinions, beliefs or purposes of men etc." (2011, p. 89). Thus, interpretativeness is inevitable when researching a topic such as CSR, that is, in the meaning that one has to choose from numerous options that can be interpreted as elements of CSR. However, to minimise the ´subjectivity´, the ISO 26000 standard, the CSR frameworks, and repeated themes in the interviews and in the secondary data, are utilised as guidelines in the analysis.

Another limitation is that the study asks questions about the relationship between CSR and SOEs in Iceland, and CSR at Landsvirkjun. The answers to those questions obviously derive mainly from contextual factors such as laws, regulations, the small size of the Icelandic society, characteristics of the society, etc.

Though the notion of CSR was first conceptualised in the 20th century the activity of performing some form of CSR is intertwined with corporate evolution. This thesis will not dig deep into LV´s CSR in that sense. The objective is rather to analyse how LV has, in recent years, systematically worked with CSR. Of course LV´s societal and environmental work through its history is important as a background to the study, but it is not one of the focal points of the research.

LV partly or wholly owns four subsidiaries. Their operations are not a part of this research.

With LV´s core operations located in different regions of Iceland they can affect local communities a great deal. Those effects, which are of course a huge factor in the company´s CSR work, and will be discussed from that angle, are however not under specific focus in this research. The interdependence and relationship that LV has with those communities is a stand-alone research topic.

Also, Landsvirkjun is the only company being assessed in this research, and therefore benchmarking is not carried out. That is, Landsvirkjun´s CSR practices are not compared to practices of other companies but rather assessed based on their own merits.

Discussions regarding the construction of a submarine cable that would transmit renewable energy, produced by Landsvirkjun, from Iceland to Europe have surfaced regularly in Iceland in recent years. These discussions are growing ever louder, and Landsvirkjun has put considerable effort in promoting the idea. If the construction of the cable will take place the impacts will surely be significant (economically and environmentally). However, in this research, the assessment carried out on LV´s CSR strategy focuses on actual actions, and since the submarine cable is still merely an idea the possible CSR effects of its installation are out of the scope of this paper.

Finally, a limitation in itself is the decision to conduct interviews as one of the research methods. Choice of interviewees, interviewee bias and the questions asked limit the results of the research and pose certain bias. In particular for LV, the small size of the company

(employee-wise) also brings some limitations to the research. That is, with few employees that are knowledgeable about CSR as a management tool, the data gathered with this method is limited to that fact. Hence, this brings a certain elite bias to the interviews carried out with LV employees.

The assumptions that can be made from the research therefore have to be made with this in mind. That being said, within its limitation and scope the research can provide interesting results on how CSR works in a state owned enterprise in Iceland.

1.6 Ethical Considerations

The case study conducted in this research is a descriptive study where LV´s CSR operations are under scrutiny. LV agreed on taking part in the research by giving access to four of their employees with the purpose of interviewing them. No requirements were set by LV before the interviews took place, other than the basic requirement concerning direct quotes; that the interviewees would get a chance to check if they were quoted correctly and give their consent for using the respective quote (this also applies to the CSR experts).

The research was not sponsored by LV, and is an independent work conducted solely by the author.

1.7 Audience

To a large extent the location of the research topic sets the frame for whom it may interest. For instance, the research looks into how Icelandic contextual factors influence CSR work of SOEs. Further, the thesis looks at LV in particular, a state owned company, and how CSR is implemented at the company. The primary audience is therefore Icelandic, with groups such as policy-makers, politicians, employees at SOEs, and especially LV´s employees.

The thesis also discusses influencing factors of CSR in general, as well as discussing ISO 26000, GRI (with focus on GRI G4), and how different factors affect CSR work of a company. For that reason, CSR experts, CSR consultants and others interested in CSR might find the study informative.

1.8 Disposition

Chapter one introduces the topic, the research gap, and the case study. The research questions are also presented, and the methodology used to collect data, in order to answer the research questions, is described. The chapter also discusses the limitations to the research and its scope. Finally, ethical issues in terms of the research are considered, as well as a short discussion on possible audience for the thesis, takes place.

Chapter two starts with a discussion on theoretical approaches to CSR. A discussion on the convergence of CSR into business management follows, with a brief mentioning of the CSR reporting guidelines of the Global Reporting Initiative (GRI). That leads to a quick look on public CSR-reporting initiatives in the Nordic countries. Following this, GRI G4, the latest version of GRI, is discussed in more detail, with focus on Swedish SOEs and their materiality assessments.[8] This review was conducted for two reasons. First, due to the fact that Sweden is the only Nordic country where GRI-reporting is mandatory for state owned companies.

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[8] GRI G4 requests companies to explain how they assess what aspects are the most important to them and their stakeholders. This is called materiality assessment and is discussed in detail in section 2.2.5.

Second, to get a glimpse of the processes SOEs use in identifying their and their stakeholder´s most important aspects/CSR issues. The ISO 26000 standard is also discussed in this chapter, with special focus on how certification organisations have utilised its existence to develop CSR certifications. The chapter concludes by discussing academic literature on CSR at SOEs.

Chapter three presents the findings. Firstly, findings regarding what potential factors affect CSR implementation and communication at Icelandic SOEs, are presented. Secondly, findings related to the case study are presented.

Chapter four presents the analysis. First, by analysing potential CSR factors that affect CSR at SOEs in Iceland, and then an assessment of LV´s CSR implementation and communication is carried out. The chapter concludes by drawing together the two analyses.

Chapter five discusses the relevance and legitimacy of the research and the frameworks, as well as discussing how the scope of the research limits possible generalisations.

Finally, chapter six summarizes the research, answers the research questions, and provides suggestions for future research.

2 Literature review

2.1 Theoretical approaches to CSR

With the CSR field as comprehensive and controversial as previously mentioned, theories providing an explanatory framework for the concept are in the abundance. Garriga and Melé (2004) map CSR theories into four categories: ethical theories, instrumental theories, integrative theories, and political theories (Table 5). Within these categories the main CSR theories can be found. This section will touch upon a few theories in each category.

Table 5. Four categories of CSR theories.

Category:	Ethical	Instrumental	Integrative	Political
Theoretical approach:	Ethical values embed the relationship between business and society and therefore CSR should be carried out from an ethical perspective.	CSR is solely a strategic tool to reach economic objectives and generate growth.	If businesses are to sustain themselves and grow they must integrate social demands and respect social values.	The focus is on the social- and political powers of corporations, and the responsible use of these powers is emphasised.

Source: Adapted from Garriga and Melé (2004).

As the name implies *ethical theories* seek to explain why business should think beyond the phrase "business of business is business" (Friedman, 1970), and implement a more holistic approach with regards to societal and ecological consequences of its operations. Freeman´s *stakeholder theory* (1984) is acknowledged as a seminal theory in this category. According to Freeman´s theory corporations should pay attention to all those that have a stake in the corporation´s business. Freeman defined stakeholders as suppliers, employees, stockholders, customers, and local communities. With a very broad reference the stakeholder theory has been adjusted by other scholars that offer a more restrictive view of the theory. Donaldson and Preston (1995) introduced the normative stakeholder theory consisting of two major ideas. The first is that stakeholders are those with legitimate interest in a corporation´s operation whether or not the corporation has interest in them. The second states that interests of all stakeholders are of intrinsic value, and that their merits should be considered for their own sake, and not only to increase interests of, for instance, the shareowners.

The way of doing CSR according to ethical theories is antipodal of what is demonstrated in *instrumental theories*. When describing the approach that those theories articulate, the scholar most widely referred to is undoubtedly Milton Friedman. Friedman´s famous quote mentioned above can be found in an article (Friedman, 1970) where he states that corporations only have one responsibility and that is to maximise shareholders profits while obeying laws and ethical values of society. Friedman is clear in his opinion that CSR should first and foremost be about making profits. Instrumental theories on the other hand describe different ways of achieving that goal. For instance, Jensen (2000) argues that if CSR is used solely for profit reasons, seeking short term profits might be tempting for managers, but the

objective should however be to maximize a company´s long term market value. Jensen also criticises the stakeholder theory and argues that it is not possible to maximise in many dimensions at once, and argues that the stakeholder theory does not explain how to make the necessary tradeoffs among stakeholders to maximise total welfare. Jensen therefore proposes an approach he calls *enlightened value maximisation*, where short term profits are avoided and tradeoffs among stakeholders are used as criterion to maximise the long term value of a company (ibid).

Integrative theories focus on the importance of companies awareness of social demands, and the necessity to respond to them (Garriga and Melé, 2004). The concept of *issues management* is discussed in theories in the integrative-group. According to Wartick and Rude (1986, p. 124) issues management is a "three-stage process of identification, evaluation, and response-development . . . " which purpose is to prevent unexpected situations - due to social or political change - occurring in a company´s operations. Issues management thus would serve as an alarm system for possible environmental threats or opportunities by systematically coordinating and integrating resources within a corporation to deal with specific issues of concern.

Instead of the broad scope of issues management, the theory of *stakeholder management*, as the name implies, focuses on possible stakeholders, that is, those that affect corporations' activities or are affected by them (Garriga and Melé, 2004). Stakeholder management rests on two principles. First, is that the main goal "is to achieve maximum overall cooperation between the entire system of stakeholder groups and the objectives of the corporation" (ibid, p. 59). The second states that corporate strategies focusing on relationships with stakeholders should emphasise efforts that are effective in dealing with various stakeholder groups at the same time (Emshoff and Freeman, 1978 as cited in Server Izquierdo and Capó Vicedo, 2011). Stakeholder management thus tries to integrate company´s stakeholder groups into managerial decision making.

The last group of CSR theories mapped out by Garriga and Melé are *political theories*. Theories in this group look at the power of corporations and the responsibility towards and interconnections with society that corporate power brings. The theories that are considered to be of most weight in the ethical-group are *corporate constitutionalism* and *corporate citizenship*. Davis (1967) explained the social-power responsibility of corporations by rejecting ideas of total responsibility of business as well as of no responsibility of business, and described corporate responsibility rather as functional and limited due to how different constituency groups put pressure on corporations. According to Davis, organisational power is thus restricted and channelled into responsible use by constituency groups, just like constitutions restrict governmental power. Hence, the theory is called corporate constitutionalism.

The constant growth of corporate power due to factors like deregulation, globalisation and technical improvements has led to big multinational enterprises (MNEs) becoming economically and socially more powerful than some nations. This fact has brought renewed focus on looking at the company as a citizen (Garriga and Melé, 2004). With Davis (1973) first bringing the idea to the table, scholars have recognised the important link between the idea and rising corporate power. According to Matten et al. (2003) corporate citizenship can be viewed from three perspectives. The first perspective is a limited view where corporate citizenship is almost like corporate philanthropy, where social investments and responsibility towards the local community is the focal point. The second perspective is equivalent to CSR, meaning that it overlaps with various other approaches describing the relationship between business and society. The third view is an extended view where corporate citizenship can be

seen in the activities of powerful corporations where they use their influence to encourage or discourage governments to protect civil- and political rights of their citizens.

Though there are some differences in theoretical approaches to the concept of corporate citizenship, arguments about the businesses' sense of responsibility towards local communities, and willingness to improve them with increased partnership and cooperation converge in most of the theories.

As can be noted CSR can be approached and theorised from different angles. Deciding how to actually choose the right approach and incorporate it into business activities can therefore be tricky for companies.

2.2 Managing CSR

In the mid-1990s John Elkington introduced the concept triple-bottom-line (TBL) in his book *Cannibals with forks: The triple bottom line of 21st century business* (1997). Elkington´s concept consists of three dimensions; social, environmental and financial, also called the three Ps of the triple-bottom-line (People, Planet and Profit). Elkington argues that paying attention to social justice (people), ecological quality (environment), and societal wellbeing (Society) does not have to be a constraint on an organisation, but on the opposite, that it can create economic value for the organisation. Elkington further emphasises that the three Ps have to work together and that organisations that are aware of their interdependence, and work systematically in adjusting their goals with the goals of society, will be successful in the future. Elkington´s concept quickly received broad recognition and the corporate world started to view the concept as a possible business tool (Cochius and Moratis, 2011). Nowadays, it is even considered "an inescapable priority" in business (Porter and Kramer, 2006, p.1).

There is an abundance of literature on how CSR can be implemented as a business concept. Baumgartner (2013) distinguishes between three management levels, on which various aspects must be integrated if a company wants to deal effectively with the challenge of sustainability. The management levels are: normative management, strategic management and operational management.

Three fundamental elements encompass the normative management level. They are corporate vision and policy, corporate governance, and organisational culture (Bleicher, 1996, as cited in Baumgartner 2010). Companies must determine this basic management philosophy and evaluate it in regards to sustainable development, that is, determine how open or restrictive, or defensive it is towards sustainability issues, as well as deciding what sustainability aspects are the most relevant.

Strategic management involves planning, implementing and evaluating decision making in the company, and how it enables the company to reach its long term objectives. Companies that want to integrate sustainable development into their strategic planning must, when analysing external developments, and internal strengths and weaknesses, take into account the sustainability aspects of the company. Thus, environmental and social dimensions must be a part of strategic management (Baumgartner, 2010, as cited in Baumgartner 2013).

The corporate sustainability strategy is then implemented at the operational management level. Different functions of the company´s operations are in focus, for example production, public relations, marketing, logistics and material management, human resources, and communications. For each function, activities that are sustainability-orientated must be performed. Thus, by gradually working with sustainability aspects at the normative level, then

the strategic level, and finally the operational level companies can identify opportunities and threats associated with sustainability issues, and therefore become more effective in dealing with corporate sustainability and CSR (Baumgartner, 2013).

Izquierdo and Vicedo (2011) argue that if CSR is supposed to work effectively and create value in the long term for the company, its stakeholders, and society, stakeholder management should be emphasised. Close cooperation of all company departments is thus key for stakeholder management and ". . . must involve integrated management in the decision-making process and in the daily operations of the company, where the different interests of all stakeholders are observed" (ibid, p. 215).

This integration of stakeholder issues is a challenge that both Porter and Kramer (2006), and Baumgartner (2013) have discussed. Baumgartner mentions that the defensive approach which usually is associated with business´s role in sustainable development, where business´s responsibility to society is most often defined as the need to dispel negative effects of business, should be abandoned. Instead companies should abandon the defensive position, by balancing relations with stakeholders, encourage stakeholder participation, and pay attention to stakeholder requirements. Porter and Kramer are, in their seminal article *Strategy & Society The Link Between Competitive Advantage and Corporate Social Responsibili*ty, on the same line as Baumgartner, where they point out that CSR activities of companies too often pit society against the company, instead of companies realising that corporations and society are interdependent (2006). They argue that for companies that want to implement an effective, value creative CSR strategy, this defensive posture most give way to a more integrated and positive one. Emphasising that CSR strategies are, like other strategise, about making choices, Porter and Kramer state that social dimensions of CSR are about realising what social issues benefit the society, and the company´s competitiveness the most. In other words, that it is about creating shared value. Shared value, they say, can be created through strategic CSR, which involves adding social dimensions to companies´ value propositions. In looking at social dimensions companies have to be selective and choose social initiatives that are in line with their core strategies. By doing so, focusing on social aspects of context and going beyond best practise, shared values of society and companies are unlocked according to Porter and Kramer.

As with other business strategies, the possible success of a CSR strategy relies on top-level engagement at the company. Swanson (2009) points out that with many companies adopting tenets of social responsibility into their standard practices, top managers are pivotal if the implementation is to be successful. Swanson argues further that top manager must show leadership in guiding the company towards socially and environmentally responsible goals, both in the formal and informal organisation (ibid). With regard to the formal organisation, top executives should guide the company to responsible corporate conduct through the chain of command; by directing lower level employees to tend responsibly to concerns of stakeholders. If a top manager establishes formal guidelines, or policies for employees to deal with such concerns in a structured way (listening, documenting etc.) collaborative relationships with stakeholders can be developed. Thus, the top executives should take use of their formal organisational authority to make sure that while the company carries out its economic function in society, it at the same time puts emphasis on ". . . ecologizing or addressing stakeholder issues efficiently, effectively, and collaboratively so that the social benefits of corporate impacts are maximized while harmful outcomes are prevented or minimized" (Swanson, 2009, p. 4).

Management practices through the informal organisation are just as important for driving corporate social responsibility according to Swanson. The informal organisation refers to

company culture. That is, if top managers do not lead by example, their authority through the *formal* organisation may be viewed by employees as merely "window dressing"-strategies and thus undermine real efforts of employees towards CSR. Therefore, in regards to informal organisation and its connection to the company´s CSR activities, top manager must commit themselves to moral leadership and dedication to the CSR goals set by the company.

As Swanson also mentions, top level management of CSR is influenced by internal and external factors (ibid). One factor that helps in managing CSR activities, both in terms of goals and their objectives, as well as for the credibility of a company´s CSR, is if companies report their CSR work. Starting as an external factor/outside pressure for many companies, efficient reporting of CSR activities can quickly become a very important internal factor of CSR management that can help companies identifying gaps in their sustainability practices (Delamaide, 2014, April 25).

On 15 April 2014 the plenary of the European Parliament adopted the European Commission´s directive of disclosure of non-financial and diversity information ("Non-Financial Reporting", n.d.). The directive will, when it has been adopted by the EU Council and published in the EU Official Journal, be mandatory for certain large companies with more than 500 employees. This counts to more than 6000 companies across EU. It essentially means that companies must report on their CSR activities or as the news bulletin from EU states, information on "policies, risks and outcomes as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors" (ibid, para. 1) must be disclosed in those reports. Companies reporting on their corporate sustainability activities may use the guidelines which they see appropriate. However, out of all companies worldwide that report on their CSR work, 78% refer to the guidelines of the Global Reporting Initiative (KPMG, 2013). With GRI as the leading reporting guidelines for companies that disclose their CSR activities, next sections will take a closer look at this recognised CSR management tool.

2.2.1 GRI

Benefits of sustainability reporting

With standards and guidelines for the organisational management of CSR becoming more common, some might ask why guidance tools, like for example, GRI, have been developed for an activity that is so comprehensive and covers many different fields. Is it possible to give guidelines on such a wide-ranging matter? The reason, most likely, lies exactly in these issues, that is, in order to create a framework around the "chaos", with the aim of making CSR practical for organisations and more transparent for stakeholders. Those guidelines, codes and standards often reflect what is considered a generally and desirable behaviour and thus translate the expectations of society. That can help companies realising what is expected from them, as well as helping them in clarifying what CSR themes to consider. Also, they usually contain minimum requirements and descriptions of best practices, and thus can be effective tools in assisting companies and other organisations to show that they are in compliance with certain requirements, hence accounting for their responsibilities (Cochius and Moratis, 2011). Following standards or guidelines can also help in reducing the information gap between companies and their stakeholders (Cormier et al. 2011) and enhance the value of the company (Margolis and Walsh 2003, Orlitzky et al. 2003). Finally, standards, codes and guidelines can assist the general public in making comparisons between companies that follow standards and reporting-guidelines, and as Hooghiemstra (2000) points out, reporting on CSR can provide a channel through which organisations can manage their image.

GRI

The Global Reporting Initiative is a non-profit organisation founded in 1997 with the aim to promote CSR reporting. The initiative's guidelines organise the reporting in terms of economic, environmental, and social performances of companies (GRI, n.d., a), and thus refer to the widely accepted TBL (triple-bottom-line)-definition of sustainability. The guidelines are designed so companies can structurally report on their CSR work, that is, they provide comprehensive guidance on how a company can disclose its CSR performance with for example, a detailed list of performance metrics guidelines, sector supplements, and protocols. The guidelines are thus devoted to the standardisation of CSR reports, and as aforementioned, the promotion of the guidelines has been successful with big majority of CSR-reporting companies using them for disclosure.

Disclosure of CSR activities of companies through standardised guidelines like the GRI offers is, despite its worldwide acceptance, not excluded from negative criticism. Next section will briefly discuss what some critics have to say about GRI.

2.2.2 Criticism on GRI

The GRI guidelines have raised concerns for some that say their limitations can have negative consequences. Grey and Milne (2002) argue that a sufficient CSR report, which they also mention is most likely a mission impossible, would have to contain "a detailed and complex analysis of the organization's interactions with ecological systems, resources, habitats, and societies, and interpret this in the light of all other organizations' past and present impacts on those same systems." (p. 6). They state that GRI and other sustainability initiatives, with its limited disclosure cannot in their view grasp the big picture of sustainability and thus ". . . fail[s] to address sustainability directly" (ibid).

Moneva et al. (2006) elaborate on this argument. According to them, the use of the GRI guidelines for reporting on CSR-performances can camouflage companies´ unsustainable practices. They argue that the GRI guidelines enable companies to focus on specific issues, and that this will lead to a tunnel vision on sustainability and actual CSR work.

Other arguments are on similar lines as the ones aforementioned, where GRI is criticised for lack of guidance on how to include sustainability context, and that this lack of guidance means that organisations are, in their reports, omitting sustainability context altogether (McElroy, Jorna and van Engelen, 2008; Morhardt, 2009).

It is possible to look at the latest version of the guidelines from the Global Reporting Initiative, GRI G4, as a response to this critique, whereas the focal point of reports following the guidelines of GRI G4 should now be on the most essential impact *of* business, as well as the most essential impact *on* business. Version three of the GRI guidelines had three application (reporting) levels. Level A, for total transparency, where everything should be reported on. Level B, for middle transparency, and Level C where certain standard profile disclosures of the guidelines required disclosure (GRI, n.d., b). These application levels are no longer applicable since now companies, in order to be in accordance with G4, decide what topics are material to its business, and report on those topics, plus the regular standard profile disclosures, as a minimum. Section 3.4.3 will look further at GRI G4.

2.2.3 GRI G4

Issued in 2013, GRI G4 is both in line with Porter´s and Kramer´s strategic CSR (creating shared value), and the recommendations of the ISO 26000 standard. Porter´s and Kramer´s

strategic CSR, emphasises that organisations should choose social issues/initiatives in their CSR work that benefit the society and the company´s competitiveness the most. ISO 26000 recommends that CSR "involves identifying the issues raised by the impacts of an organization's decisions and activities . . ." (SIS, 2010, p. 114). Likewise, according to GRI G4, the most important task for companies preparing their sustainability report should be focusing on the process of identifying material aspects (GRI, n.d., a). GRI G4 defines material aspects as those aspects that reflect an organisations impact on the triple-bottom-line (environment, society and economy) "or substantively influence the assessments and decisions of stakeholders."(GRI, n.d., a, p. 7). This materiality principle of the G4-guidelines means that sustainability reports should be more focused, more relevant and aligned with issues that are critical for a company to achieve its goals and manage the impacts it has on society.

