AUDITOR’S CHECKLIST

WHAT:
Section 99 a of the Danish Financial Statements Act regarding reporting on CSR

WHO:
Undertakings in reporting class D with 500 employees or more

WHEN:
Applicable for financial years starting on 1 January 2016 or later

November, 2016
SECTION 99 A OF THE DANISH FINANCIAL STATEMENT ACT

This checklist gives you an overview of applicable legislation, the respective duties of the undertaking and its auditor in relation to preparing the annual report on corporate social responsibility that undertakings in reporting class D with 500 employees or more\(^1\) are obligated to prepare as part of the financial statements. Many undertakings also refer to corporate social responsibility as CSR.

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The auditor's statement on the management's review

The auditor’s statement on the management’s review also covers the CSR report. If the auditor discovers material deficiencies in the management’s review, he must qualify his statement on the management’s review accordingly in his auditor's report on the financial statements.

The auditor’s statement must include a description of any material errors or deficiencies in the management’s review that may come to the auditor’s attention when reading it. Omission of one or more statutory disclosures is an example of a deficiency. Statutory disclosures that are misstated would represent an error.

The Danish Business Authority considers it a material deficiency if an undertaking fails to meet the requirements set out in section 99 a of the Danish Financial Statements Act in terms of reporting on CSR, including the requirement that the undertaking must describe its business model, the use of any non-financial key performance indicators, and that the undertaking consistently accounts for all four dimensions regarding policy, actions, risks and results.

Re: undertakings in reporting classes C and D, and financial companies

Please note that different rules for accounting for CSR apply to large undertakings in reporting class C and undertakings in reporting class D with fewer than 500 employees, and to financial companies.

Do you need to know more?

- In 2015, FSR – Danish Authors published a guide in Danish entitled “New requirements regarding reporting on CSR – who is required to report and from when; see section 99 a of the Danish Financial Statements Act” in order to present an overview of the new and tighter rules on reporting on CSR that were adopted by the Folketing (the Danish Parliament) in 2015.

- In 2016, the Danish Business Authority published an online guide in Danish on its website: “2016 and beyond if you have 500 employees or more”. This guide contains instructions on the new tighter rules on reporting on CSR to assist undertakings and auditors in implementing the rules.

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\(^1\) Reporting class D comprises undertakings with securities that have been admitted to trading on a regulated market in an EU/EEA member state (listed companies) and state-owned public limited companies. Undertakings in reporting class D comprised by this checklist consist of undertakings falling within the scope of reporting class D which – at the reporting date – had an average number of full-time employees during the financial year of 500 or more.
IN BRIEF...

What is required by law?
An undertaking must report on CSR, see section 99 a of the Danish Financial Statements Act. CSR may include areas such as human rights, social issues, environmental and climate issues and anti-corruption measures.

Failure to comply with legislative requirements constitutes a violation of the Act.

What is the undertaking’s duty?
The undertaking is obligated to prepare