With sustainability reporting on the rise in the corporate world (KPMG, 2013), policy initiatives in the field are increasing amongst governments or market regulators in Europe. The thesis has already mentioned the European Parliament´s recently adopted EU directive of disclosure of non-financial and diversity information. However, some countries are in the forerun and have already regulated mandatory sustainability reporting. Next section will give a short overview of initiatives for sustainability reporting in the Nordic countries.

2.2.4 Nordic countries: CSR/Sustainability reporting

Regulation or initiatives on who shall disclose CSR performance in sustainability reports and what procedure should be followed in doing so differs in the Nordic countries. While it is directed at state owned companies in some countries, company-size matters in others.

Iceland

Iceland is not a frontrunner in regulating or initiating reporting on CSR issues of companies. Sustainability reporting is not required by law. However, in 2012 the Icelandic parliament adopted a resolution regarding the strengthening of the green economy in Iceland. The resolution has 50 recommendations. Recommendation no. 14 states that "All ministry institutions and all state owned companies disclose annual reports in accordance with guidelines of the Global Reporting Initiative (GRI). Timing: 10% of ministry institutions/SOEs for annual reports for 2012, 50% for reports for 2013, and of 80% for reports for 2014." (Alþingi, 2012, a, own translation).

A project management team was appointed by the prime minister in the autumn of 2012 that had the role of categorising and prioritising the projects set forth in the resolution ("Verkefnastjórn", 2012). According to the project management team´s proposal, recommendation no. 14 on sustainability reporting of ministry institutions and state owned companies in accordance with GRI guidelines, was scheduled to start in 2014 (Forsætisráðuneyti, 2013).

Finland

In 2011, the Finnish government adopted a resolution on state ownership policy. The resolution asks non-listed state owned and majority state owned companies to report on their CSR issues, thus allowing for comparison between companies ("Government resolution", 2011). The approach adopted in the resolution is a report-or-explain approach and the guidance provided in the resolution is based on GRI guidelines that have been adjusted with the purpose of making them more suitable for use by Finnish non-listed state owned and majority state owned companies (ibid).

Denmark

In 2008 the Danish parliament adopted 'Act amending the Danish Financial Statement Act (Accounting for CSR in large businesses)'. The Act covers businesses in accounting class C, as well as state-owned companies, and listed companies in accounting class D. Large businesses in accounting class C are businesses that exceed at least two of the following three size limits: 1. Total assets/liabilities of DKK 143 million 2. Net revenue of DKK 286 million 3. An average of 250 full-time employees. Accounting class D applies to enterprises with securities that are admitted to trading on a regulated market in an EU/EEA member state. Subsidiaries are exempt from the reporting if parent companies do so for the entire group. The Danish Financial Supervisory Authority has, through Executive Orders, introduced the same reporting requirement to organisations that are not covered by the Danish Financial Statements Act. Thus, institutional investors, mutual funds and other listed financial businesses such as insurance companies and financial institutions, must also follow the requirement (Legislation, n.d.).

These businesses are required to account for their work on CSR. A new requirement was introduced into the act in 2013 making it mandatory for businesses to specifically account for their policies for reducing their climate impact and for respecting human rights. Businesses in Denmark can choose whether or not they want to work on CSR. However, the statutory requirement means that they must account for their policies on CSR, or expressly state that they do not have any CSR policies (ibid).

Norway

In 2013 the Norwegian government amended the Norwegian Accounting Act from 1998. The amendment introduced provisions requiring "large companies to provide information about what they do to integrate considerations for human rights, labor rights and social issues, the environment and anti-corruption in their business strategies in their daily operations, and in their relations with their stakeholders" (GRI, n.d., c, p. 1). Large companies are according to the Norwegian law on financial statements from 1998 (Lovdata, n.d.), joint-stock companies, listed companies, and others that are not defined as small companies. Small companies are those that do not exceed two of the three following requirements: Annual turnover exceeding 70 million NOK 2. A Balance sheet exceeding 35 million NOK 3. Average number of employees during the financial year exceeding 50. Companies that report in accordance with the United Nations (UN) Global Compact principles[9] or the GRI guidelines are exempt from the provisions (GRI, n.d., c).

Sweden

In 2007 the Swedish government adopted guidelines for external reporting by state-owned companies (Regeringskansliet, n.d.). The guidelines, which are mandatory for Swedish state-owned companies, and complement current Swedish accounting legislation, are based on the principle of 'comply or explain', which, according to the guidelines, means that a company can deviate from the guidelines if it provides a clear explanation and justification of why it chooses to do so. The guidelines state, that a sustainability report must be prepared in accordance with the GRI guidelines (ibid).

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[9] UN Global Compact is a strategic policy initiative for organisations that are committed to aligning with ten globally accepted principles for human rights, labour, environment and anti-corruption.

The Department of Business Studies at Uppsala University wrote a report for the Swedish government, where the effects of the mandatory guidelines regarding GRI reporting where studied (Borglund, Frostenson and Windell, 2010). According to the report the guidelines have made companies more aware of the importance of sustainable development, as well as matters concerning sustainable development were considered more important by board members and top executives than before the introduction of the guidelines. The report also found that it had led to improvements in various operating methods and more focused procedures. Another research found that mandatory CSR reporting enhances social responsibility of leaders in the business sector, and that companies place more emphasis on sustainable development and employee training with regard to sustainable development (Ioannou and Serafeim, 2011). The same research also found, that in countries that adopt mandatory CSR reporting, ethical practices by companies and efficient corporate governance become more widespread than in countries that do not introduce that sort of regulation.

The materiality principle of the fourth version of the GRI Guidelines is, as aforementioned, an attempt from GRI to make CSR reports more relevant to the work companies carry out. Disclosure G4-19 of the guidelines specifically states that companies must "list all the material Aspects identified in the process for defining report content." (GRI, n.d., d, p. 41). With GRI reporting being mandatory for SOEs in Sweden it is interesting to take a look at how the new emphasis on materiality analysis in the GRI G4 guidelines is disclosed in their annual reports/CSR reports. The following section will discuss the issue of materiality analysis in GRI G4.

2.2.5 Assessing Materiality in GRI G4

Though materiality is very important in the new guidelines, the process by which the material aspects are determined is even more important. Thus, in G4 a very clear process is set out for how organisations can determine material issues. This approach, of allowing companies to choose what aspects are material, and then report only on those aspects, has received some critique. According to Cohen (2012), the scope of avoidance is a concern since companies can therefore choose to report on a lower level of transparency than Level A and B of G3 allowed (see section 2.2.2, p. 22). Companies might also decide not to report on issues some would like to know more about, which could lead to that comparison between companies, and their reports could get problematic (ibid).

On the other hand, the materiality approach gives companies more control over the reporting process and it should lead to more relevance of the reports. The G4 guidelines give an example on how the material aspects can be displayed. Figure 1 shows a materiality matrix proposed by G4.

Figure 2. Materiality matrix-according to GRI G4.
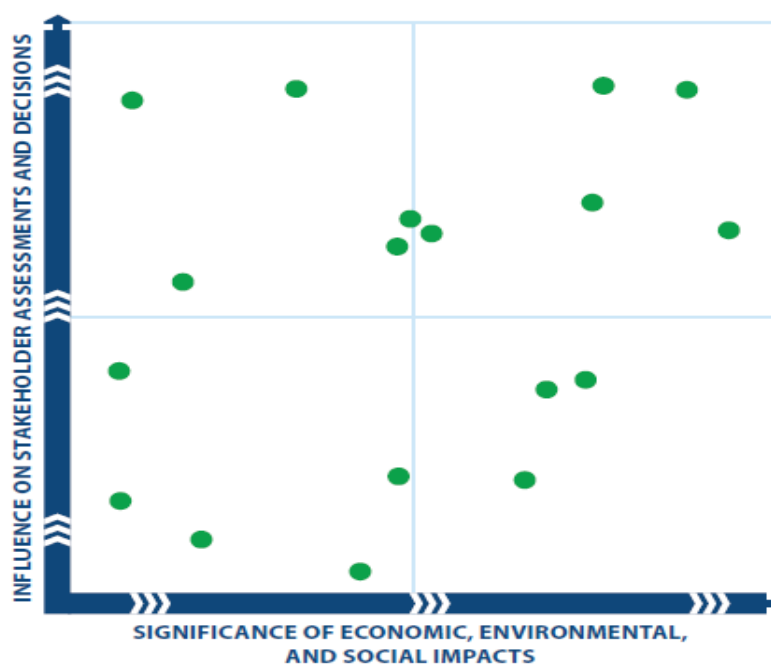
Source: G4 Sustainability Reporting Guidelines-Implementation Manual (GRI, n.d., d, p. 37)

To check how Swedish SOEs assessed their materiality according to G4, all annual- or CSR reports of SOEs in Sweden, published for the year 2013, where reviewed. However, since the fourth version of the GRI guidelines was only issued late last year (2013) most of the companies prepared their reports according to the third version of GRI, GRI G3. According to a report on state owned companies in Sweden, issued in 2013, the Swedish state owns 54 companies, of which 44 are wholly owned by the state and 10 partly owned (Regeringskansliet, 2013). Out of the 54 companies, 74% followed the guidelines of GRI G3 in their 2013 reports[10]. For 15% of the companies, either a report was not available on the companies´ website, or the reports did not refer to the GRI guidelines. Finally, 11% of the companies referred to GRI G4 in their reports. Appendix G lists all SOEs in Sweden (as according to the aforementioned report) and their approach in reporting on CSR/sustainability.

The six companies that followed the guidelines of GRI G4 are: Apoteket, Lernia, Saab Parts, SSC, Swedfund and VisitSweden. Though all of the six companies follow the 'Core' approach of the guidelines[11], the way they determine their material aspects, and how they disclose them differs considerably.

Apoteket
Apoteket is a pharmacy company. The company carried out two steps with the aim to analyse its material aspects and the analysis covered all the areas/aspects and disclosures indicated in GRI G4 (Apoteket, 2013). The first step was to define how Apoteket affects the different

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[10] The reports were either independent reports called CSR reports or sustainability reports, or the CSR/sustainability reports were included in the annual reports.

[11] G4 offers companies two options in preparing CSR reports and thus following the 'in accordance' procedure of the guidelines: 1. **Core**-which contains essential elements of a sustainbility report. 2. **Comprehensive**: which "... builds on the Core option by requiring additional Standard Disclosures of the organization's strategy and analysis, governance, and ethics and integrity. In addition, the organization is required to communicate its performance more extensively by reporting all Indicators related to identified material Aspects". (GRI, n.d., a, p.11).

aspects, taking into account the company´s entire value chain. The next step was to prioritize the identified issues, which was done by rating them on the basis of two main criteria:

1. **Stakeholders´ views and expectations**: Identifying stakeholders who have opinions on the issues, and how their decisions or opinions on Apoteket affect the aspect. Apoteket´s main stakeholder-groups were identified and prioritized by a steering committee within the company representing various departments. Dialogues in different forms took place with the stakeholders. Apoteket identifies six main stakeholder groups: Customers, consumers, employees, suppliers, professional- and voluntary organisations, and politicians and government. The company also defines each group further, and specifies dialogue channels for each group. Appendix H provides further information on each stakeholder group, and the different dialogue channels.

2. **Apoteket´s impact**: Identify Apoteket´s impact on the respective aspects, that is, the probability, severity and impact on sustainable development. Consideration was given to Apoteket's ability to achieve its vision and mission statement. Important input-values were Apoteket's environmental review, supplier audits, strategic priorities and vision.

Apoteket does not display their material aspects on a materiality matrix, however, the company states that the results of the materiality analysis revealed that the highest priority areas were those that the company had been focusing on previously.[12]

Lernia

Lernia is a company that offers workforce solutions and education services. Just like in Apoteket´s materiality analysis, stakeholder dialogue was important. Lernia identifies nine main stakeholder groups: Owners, customers, employees (stationary employees and staffing consultants), candidates (potential employees and potential staffing consultants), participants in their training activities and their adjustment programs, trade unions, suppliers, trade organisations and media. Dialogue channels for each group are specified, but the company does not define each group further. Appendix H shows Lernia´s stakeholders and dialogue forms, as according to their report (Lernia, 2013).

Lernia gives a rather detailed description of its stepwise approach towards analysing the company´s material aspects. The analysis was carried out in three steps. The first step consisted of identifying a wide number of sustainability areas with possible relevance to Lernia and its stakeholders, and then, through dialogue with internal and external stakeholders a small number of sustainability areas were selected which were found to be more relevant to Lernia. This analysis (step 1) included four dialogue forms:

1. Telephone interviews with 15 employees in senior positions at the company. The interviews included questions about the environment, human rights, labour, business ethics, equality, diversity and suppliers.

2. Customer survey with 188 customers in the following industries: manufacturing, construction, energy and environment, real estate, trade, hotels & restaurants, information and communication (IT-sector), and health and social care. The purpose of the survey was to identify which areas of sustainability existing and potential customers saw as most relevant.

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[12] This thesis will not discuss which were the material aspects of the companies reviewed here, since it is out of the scope of this discussion. The purpose was only to find out *how* the companies reviewed in this section, conducted their materiality analysis.

3. Analysis of the sustainability focus of eleven competing companies and four state-owned companies.

4. Discussions with the owner (state), who requires a greater focus regarding business ethics, suppliers and diversity.

The second step consisted of a workshop held with twelve senior executives within the company were the aim was to prioritize sustainability areas identified in step one.

In step three the focus areas that were prioritized in step two were discussed and formulated together with the CEO and the executive management. The areas were then presented to the board of the company where they were refined and reformulated.

Lernia presents a materiality matrix in their report that clearly portrays the identified material aspects and the different weight they have on Lernia´s operations. Figure 3 shows Lernia´s materiality matrix.

Figure 3. Lernia´s materiality matrix.
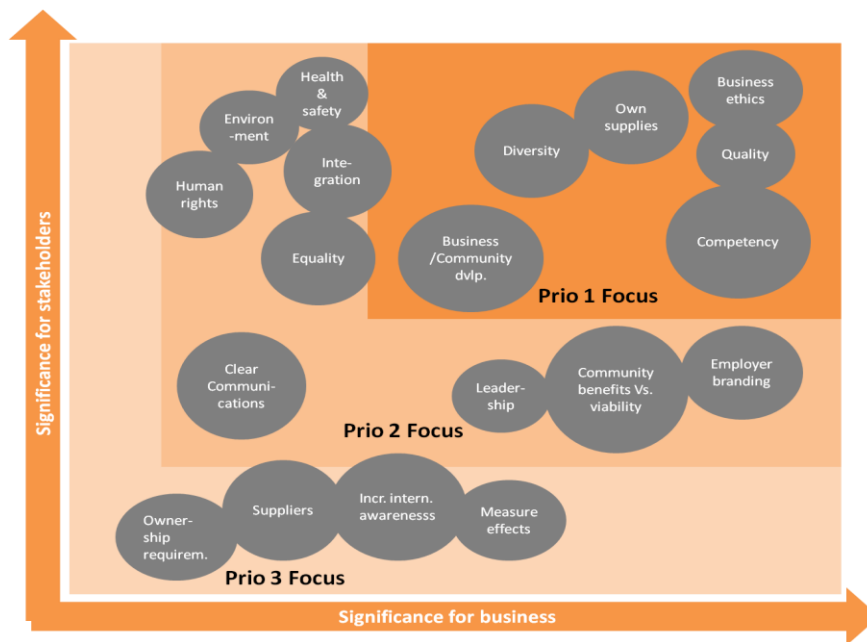
Source: Lernia´s annual report for 2013, p. 14. Note: Own translation. Original matrix is presented in Swedish.

Saab Parts

Saab Parts is a company that develops, manufactures, purchases and sells spare parts and accessories for vehicles. The company also develops and sells logistics services. The company mentions in its report that the key stakeholders have been identified (Orio, 2013). However, no further explanation is given on how that was done. Saab Parts identifies six main stakeholder groups: Owners, employees, trade unions, customers, suppliers and societal actors. Dialogue channels for each group are specified, but the company does not define each group further. Appendix H lists Saab Parts´ stakeholders and dialogue channels, as according to their report (ibid).

Explanation regarding how the materiality analysis was carried out is vague. The report only states that it was done via internal mapping and assessment. A materiality matrix, which follows the same design-guidelines as GRI G4 recommends (see Figure 2, p. 26), is displayed in the report, showing the relevancy of the material aspects identified in the materiality analysis. Figure 4 shows Saab Parts´ materiality matrix.

Figure 4. Saab Parts' materiality matrix.
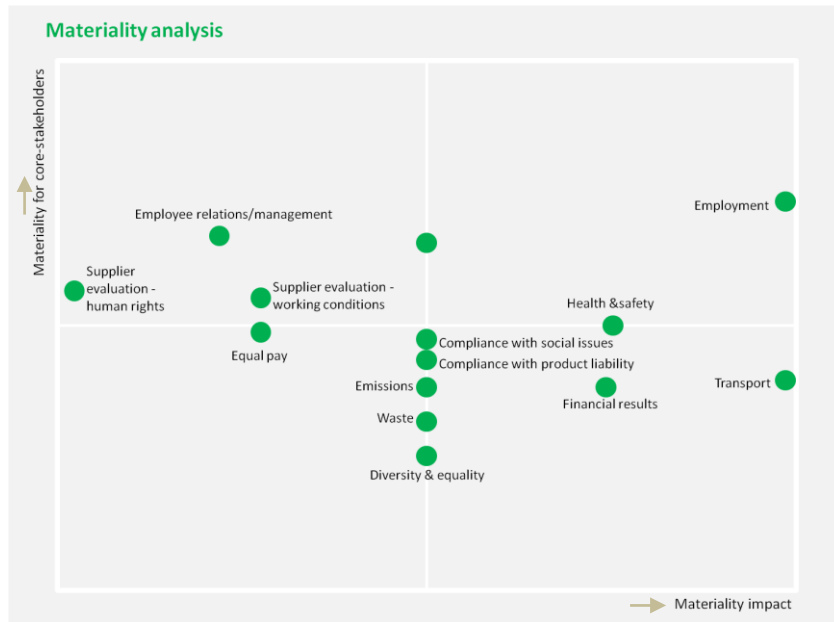
Source: Orio, 2013, p. 38. Note: Own translation. Original matrix is presented in Swedish.

SSC

The Swedish Space Corporation (SSC) is a company that provides space services in the global space market. The company issued a separate report on their sustainability issues for the year 2013 (SSC, 2013). The materiality analysis was carried out through dialogue with various stakeholders as well as by internally assessing SSC´s operations. In order to analyse the sustainability issues with better care the manager of public affairs at the company was formally appointed as head of management for sustainability issues. At an internal workshop SSC discussed and decided on several sustainability areas that were thought to be essential for the company. At the same workshop, SSC identified its key stakeholder groups. They are mentioned in the report but different dialogue channels for the respective stakeholders are not specifically listed in a table. Key stakeholders of SSC are: Employees, unions, government agencies/associations, Swedish Institute of Space Physics, Swedish National Space Board, Government Offices of Sweden through the Department of Education, the owner through the Ministry of Finance, local authorities and groups; municipalities, the County, Administrative Board of Norrbotten, Sami villages, the public via the media, business associates, customers and suppliers.

Following the identification of key stakeholders and the perceived essential sustainability areas, stakeholder views on these areas were collected through an online questionnaire, and followed up by supplementary interviews. Based on this work the material aspects were prioritised. The material aspects are not presented in a materiality matrix. Instead they are shown in two separate tables. The reason for them being listed in two tables is that according to SSC some aspects prioritized as important for SSC and/or their stakeholders are not

considered important aspects in the GRI guidelines. For that reason those aspects are shown in a separate table.

VisitSweden

VisitSweden is a communications company responsible for marketing Sweden internationally as a tourist country. A workshop with various employees and management representatives from the company carried out a stakeholder analysis (VisitSweden, 2013). The workshop identified VisitSweden´s four primary stakeholder groups, and seven secondary stakeholder groups. VisitSweden primary stakeholder groups are: Foreign visitors, the owner, employees and partners. The company´s secondary stakeholder groups are: Trade associations, government agencies and other organisations in Sweden, foreign tour operators/agents, the Board for promoting Sweden abroad, Swedish media, foreign media, suppliers and society. The company also defines some of the groups further, and specifies dialogue channels for each group. Appendix H provides further information on each stakeholder group, and the different dialogue channels, as according to their report (ibid).

The company captured the knowledge of the primary stakeholders´ expectations and the issues they find important, through dialogue, web surveys, polls and owner directives. A comprehensive market analysis of potential travellers to Sweden was conducted. The company also carried out other market analyses and researches. Along with the company´s own analyses, other public surveys on foreign visitors to Sweden were analysed. The employees of the company participated in a web survey, as well as selected key persons in the Swedish hospitality industry were asked to answer a questionnaire with specific focus on sustainability issues. Finally, a survey was designed and conducted to examine partners´ needs and attitude to Visit Sweden´s business.

After the results from these dialogue forms were clear, the company weighted them against the company´s sustainability mission and goals. The collecting and weighting was carried out by a special work group. The seven highest ranked issues from the weighting where then chosen as a basis for selection of the essential aspects relevant for the company. The process was subsequently approved by a representative from the executive management.

VisitSweden´s annual report does not include a materiality matrix but the most material aspects for the company are listed in the text.

Swedfund

Swedfund is a company that contributes risk capital, financial support and expertise for investments in low and middle-income countries. Like all the previous companies, Swedfund emphasises stakeholder dialogue in their materiality analysis (Swedfund, 2013). Swedfund identifies four main stakeholder groups: Civil society development organisations, journalists, owner (state and politicians), business partners. Dialogue channels for each group are specified, but the company does not define each group further. Appendix H shows Swedfund´s stakeholders and dialogue forms, as according to their report (ibid).

The way the company carried out its materiality is described briefly in the report. During the annual meeting of the International Monetary Fund and the World Bank, Swedfund, together with other bilateral and multilateral development funding institutions, agreed upon a common set of indicators to measure the results of their development activities. Through stakeholder dialogues during the meeting and by evaluating those international harmonisation efforts and the indicators identified there, Swedfund decided on its focus areas and further, material aspects.

The material aspects are not illustrated on a materiality matrix, but are listed in the report´s summary and touched upon throughout the report.

By reviewing the reports of these six companies it is clear that the transparency of the process behind analysing materiality according to GRI G4 differs. Some companies give a rather detailed description of the process while others only touch upon it. However, the reports are all certified by third party auditors and are thus 'in accordance' (see footnote 11, p. 26) with the GRI G4 guidelines.

Just as the GRI guidelines where developed to give a trusted and credible framework for CSR reporting, the ISO 26000 standard was developed for organisations in order to help them implement CSR activities following guidelines of a trusted and credible standard (Reevany et al., 2013). As can be read in a document issued by the two organisations, the GRI guidelines and the ISO 26000 standard overlap and convergence significantly with regard to the topics they cover (GRI and ISO, 2014). With ISO 26000 providing comprehensive guidelines which offer a structure for companies to organise their CSR activities, the GRI guidelines provide a template where those activities can be reported on and evaluated. There is, however one big difference between the two tools. While reporting according to the GRI guidelines is certifiable, ISO 26000 is not a standard that can be certified.

The following sections will take a closer look at the ISO 26000 standard.

2.3 ISO 26000

The ISO 26000 standard, which was published in November 2010, clearly states that the standard is for guidance only and not intended for certification purposes (SIS, 2010). With a broad scope, covering various elements of SR, the standard is thus not a certifiable management system, though it can be a useful tool for companies as they work with their CSR activities. ISO 26000 introduces and explains the seven underlying principles of SR which are:

- Accountability
- Transparency
- Ethical behaviour
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behaviour
- Respect for human rights

Also, the standard, in helping organisations defining their scope of CSR, states that they should address certain core subjects. These core subjects are:

- Organisational governance
- Human rights
- Labour practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

The standard further defines specific issues for each core subject, and in more detail gives guidance on how organisations can tackle each issue. However, as the standard points out, CSR actions can be carried out in different ways, and therefore in effectively working with CSR, organisations should identify and address the issues that are relevant for their activities. Guidance on how organisations can identify issues that are significant in regards to their operations is also given by ISO 26000. The benefits that come with using the ISO 26000 standard as a guiding tool are discussed throughout the thesis. Nevertheless, it should not come as a surprise that by taking on such a broad topic as CSR, and developing a standard for it, ISO 26000 has received its share of criticism.

2.3.1 Criticism on ISO 26000

Moratis and Cochius raise the issue of the standard´s conceptual approach and state that "ISO 26000´s definition of [C]SR does not make a direct link between the social responsibilities of an organisation and the economic value of SR to that organisation." (2011, p. 21). Thus, they argue that "people and planet are uncoupled from profit" in the standard (ibid). They also point out that this is different from one of the most widely acknowledged approaches in thinking about sustainable development, the 'triple bottom line' approach, where the relationship between the society, the environment and the economy is interdependent.

Another thing that is noticeable when reading through the guidelines of the standard is that it makes one think if the comprehensiveness of the guidelines will make it difficult for companies applying them. A research carried out by Brandsma et al. (Brandsma et al. 2009, as cited in Cochius and Moratis, 2011) suggests that this might be problematic. According to companies that took part in the research, expectations and required actions from the standard are too many, and applying them in action will be hard. The standard was also perceived as having too many options but at the same time lacking concrete requirements. Ward (2011) gives a similar critique where she points out that following a widespread uptake of the standard, small companies might increasingly and inadvertently face more pressure from stakeholders if they can not follow the standard´s guidelines (due to its comprehensiveness).

The debate over certification or no-certification has also followed ISO 26000. ISO´s business model is essentially about creating certifiable management systems (MS) and to some ISO´s move into new areas, that is, designing a non-certifiable standard, sits uncomfortably with its actual business model (Ward, 2011). Ward argues that the development of the standard is only driven by financial reasons, that is, to make sure that the dominance of the ISO brand prevails in the world of market based standards (ibid).

Others question if this is really a move into a new area. Hahn (2012), despite ISO stressing that ISO 26000 is not a MS and not a certifiable standard, sees distinct elements of such a system in the standard´s guidelines. He questions the purpose and potential benefit of the standard since it rejects being a MS and argues that it is, in fact, a new type of MS standard. Hahn, points out that this new type of MS is outside of ISO´s classification of MS standards and suggests a definition for this new MS: "Standard that is intended to enhance (or induce) an MS with regard to content and structure by systematically promoting (or introducing) continuous discourse processes." (p. 11).

This perception, that the ISO 26000 standard is or should be more than just a guidance standard has sparked debates about if the standard should be certifiable. Indeed, one concern/criticism is that certifying institutions could use the ISO 26000 to develop a CSR certificate or a CSR assessment tool that would be directly or indirectly based on the standard (Cochius and Moratis, 2011; Gürtler, 2012). Next section will briefly discuss this issue.

2.3.2 "Certifying" ISO 26000

In ISO 26000´s description of its scope one can read that the standard should be looked at as complementary to other CSR standards (SIS, 2010). The standard specifically states that its purpose is neither "intended nor appropriate for certification purposes or regulatory or contractual use." (ibid, p. 1). It further states that certifying bodies offering to certify the standard or organisations claiming to be ISO 26000 certified would be misrepresenting the standard´s intentions and purpose.

However, this has not prevented certification bodies from offering ISO 26000 "certification"[13] nor from developing certifications based directly on the standard (Gürtler, 2012; Seferian, 2013). There also seems to be a need among companies for a certifiable version of ISO 26000. One study indicated that there was an interest among respondents in how they could demonstrate and communicate to stakeholders and others that they were working in accordance with the standard (Perera, 2008). In fact, like Cochius and Moratis (2010) point out, that despite ISO 26000 not being suitable for certification it does not mean that the standard is ineligible for auditing. This has resulted in organisations offering ISO 26000 evaluations or assessments. The processes by which those certification bodies assess/evaluate CSR performances of organisations differ. To give an example of how "ISO 26000 performance" is assessed by auditors, a brief description of the methods designed by three organisations will conclude this section.

IQNet SR 10

'IQNet SR10' is a certifiable CSR standard from an organisation called IQNet (the International Certification Network). There are 36 members to IQNet and at least 16 of them are also ISO members (Gürtler, 2012). A certifiable CSR standard was developed by one of these 16 members. This was done without applying the normal national consensus process. This certifiable standard was then offered to IQNet, by the ISO member that designed it, as an input into their work. Then, IQNet integrated this national standard into its own standard claiming it is based on ISO 26000 (ibid).

Organisations must comply with multiple requirements set out by the SR10 standard in order to receive "certification" (IQNet, 2011). The general requirements are listed in Table 6.

Table 6. General requirements of IQNet´s SR10 standard.

1	Identify, register and periodically update real and potential social-responsibility- related impacts associated with the activities and decisions of the organisation.
2	Identify and periodically update the identification of the stakeholders which might be affected by the impacts caused by the activities and decisions of the organisation
3	Determine methods and criteria to evaluate the significance of the impacts of the organisation, with reference both to the stakeholders concerned and to the way in which the impact affects sustainable development.
4	Determine social responsibility requirements, needs and expectations for each identified stakeholder.
5	Determine the criteria and methods needed to ensure that both the operation and control of social responsibility requirements are effective.
6	Ensure the availability of resources and information necessary to support the operation and monitoring of social responsibility requirements.

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[13] The word *certification* is put in quotation marks by the undersigned, since it is not possible to certify ISO 26000.

7	Monitor measure where applicable, and analyse these requirements.
8	Implement actions necessary to achieve planned results and continual improvement of the management system.

Source: Adapted from IQNet, 2010.

Specific requirements are also set for management, stakeholders, measurement and analysis, and improvement. To be able to assess if an organisation is following the standard´s requirements, documentation requirements are specified. They are: A social responsibility manual, social responsibility policy, a code of conduct, objectives, targets and programmes, procedures and records required by the standard, and documents, including records, that the assessed company sees necessary to ensure the effective planning, operation and control of its activities.

The "certification" process is then based on internal audits of the standard´s requirements, internal legal compliance evaluation, external audit by IQNet of comparability with other MS systems (ISO 9001, ISO 14001, etc.) as well as an external audit by IQNet of required records and other requirements of the standard.

SGS Performance ISO 26000

SGS is a multinational inspection, verification, testing and certification company. It is one of the larger companies operating in the sphere of verification and certification services with 80,000 employees and over 1,650 offices worldwide ("SGS in brief", n.d.). The company offers an assessment/"certification" called 'SGS Performance ISO 26000' (SGS, n.d.).

The standard considers three areas and rates organisations against each one. The areas are: Principles of SR (clause 4 in ISO 26000), recognising social responsibility and engaging stakeholders (clause 5 in ISO 26000), and social responsibility core subjects (clause 6 in SO 26000). When all three areas have been evaluated an overall organisational grading can be achieved. The assessment process consists of five steps:

1. Agree contract: SGS gathers information about the organisation in order to determine what the most appropriate assessment options are. That includes how long the project will take and possible members of teams involved in the project. A proposal is then provided to the organisation in line with their requirements. If a company accepts the proposal the assessment proceeds.

2. Identify Core Areas of Social Responsibility: A set of interviews with key individuals in the organisation are carried out, as well as a review is done on background information of the organisation. This is done in order to evaluate the organisation in relation to clause 5 of ISO 26000. This step should result in an interim report that should provide SGS with key input in terms of planning and preparing the rest of the assessment.

3. Planning and logistics: In this step key individuals and locations are identified. Then, meetings are set up with those individuals and site visits to the locations are planned.

4. Performance assessment: The timing and content of this step depends on the assessment options organisations choose. Essentially it consists of interviews, site visits, reviews of documents and records, documenting findings and follow-up interviews and visits. If an organisation has chosen so, an assessment against clauses 4 and 6 of ISO 26000 is done.

5. Statement of Performance and Internal Management Report Issue: In this last step an overall score is presented based on the evaluation and scoring. SGS also presents an internal management report for the organisation. The report details the assessment activities and findings and shows the scores for each individual section.

Organisations receive a certificate that "certifies" their SGS ISO 26000-performance level. They are (from lowest to highest level): Primary, Transitional, Intermediate, Advanced, Role model.

AFAQ 26000

The AFAQ 26000 "certification" assessment is developed by AFNOR (the French Organisation for Standardisation). According to AFNOR the assessment tool was developed in order to assure the uptake of ISO 26000 ("Assessment guide", n.d., p. 6).

The assessment is done in three phases:

1. Partial on-site preparation: In conjunction with the organisation´s management the assessment aims are identified and clarified. According to AFNOR the aims can be on different levels, and also complementary. The data required during the preparation phase includes documented policy and strategy, general information about the organisation (organisational chart, presentation literature, etc.), set of indicators to be monitored by the organisation and various documents related to management (process mapping, records relating to internal and external communication, etc.). This preparation will lead to an assessment plan that will incorporate various internal and external stakeholders. The stakeholders must therefore be identified. According to AFNOR internal stakeholders are: all managers, employees and their representatives and shareholders. Meetings with these groups are carried out as agreed upon with the organisation. AFNOR also recommends that at least five external stakeholder groups are identified.

2. On-site assessment: During the on-site assessment various internal and external stakeholders are interviewed in order to collect examples that can be fed into planning, implementation, deployment and measurement practices covered by the standard. The relevance of given indicators are also assessed by the evaluator in relation to external issues and trends in the field. This assessment takes place over several days and may ask for interim review meetings in order to clarify on ambiguities. Finally the assessor gives a score based on the standard´s criterion and sub-criteria. There is separate criterion and sub-criterion for, on the one hand strategic, managerial and operational *practices*, and on the other hand for environmental-social and economic *results*.

The criterion for strategic, managerial and operational practices is: Vision of CSR and governance (with eight sub-criteria), integration and communication of CSR (with eight sub-criteria), human resource, labour relations and practices (with eight sub-criteria), modes of production, consumption and consumer issues (with eight sub-criteria) and communities and local development (with five sub-criteria).

The criterion for environmental-social and economic results are: environmental results (with six sub-criteria), social results (with six sub-criteria) and economic results (with six sub-criteria).

3. Analysis-the assessment and debriefing report: The organisation receives a report about the assessment and during a debriefing meeting the auditor presents the organisation´s strengths

and weaknesses in relation to the five *practise* criteria and three *results* criteria. Before the issuing of the final report, the auditor factors in the organisation´s views and comments.

"Certification" is then handed to organisations that undergo the assessment. The certificate displays on what level an organisation is in relation to the standard´s assessment. They are (from lowest level to the highest): Initial, Progression, Confirmed, Exemplary.

As this review of the assessment methods, offered by these three organisations, perhaps reveals, detailed descriptions of how exactly the assessments take place are not provided in public documents issued by the respective organisations. The reason for this is most likely because the assessments methods are an important part of their business model, and are therefore considered sensitive information. However, the review gives a glimpse into how certification bodies try to assess and "certify" organisations´ conformity to the ISO 26000 standard.

Though the nature of CSR at state owned enterprises has not been carefully discussed in the CSR literature, the importance of SOEs in promoting CSR is recognised. The ISO 26000 standard points at the role government has in stimulating CSR among organisations (SIS, 2010) but surprisingly does not offer further guidance on how that role can be fulfilled. Next section will look into SOEs´ relationship with strategic CSR implementation.

2.4 SOEs and CSR

State owned companies can indeed impact the evolution of CSR. Some mention that various governments, inter alia, through their SOEs, drive the market towards responsible activities by procuring sustainably (Cochius and Moratis). Ates and Büttgen (2011) also mention that public enterprises can stimulate political and public enthusiasm for CSR. This, SOEs can achieve, by being transparent in their CSR work, and by emphasising a conscious CSR engagement and strong marketing (i.e., publishing information about their CSR performance) (ibid). Also, Ates and Büttgen state that these measures can help SOEs attaining approval of their operations from government and customers (ibid). Therefore, in their view the focus point of how SOEs use CSR differs from how MNEs use it. For MNEs the importance of code of conducts in a globalised world, and how they include human rights and environmental care in their activities is the basis of their CSR work. For SOEs, Ates and Büttgen argue, CSR is more about demonstrating the value of the company for the society (ibid). This argument is mirrored in a study by Bolívar et al. where managers of SOEs in Spain found that the most significant benefit of CSR concerned the legitimacy of the SOEs´ actions (Bolívar et al., 2014). Their research also found that manager´s perception of CSR activities is also strongly influenced by the sector the SOE operates in (ibid). This is a confirmation of a previous research done by Brammer and Pavelin (2004), which results indicate that stakeholder concerns with CSR grow in correlation with the sensitivity of the SOE´s sector to CSR issues. Therefore, as Bolívar et al. point out, managers of SOEs have to be aware of the fact that CSR aspects must be introduced into the process of their decision taking (2014).

Questions of conflicting interests where the state is simultaneously an owner of a company and a major external stakeholder have been raised in terms of the nature of CSR at SOEs (Roper and Schoenberger-Orgad, 2011). Roper and Schoenberger-Orgad state that when legitimacy of government action is questioned, SOEs are often drawn into the debate (ibid). Indeed, these possible challenges have been discussed by the Organisation for Economic Co-operation and Development (OECD) in the organisation´s guidelines for corporate governance of SOEs (OECD, 2005). The guidelines acknowledge that it can be challenging

for SOEs to find a balance, that is, being aware of the ownership status, but at the same time avoid political interference with the company´s everyday business.

In China, where nearly 60% of all listed companies are state owned (Li et al., 2013), the nature of CSR in SOEs is interesting. Despite not being a well-researched topic, the research that though has been conducted points to a positive relationship between reporting on /demonstrating CSR, and state ownership. In their research, which studied the relationship between firm performance and CSR disclosure among Chinese companies, Li et al. (ibid) found that there was a weaker link between firm performance and disclosing of CSR at SOEs than at non-state owned companies. That is, in spite of the performance of the company, an SOE was more likely to report its CSR work, and that indeed, the ownership status was the decisive factor. Li and Zhang (2010) found through their research that political interference has strong influence on CSR activities of Chinese SOEs and that the response of the SOEs in engaging in CSR is driven by political and economic factors. This supports what Shin (2012) mentions in his article about the different "CSR-working conditions" that, on the one hand foreign invested enterprises in China, and on the other state owned Chinese companies have to face. The Chinese government does not have authority over the foreign enterprise but with its full authority over SOEs, the government can control them and intervene in their CSR activities as it pleases.

With the political landscape in China different from that in for example, the Nordic countries, other factors can be more relevant for their CSR work. Next chapter will discuss what factors affect CSR at SOEs in Iceland, and further what factors affect LV´s CSR work, and how LV has systematically been working on implementing CSR into their everyday operations.

3 Findings

3.1 Factors influencing CSR of SOEs in Iceland

There are, in total 30 companies that are fully or partially owned by the Icelandic state (FJS, 2013). The size of the state owned enterprises and the sector that they operate in effect, on one hand, their capabilities to establish a strategy for their CSR, and on the other hand what issues to focus on in their CSR strategies. However, all SOEs are subject to laws and regulations passed by the state as well as the state´s public policies, and they are also expected to comply with various parliament resolutions. In that way, though the decisions on how exactly the SOEs plan to implement CSR into their operations are taken by themselves, the basic framework is in this sense set by the state.

When discussing the nature of CSR at Icelandic SOEs, with the interviewees, two initiatives were repeatedly mentioned as very important factors in terms of how SOEs are guided by the state in their CSR work. These initiatives are the state´s *resolution on strengthening the green economy in Iceland*, and the *state´s ownership policy.*

The resolution on strengthening the green economy was passed in 2012. The aim was to make the "greening" of the economy one of the priorities in Icelandic public employment policy (Forsætisráðuneyti, 2013). The resolution has 50 recommendations on how the greening should be carried out. However, only two are directly pointed at SOEs (Alþingi, 2012, a).[14] One recommendation has already been mentioned earlier in the thesis, and involves GRI reporting, that is, that all Icelandic SOEs and state institutions should disclose annual reports in accordance with the GRI reporting guidelines, with at least 10% of them issuing reports according to the guidelines in 2012, 50% in 2013, and 80% in 2014. According to the CSR experts this is an important factor that can obviously stimulate CSR work of all organisations. However, the SOEs have not been quick to react to this requirement. The State Alcohol and Tobacco Company of Iceland (ÁTVR) and Landsbankinn Bank are the only SOEs that have issued a sustainability report in accordance with GRI. According to Jónsdóttir, LV´s CSR manager, LV is looking into how the company can use the GRI guidelines, but a decision has not been made yet on reporting according to them. In 2013 the company signed the United Nation´s (UN) Global Compact and plans to follow those guidelines in their reporting (personal communication, July 11, 2014).

The other recommendation directed at SOEs concerns the state´s ownership policy in regards to state owned energy companies. The recommendation states that the respective policy should specifically define sustainable energy use as an area of emphasis, and that it should be a priority when choosing the energy purchasers. The recommendation however also states that return requirements must be meet and taken into account when choosing energy purchasers.

One recommendation that raises interest, addresses sustainable procurement. It states that all ministries and state *institutions* should implement a sustainable procurement policy in accordance with the state´s sustainable procurement policy. State owned companies are not mentioned in the recommendation.

The state´s ownership policy was also mentioned as very important for SOEs. In 2009, shortly after the start of the financial crisis in Iceland, there was a call for the state to lay down a

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[14] The resolution distinguishes between state owned enterprises and the state´s institutions.

policy regarding the ownership over its newly acquired banks ("State ownership", 2009). This was the first time the Icelandic state laid down a written ownership policy. The new policy evidently brought attention to the state´s ownership status over other non-financial SOEs, and the need of the state to clarify its policy there as well. Thus, in 2012 the state issued a document regarding the ownership policy for its limited companies and partnerships (Fjármálaráðuneytið, 2012). Section 4.3 of the document, which covers strategies and visions, states that SOEs are required to "lay down a policy for environmental issues, sustainable development and social responsibility" (ibid, p. 9, own translation). This shortly phrased requirement has had huge impact on the management of Icelandic SOEs and how they implement their CSR according to Ketill Berg Magnússon, managing Director at Festa, the Icelandic Center for CSR (personal communication, July 1, 2014). Magnússon points out that despite the requirement being phrased in such a general way SOEs now have a clear message from the owner that CSR is on the agenda. Magnússon also mentions that the simple phrasing has its benefits since it gives companies more leeway in how they adjust their CSR work to their operations. ÁTVR is an example of an SOE that has successfully used the policy requirement in its approach to CSR. By pushing for a more sector orientated implementation of CSR, the concept was implemented into the Icelandic alcohol legislation, and thus CSR became an integral part of their operations (ÁTVR, 2012). ÁTVR can therefore be seen as a good example of an SOE that has used the ownership policy and the green economy initiative to structure its CSR work.

Other initiatives were also mentioned in terms of being influential for SOEs in Iceland. Some more than others, depending on the sector the SOEs operate in. The Icelandic administrative procedures act, the government´s energy policy, Iceland´s strategy for sustainable development and the Master Plan for hydro and geothermal resources in Iceland (hereafter referred to as the Master Plan)[15] were mentioned as relevant initiatives as well as various international conventions signed by the Icelandic state.

With all the aforementioned initiatives, them being a part of a structure where laws and fixed norms and rules shape the society, one might think about the necessity of a concept like CSR in such a society, and further the necessity of SOEs, in a tiny country like Iceland, working specifically with the concept. When the interviewees were asked if this was a relevant speculation, CSR´s element of *proactiveness*, as well as its element of *´value-adding´*, and the possibility to use it to gain *competitive advantage*, where all emphasised as factors that could help in improving the society. Lára Jóhannsdóttir, postdoctoral researcher at the University of Iceland and CSR consultant, mentions the important factor of aggregation:

> CSR is also important for SMEs – but perhaps in a different manner [than in bigger companies]. Obviously they would have to "tone down" their CSR work. We need to take into consideration environmental and social responsibility of those firms, because if we look at the cumulative impacts of SMEs their impacts are higher than for large enterprises because of their large number. (Personal communication, July 2, 2014).

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[15] The Master Plan was initiated by the Icelandic government in 1999 with the aim to develop a plan for hydro and geothermal resources; which areas should be preserved and which should be harnessed. The process was formulated on a scientific and impartial basis with the goal to exclude narrow and biased interests ("Master Plan", n.d.).

Another important factor for SOEs´ awareness of CSR, no matter the size or sector, is, due to the nature of their ownership, their wide range of *stakeholders*. This is an important external factor that influences their operations, and which can complicate their CSR strategy in relation to where the focus should be. Therefore, it is important that the state lays down written guidelines, which SOEs can use for their strategic approach towards CSR. Jóhannsdóttir, raises the importance of strategic planning:

> Strategic planning is essential and it has to withstand governmental election. We need
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> strategic planning and the strategic planning needs to hold even though new
>
> government is being elected. . . . It can be just as useful for publicly owned companies
>
> [as for private companies] to know who their stakeholders are, by mapping them out
>
> (ibid).

The fact that SOEs have to deal with a large group of stakeholders does however not only lead to complications. SOEs and their employees might have an advantage over private companies in terms of CSR implementation, since they should be aware of that working for a company owned by the state´s citizens means that there are many different stakeholder groups that they have to communicate with. In that way, employees at SOEs are perhaps less likely to have to deal with the attitude change that often follows CSR implementation, for instance identifying stakeholders. (Magnússon, K.B., personal communication, July 1, 2014).

However, despite the aforementioned initiatives, lack of interest in, and support for CSR from the state is a barrier that all companies, not only SOEs, have to face according to Jóhannsdóttir (2014). A presentation held, in 2013, by the Icelandic minister of industry and commerce, Ragnheiður Elín Árnadóttir, at a meeting where the topic was *CSR and the state´s involvement*, somewhat reflects the scant interest (atvinnuvegaraduneyti, 2013). At the meeting the minister spoke about CSR and refereed time and again to corporate philanthropic activities.[16] The minister said that SOEs could demonstrate CSR mainly through funds and grants, and that the state, as the owner, would not take the initiative in CSR matters.

CSR implementation also relies on budget, that is, how much is available and further, how much managers are willing to use for CSR work. Some SOEs, depending on how independent they are, rely on the state in that regard. If the *state´s budget-cutbacks* affect SOEs it is not likely that managers allocated to CSR, unless CSR is in some form mandatory. Because as Hulda Steingrímsdóttir, consultant at the environmental consulting company Alta, points out that if CSR is purely a selective managerial procedure it might end at the bottom of the to-do list with other "intangible" projects (personal communication, July 9, 2014). Here, managers´ knowledge and perception of CSR are key. If managers link strategic CSR work to improved operational procedures, improved image, and competitive advantage then CSR might be close to the top on the to-do list (Árnadóttir, R., personal communication, July 11, 2014).

State budget-cutbacks are thus a political decision that can impact SOEs. The interviewees agreed that politics impact SOEs, though opinions on how decisive the impact is differed. As Magnússon draws attention to, there is a difference between *partisan political interference* and more general political "interference", were a government policy might affect SOE´s

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[16] See discussion on what CSR is in section 1.1.´

operations (personal communication, July 1, 2014). Political appointments to boards or other high ranking positions at SOEs have always been customary in Iceland. Those positions were then used to guard special interests of the respective parties. This type of interference has, according to Magnússon decreased in recent years following the ownership policy laid down by the state, and the guidelines given there, which for instance, include a more professional appointment process.

Nevertheless, political interference can still be problematic in Icelandic SOEs and affects their CSR according to the CSR experts interviewed in this research. The fact that political interference can affect CSR at SOEs is perhaps best realised by looking at the time span of a parliamentary term. This factor can be coined the 'four years'-factor referring to the four year parliamentary term in Iceland. The CSR experts addressed how the 'four years'-factor can affect CSR at SOEs. For example, Þorsteinn Kári Jónsson, mentions how the drive behind the resolution on the strengthening of the green economy in Iceland has vanished [following government change]. And, in regards to the state´s ownership policy, he as well mentions that there is currently no follow-up or supervision of how, or if SOEs are fulfilling their CSR-disclosure obligations (personal communication, June 28, 2014). Stefán Gíslason and Hulda Steingrímsdóttir express similar concerns as they talk about how a project like the ´green economy resolution´ is considered to belong to a certain political party, and hence, following political transition, the project is simply pushed of the table, thus negatively affecting one of the main driving forces behind CSR at SOEs (Gíslason, S., personal communication, July 8, 2014; Steingrímsdóttir, H., personal communication, July 11, 2014). Jóhannsdóttir points to the Master Plan and how it has been affected by political interests (personal communication, July 2, 2014):

> For instance we have the Master Plan used to evaluate potential power projects. This
>
> is supposed to be a professional process taking into account short term and long term
>
> interest, common interest, the balance between the environment and other factors, e.g.
>
> economic factors. Then all of a sudden politicians come and interfere in the process.

Jóhannsdóttir is far from being the only one that has expressed this opinion. Politicians, scientists and others have criticised how interference has ruined the process (e.g. Vísir, 2012; Ruv, 2012; Ruv, 2013). Jónsson´s comment on the 'four-years'-factor captures the possible influence it can have on operations of Icelandic SOEs:

> Public administration is rather small in size though it is a big part of the economy. The
>
> political career is four years, one term, and with the influence politicians can have, also
>
> on public officials and on official appointments, there are very few projects that
>
> manage to change the society to some extent. For instance, putting more emphasis on
>
> nature preservation is perhaps a topic that only one politician manages to push
>
> through parliament, once, during one term. Then, four years later this individual is
>
> maybe no longer a member of parliament and then this topic is "switched off" because

his place was taken by another parliamentarian that does not want to put budget into

it. So, it is remarkable how politics can impact CSR. (Jónsson, Þ.K., personal

communication, June 28, 2014).

SOEs can however shield themselves, to some extent against political interference. The level of SOE´s *independency* has been mentioned as a factor in that sense, as well as the influences stemming from the procedures laid down in the ownership policy. Asked if the ISO 26000 standard could also work as a protection tool, the CSR experts agreed that it could help SOEs establishing a CSR policy based on professional guidelines, and thus by referring to it SOEs could fence off possible interference. Magnússon draws attention to the fact that since the standard is a professionally designed guidance tool it would be hard to criticise or interfere with SOE´s CSR policy if the company had applied the standard´s guidelines in its CSR work. "Though not being a guarantee that it [the CSR policy] is not based on arbitrary decisions, utilisation of ISO 26000 can decrease the likelihood of political interference." (Magnússon, K.B., personal communication, July 1, 2014).

Implementing a credible CSR strategy despite the possibility of political interference or political pressure can be challenging for SOEs. To reduce the likelihood of political interference- or pressure affecting their CSR, a clear, impartial strategy should be laid down. Jóhannsdóttir, takes the publicly owned company *Reykjavik Energy* as an example:

We have seen significant improvement in the operation of OR [Reykjavík energy]. In

that case an implementation of the strategic plan is taking place. This plan is supposed

to withstand, because it is based on consensus when it was put forth. Therefore, it is

supposed to withstand governmental change (personal communication, July 1, 2014).

Establishing a trustworthy strategy is on the other hand more important for SOEs than for private companies according to Magnússon, because they handle public money:

. . . and cannot do what they want with that money, they also have to treat the

authority that they are entrusted with carefully, and that is why the Administrative

Procedures Act places great emphasis on ethics; regarding personal information,

competency, possible clash of interests, and that decision-making impacts the society

in a good way ... in private companies you are to a certain extent working with CSR,

with interests of a smaller group of stakeholders in mind. (Personal communication,

July 1, 2014).

3.2 LV

3.2.1 Structuring the CSR

In 2009 LV issued its first sustainability report. According to the report, LV´s objective was to continue its work on CSR but thenceforth use the recently issued draft guidelines of the ISO 26000 standard as a tool for guiding the forthcoming CSR procedures (Hilmarsson and Marinósdóttir, 2009). Thus, with the issuing of the sustainability report, and the plan to use the ISO 26000 standard, LV´s CSR became a high profile project with more structure, and its overall priority as a management tool also became apparent. In 2009, Hörður Arnarson was appointed chief executive officer of LV, and in 2010 Ragna Árnadóttir was hired as chief of staff. Later, in 2012, she was appointed as LV´s deputy CEO. The sustainability report from 2009 was issued before their arrival to the company, but with the appointment of these two executives, CSR at LV received more attention from top management. A predictor to the increased attention CSR would get from the top management was Arnarson´s decision to reveal, during the company´s 2010 annual meeting, the energy prices paid by the heavy industry firms (Þórðarson, 2010). The secrecy surrounding the business between LV and the aluminium companies had been criticised, but this action removed the secrecy that shrouded the contracts LV had signed with the companies.

Later that same year, LV introduced a new policy where, among other things, sustainable exploitation of energy resources was emphasised ("Starfsemin", n.d.). In 2011, a special policy for CSR was introduced. According to the deputy CEO, the focus on CSR was a logical step: "In our general policy we place emphasis on consensus, open communication and trust, so placing emphasis on CSR came as a natural progression" (Árnadóttir, R., personal communication, July 11, 2014). Table 7 shows LV´s general CSR goals.

Table 7. LV´s general CSR goals.

Operate in accordance with responsible corporate governance standards and follow the company´s code of conduct.	Requirements towards its customers and suppliers that they show responsible management practices and take the environment and the society into account in their operations.	Placing emphasis on sustainable utilisation of natural resources, minimise the impact of operations and operate in accordance with approved international procedures.
Place emphasis on collaborative relationship with society and promote transparency and knowledge dissemination in working methods by creating shared value for the economy and society.	Operate in accordance with a responsible policy on health and safety and employee issues.	Creating shared value for the economy and society via knowledge dissemination and by advocating innovation.

Source: http://www.landsvirkjun.com/societyenvironment/

The deputy CEO also stated that they were not fully aware of how comprehensive the work would be (ibid). That probably had some influence on the decision to appoint a special position to oversee CSR issues in 2012. Ragna Sara Jónsdóttir, who was appointed CSR director, states that some elements of the CSR policy are directed towards being in compliance with regulations, while other elements focus on creating shared value and creating competitive advantage:

> We have been emphasising this in our CSR training, that while some projects are just to fulfil minimum requirements, others are intended to create shared value . . . for instance, we have made research reports available at Gegnir.is [a system hosting the Icelandic national catalogue of library], so they are available for everyone, and can thus increase public knowledge. (Personal communication, July 11, 2014).

According to Jónsdóttir some of these elements can be viewed as proactive but others are purely reactive. "For instance, we have been looking into multi-use of geothermal energy, this is a proactive project. But we also have reactive projects, like trying to improve our information flow" (ibid).

In 2012, LV worked on analysing its strengths and weaknesses with regard to CSR. When interviewees were asked about why they thought LV decided to place greater emphasis on CSR and approach it more systematically, they phrased their opinions differently. While respondents from LV talked about an internal need, the CSR experts mentioned external pressure as an obvious factor. In spite of having different perspectives about why CSR was structurally implemented, the word consensus was used by many of the interviewees when the aforementioned question was asked.

LV´s analysis of its CSR led to an introduction of eight CSR-objectives that the company wanted to fulfil in 2013. Information about the objectives, and the process behind them is covered in the 2013 annual report (LV, 2013, b, para. 7), as well as being available, along with CSR objectives for 2014, on the company´s website. There, information on how the objectives are implemented, and the process´s status can be found. Table 8 gives an overview of the objectives for 2013, and their current status, and Table 9 gives an overview of the objectives for 2014, and their current status.

Table 8. LV´s CSR objectives for 2013.   Achieved = ⬤   In process = ◠

Verification and implementation of a code of conduct. ⬤	Improved communications & cooperation with regards to environmental issues so that all procedures fulfil requirements of HSAP and GRI. ◠	Increase knowledge on environmental impacts of geothermal energy utilisation to further decrease the effects of geothermal power plants on the environment. ⬤	Reduce GHG emissions and increase capture and storage of carbon. ◠
Revision of policy towards contractors and service providers with a view to the CSR policy. ◠	Shape communication strategies with stakeholders in Northeast Iceland. ⬤	Review of human resources in view of LV´s revised role and values.[17] ⬤	Promote cooperation with the university community in order to support creation of knowledge within the field of renewable energy. ⬤

Source: Adapted from http://arsskyrsla2013.landsvirkjun.is/rannsoknir-umhverfi-og-samfelag/samfelagsleg-abyrgd

[17] According to the 2013 annual report this objective was still in process when the report was issued, but it also stated that the objective would be reached early 2014. The policy can now be found on LV´s website, which confirms that the objective has been reached.

Table 9. LV´s CSR objectives for 2014. Achieved = ●   In process = ◠   Incipient = ◎

Implement UN Global Compact. ◠	*Increased utilisation of hydro power, and analyse multi-use opportunities for geothermal energy.* ◠
At least five open meetings with stakeholders. ◠	*Increase the proportion of female managers at the company to 20% in 2014.* ◎
Support growth and innovation in energy related industries. ●	*A comprehensive action plan on climate change.* ◎
Setting a transportation policy and processing energy exchange in transport matters. ◠	*Dividends paid to owners.* ●
Accident free operations at LV. ◠	*Develop and implement a policy on ethical business practices.* ◎
Continue to promote knowledge through LV´s Energy research Fund. ●	*Implement ownership policy into LV´s business.* ◠
Increase public access to research. ◠	*Implement a code of conduct for suppliers.* ◎

Source: Adapted from http://www.landsvirkjun.com/societyenvironment/our-social-responsibility/goals

According to Magnússon, LV´s effort in having its CSR implementation transparent is exemplary. "What is especially noteworthy is that they want their CSR efforts to be transparent and open, they publish the objectives and how they measure results on their website, so that people can see if the company is achieving its objectives" (personal communication, July 2, 2014). LV´s CSR manager mentions that publishing the objectives on the website is a step towards increased transparency which encourages trust building with their stakeholders. It also encourages LV to put effort into its CSR work. "Everyone can read about the objectives and see if we achieve them or not. That is good, because it increases transparency and if we do not achieve our goals we recognise that, and try to ameliorate our processes." (Jónsdóttir, R.S., personal communication, July 11, 2014).

3.2.2 "ISO Quick Scan" survey

The interviews with the respondents from LV revealed that they were rather satisfied with how CSR is implemented at the company. All mentioned that CSR has always been a part of LV´s culture though its implementation has been more systematic in previous years. LV´s former head of corporate communications, Þorsteinn Hilmarsson, who managed CSR issues at LV before leaving the company in 2009, and Ragna Sara Jónsdóttir, the current CSR director, both mentioned the importance of ISO 26000, and its value as a guidance tool for implementing CSR. The standard was used to analyse LV´s CSR when the decision was made to formalise the CSR work (Hilmarsson, Þ. personal communication, July 10, 2014), and the standard has been used as a background-document in the process ever since then (Jónsdóttir, R.S., personal communication, July 11, 2014). To get a better picture of the employees´ perspective on how well the company is working according to the ISO 26000, they were asked to answer a short survey. The results of the survey are given in Table 10.

Table 10. Results from the "ISO 26000 Quick Scan" survey.

Statement:	Yes %	No %	Don´t know %	Statement:	Yes %	No %	Don´t know %
1. Next to our goal to safeguard our organization continuity, we pay attention to social and environmental issues.	50	50	0	**2.** We are continuously working on engaging stakeholders in our operations, including in the field of SR.	100	0	0
3. We consciously strive towards realizing economic value for our organization by paying attention to social and environmental issues.	50	50	0	**4.** If we can't do business in a fair and honest way, we won't do business at all.	50	0	50
5. We have determined our social responsibilities by analyzing our organization sustainability impact (our social and environ- mental footprint/the areas where we create the largest sustainability effects) and act accordingly.	75	25	0	**6.** We invest in community involvement activities, such as the sponsoring of cultural events and the development of the local communities that we operate in, and we encourage employee volunteering.	100	0	0
7. We have formulated a number of clear SR priorities for our organization and have identified objectives for these priorities.	100	0	0	**8.** We are continuously working to create awareness and support among management and employees for our SR efforts and try to actively engage them in these efforts.	75	25	0
9. Sustainability considerations are an integral part of the decision-making processes and the planning of activities within our organization.	25	75	0	**10.** Our SR efforts already have existing systems, procedures and structures within our organization.	100	0	0
11. Our organization complies with international norms of behaviour that have been established and agreed upon, such as ILO conventions on child labour and indigenous people, UN Global Compact and the OECD Guidelines for Multinational Enterprises.	100	0	0	**12.** We monitor the extent to which we realize our SR objectives and improve our SR performance every year.	75	-*	-*
13. We have identified the interests and expectations of our most important stakeholders and make sure that we take them into account when we act.	25	50	25	**14.** We offer a balanced insight into our SR performance by communicating it to our stakeholders (e.g. by producing a sustainability report).	100	0	0

* One respondent did not respond to the statement.

The results of the survey are interesting. Of course the low number of respondents must be taken into account, but the total number of employees at LV is 248 and only a certain part of

those employees actively took part in formalising the CSR work. The four employees that answered the survey were all active in that process, so their views give an insight into LV´s CSR implementation.

All respondents answered *Yes* to statements number 2 (efforts for encouraging stakeholder engagement), 6 (anthropologic activities), 7 (development of CSR priorities and objectives), 10 (internal guidelines and procedures for CSR), 11 (compliance to international norms) and 14 (transparency of CSR work).

Statements number 1, 3, 4, 9 and 13 did not give as clear results. Fifty percent answered *No* to statements number 1 (overall priority of, and awareness to CSR), 3 (realisation of the economic value of CSR work), 4 (fair business practices) and 9 (integration of CSR into decision-making), and 75% answered *No* to statement number 13 (identification of stakeholder interests and expectations/accountability).

One of the respondents to the survey pointed out that LV is in the process of implementing its CSR, and that should be considered when looking at the results. That is a valid point. However, the ISO 26000 standard points out that "social responsibility is a continuously developing field . . ." (SIS, 2010, p. 85), and with that in mind the results can give a glimpse into the current CSR-implementation process at LV, as well being useful as a "snap-shot" of where LV was situated when this research was carried out.

3.2.3 CSR focus areas

Anthropological activities represent one part of LV´s CSR. The company runs two funds; the Community fund, which supports various social projects, and the Energy Research fund, which awards grants to research in environmental and energy affairs. LV is also one of the main financiers of The Icelandic Web of Science.[18] Finally, LV runs an enterprise that goes by the name of *Many hands lighten the load*, where the company offers its partnership to any local projects that promote the development of tourism, and environmental issues in the areas involved ("Many Hands", n.d.).

In terms of other important CSR areas, three areas were highlighted by all the interviewees as the most important ones with regard to LV´s CSR. These areas are safety issues (occupational health and safety, and other generic safety issues), environmental issues, and stakeholder dialogue. The company has received various certifications in relation to these factors. LV has an ISO 14001-certified environmental management system, ISO 9001-certified quality management system, ISO 27001-certified information security management system, OHSAS 18001-certified occupational health and safety management system, and TÜV SÜD-certification[19] for green electricity production. The company has also received a certification from the Icelandic Consumer Agency regarding the company´s internal security management, and a certificate from PwC with regards to its equal-pay policy (PwC, n.d.)[20]. LV has reported on these aforementioned areas through various reports; Environmental reports have been issued since 2006,[21] carbon footprint reports, either separate, or integrated with the

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[18] The Icelandic Web of Science is a website run by The University of Iceland, aimed at raising social awareness of science by allowing people to ask for knowledge as questions arise in their everyday life.

[19] TÜV SÜD is an international corporation that provides consultation, testing, certification and training services.

[20] PWC conducts equal-pay audits for companies. Gender wage gap at LV has dropped from 12% in 2003 to 1.6% in 2013.

[21] Based on information from Landsvirkjun´s website.

environmental reports, have been issued since 2007, and LV has also issued a report directed at its supply chain, where detailed information on requirements and requests concerning environmental and safety issues is covered (LV, n.d.). A separate sustainability report was issued in 2009. According to Þorsteinn Hilmarsson, that supervised the project, LV started to apply the draft-guidelines of the ISO 26000 standard in their CSR work in 2008-2009, and the report was thought of as a 'status check' on where LV was situated in regards to CSR (personal communication, July 10, 2014).

CSR and Sustainable Development have been given more space in LV´s annual reports in recent years. The concepts[22] were not mentioned or just briefly touched upon in the 2001-2008 reports with coverage ranging from none, to three pages. Following the CSR report issued in 2009, LV placed more emphasis on the two concepts in the annual reports for 2010-2012, with special CSR-sections, and coverage ranging from 6-9 pages. The annual report for 2013 is an integrated annual and sustainability report with comprehensive coverage of environmental- and other CSR issues.

Obtaining the aforementioned certification and reporting on these issues is however only one part of the CSR activity and can perhaps only be seen as 'licence to operate' by stakeholders. Actual implementation, performance and measureable results are even more important.

CSR in action

Emphasis on safety is one of LV´s top priorities. According to Unnur María Þorvaldsdóttir, head of assets at LV, safety issues are, with regard to CSR implementation and communication, just as important and visible as environmental issues (personal communication, July 8, 2014). The company works according to a zero tolerance accident policy and publishes figures on a regular basis. Table 11 shows the number of absences due to accidents per 200,000 hours worked.[23]

Table 11. Accident rates at LV, per 200,000 hours worked (2008-2013).

Year	2008	2009	2010	2011	2012	2013
Accident frequency	0.4	1.1	1.4	0.4	0.0	0.7

Source: Adapted from http://www.landsvirkjun.com/finance/keyfigures

One project that LV has initiated to follow up on its operations is the Sustainability Initiative, which was launched in cooperation with the aluminium company Alcoa, in 2004. The initiative was launched in the early stages of the construction of the Kárahnjúkar Dam and the Alcoa Fjardaál smelter in East Iceland ("The Initiative", n.d., para. 1). In an attempt to measure the impact of their operations on the society and the environment in East Iceland, the two companies developed 45 indicators (24 environmental indicators, 16 social indicators and 5 economical indicators). The results of the monitoring thus far reveal interesting facts about LV and its operations. Table 12 lists results of selected indicators directly connected to LV.[24]

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[22] This refers to specifically using the words 'CSR' or 'sustainable development' in the reports.

[23] Two hundred thousand hours represent the equivalent of 100 employees working 40 hours per week, 50 weeks per year, and provides the standard base for the incidence rates.

[24] The indicators were selected because they distinctively refer to LV. Other indicators apply for LV and Alcoa, some refer only to Alcoa, and certain indicators refer to the local communities in East Iceland, but with vague links to LV´s operations, for instance, the indicator *Quality of schools*. Finally, some of the indicators are still under revision.

Table 12. Sustainability indicators of the Sustainability Initiative.

Indicator	Results
Employee safety	In 2007 and 2008 13 work accidents were reported. Since 2009 no accidents have been reported.
Gender balance	Seventeen percent of all LV´s managers (the whole company, not only in East Iceland) are female, compared to 38% for Iceland as a whole.
Community rating	Seventy-two percent of residents in East Iceland are positive towards LV.
Compliance to regulation	The company has shown full compliance to Icelandic regulation apart from a onetime breach of regulation on food surveillance.
Training and education	During 2007-2013, on average, 4% of annual work time was invested in courses and training.
Job satisfaction	On scale 0-5, job satisfaction in 2008-2013 ranged from 4.31-4.40 (this rates the job satisfaction of all employees at LV, not only those that work in East Iceland).

Source: http://en.sjalfbaerni.is/austurlandsverkefnid/sustainability-indicators/

The social indicators in Table 12 give a glimpse of LV´s CSR work, and the monitoring of all the 45 indicators, which is an ongoing process, reveals how the operations in East Iceland impact the environment and the local community. It is logical that most of the indicators in the initiative are developed to monitor environmental impacts since LV operates in a sector that undeniably causes disruption to natural areas. Hence, monitoring and measuring the effects on biodiversity of ecosystems in their *operation areas* in East Iceland, and at other operating areas is important. Researching possible impacts on biodiversity of ecosystems where LV *plans* to operate is also an important precautionary measure. LV as well as the Icelandic scientific community have monitored, measured and researched those impacts.

One of the functions of the Kárahnjúkar Dam, and the Fljótsdalur Power Station which utilises the water from the dam, depends on diverting the glacial river Jökulsá á Dal, into another glacial river, Jökulsá í Fljótsdal, which feeds Lagarfljót Lake. LV has monitored how this affects the ecosystem of Lagarfljót and results have shown that the ecosystem is severely affected by the operations ("Lífríkið að hverfa", 2013). Turbidity has increased due to increased breaking of the river banks and this in turn has led to reductions in fish populations which consequently affect bird species at the lake (ibid). However, the fact that the ecosystem has deteriorated was anticipated ("Skerðing á lífríkinu", 2013), though the scale of deterioration was not known. In an attempt to countermeasure these impacts LV has raised levees to protect the river banks. LV also held a meeting for stakeholders and others interested, where discussions on the matter took place ("Landsvirkjun eykur varnir", 2014).

Many are also concerned that LV´s extension plans to the currently operating Bjarnarflag and Krafla geothermal power plants, situated close to the unique Lake Mývatn[25] will have negative impacts on the lake´s ecosystem (Salathé, 2013; Landvernd, n.d.). Groundwater from the power plants flows into the lake, and the main concern is that increased waste water runoff from the plants into the lake might have a negative impact on the ecosystem (Salathé, 2013). LV has been operating in the area for many years, and plans to scale up the plant at Bjarnarflag have been on the drawing board since 1992. An environmental impact assessment (EIA) was undertaken in 2003. However, due to the sensitivity of the lake´s ecosystem, and the time that has passed since the initial EIA was carried out, scientists have urged for a new

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[25] In 1977 the Icelandic government designated Mývatn and Laxá (the river that runs from the lake) on UNESCO'S "List of wetlands of international importance", and in 2004 an act on the preservation of Mývatn-Laxá was passed in parliament.

EIA (ibid). Though plans for the extensions of the power plant are on the final stage, LV's CEO, Hörður Arnarson, has several times expressed LV's support for a new EIA ("Landsvirkjun styður endurskoðun", 2013; "Landsvirkjun lætur gera úttekt", 2013). According to LV´s deputy CEO, Ragna Árnadóttir, the decision to support requests for an updated EIA for Bjarnarflag was a big step for the company: "This is a part of the company´s effort in being more proactive when it comes to environmental issues, and in my opinion we should try to be more proactive instead of waiting for actions from the authorities" (Árnadóttir, R., personal communication, July 11, 2014).

Whether it is a decision to be more proactive (in terms of promoting the company´s environmental awareness), or a decision based purely on stark economic reasons, LV recently started its first wind turbines ("Fyrstu vindmyllur Landsvirkjunar", 2013). There is very little controversy over this type of energy production in Iceland. According to a recent survey 81% of the public supports further development of wind-powered energy production ("Mikill meirihluti", 2013). This, in terms of looking at it from the proactiveness-point of view, can illustrate how long-term management at LV is aligned with its policy of trying to use energy in a sustainable way. The company states in its 2013 annual report that "when the blades are at full capacity then water could be spared in the reservoirs and the reservoirs could be utilised when wind velocity is low" (LV, 2013, c, para. 10)

Consequently, with regard to stakeholder relations, being proactive is important for Landsvirkjun. The company deals with the same issue as other SOEs, in terms of having a wide range of stakeholders. In fact, operating at many different parts of the country, be it at sensitive natural areas, close to towns, farms, tourist attractions, etc. LV´s stakeholder groups are numerous. With the company not only operating in an environmentally sensitive sector, but also economically important, mapping out those stakeholders, and pursuant to that, the stakeholder dialogue, are thus very important. Landsvirkjun´s former head of corporate communications, Þorsteinn Hilmarsson, got acquainted with the idea of using CSR as a management tool in one of his business trips for LV to the United States in the early 1990s. Hilmarsson brought the idea to Landsvirkjun to systematically implement CSR into LV´s business, but he states that social responsibility has always been important for the company. For example, he mentions the importance of stakeholder collaboration:

> You just realise that it is not possible for the company to reach its objectives if the
>
> community opposes the operations. You want to make contact, to collaborate, find
>
> mutual interests, and understand the interests of those that you are dealing with
>
> (personal communication, July 10, 2014).

Hilmarsson further states it bluntly when he says that the company must build strong stakeholder dialogue so the stakeholders know who they are dealing with:

> There is a reason for LV´s interest in certain areas, the company is there to do research
>
> and to build a power plant. In that sense the company is a wolf in sheep´s clothing,
>
> and in those critical circumstances, when decisions have to be made, it is important to
>
> be able to work with stakeholders. (ibid).

During the interviews, the respondents from LV mentioned that stakeholder analysis is an important and continuous part of the company´s operations. According to LV´s environmental manager, Ragnheiður Ólafsdóttir, which has worked at Landsvirkjun for 16 years, stakeholder awareness is integrated into LV company culture (personal communication, July 5, 2014). Hulda Steingrímsdóttir, a CSR consultant, which assisted LV with the implementation of the CSR strategy, observed in her consultation, how employees gradually came to realise how important stakeholder dialogue can be in the long term, and how it can create a win-win situation (personal communication, 11 July, 2014). This reflects in one of LV´s CSR objectives for 2014, which is to hold at least five open meetings with stakeholders. So far, the company has held three open meetings during 2014 and plans to hold two or three meetings in autumn 2014.

LV´s relationship with some of its stakeholders has been assessed. The community rating-indicator in the Sustainability Initiative mentioned in Table 12, reveals good overall relationship with the local community at LV´s operation area in East Iceland. A research by Karki (2008) showed that community acceptance of the Blanda Project[26] in north-western Iceland was very good due to effective stakeholder dialogue. Another assessment of the Blanda Project, conducted by an independent auditor, which applied the Hydropower Sustainability Assessment Protocol (HSAP)[27] in his assessment, states that "relationships with local stakeholders are excellent" (HSAP, 2013, executive summary, para. 2). According to Ólafsdóttir, the Blanda Project can, in that sense, be seen as the company´s flagship, but she also points out that the company can improve its stakeholder relations in other operating areas (personal communication, July 5, 2014). For instance, LV has been criticised for lack of stakeholder dialogue by some stakeholder groups. The North Atlantic Salmon Fund (NASF) and the Þjórsá River fishing association (a landowners stakeholder-association at Þjórsá River) have criticised LV for lack of stakeholder dialogue in regards to the possible construction of three power plants in the Þjórsá system, and the impact it will have on the river´s ecosystem (NASF, 2013; Alþingi, 2012, b). According to these organisations, communications have been next to none (ibid). This is partly confirmed in an unofficial[28] HSAP assessment conducted for one of the planned power plants in Þjórsá River (HSAP, 2012). In the assessment the project meets at least basic good practice for all except one of the 21 assessed topics. The only topic that did not reach the requirement necessary to be considered good practise was *Communications and Consultations.* This was owed to an absence of plans on communications and consultation, as well as on processes "developed for all project stages that, based on stakeholder mapping, set out communications and consultation needs and approaches for all." (ibid, p. 3).

Also, landowners at Lagarfljót Lake/River in East Iceland, close to where LV operates Fljótsdalur Power station, state that they have been "run over" by LV and that no cooperation has been offered by the company (Úlfarsson, 2013).

In spite of these claims of lack of cooperation, the majority of the residents in East Iceland are positive towards the company (see *Community rating* in Table 12, p. 49). However, nationwide trust in LV is rather low. According to annual surveys by an Icelandic market research

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[26] Blanda is a hydropower plant, owned and operated by Landsvirkjun.

[27] HSAP is a sustainability assessment tool used to measure and guide performance in the hydropower sector. The protocol is the result of work by the Hydropower Sustainability Assessment Forum, a multi-stakeholder body with representatives from social and environmental NGOs); governments commercial and development banks and the hydropower sector.

[28] The assessment states that "it does not comply with the necessary terms required of an Official assessment", and because of this the results of the "assessment do not necessarily reflect the quality required from an Official assessment and may not be an accurate reflection of the sustainability of the assessed project." (HSAP, 2012, first page, para. 1).

company, trust in LV has, between 2008-2013, ranged from highest 36.9% in 2008 to lowest 24.2% in 2009 (the percentage of respondents that answered *'rather'- or 'very much' trust in LV*, to the question *How much or how little trust to you have in LV?)* (MMR, 2013). In 2013, public trust in LV was, according to the survey 33.3%.

The surveys do not ask why responders answer the way they do, but one can assume that certain factors play their part. The sector LV operates in, where disruption of natural areas is one of the consequences, is for instance very likely to affect answers from those that value the preservation of Icelandic nature. Also, the Icelandic public does not trust politicians (MMR, 2013), and since LV is an SOE some might transfer that distrust to the management of LV.

The aforementioned construction of the Kárahnjúkar Dam in East Iceland, and the controversy over the project is very likely the single biggest factor of the external pressure leading to the strengthening of LV´s CSR. The project was acknowledged by the majority of the interviewees as a turning point, in the sense that the controversy and the politics around it and the impacts on Icelandic society, have not silenced, and are still regularly discussed in the media. Hence, political interference is a possible factor due to the ownership status of LV. In 2006, three years before he was appointed to his current position, Hörður Arnarson, CEO of LV wrote an article about the Kárahnjúkar project which received considerable attention. The article discussed the profitability of the project, and among other things, revealed Arnarson´s opinion on political concessions. In the article he states that if the development of heavy industry in Iceland, with further construction of power plants, is to happen it, should be a basic requirement that the state and the municipalities do not interfere in the process (Arnarson, 2006).

Recent comments from ministers in the Icelandic government about a possible construction of an aluminium plant in southwest Iceland, and how LV could provide the energy for the plant, have for instance raised questions as to whether the ministers are planning on interfering with LV´s management ("Óttast ekki afskipti", 2013). Members of the board and high ranked employees have however commented on the possibility that partisan politics are affecting LV´s management and said that politicians are not interfering in how LV runs its business (ibid). Politics nevertheless affect LV. Elected governments lay down policies in different areas, for example, health, education, employment and energy, and then push for the respective policy through their administrative power. LV, like other SOEs, is therefore affected by shifting political winds. The following comments from the interviews illustrate these affects:

- I believe that LV has always been very independent, but of course there is always politics in the background.

- The policy that the government sets does of course matter to some extent.

- I think that they [the political parties] are not pushing their values into LV´s *everyday business* [emphasis added].

- The board is of course politically appointed, but I think they are not interfering with how employees do their job. It is more about the *big decisions* [emphasis added], where to harness energy etc.

- LV is systematically working on preventing it [political interference].

- Today I think politics have little impact. But this can change overnight. LV is in the line of fire if authorities want to steer its companies in relation to their political agenda.

According to LV's CSR manager, LV's employees follow or are aware of the media debate, but she does not recognise direct political pressure. "A minister might say something in the media and we might read it, but speaking for myself, receiving phone calls, and orders from outside, that has never happened." (Jónsdóttir, R.S., personal communication, 11 July, 2014). The deputy CEO of LV also states that politicians are not interfering in LV´s business. She points to the passing of a regulation in 2005, regarding the administration of the Icelandic Electricity Act, as a turning point in this sense. "Before the regulation our market division was run jointly with the ministry. After the regulation was passed, this changed." (Árnadóttir, R., personal communication, 11 July, 2014). Þorsteinn Hilmarsson, who managed corporate communications at LV until 2010, nevertheless remembers employees receiving phone calls from politicians:

> In 2008 I received a phone call from a minister that was not happy with something
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> that I had said during a television interview, and he wanted me to correct it. He also
>
> said that because he was minister he expected me to show regard for his words.
>
> (Personal communication, July 10, 2014).

A part of the concern about political interference with LV involves the debate on to whom the company sells its product. The majority of the electricity produced in Iceland is produced by LV, and the majority of their production (73%) is sold to the three aluminium plants that operate in Iceland ("Products & Services", n.d.). Some have expressed the view that LV could become more social responsible if the company would not have to consider, or show regard for political policies (Jónsson, Þ., personal communication, June 28, 2014). LV´s employees were asked about their opinion on this and they raised the point that LV operates on a competitive market, and that companies operating in Iceland, such as the international aluminium companies, must have a permit to operate from Icelandic authorities. Or, as Landsvirkjun´s deputy CEO states:

> We are a market leading company, we sell to those that want to buy, we do not
>
> distinguish between customers, and also, the authorities are in charge of issuing
>
> operating permits . . . . Our decisions are made from a business perspective.
>
> (Árnadóttir, R., personal communication, July 11, 2014).

4 Analysis

4.1 Internal and external factors affecting CSR of SOEs

By reviewing what affects the implementation and communication of CSR at SOEs in Iceland, one will realise that there is a rather clear division between internal factors and external factors affecting the CSR work. The observation also reveals that while internal factors affecting SOEs´ CSR are in general the same factors as affect CSR at private companies, the external factors are more linked to the ownership status of SOEs.

Factors such as the need to gain *competitive advantage*, to be *proactive*, to add *value*, to improve *image*, and factors like *optimisation, company size, management support* and *dedication*, a clear laid down (written) *policy* and the use of applicable *standards* for CSR activities are all internal factors that affect SOEs implementation and communication. These are all factors that affect private companies as well. Two factors that SOEs have to deal with that private companies do not have to worry about are *independency-level* and state *budget-cutbacks*. These factors are interdependent and can be viewed both as internal and external. The level of how independent an SOE is from the state, in terms of managerial affairs and budget allocation, affects it CSR activities. These factors are external up to a certain point with regard to the budget the company receives from the state and the SOE´s independency, but become internal as the 'management support and dedication'-variable is taken into account. If managers perceive CSR as being important for their companies then it is in their hands to allocate more of the budget to CSR activities.

Brammer and Pavelin (2004), mention that *stakeholder-concerns* with SOEs´ CSR grow in correlation with the sensitivity of the SOE´s sector to CSR issues. As section 1.3 discusses LV´ business is considered very important for Icelandic society. LV´s operations are frequently discussed in Icelandic media and concerns about their operations surface regularly. Controversies over other SOEs have not been as loud as those that have followed LV´s operations. Thus, the *sector* an SOE in Iceland operates in is an external factor affecting the respective SOEs CSR. The ownership factor is linked to these concerns as citizens are the owners of SOEs and thus the broad range of stakeholders affects SOEs awareness of CSR and how they decide to implement it. This is in line with Ates´s and Büttgen´s (2011) research which found that demonstrating the value an SOE has for society is one of the most important parts of its CSR work. This can for instance be done through CSR reporting, and this also reflects in what managers at LV, as well as the CSR experts expressed in the interviews; that the ownership status is important and that communicating the value of the company to its owners is essential.

International law and *regulations*, and *international norms* and *conventions* are factors that affect CSR work of both SOEs and private companies. However, to some extent, they can affect SOEs more than private companies. For example, in terms of international conventions, private companies can sign international initiatives, such as the UN Global Compact, and therefore need to be aware of them and follow their guidelines. But this is a voluntary decision. On the other hand, SOEs are in a sense, extensions of the state, and thus need to take into full consideration whether the state has, for instance, ratified an international convention. Other *governmental initiatives* such as policies and resolutions affect SOEs more directly than private companies. The resolution on the strengthening of the green economy and the ownership policy of the state are two external factors that very much influence the implementation and communication of SOEs in Iceland. These initiatives specifically mention CSR, and hence companies under state ownership must take the concept into consideration in their managerial

affairs. On the other hand lack of interest from the state, or perhaps rather lack of follow-up also affects how much SOEs actually implement systematically CSR.

Thus, making CSR mandatory for SOEs, for instance through *sustainability reporting* would encourage CSR related activities of the companies. This has proven to be effective in other countries, like Borglund et al. point out in their study (2010). Various state policies also affect SOEs. Obviously, policies do not affect SOEs equally. Depending on the policy goal some companies might be more affected by the respective policy. For instance, Roper and Schoenberger-Orgad (2011) state, that when legitimacy of government action is questioned, SOEs are often drawn into the debate, and the OECD has also discussed the challenge facing SOEs in finding a balance between the ownership status, and at the same time avoiding political interference of the company´s everyday business. The Master Plan for hydro and geothermal energy resources in Iceland, and the political action shrouding the plan, is an example of a governmental initiative that has drawn a state owned company, in this case LV, into the debate. This brings attention to another external factor, that can up to a certain threshold be considered normal, namely, *politics*. As previously discussed the ownership status of SOEs will always link them to political influences and in a way they can be positive, for instance if one thinks of initiatives like the resolution on the strengthening of the green economy and the ownership policy, where CSR is encouraged. However, the line between normal political "interference" like for example these two initiatives give guidance on, and partisan political interference where the agenda is different is sometimes crossed. Hence, partisan political interference, which is closely linked to the previously discussed 'four years'-factor (that describes the sensitivity of various political issues towards political transition) can affect SOEs CSR. This shows how political interference can be manifested in many ways. Table 13 shows the identified internal and external factors that affect the implementation and communication of CSR at Icelandic SOEs.

Table 13. Internal and external factors influencing implementation and communication of CSR at Icelandic SOEs.

Internal factors		External factors	
Company size	Existence of a CSR strategy	Sector	Laws & regulations
Level of independency (interdependent with management support)	Company awareness (internal need)* ↓	Level of independency (interdependent with laws and regulation)	Parliament resolutions
Management support	Proactiveness	Stakeholders	State policies
Use of guidelines/standards (e.g. GRI & ISO 26000)	Improved image/value adding	State interest ←→ Political interference*	
Budget (managerial decision)	Competitive advantage/optimisation	Budget (state-cutbacks)	International conventions & norms

* The vertical arrow illustrates that the factors below *Company awareness* result from an internal need.

* The horizontal arrow illustrates that there is a link between *State interest* and *Political interference*.

The factors in Table 13 can be used to analyse if the implementation and communication of CSR at SOEs in Iceland is more complex than at privately held Icelandic companies. The factors that are the most relevant in that sense are *Laws & regulations*, *Parliament resolutions*, *State*

policies, *Political interference* and *Stakeholders*. Laws and regulations can help SOEs with their CSR implementation and communication. For instance, ÁTVR, the state´s alcohol and tobacco company, pushed for the implementation of the concept (CSR) into the Icelandic alcohol legislation and that has influenced an active CSR policy. ÁTVR is the only SOE that has published an annual report in accordance with GRI G4 for 2013.[29]

Using laws and regulations to promote CSR indicates that this has assisted Swedish SOEs in their CSR implementation (Borglund et al., 2010) Parliament resolutions and state policies can also guide Icelandic SOEs in their CSR work. The resolution on the strengthening of the green economy and the ownership policy of the state encourage SOEs to implement CSR activities, and though the guidance is not providing detailed information on how to implement and communicate those activities it provides SOEs with a loose framework for CSR. However, state policies can also complicate the CSR work for SOEs. As mentioned earlier in this section SOEs can be drawn into debates concerning the legitimacy of government action. This might affect the trust that the public has in a SOE. Political pressure or interference can also have negative effects. If the public senses that managerial affairs at SOEs are skewed by political interference, distrust towards them might increase and thus make CSR activities more complicated. The stakeholder factor also influences CSR at SOEs. Whether the broad range of stakeholders complicates the implementation and communication of CSR for SOEs, or makes it easier for them, depends on how one looks at it. The numerous stakeholders that need to be taken into account can make CSR work more time consuming. However, as Magnússon points out, the stakeholder factor might also help SOEs in their CSR work. That is, since SOEs have clearly identified stakeholders (Icelandic citizens), they perhaps do not have to deal with the attitude change that often follows CSR implementation (e.g. identifying stakeholders).

This shows that while some factors might complicate CSR for SOEs, other factors can assist SOEs in simplifying their CSR work. Therefore, a one-sided answer to the question if CSR at SOEs is more complex than CSR at privately held companies does not exist.

4.2 Assessment of Landsvirkjun´s CSR strategy

The seven core subjects of CSR, according to the ISO 26000 standard, were used as an overarching framework in assessing LV´s CSR. In order to approach the assessment in a more detailed way Baumgartner´s and Ebner´s framework (see section 1.4.5, p. 9) was applied and the Geneva Association framework was used as a supportive/comparison framework.

The 21 aspects of the BE-framework relate well to the core subjects mentioned in the ISO 26000 standard, and thus provide an approach applicable to assess the CSR activities. The following Tables (14-17) show the seven core subjects of ISO 26000 (top-right column of each table), and their conjunction to the 21 aspects of the BE-framework (as well as the added aspect *Political interference*, which will be categorised to two of the tables due to the possible link it has to both of the ISO core subjects represented in the respective tables). The sustainability aspects are divided into four categories: Economic, Ecological, External social, and Internal social.

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[29] Landsbankinn Bank, another SOE, issued a sustainability report for 2013 in accordance with GRI G4. However, the bank´s annual report was not written according to the GRI Guidelines.

Table 14. ISO 26000 core subjects/BE-framework´s aspects.

ISO 26000 Core subject	Organisational governance
Economic sustainability aspects of the BE-framework	Innovation & technology
	Collaboration
	Knowledge management
	Processes
	Purchases
	Sustainability reporting
	Political interference

Table 15. ISO 2600 core subjects/BE-framework´s aspects.

ISO 26000 Core subject	The environment
Ecological sustainability aspects of the BE-framework	Resource inc. Recycling
	Emissions into air, water or ground*
	Waste & hazardous water
	Biodiversity
	Environm. issues of the product.

*Three aspects combined in one column

Table 16. ISO 26000 core subjects/BE-framework´s aspects.

ISO 26000 Core subjects	Fair operating practices; Human rights
External social sustainability aspects of the BE-framework	Ethical behaviour & human rights
	No controversial activities
	No corruption & cartel
	Corporate governance
	Political interference

Table 17. ISO 26000 core subjects/BE-framework´s aspects.

ISO 26000 Core subjects	Community involvem. & developm.; Labour practices; Consumer issues
Internal social sustainability aspects of the BE-framework	Motivation & incentives
	Health & safety
	Human capital development
	Corporate citizenship

The BE-framework provides four maturity levels four each aspect[30]: Beginning (B), Elementary (E), Satisfying (Sa), and Sophisticated (So). Criteria for each level are described in Appendix F.

Economic sustainability aspects

In the Economic sustainability aspects-category LV´s maturity level is E (two aspects) or Sa (four aspects). In terms of the aspect *Innovation & technology*, LV´s level is E. The company operates in the field of renewable energy production, and as reported in the Sustainability Initiative confirms with laws and regulations with regard to technology (BAT) in its operations, and applies integrated environmental technology in their operations, however what keeps LV at level E instead of level Sa, is that in terms of proactiveness, which is a requirement for reaching level SA, the company has stated that it would be willing to install pollution control equipment to its boreholes close to Lake Mývatn, *if required* [emphasis added] to do so by the authorities, and as long as it would not affect the economic viability of their power production project (Salathé, 2013).

LV´s maturity level for the aspect *Collaboration* is Sa. LV has emphasised the importance of stakeholder relations, and it is obvious that the company´s awareness and ambition is high in that regard. One of the company´s CSR objectives for 2014 is to hold at least five open meetings with stakeholders in 2014. Three meetings have already taken place and two are

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[30] The same criteria is used for the aspects *emissions into air*, *emissions into water*, and *emissions into ground*.

scheduled in autumn 2014. LV as also showed will to respond to stakeholder worries. For instance, as discussed in the findings chapter, LV called a meeting to discuss worries about degradation of Lagarfljót Lake. However, some stakeholders have stated that they have been left out of the discussion. Landowners at operation areas in East Iceland and in South Iceland have been dissatisfied with lack of dialogue and collaboration. Therefore, due to lack of comprehensive proactiveness, LV´s maturity level is Sa instead of So.

For the aspect *Knowledge management*, LV is stationed at the second highest maturity level, level Sa. LV approaches knowledge management rather broadly. Work groups within the company are appointed CSR tasks which increase organisational knowledge on CSR, and a director was specifically appointed to manage CSR activities. Companies that want to reach the So-level must on the other hand have a systematic and *comprehensive* approach towards sustainability related knowledge management, and according to the "ISO Quick Scan" survey two of the four employees answered *No* to statements 1 (awareness to CSR) and 3 (realisation of the economic value of CSR). The company´s environmental manager also mentioned that CSR does not fully "saturate" the operations, and that the concept should be "brought to more life" within the company (Ólafsdóttir, R., personal communication, July 5, 2014).

For LV, the aspect *Processes* is on maturity level E. In relation to their relevant business processes, the company is aware of and respects the most relevant sustainability issues, such as environmental issues, safety issues and stakeholder issues. What distinguishes between maturity levels E and Sa is that at level Sa relevant sustainability issues are respected in all business, and the sustainability issues support all processes. Though LV is close to the Sa-level, answers to statements about the overall awareness of CSR at the company (in the survey), as well as aforementioned company statements on pollution controls at boreholes at Bjarnarflag, keep LV at level E.

To reach the So-level for the aspect *Purchases,* a company must *actively verify* that its whole supply chain follows the environmental and social criteria laid down by the company. The criteria for the Sa-level on the other hand states that these issues must be *considered* for the whole supply chain. LV has issued requirements for its contractors and service providers (LV, n.d.), and thus considers these issues for its supply chain. The document however does not mention that active verification of the criteria will be carried out by LV. This places LV on maturity level Sa for this aspect.

The criterion for the different maturity levels for the aspect *Sustainability reporting* poses a problem when applied to LV´s respective efforts. Criterion for Level E states that *most relevant* sustainability issues are communicated *one-way*[31] within a corporation. Level Sa states that sustainability issues (note: *most relevant* no longer part of the criteria) are communicated through one-way communication. Level So states that sustainability issues (again, *most relevant* not part of the criteria) are communicated through *two-way* communication. Also, what is not a part of the criteria for level E but a part of the criteria for levels Sa and So, is that CSR goals and measures are defined and communicated. LV communicates its *most relevant* sustainability issues through *two-way* communications, that is, as discussed in section 1.4, relevant CSR projects are appointed to employee-workgroups managed by top managers that are responsible for the respective projects. Furthermore it is also their responsibility to give the CSR director feedback on the process of the projects they have been appointed to. LV also defines its CSR goals and measures and communicates it on their website and in their latest

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[31] Whereas one-way communication is when information is shared to others without a response, two-way communication is a process by which two people or groups are able to communicate with each other in a reciprocal way.

annual report. Hence, LV matches parts of the criteria from level E, level Sa, and level So. Though LV is very close to the So-level, the criteria for the So-level mentions that sustainability issues (not just the *most relevant* ones) have to be communicated to reach the So-level, and thus, LV´s maturity level is placed in the middle, namely at level Sa.

Ecological sustainability aspects

The aspect *Resources (materials, energy) including recycling* is at the So-level at LV. The criteria for this level states among other things that, in using resources, companies must consider a combination of economic, technical, environmental and social criteria, and control resource efficiency for their processes. For instance, regarding resource efficiency, during phases were surplus energy in the LVs reservoirs is low, the company controls its resource efficiency by reducing their customers´ opportunities in buying more electric power than the company is obligated to sell according to contracts (Sigurjónsson, 2014). Also, LV´s policy is to "maximise the potential yield and value of . . . natural resources . . . in a sustainable, responsible and efficient manner" ("Our mission", n.d., para. 1), and for instance, recently the company supported that a new EIA would be carried in relation to the company´s long term projects in Northeast Iceland, and thus showed that they needed to consider a combination of criteria in those projects. The wind turbines recently erected by the company also illustrate how long-term management at LV is aligned with its policy of trying to use energy in a sustainable way, since as stated in their 2013 annual report "when the blades are at full capacity then water could be spared in the reservoirs and the reservoirs could be utilised when wind velocity is low" (LV, 2013, c, para. 10).

The criterion for the aspect *Emissions into the air, water or ground* poses, like the aspect *Sustainability reporting*, a bit of a problem in assessing LV´s maturity level. To reach levels E, Sa, and So, companies must define reduction goals for emissions. One of LV´s CSR objectives for 2014 is to shape a comprehensive action plan on climate change. That project is on the incipient stages according to the 2013 annual report. Also, the company's environmental report for 2012 mentions that no guidelines are given in the operational permits for the company´s power plants in Northeast Iceland other than that emission levels cannot exceed emission limits in respective regulations (LV, 2012). This indicates that reduction goals have not been defined specifically by the company. However, one of the requirements to reach level Sa is that a company uses cleaner production technologies, which LV does (ibid). Therefore, since LV´s objective is to shape a comprehensive plan for climate change in 2014, and since the company uses cleaner production technologies in its operations, LV´s maturity level for the aspect *Emissions into the air, water or ground* is assumed to be Sa.

Some adjustments must also be made with regard to the criteria for the aspect *Waste and hazardous waste*. To reach the So-level, companies must confirm with law and regulation regarding (hazardous) waste, define ambitious goals for waste flows and avoid (hazardous) waste due to zero-emissions activities. Apart from defining ambitious goals LV fulfils these requirements (ibid). According to LV it is not suitable to define goals for waste flows due to the changing scope of the company´s operations (ibid). This should however not prevent the company from setting goals. In terms of long-term management some overview must exist in terms of the scope of the company´s operations. This could help in defining goals. Also, similar to the company setting CSR goals, despite not knowing if the goals will be achieved; the company can do the same for (hazardous) waste. If the goals are not achieved due to change in scope, or for that matter, some other reasons, LV can in the same way as it intends to do in its CSR efforts, explain or be transparent about why the goals were not achieved (see para. 1, p. 45). Though LV´s maturity level for *Waste and hazardous waste* is high, lack of defined goals places LV at the Sa-level instead of the So-level.

LV is on maturity level Sa regarding the aspect *Biodiversity*. To reach level B organisations must confirm with laws and regulations regarding biodiversity, and for level E, additionally companies must consider and identify the most relevant impacts on biodiversity. LV fulfils these requirements, and in addition to these requirements LV, fulfils the requirement of level Sa, which is to consider, in its strategy, policy and processes, the company´s organisational impact on biodiversity. Here, some would argue that the degradation of Lake Lagarfljót due to LV´s operations, and the possibility of loss of biodiversity in Lake Mývatn and Þjórsá River, because of LV´s planned operations, should place LV at a lower maturity level. That would be a wrong argumentation since, as discussed in section 3.2.2, LV was, in terms of Lagarfljót), and is, in terms of Mývatn and Þjórsá, aware of the possible impacts their operations have/might have on biodiversity. However, to reach the highest maturity level, level So, organisations must implement and display outstanding activities and approaches in order to diminish their impact on biodiversity. The degrading biodiversity in Lake Mývatn and LV´s lack of proactive activities in order to reduce their organisational impact on the lake, illustrate that LV has not reached the So-level, and therefore LV is placed at maturity level Sa for Biodiversity.

LV is on maturity level B for the aspect *Environmental issues of the product*. The product the company produces, which is renewable electric energy, is understandably a sustainable product. But that is not what this aspect assesses. That is, it does not assess the product itself, but the impacts that the utilisation of the product has. LV abides to laws and regulations, which is the requirement for level B. To reach higher maturity levels companies must make an effort in affecting the environmental impacts of their products. But as LV´s deputy CEO stated, the company does not consider it to be their role to distinguish between buyers (e.g. between green/greener buyers, and more "dirty" buyers). According to her, decisions are made from a business perspective, and it is in the hands of Icelandic authorities to grant operational permits to companies that want to utilise the energy LV produces. This point is valid, but on the other hand, in terms of assessing CSR aspects, and how companies can impact the utilisation of their products, it is also valid to question the effort companies put in influencing the possible impacts of their products.

Internal social sustainability aspects

Recently LV has implemented voluntary frameworks with regards to corporate governance, as well as showed effort in increasing corporate transparency. For instance, an implementation of a code of conduct was one of LV´s achieved CSR objectives in 2013 ("Siðareglur", 2013; also, see Table 8, p. 44), and a plan for climate change action is being developed, as well as a policy on ethical business practices (see Table 9, p. 45). Also, the company´s decision, in 2010, to reveal the energy prices paid by the heavy industry firms was a successful attempt in increasing LV´s corporate transparency. To reach the highest maturity level organisations must be proactive in this sense. LV´s decision on revealing the energy prices, on the other hand, was a reactive measure ("Landsvirkjun opinberar", 2010). The deputy CEO has also expressed that the company should try to be more proactive in some of its actions. Thus, in terms of the aspect *Corporate governance* LV´s maturity level is Sa.

Motivations and incentives is on level Sa at LV. To reach this level incentive measures to improve motivation regarding sustainability issues must be set within an organisation and top management must have an exemplary function regarding those issues. Motivation regarding sustainability issues at LV can for example be seen in how the company works on its CSR objectives. In 2013 and 2014 LV set CSR objectives and issued the objectives on its website, thus putting pressure on itself to work towards achieving those objectives. The CEO and deputy CEO were, as previously discussed, the driving force behind the systematic

implementation of CSR at the company, and have been actively involved since the project started.

LV reaches the So-level for the aspect *Health and safety*. The aspect is extremely important for LV and the company´s measures with regard to this aspect demonstrate professionalism. In recent years accident rates have been very low (see Table 11, p. 48), and for instance, no work accidents have been reported since 2009 at the company´s biggest power station, Fljótsdalur Power Station.

For the aspect *Human capital development* LV is on maturity level E. Since 2011 a part of the human capital at the company has been organised into working groups that focus on specific CSR projects. Employees have also been systematically introduced to CSR (as a management methodology). This confirms with the criteria for maturity level E. To achieve a higher maturity level, organisations must offer various education programs on sustainability issues, as well as train most (level Sa), or all (level So) of their employees regarding those issues.

External social sustainability aspects

There is little difference between the criteria for the internal social aspect *Corporate governance* and the external social aspect *Ethical behaviour and human rights*. In fact, one extra requirement distinguishes between the two aspects. For the Ethical behaviour and human rights aspect guidelines on internal behaviour are a requirement for levels E, Sa, and So. The criteria for the Corporate governance aspect do not mention guidelines on behaviour, but frameworks towards corporate governance are on the other hand a requirement for all maturity levels of the Corporate governance aspect. Thus, the measures mentioned in arguing for LV´s maturity level of the Corporate governance aspect, with the addition that LV recently revised its human resource policy in accordance with its new (CSR) policy (see Table 8, p. 44), are also applicable for the Ethical behaviour and human rights aspect. Hence, this places LV at maturity level Sa for the aspect Ethical behaviour and human rights.

There is no arguing that LV´s business is controversial in Iceland. Section 1.2 discussed among other things how the construction of Kárahnjúkar Dam sparked heated controversies in Iceland. Other operations both existing and planned, also tell that story. Surveys on trust in the company, and previous quotes from interviewees, for instance quotes on the importance of consensus, and about how external pressure led to the implementation of the recent CSR policy, further support arguments that LV´s business is controversial, both regarding disruption of natural areas and to whom the energy is mainly sold. LV is very aware of the controversy that surrounds the company´s operations. To reach maturity level E, for the aspect *No controversial activities,* companies must declare themselves to be aware of to whom they sell their products. For LV, this has already been discussed in the thesis (see e.g. the analysis on LV´s maturity level for the aspect *Environmental issues of the product*). In order to get to maturity level Sa companies also have to set measures to reduce controversial activities. For LV, section 4.2. discusses how the company, by strategically implementing CSR, is trying to do exactly this. If companies want to get to maturity level So they have to be known as non-controversial organisations. Thus, working in a sector that is likely to spark controversies for the foreseeable future in Iceland, LV does not reach level So, but is situated at the second highest level, the Sa-level.

Section 1.4 mentions that the aspect *No corruption and cartel* does not fully capture what this research intends to assess when it comes to political interference and state owned enterprises. The definition of the aspect (see Appendix E) talks about behaving fairly on the market and avoiding manipulating business practices. Though political interference can be used for

manipulating with an organisation´s business, the aspect´s definition, and its criteria (see Appendix F) fall short in providing usable criteria for political interference. For that reason the sustainability aspect *Political interference*, which is especially designed to assess political interference with SOEs, has been added to the framework (see definition in Appendix E, and criteria in Appendix F).

In terms of the aspect *No corruption and cartel* LV confirms with laws and regulations (see Table 12, p. 49), and identifies the possible impacts of corrupt practices. Reaching the So-level means organisations must have distinct rules demonstrating all internal and external consequences of corrupt practices as well as having measures to avoid them. Though LV does not have such comprehensive guidelines, the company has measures to avoid corrupt practices. They can for instance be found in the company´s newly published and implemented code of conduct, as well as in the company´s CSR objectives for 2014 (see Table 9, p. 45, e.g. implementing an ownership policy for the company's business, and implementing a code of conduct for suppliers). These actions are in conformity with maturity level Sa, and thus place LV at that level with regard to *No corruption and cartel.*

Assessing LV´s maturity level for the aspect *Political interference* is a bit tricky. Until recently, LV would have been placed at maturity level E with regard to this aspect. Requirements in criteria for level E mention, for example, that operations are influenced by *partisan* politics, and that the top management is directly linked to governing political parties. Recent actions however move LV closer to level Sa in maturity, though traces of its maturity might be placed at level E. Criteria for level Sa mention for instance that political interests influence operations, and that the appointment of the CEO is based on evaluation of her/his past executive work experience. Arguing that it is not unreasonable that political interests, such as resolutions and public policies, which have been unanimously agreed on by parties in parliament, influence SOEs´ operations is a valid argument, if not only by looking to the ownership status of the company. In terms of LV it is hard to assess if only general political interests influence operations or if the influences are more partisan. It is acknowledged, as discussed in the findings section for LV, that governmental/partisan policies can influence, to some extent, the company´s operations. However, directly linking LV´s business in recent years to such influences, that is, placing interests of one political party over interests of others is not possible. Also, unlike his predecessors, LV´s current CEO, Hörður Arnarson, is not linked to a certain political party. Before being appointed CEO at LV, Arnarson held CEO-positions at other large Icelandic companies, and it seems that his appointment as CEO of LV was based on his experience in managing large companies. Therefore, though partisan politics may influence operations at LV, the company´s maturity level for Political interference is more in line with criteria for level Sa. Thus, with this said, LV is placed on maturity level Sa for the aspect Political interference.

ISO 26000 vs. the BE-framework

Tables 14-17 (p. 57) show the conjunction between the core subjects of ISO 26000 and the sustainability aspects of the BE-framework. According to the previous assessment of each sustainability aspect of the BE-framework LV does not ignore any of the core subjects in the standard. That demonstrates that LV addresses all of the core subjects of the ISO 26000 standard on social responsibility in its CSR work.

Baumgartner and Ebner also distinguish between six different corporate sustainability strategies. A discussion on the strategies can be found in section 1.4.4. Table 18 gives a brief summary of each strategy.

Table 18. Corporate sustainability strategies of the BE-framework.

Strategy	Definition
Introverted strategy	A risk mitigated strategy. Company efforts do not go deeper into sustainability issues than just making an effort to start focusing on conformity and compliance with relevant rules and guidelines.
Conventional extroverted strategy	Aims to communicate to society how the company, in its sustainability commitments, complies, and sometimes goes further than obliged by laws. Strong emphasis on external communication of sustainability due to the importance of credibility of the company to society.
Transformative extroverted strategy	Same basic focus as Conventional extroverted strategy, where society-related aspects are the most important. However, a company following this strategy is a role model for other companies in terms of corporate sustainability in society and has the aim to influence basic conditions of corporate sustainability in a positive way.
Conservative strategy	Focuses mostly on cost efficiency and well defined processes.
Conventional visionary strategy	A highly developed commitment to sustainability in order to become a leader in sustainability issues. Puts focus on the company´s overall impact on the market.
Systemic visionary strategy	A highly developed commitment to sustainability in order to become a leader in sustainability issues. Focus on internalization of sustainability issues and continuous improvement of those issues in order to reach a unique competitive position.

By comparing LV´s maturity levels for each aspect, to how each aspect links to a strategy (see Table 2, p. 12, for a review of strategy profiles/links to aspects according to the BE-framework), it becomes clear that elements of all the strategies can be found in LV´s CSR policy. In Table 19 LV´s maturity level for each aspect and its link to a corporate sustainability strategy is shown. As the table illustrates the dominating approach in LV´s CSR strategy is the conventional extroverted approach. This is in line with the factors mentioned as the most influential ones in the assessment of LV´s maturity levels, as well as being in line with the priorities mentioned by LV´s employees, namely, the emphasis placed on the company´s awareness of sustainability issues, the importance of stakeholder dialogue, and building a consensus.

Table 19. LV´s maturity level for each aspect/each aspect´s link to a corporate sustainability strategy described in the BE-framework.

Aspect - LV´s *Maturity level*	Strategy	Aspect - LV´s Maturity level	Strategy
Innovation & technology - *Elementary*	Conventional extroverted	Resources - *Sophisticated*	Systemic visionary
Collaboration - *Satisfying*	Conventional extroverted	Emissions - *Satisfying*	Conservative
Knowledge management - *Satisfying*	Conservative	Waste - *Satisfying*	Conservative
Processes - *Elementary*	Conventional extroverted	Biodiversity - *Satisfying*	Conventional visionary
Purchases - *Satisfying*	Conventional visionary	Environmental issues of the product - *Beginning*	Introverted
Sustainability reporting - *Satisfying*	Conventional extroverted	Ethical behaviour & human rights - *Satisfying*	Conventional extroverted
Corporate governance - *Satisfying*	Transformative extroverted	No controversial activities - *Satisfying*	Conventional visionary

Motivation & incentives - *Satisfying*	Transformative extroverted	No corruption & cartel - *Satisfying*	Conventional extroverted
Health & safety - *Sophisticated*	Systemic visionary	Political interference - *Satisfying*	Conventional extroverted
Human capital dvlpm. -*Elementary*	Transformative extroverted	-	-

Table 19 illustrates that LV´s CSR work is on a high level. Only four out of 19 aspects are on an elementary or beginning level. The other 15 aspects are on a satisfying level (13 aspects) or sophisticated level (two aspects).

In order to get a more reliable assessment of LV´s CSR activities, a slightly adjusted version of the Geneva framework (see section 1.4.5, p. 13) was applied to the assessment. Based on the criteria provided by the framework, LV´s CSR work is on a high level. In fact, LV reaches the two highest levels of the framework which are: *Level 5* (Developed): Goals and relevant programmes structure CSR efforts-Tracking and reporting capabilities are in place and *Level 6* (Integrated): Core business strategies address CSR issues-CSR efforts drive risk management, profitability and growth.

LV has sets goals, and has developed relevant programmes that structure CSR efforts, and the company tracks and reports on those efforts. While it is not obvious, as discussed in the previous analysis, that CSR efforts *drive* risk management, profitability and growth at LV, the analysis, on the other hand, shows that core business strategies and relevant programmes *address* CSR issues. Thus, in regard to the maturity levels of the Geneva framework, LV fulfils the criteria for level 5, as well as fulfilling one out of two criteria of level 6. This supports the results from the analysis based on the BE-framework, that is, that LV´s CSR maturity in terms of implementation and communication is, on the whole, high.

Landsvirkjun´s material aspects

If organisations follow the latest version of GRI, the G4 version, they are expected to identify their material aspects and, at a minimum, report on them and the standard profile disclosures (see footnote 11, p. 26). G4 also recommends that organisations, in order to provide a visual representation of the identified aspects, create a materiality matrix. Section 2.2.5, which discusses how Swedish SOEs report on material aspects according to GRI G4, gives an example of how materiality matrixes are presented in their reports. Landsvirkjun does not, as previously mentioned, report on its CSR activities according to the GRI guidelines. Despite LV not reporting according to GRI, it is nonetheless possible to identify the company´s material aspects. Indeed, this has been done in this paper. LV´s general policy, general CSR objectives, CSR objectives laid down for the years 2013 and 2014, the interviews carried out for the research, the secondary data reviewed, and finally the analysis of this respective data are all useful for identifying LV´s material aspects. Using these guidelines, one can create an imaginary materiality matrix for Landsvirkjun. The matrix presented in Figure 5 is of course only the creation of the undersigned, and undoubtedly, the place of each aspect within the matrix can be different. Also, there might be aspects that have not been identified and placed in the matrix. However, Figure 5 gives a view of how LV´s maturity matrix could be presented.

Also, what must be kept in mind when one looks at a G4-materiality matrix is that *all* aspects that are presented in such a matrix are *the* most important aspects identified by a company. That is, as long as they get a place on the matrix they are considered very important. Where they get placed on the matrix is however subject to a process/analysis carried out by

companies using GRI G4 in their reporting. And, as has already been mentioned, the matrix created for LV in this paper is only an idea of how such a matrix might look like.

Figure 5. Landsvirkjun´s imaginary materiality matrix.
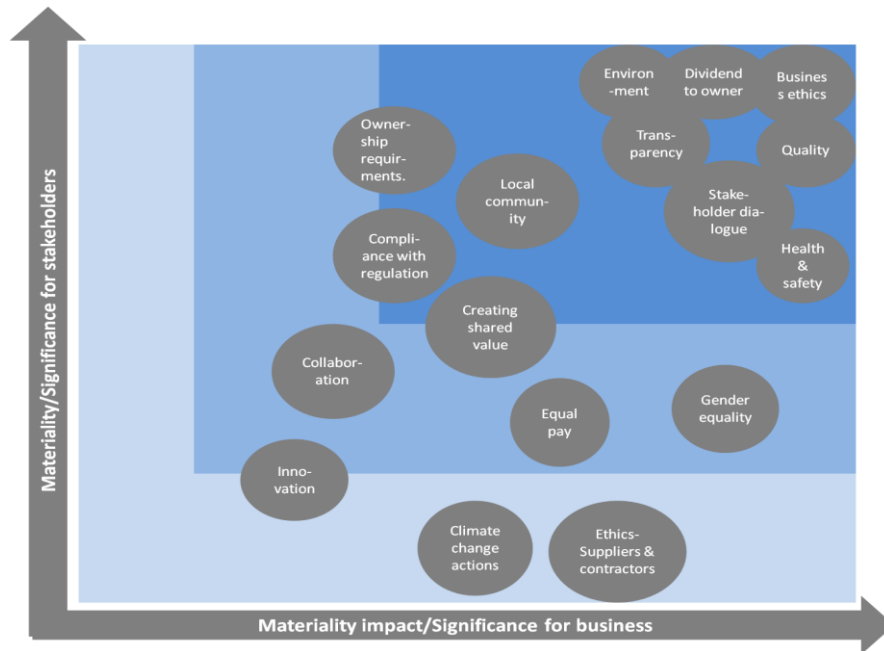
Landsvirkjun vs SOEs: Comparison of factors

The weight of influence of the external and internal factors found to affect the implementation and communication of Icelandic SOEs differs when the factors are matched to LV´s CSR efforts. In the division into internal and external factors affecting SOEs, it became clear that the internal factors are factors that can affect all companies, whereas the external factors are closely linked to the ownership status of SOEs. Similarly, it is difficult to argue for what internal factors are the *most* important ones in connection to LV´s CSR implementation and communication. However, the findings help in pointing to which factors might be *more* important than others. LV has always been aware of the importance of good stakeholder relations, safety- and environmental issues, and other elements of CSR, and has worked on these issues over the years. But with the arrival of a new executive management team the company started systematically implementing and communicating CSR. The company awareness/management support led to the creation of a CSR policy, where the ISO 26000 standard has been utilised as a guidance tool. Thus, these four factors (company awareness, management support, existence of a strategy and use of a CSR standard) have all proven to be important for LV.

The distinction between factors in the external factors-category is more obvious than for the internal ones. The possible and current influence that LV operations can have/have on natural areas, local communities and Icelandic society/economy, is large. Therefore, as the previous findings point to, it is possible to argue that the two most important factors influencing the company´s CSR are the sector that LV operates in, and the company´s numerous stakeholders. These two factors are interconnected. The environmental sensitivity of the sector plays a major role in the importance of, and the emphasis on, stakeholder dialogue- and collaboration for LV. The factors *state policies* and *political interference* are also important and can affect LV´s CSR, but in a different way than the fixed factors *Sector* and *Stakeholders*. LV, like other SOEs, has to be aware of state policies, and as mentioned earlier, the policies that the

state lays down are always influential on LV´s operations (and thus, their CSR). Political interference, if blatant, can have a lot of impact on CSR, especially regarding stakeholder trust; accountability, transparency, etc., but it can also be neutralised by efficient internal management.

Thus, the findings, regarding what factors affect the CSR work of Icelandic SOEs, the succeeding analysis of those factors, and furthermore, the findings and analysis regarding LV, demonstrate that the factors identified in this research as influential for SOEs in general (Table 19), are all influential with regard to LV´s CSR work. However, the research suggests that their influence is unequal.

5 Discussion

It could be assumed that since the validity of a concept like CSR is questioned by many, it might be of limited use and should be discarded. However, CSR, like other possibly contested terms, as for instance *democracy*, addresses important issues, issues that impact the society, the environment, and the corporate world. If CSR is "something, but not always the same thing, to everybody", then recent attempts to build a consensus around what it actually means have perhaps helped in reducing the vagueness shrouding the concept. The development and introduction of the ISO 26000 standard on social responsibility of organisations is probably the most ambitious attempt in building a consensus on what CSR is. The concept´s comprehensive nature has not been lessened by an introduction of a standard, but by providing guidelines for organisations of all sizes the complications of implementing and communicating CSR have been challenged. But similar to the criticism on the concept´s vague meaning, it is possible to argue that ´vagueness´ surrounds ISO 26000. The standard guides organisations to choose what to focus on in terms of CSR implementation, and the standard´s wording is rather open to interpretation. This also helps in understanding why ISO 26000 is not a certifiable standard.

This leads to the legitimacy of the research conducted in this thesis. Is it worth the while to ask whether assessing CSR is actually possible? It is challenging trying to identify factors that affect CSR at SOEs, as well as trying to realise if it is more complicated for SOEs than for private companies to practice CSR. Also, assessing a specific SOEs´ CSR is a project that poses many challenges (some already discussed in section 1.7: Limitations and scope) that have to do with, for instance, the subjective nature of the research approach. With this said, it is understandable that this type of research can easily be targeted for criticism. This is however not an issue one should view as negative or as a barrier. It also does not reduce the legitimacy of the research questions and the succeeding research, that is, if the research follows a recognised framework and if all steps of the research are explained thoroughly. What, on the other hand, is important is that the researcher should be aware of the limitations of his research, and the approach he/she applies in trying to find answers to the research questions.

The methods applied in this research consisted of interviews, review of secondary data, and a survey. A common critique on using interviews in a research project is that interviews are, by nature, subjective and only describe the perspectives of the interviewees. The strength of the method lies in its ability to gather information that formal documents do not contain. Also, by comparing interview transcripts it is possible to identify common themes in the answers given by the respondents.

The first part of the analysis, where factors influencing the CSR work of Icelandic SOEs were identified, and the possible complexity of implementing and communicating CSR at SOEs was discussed, might, to some eyes present results that are quite clear. This part of the research was, as aforementioned, meant as an overarching part, in order to understand the 'CSR environment' of Icelandic SOEs. This has not been researched before, and confirming what might be obvious to some, does not in any way reduce the legitimacy of this part. The results can for instance be utilised in further research on, how SOEs, others then LV, work on their CSR, and if/how the factors identified in this study affect their CSR activities.

With regard to LV, the limitations of the survey presented to their employees have already been discussed. The results of the survey would have been stronger if all employees at LV, which have actively participated in the company´s CSR projects, would have taken part. Also, a survey designed to capture the views of the many stakeholders LV has, would have been an

interesting addition to the research. Carrying out such a survey would also include other research questions focusing on stakeholder opinions. That could have revealed different factors concerning LV´s CSR that were not identified in methods applied in this research.

This brings forth thoughts on the two frameworks applied in the assessment of LV´s CSR. The frameworks´ scope is very different. The BE-framework is much more detailed in its approach in assessing CSR. Due to how detailed the framework is (e.g. in terms of definition of aspects and criteria for the different maturity levels of each aspect) few adjustments were made in order to make the framework more applicable for the research (see section 1.4.5, p. 9-11). Some of the maturity levels of the framework can also be criticised for being too hard to reach. For instance, in order to reach the highest level for some of the sustainability aspects, the sophisticated level, organisations would have to be aware of, and tackle *all* sustainability issues, not only those that are considered relevant for the organisation. In a way, this contradicts the guidelines of ISO 26000 which encourages organisations, using the document as a guiding tool, to adapt the standard´s guidelines to its operations. This is also not in line with the materiality approach recommended by GRI G4. On the other hand, with regard to the BE-framework, this is what distinguishes between companies that are outstanding (sophisticated) in their CSR activities, and others that are not.

Unlike the BE-framework, the Geneva framework is very simple. Therefore, applying only the Geneva framework in assessing organisations CSR would give weaker results due to how simple its criteria are. However, using it as a supportive framework, as this research did, proved useful. Adding Jóhannsdóttir´s suggested extra level to the framework (lowest level) was in hindsight not necessary for the assessment carried out in this research, since LV´s level of CSR work did not drop lower than to the second highest level of the framework. However, it should be noted that in general, the extra level improves the usefulness of the framework (by adding depth to it) though it was not relevant for this assessment due to LV´s high CSR maturity. The ISO 26000 standard was as well useful for the assessment. The seven core subjects, that the standard recommends organisations to follow in their CSR, were used as an overarching framework. By matching them with the sustainability aspects of the BE-framework it was possible to see that LV addresses all of the core subjects.

The analysis of the research is split into two parts, and then, the results of the two analyses are drawn together in the concluding part of the respective chapter. With regard to generalisability, that is, if it is possible to apply the results of the research more generally, or if the results are only relevant to the specific context of the study, a split into two parts is also necessary. In other words, there are two answers to the question. The results of the first part of the analysis, where factors influencing CSR at Icelandic SOEs were identified, can to some extent be applied more generally than only in the research´s context. The research reveals that some factors are universal. These factors are mostly those that are categorised as internal factors in the study. However, it is obvious that site specific, contextual factors, both internal and external, heavily influence CSR at SOEs in Iceland. Therefore, the generalisability of this part is very limited. As for the second part of the analysis, generalisability should be avoided. That part assesses LV´s CSR, which clearly is subject to the company´s internal and external business-, social- and natural environment. Hence, the view set forth in the ISO 26000 standard regarding the 'uncertifiability' of CSR, comes to mind when an organisation´s CSR is assessed. Just like the assessment carried out in this study, which has its subjective elements due to the qualitative research approach, CSR-certification schemes are inevitably subject to similar challenges. Therefore, though assessments can be useful for organisations with regard to possible improvements of their CSR work, certifications, by themselves, seem to be more directed to image concerns.

6 Conclusion

Corporate social responsibility is a challenging concept for one to wade through, and for organisations, even a more challenging project to take on effectively. In the widest sense, all organisations practice some form of CSR. Whether they are aware of it, and whether their activities are indeed socially responsible is another story. Numerous factors influence organisations´ CSR. Some of those factors might be among the focal points of organisations´ business. Others might be more hidden. In order to assist companies, and to bring more transparency to how CSR is implemented and communicated, CSR guidelines have been developed. Among the most acknowledged guidelines, one can find the sustainability reporting guidelines of the Global Reporting Initiative (GRI), and the CSR guidelines set down by the ISO 26000 standard on social responsibility.

In Iceland, state owned enterprises are influenced by many internal and external factors in their CSR work. This study was set out to identify the possible factors affecting CSR work at Icelandic SOEs, discuss if their CSR work was more complicated than that of private companies, and further to assess the CSR work carried out by a specific Icelandic state owned company, Landsvirkjun (LV)-National Power Company of Iceland. Thus the following research questions were proposed:

First, working as umbrella-questions for the research, Q1 and Q2 were addressed.

Q1. How do internal and external factors, affect the implementation and communication of CSR at state owned enterprises in Iceland?

Q2. Is the implementation and communication of CSR more complex at state owned enterprises in Iceland then at privately held companies in Iceland?

Secondly, in order to get a closer perspective of CSR at SOEs, a case-study was carried out where Landsvirkjun´s CSR strategy was analysed. That also allowed for comparison of the factors influencing LV´s CSR activities with the factors identified as influential in CSR work of SOEs in general. This led to the proposition of question number three:

Q3. What affects Landsvirkjun´s CSR implementation and communication, and how mature is the company´s CSR strategy? In other words, by comparing LV´s CSR strategy to CSR/sustainability-assessment frameworks, what influencing factors are identified, and what is the maturity level of LV´s CSR strategy?

The research found that it is suitable to divide potential factors influencing CSR at Icelandic SOEs into two categories; internal and external. Whereas the internal factors can be viewed as more universal, and affecting all organisations, state owned or not, the external factors are more contextual, and directly related to the ownership status of the SOEs. The internal factors identified in this research as influential in terms of CSR at Icelandic SOEs are (in no particular order): Company size, existence of a CSR strategy, management support, level of independency (interdependent with management support), company awareness (proactiveness, improved image/value adding, competitive advantage/optimisation), budget, and use of CSR guidelines/standards.

The identified external factors are (in no particular order): Sector, laws and regulations, level of independency (interdependent with laws and regulations), stakeholders, parliament resolutions, state policies, state interest, political interference, budget (state-cutbacks), international conventions and norms.

The research did not provide a one-sided answer to the question if the implementation and communication of CSR at SOEs is more complicated than at private companies. Some factors, such as *the resolution on the strengthening of the green economy in Iceland*, and the *state´s ownership policy*, which emphasises CSR strategic planning of SOEs, have been positive for SOEs. Other factors where regarded as positive, or negative, depending on from what perspective they were looked at. For instance, while the large group of stakeholders SOEs have to be aware of and deal with, due to the ownership status, can be considered as being inflictive for their CSR work, this factor can also reduce the likelihood of attitude change that often follows CSR implementation. That is, since SOEs have "fixed" stakeholders - all Icelandic citizens, awareness of who the stakeholders are should be clear, and therefore time spent in identifying stakeholders can be reduced. This demonstrates that while some factors might complicate CSR for SOEs, other factors can assist SOEs in simplifying their CSR work, and therefore, a clear answer to Q2 does not exist.

The weight of influence of the external and internal factors found to affect the CSR of Icelandic SOEs differs when they are considered in connection with LV´s CSR efforts. In order to evaluate Landsvirkjun´s CSR work three frameworks were applied. ISO´s 26000 seven core subjects of social responsibility were used as an overarching, guiding framework for the analysis, and in order to dig deeper, Baumgartner´s and Ebner´s framework for corporate sustainability strategies, and an adjusted version of the Geneva Association framework on climate actions of insurance companies were applied as well. Both of these frameworks grade CSR efforts of organisations according to the maturity of their efforts. Primitive efforts place organisations at lower maturity levels, whereas matured efforts place them on higher levels. The analysis shows that Landsvirkjun´s CSR strategy is on a high level and addresses all core subjects of the ISO 26000 standard. The company reaches high levels for the majority of the sustainability aspects identified by the BE-framework, and comparing the results to the criteria of the GA-framework shows that LV bounds across the two highest maturity levels of it. It also reveals the main elements of the strategy, which are the emphasis Landsvirkjun places on communicating to society how the company, in its sustainability commitments, complies, and sometimes goes further than obliged by laws. This includes a strong emphasis on external communication of sustainability issues due to the importance of LV´s credibility to society.

The internal factors identified as the most decisive ones for LV´s CSR work are: Company awareness, management support, existence of a strategy and use of a CSR standard. LV has always placed emphasis on CSR, but the arrival of a new executive management team in 2009-2010 resulted in a creation of a strategy, where CSR has been systematically implemented and communicated. The ISO 26000 standard has been utilised as a guidance tool in this work, and has helped the company organising and prioritising the CSR activities.

If one considers the influence that LV´s operations can have/has on natural areas, local communities and Icelandic society/economy, two external factors identified as influential for Icelandic SOEs in general, become clear as the most decisive external factors for LV. These factors are the interconnected factors *sector* and *stakeholders*. The environmental sensitivity of the sector plays a major role in the importance of, and the emphasis on, stakeholder dialogue- and collaboration for LV. The factors *state policies* and *political interference* are as well important for the company, without being as determinant as the sector- and stakeholders factors. That is, LV has to be aware of state policies, and as mentioned earlier, the policies that the state sets down will always influence LV´s business (and thus, their CSR). Political interference, if blatant, can impact Landsvirkjun´s CSR, especially regarding stakeholder trust; accountability, transparency, etc., however it can also be neutralised by efficient internal management.

The resolution on the strengthening of the green economy in Iceland concludes that ministries, state institutions and state owned companies should report according to the GRI guidelines. Landsvirkjun recently signed The UN Global Compact, a strategic policy initiative that assists organisations with aligning with ten universally accepted principles for human rights, labour, environment and anti-corruption. LV plans on following this initiative in their CSR reporting, but considerations regarding how they can use the GRI guidelines are also being discussed in the company. In 2010, The UN Global Compact and GRI signed an agreement to align their work in advancing CSR and transparency ("UNGC and GRI", n.d.). Thus, the GRI reporting guidelines can be used to produce the Global Compact's annual *Communication on Progress*, which is the mechanism through which the Global Compact´s participating organisations demonstrate progress towards attainment of the compact´s ten principles.

Research has demonstrated that applying the Global Reporting Initiative principles for sustainability reporting can lead to increased awareness and transparency, improvements in operation methods and more focused procedures. In other words, companies´ material aspects seem to become clearer when the GRI Guidelines are adopted. Therefore, in order for Landsvirkjun to further improve its already mature CSR strategy, it is recommended that the company places emphasis on implementing and using the GRI standard in their CSR work. In fact, this is in line with recommendation no. 14 of *The resolution on the strengthening of the green economy in Iceland*, which states that all ministries, state institutions, and SOEs should apply the GRI Guidelines in their annual reporting.

For the same reasons, other Icelandic SOEs are also recommended to use the guidelines provided by the GRI. The latest GRI version, G4, offers guidance on how organisations can report on aspects that are material for their business. This gives leeway to aligning CSR reporting and CSR efforts to what organisations consider important for their scope of work. For smaller state owned organisations (institutions and companies), which Iceland has plenty of, this way of working on CSR can be considered ideal.

Finally, with the CSR-landscape in Iceland gradually undergoing positive changes, with state owned enterprises like Landsvirkjun, ÁTVR (the state´s alcohol and tobacco company), and Landsbankinn Bank utilising CSR in a strategic and systematic way to improve their business, further research in the field is important. Research directed at smaller state institutions, looking into if they are systematically practising CSR, and if so, what influences their CSR work is an interesting research option. Study that focuses on the opinions of specific stakeholder groups, and/or on the difference between stakeholder groups´ opinions on what they perceive CSR to be, and/or what they think SOEs should focus on in their CSR work, can also be an interesting research topic. With CSR on the rise in Iceland, lack of research topics should not be an issue.

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Appendix A List of interviewees

Interviewees	Title
Ketill Berg Magnússon	Managing Director at Festa - Icelandic Center for CSR
Hulda Steingrímsdóttir	Consultant at Alta - Consultancy Company
Lára Jóhannsdóttir	Post-doc at University of Iceland/CSR consultant
Stefán Gíslason	Consultant at/owner of Environice Consulting
Ragna Árnadóttir	Deputy chief executive officer CEO of Landsvirkjun
Ragna Sara Jónsdóttir	Director of Corporate Social Responsibility at Landsvirkjun
Ragnheiður Ólafsdóttir	Environmental Manager at Landsvirkjun
Unnur María Þorvaldsdóttir	Head of Assets at Landsvirkjun
Þorsteinn Hilmarsson	Former head of corporate communications at Landsvirkjun
Þorsteinn Kári Jónsson	Consultant at Alta - Consultancy Company

Appendix B Introductory text for the "ISO 26000 Quick Scan" survey
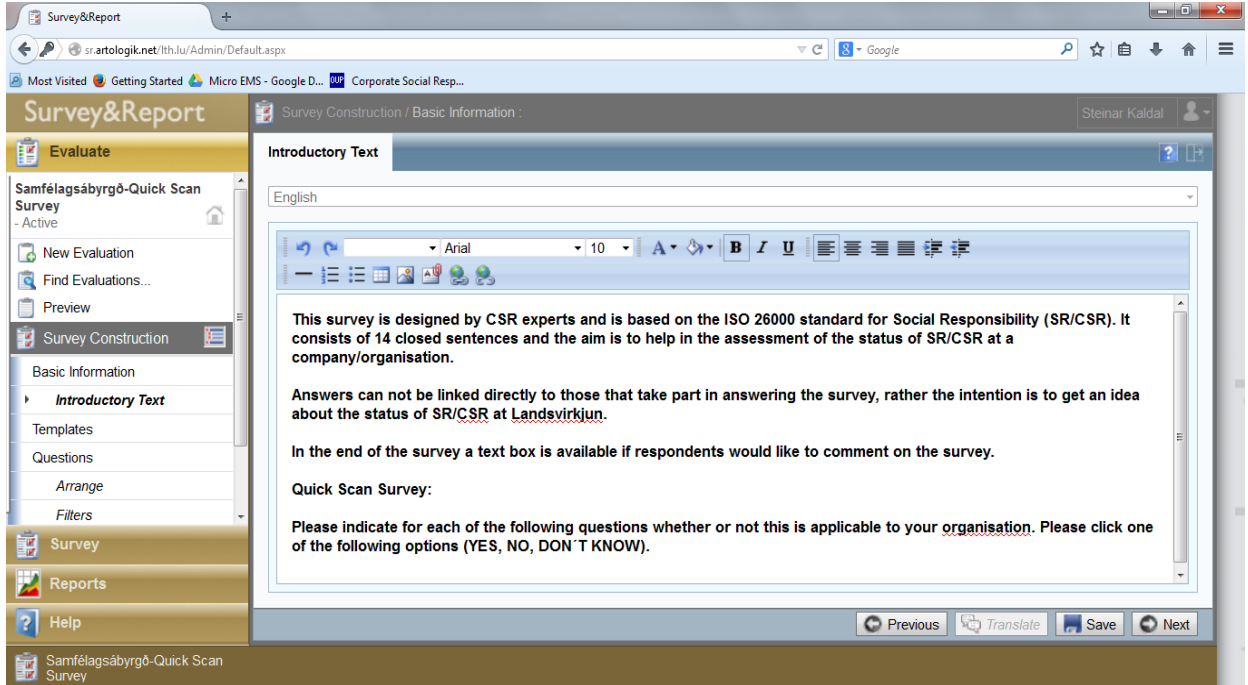
Appendix C Overview of the closed sentences in the "ISO 26000 Quick scan" survey

No.	Item
1	Next to our goal to safeguard our organization continuity, we pay attention to social and environmental issues.
2	We consciously strive towards realizing economic value for our organization by paying attention to social and environmental issues.
3	We have determined our social responsibilities by analyzing our organization sustainability impact (our social and environ- mental footprint/the areas where we create the largest sustainability effects) and act accordingly.
4	We have formulated a number of clear SR priorities for our organization and have identified objectives for these priorities.
5	Sustainability considerations are an integral part of the decision-making processes and the planning of activities within our organization.
6	Our organization complies with international norms of behaviour that have been established and agreed upon, such as ILO conventions on child labour and indigenous people, UN Global Compact and the OECD Guidelines for Multinational Enterprises.
7	We have identified the interests and expectations of our most important stakeholders and make sure that we take them into account when we act.
8	We are continuously working on engaging stake- holders in our operations, including in the field of SR.
9	If we can't do business in a fair and honest way, we won't do business at all.
10	We invest in community involvement activities, such as the sponsoring of cultural events and the development of the local communities that we operate in, and we encourage employee volunteering.
11	We are continuously working to create awareness and support among management and employees for our SR efforts and try to actively engage them in these efforts.
12	Our SR efforts already have existing systems, procedures and structures within our organization.
13	We monitor the extent to which we realize our SR objectives and improve our SR performance every year.
14	We offer a balanced insight into our SR performance by communicating it to our stakeholders (e.g. by producing a sustainability report).

Appendix D Definitions of the seven core subjects of the ISO 26000 standard on social responsibility

Core subject	Definition
Organizational governance	The system by which an organization makes and implements decisions in pursuit of its objectives.
Human rights	The basic rights to which all human beings are entitled.
Labour practices	Activities that encompass all policies and practices relating to work performed within, by or on behalf of the organization, including subcontracted work.
The environment	The invariable impacts that the decisions and activities of organizations have on the environment no matter where the organizations are located.
Fair operating practices	Practices that concern ethical conduct in an organization's dealings with other organizations.
Consumer issues	The responsibilities that organizations have (with regard to their products and services) to consumers and customers.
Community involvement	Organization´s effort, either individually or through associations in seeking to enhance the public good.

Source: SIS, 2010-See bibliography.

Appendix E Categories of sustainability aspects and definition for each aspect

Economic aspects of corporate sustainability:

Innovation and technology	Effort in sustainability related R&D in order to reduce environmental impacts in new products and in business activities. Use of BAT (best available techniques) and integrated environmental technologies, concentration on cleaner production and zero-emission technologies.
Collaboration	Good cooperation and active collaboration with various business partners (e.g. suppliers, R&D institutions, universities,…). Working in common programmes and networks on innovative products and technologies. Exchange of information and knowledge.
Knowledge management	Activities and approaches to keep sustainability related knowledge in the organization. Methods to plan, develop, organize, maintain, transfer, apply and measure specific knowledge and to improve the organizational knowledge base.
Processes	Clear processes and roles are defined so that business activities are efficiently conducted and that every employee knows what the organization expects from him or her (also concerning sustainability). Adaptation of process management on sustainability necessities to implement corporate sustainability systematically. Integration of sustainability into daily business life.
Purchase	Consideration of sustainability issues in purchase. Awareness and consideration of sustainability related issues in the organization as well as alongside the supply chain. Relationship with suppliers focusing also on sustainability.
Sustainability reporting	Consideration and reporting of sustainability issues within company reports, either in a separate sustainability report or integrated into the corporate one.

Source: Baumgartner and Ebner, 2010.

Ecological aspects of corporate sustainability:

Resources (materials, energy) including recycling	Use of renewable and non-renewable resources and energy through the company including recycled resources
Emissions into the air	Emissions into the air due to corporate activities
Emissions into the water	Emissions into the water due to corporate activities
Emissions into the ground	Emissions into the ground due to corporate activities
Waste and hazardous waste	Waste and hazardous waste due to corporate activities
Biodiversity	Impact on biodiversity due to corporate activities
Environmental issues of the product	Environmental aspects of the product over the whole life cycle

Source: Baumgartner and Ebner, 2010.

Internal social aspects of corporate sustainability:

Corporate governance	Transparency in all its activities in order to ameliorate relationship towards its stakeholders. Giving insight into all relevant data; following rules of (stock) markets on corporate governance and defining responsibilities and behaviour of the board.
Motivation and incentives	Active involvement and exemplary function of management on sustainability topics for employees. Awareness of needs, claims and motivation factors of employees in order to implement sustainability sufficiently into the organization due to support of management for acting in sustainable way (e.g. time, money, resources). Development of incentives and reward systems (monetary, non-monetary).
Health and safety	Guarantee that no health and safety risks occur when working in/for the organization. No negative impact of employees' physical health at any time. Operation of programmes for employees to prevent dangers and to stay generally fit and healthy (e.g. in developing countries).
Human capital development	Development of human capital for sustainability related issues through specific programmes such as permanent education, mentoring or training. Broad cross-working education (job enrichment, job enlargement) in order to become aware of the different challenges and issues of corporate sustainability.

Source: Baumgartner and Ebner, 2010.

External social aspects of corporate sustainability:

Ethical behaviour and human rights	Ethical behaviour towards sustainability consisting of well established, basic assumptions and principles relating the cooperation within an organization and the behaviour towards (external) stakeholders. Regarding sustainability, important elements are a culture of respect, fair rules and behaviour within an organization (and between its subsidiaries) and fair wealth/profit allocation, as well as serious consideration of stakeholders' ideals and needs. No harm of employees, either concerning their religious belief, gender, nationality or colour or concerning people who are handicapped or aged.
No controversial activities	No holding of shares on organizations that are mostly defined as not sustainable (e.g. uranium mining). No use or sale of own assets and goods for non-sustainable activities.
No corruption and cartel	Behaving fairly on the market and avoiding manipulating business practices. This includes no rule-breaking, no price-fixing or joining a cartel and no corruption for gaining advantage.
Corporate citizenship	Being a good corporate citizen on a national level; conservation of subsidiaries in the country and establishment of economic power of a country as well as an increase in society's lifestyle. Support of stakeholders (and others) and their issues on regional level; participation or creation of sustainability related activities for the local community. Orientation on future generations without exploiting the present (or nature).

Source: Baumgartner and Ebner, 2010.

Added sustainability aspect:

Political interference	Being aware of, or/and working in line with public policies and governmental policies, without letting inordinate partisan political interference affect normal and fair business practices.

Appendix F Overview of different maturity levels (and criteria for each level) for the aspects of each category

Maturity levels of economic sustainability aspects:

Aspect	Innovation & technology	Collaboration	Knowledge management	Processes	Purchase	Sustainability reporting
Beginning	Conformity with laws and regulations regarding technology (BAT).	The company is not an active partner in networks.	No systematic approach towards KM.	Sustainability issues are not respected in process definitions.	Sustainability oriented purchase is not considered.	No consideration of sustainability issues either in a distinct sustainability report or in the annual report.
Elementary	First effort in sustainability related R&D. Conformity with laws and regulations regarding technology (BAT) exists. Integrated environmental technology is partially used.	Communication and collaboration with most relevant business partners (supplier, customer).	Specific sustainability related KM activities (e.g. IT based KM activities: databases, IT infrastructure) are conducted in order to generate transfer and to save sustainability related knowledge.	Most relevant sustainability issues are respected in relevant business processes.	Social and environmental criteria (based e.g. on human rights) are defined, which are considered in direct purchase (direct suppliers).	Most relevant sustainability issues are respected in corporate communication channels (one-way communication) or in a distinct sustainability/annual report.
Satisfying	Higher effort in sustainability related R&D than industry average. The company invests proactively in technology (BAT) and uses integrated environmental technologies and/or cleaner production.	Communication and collaboration with stakeholders (business partner, NGOs, R&D institutions,…) regarding sustainability issues.	Broad approach and activities towards sustainability related KM, integrating intangible assets (resource: human capital). Various activities are set regarding organizational learning.	Relevant sustainability issues are respected in business and support processes.	Definition of social and environmental criteria (based e.g. on human rights), which are considered in the whole supply chain.	Sustainability issues are considered in corporate communication channels (one-way communication) and in a distinct sustainability/annual report.
Sophisticated/ outstanding	Significantly higher effort in sustainability related R&D than industry average. BAT is proactively used, also integrated environmental technologies, cleaner production and zero emission.	Consequent communication and collaboration with stakeholders (business partner, NGOs, R&D institutions,…) is conducted. The company has a proactive and leading role in creating these networks relating sustainability.	A systematic and comprehensive approach and activities towards sustainability related KM (from planning to improve) is implemented. Focus is laid on organizational learning.	Sustainability issues are respected in business and support processes sufficiently. Roles and responsibilities are defined.	Social and environmental criteria (based e.g. on human rights) are defined which are considered and actively verified within the whole supply chain.	Sustainability issues in corporate communication channels (two-way-communication) and in a distinct sustainability/annual report are considered. Additionally, goals and measures are defined and communicated.

Source: Baumgartner and Ebner, 2010.

Maturity levels of ecological sustainability aspects:

Aspect	Resources (materials, energy) including recycling	Emissions into the air, water or ground	Waste and hazardous waste	Biodiversity	Environmental issues of the product
Beginning	For the use of resources only economic and technical criteria are considered.	Conformity with laws and regulations regarding emissions into the air, water or ground (e.g. BAT).	Conformity with laws and regulations regarding (hazardous) waste (e.g. BAT).	Conformity with laws and regulations regarding bio-diversity.	Not considered or only in conformity with laws and regulations.
Elementary	For the use of resources economic, technical and/or environmental/social criteria are partially considered. Resource efficiency is measured for some business processes.	Conformity with laws and regulations regarding emissions into the air, water or ground (e.g. BAT). Definition of reduction goals for major emissions.	Conformity with laws and regulations regarding (hazardous) waste (e.g. BAT). Definition of reduction goals for major waste flows.	Conformity with laws and regulations regarding bio-diversity. Most relevant impacts on bio-diversity are identified and considered.	Identification of environmental impacts and their reduction for certain products.
Satisfying	For the use of resources economic, technical and/or environmental/social criteria are considered. Resource efficiency is measured for business processes; goals for resources management are defined. Sustainability principles are partly considered.	Conformity with laws and regulations regarding emissions into the air, water or ground (e.g. BAT). Reduction goals for most emissions are defined. Cleaner production technologies are used.	Conformity with laws and regulations regarding (hazardous) waste (e.g. BAT). Reduction goals for most emissions are defined. Cleaner production technologies are used.	Bio-diversity and the organizational impact on it in strategy, policy and processes are considered.	Environmental impacts and their reduction for the majority of products are identified.
Sophisticated/ outstanding	For the use of resources a combination of economic, technical, environmental and social criteria are considered. Resource efficiency is controlled for all processes. Long-term resource management strategy is aligned with the sustainability principles.	Conformity with laws and regulations regarding emissions into the air, water or ground (e.g. BAT). Ambitious reduction goals for air emissions are defined. Emissions due to zero emission activities are avoided.	Conformity with laws and regulations regarding (hazardous) waste (e.g. BAT). Ambitious reduction goals for waste flows are defined. (Hazardous) waste is avoided due to zero-emission activities.	Outstanding activities and approach in order to diminish the organizational impact on bio-diversity are implemented.	Identification of environmental impacts and their reduction for all products. Optimization of the environmental performance of the products within the supply chain (also in collaboration with business partners).

Source: Baumgartner and Ebner, 2010.

Maturity levels of internal sustainability aspects:

Aspect	Corporate governance	Motivation and incentives	Health and safety	Human capital development
Beginning	Mandatory frameworks towards corporate governance are focused on.	Motivation of employees in order to achieve sustainability goals is not focused on or has a dysfunctional impact on sustainability.	Health and safety is respected to the extent of legal obligation; it is not actively focused on.	No specific human capital development measures are set regarding sustainability.
Elementary	Mandatory and voluntary frameworks towards corporate governance are focused on.	In several areas of the organization, incentive measures to improve motivation are set regarding sustainability.	Health and safety is respected to the extent of legal obligation. Measures towards health and safety are set, when specific dangerous situations or accidents occur. Deployment is more of reactive character rather than systematically planned.	Certain human capital development measures are set regarding sustainability.
Satisfying	Mandatory and voluntary frameworks towards corporate governance are focused on. Further measures to ensure corporate transparency are set.	In most areas of the organization, incentive measures to improve motivation are set regarding sustainability. Top management has an exemplary function regarding sustainability issues.	Health and safety is systematically planned and deployed in most areas of the company. Activities are set to avoid health and safety risks in long term.	Various education programs and measures are offered. Most employees are trained regarding sustainability issues.
Sophisticated/ outstanding	Mandatory and voluntary frameworks towards corporate governance are focused on. Further measures to ensure corporate transparency are set. Proactive commitment respective stronger rules are given.	Top management has an exemplary function regarding sustainability issues. Employees are efficiently supported by appropriate (monetary and non-monetary) motivation and incentives. Due to these, sustainability principles are internalized and change behavior.	Health and safety approach supports organizational goals towards sustainability. It is systematically planned and deployed throughout the company. Activities are set to avoid health and safety risks in long-term and are consequently improved.	Various education programs and measures are offered. Every employee is trained regarding sustainability issues.

Source: Baumgartner and Ebner, 2010.

Maturity levels of external sustainability aspects:

Aspect	Ethical behavior and human rights	No controversial activities	No corruption and cartel	Corporate citizenship
Beginning	Human rights are generally respected, but no codes and guidelines exist as well as no corporate common behavior/ within the organization.	No declaration against controversial activities exists.	Conformity with laws and regulations regarding corruption and cartel exists.	Corporate citizenship is not focused on in the organization.
Elementary	Human rights are respected. Principal rules how to behave within the organization are defined.	Firm declares itself to be aware of to whom it sells its goods.	Compliance with laws and regulation; most important impacts regarding corrupt practices are identified.	Certain corporate citizenship projects are initiated or supported (mostly in monetary terms). The link between CC projects and the corporate business is rarely given.
Satisfying	Definition of corporate codes and guidelines regarding (internal) behavior throughout the whole organization exist.	Organization is aware to whom it sells its goods and sets measures to reduce controversial activities.	Impacts regarding corrupt practices are fully identified and measures set to avoid them.	Corporate citizenship is systematically planned and conducted (monetary and non-monetary commitment). The link between CC projects and the corporate business is mostly given.
Sophisticated/ outstanding	Corporate codes and guidelines regarding (internal) behavior throughout the whole organization are defined. Controlling and proactive improvement of these codes.	Organization is known as non-controversial acting firm. It shows credibility in that it offers and follows possibilities to avoid negative use of its products, based on stakeholder requirements.	Impacts regarding corrupt practices are fully identified. Distinct rules exist to demonstrate all kinds and (internal) consequences of corrupt practices and measures set to avoid them at all.	Corporate citizenship is systematically planned and conducted (monetary and non-monetary commitment) and focused on long-term-commitment. Most employees are integrated into the process. The link between CC projects and the corporate business is mostly given.

Source: Baumgartner and Ebner, 2010.

Maturity levels for the sustainability aspect Political interference:

Aspect	Political interference
Beginning	Inordinate partisan political interests heavily influence business operations. CEO and board are appointed by governing political parties, and CEO is closely linked to a respective governing party (former MP, registered in a party, has held confidential positions for a political party, etc.).
Elementary	Partisan political interests influence business operations. Board is appointed by governing political parties. Board appoints CEO, which is closely linked to a respective governing party (former MP, registered in a party, has held confidential positions for a political party, etc.).
Satisfying	Political interests influence business operations. Board is appointed by governing political parties. Board appoints CEO. Appointment of CEO is based on an evaluation of CEO´s past executive work experience.
Sophisticated/outstanding	Politics do not influence company operations. All parties at parliament have equal vote in appointing the board. Board appoints CEO. Appointment of CEO is based on an evaluation of CEO´s past executive work experience. All decisions regarding operations are taken within the company, from a pure business perspective; governmental policies that might negatively affect those decisions are disregarded.

Appendix G List of state owned companies in Sweden (Regeringskansliet, 2013)-GRI reporting approach

Company	Approach	Company	Approach	Company	Approach	Company	Approach
Akademi-ska hus	GRI G3	Göta kanalbolag	GRI G3	Samhall	GRI G3	Swedavia	GRI G3
Almi	GRI G3	Infranord	GRI G3	SAS	GRI G3	Swede-survey	n/a-GRI not mentioned
APL	GRI G3	Inlands-innovation	GRI G3	SBAb	GRI G3	Swedfund	GRI G4
Apotekens Service	n/a no report	Jernhusen	GRI G3	SEK	GRI G3	System-bolaget	GRI G3
Apoteket	GRI G4	Lernia	GRI G4	SJ	GRI G3	Telia Sonera	GRI G3
Apoteks-gruppen	GRI G3	LKAB	GRI G3	SOS Alarm	GRI G3	Teracom Group	GRI G3
Arlanda-banan	GRI G3	Metria	GRI G3	Specialfast-igheter	GRI G3	Vasallen	GRI G3
Bilprovn-ingen	GRI G3	Miljömärk-ning SVE	GRI G3	SSC	GRI G4	Vattenfall	GRI G3
Bostads-garanti	n/a-GRI not mentioned	Miljöstyrn-ingsrådet	GRI G3	Statens Bostadom-vandling	GRI G3	Vectura Consulting	n/a-company sold late 2013
Dom Shvetsii	n/a no report	Nordea Bank	GRI G3	Statens Bostadom-vandling	GRI G3	Visit-Sweden	GRI G4
Dramaten	n/a-GRI not mentioned	Operan	GRI G3	Svedab	n/a GRI not mentioned	Voksen-åsen	n/a-website down
ESS	GRI G3	PostNord	GRI G3	Svenska Skepps-hypotek	GRI G3	-	-
Fourier-Transform	GRI G3	RISE	GRI G3	Svenska Spel	GRI G3	-	-
Green Cargo	GRI G3	Saab Parts	GRI G4	Svevia	GRI G3	-	-

Appendix H Swedish state owned companies reporting in accordance with GRI G4: Information on stakeholders and dialogue channels used by the respective companies.

Apoteket:

Stakeholder group	Definition	Dialogue-channels
Customers	Municipalities, municipal health centers, private health providers and businesses, (existing and potential).	Meetings, specifications, deviations and comments, customer reviews on Apoteket, Apoteket´s activity report
Consumers	Private costumers (existing and potential).	Customer meetings, surveys (CSI, customer panels, Nordic brands), Mystery Shopping, case-management systems
Employees	Existing and potential employees	Managers' forum, employee meetings, employee survey, systematic work environment, intranet, performance management, Competency checks, case management system, Farmaceutbarometern, career days, internships, Nationella praktikrådet.
Suppliers	Suppliers of pharmaceuticals and other health and indirect materials	Meetings, e-mail, telephone, dialogue prior intake of new product or supplier, contract negotiations, audits.
Professional- and voluntary organisations	Various Swedish organisations, incl. Cancerfonden, SOS-children´s villages, Friskis & Svettis, En Svensk klassiker, Medicinska expertradet	E-mail, telephone, meetings, seminars, forums.
Politicians & government	Ministries and government agencies that affect Apoteket's business	Personal meetings, seminars and panel debates, apoteket.se, Apoteket´s news paper.

Source: Adapted from Apoteket´s annual report 2013.

Lernia:

Stakeholders	Definition	Dialogue channels
Owners	n/a	State directives, ongoing reporting, board meetings, laws and regulations, face-to-face,
Customers	n/a	In-person meetings, web, customer satisfaction survey, workshops, trade events, trade fairs, Almedalen-week.
Employees-Stationary employees and staffing consultants.	n/a	Goals and development dialogue, employee surveys, meetings, personal meetings, systems of continuous improvement where employees can provide suggestions for improvement, workplace meetings Personal meetings, consulting portal (information portal for staffing consultants), consultant survey (employee satisfaction).
Candidates-Potential staffing consultants and potential employees.	n/a	Digital channels (internal and external, social media, student / job / employer forums).
Participants in the training activities and in the adjustment programs	n/a	Teaching: classroom and learning portal, course evaluations, coaching conversations, training, seminar.
Trade unions	n/a	Meetings, negotiation and discussions Follow-up, customer satisfaction surveys, confirmations, evaluations.
Suppliers	n/a	Personal meetings, supplier assessments (questionnaire for self-assessment).
Trade organisations	n/a	Various channels.
Media	n/a	Press releases and news.

Source: Adapted from Lernia´s annual report 2013.

Saab Parts:

Stakeholders	Definition	Dialogue channels
Owners	n/a	Annual general meetings, board of Directors, dialogue with the chairman.
Employees	n/a	Employee conversations, employee surveys, workplace meetings.
Trade Unions	n/a	Trade union meetings, negotiations, letters, questions and answers.
Customers	n/a	Customer research, customer visits, ongoing dialogue.
Suppliers	n/a	Conversations/evaluation of new suppliers/extended agreements, visits.
Societal actors	n/a	Continuous meetings with local community, local community involvement.

Source: Adapted from Orio´s annual report, 2013.

VisitSweden: (primary stakeholders)

Stakeholders	Definition	Dialogue channels
Foreign visitors	n/a	Target-group analysis of 11 priority markets.
Owner	n/a	Board meetings, reports, continuous dialogue.
Employees	n/a	Employee surveys, performance assessment interviews, ongoing dialogue about sustainability issues.
Partners	Regional tourist organisations	Dialogue on joint campaigns and projects for marketing of Sweden abroad and evaluations of these initiatives. Dialogue on policy challenges and opportunities for further development of the tourism industry.
Partners	Companies in the Swedish hospitality sector.	Dialogue on joint campaigns and projects for marketing Sweden abroad and evaluations of these initiatives.
Partners	Companies outside the Swedish hospitality sector.	Dialogue on joint campaigns and projects.

VisitSweden: (secondary stakeholders)

Stakeholders	Definition	Dialogue channels
Trade associations, government agencies and other organizations in Sweden.	n/a	Dialog to create collaboration on further development of the Swedish tourism
Foreign tour operators/agents.	n/a	Dialogue on requirements, knowledge of Sweden and range of target groups' preferences and requirements.
Board for Promoting Sweden abroad.	n/a	Dialogue on the development of the image of Sweden, strategic partnerships and tools, such as the official portal www.sweden.se and Image Bank Sweden.
Swedish media	n/a	Proactive and reactive dialogue on Visit Sweden's work and the importance of tourism for the Swedish economy, including issues related to sustainability.
Foreign media	n/a	Proactive and reactive dialogue about Sweden, among others as a modern and 'ecofriendly' (rich with nature-naturrik) destination with healthy lifestyle. Dialogue through personal contact, newsletters and press trips.
Suppliers	n/a	Dialogue on procurements and purchases.
Society	n/a	Dialogue through media and website.

Source: Adapted from VisitSweden´s annual report, 2013.

Swedfund:

Stakeholders	Definition	Dialogue channels
Civil Society development organisations	n/a	Meetings and seminars.
Journalists	n/a	The company´s web log (blog).
Owner/state and politicians	n/a	Regular contact.
Business partners	n/a	Joint forums, website.

Source: Swedfund´s annual report, 2013.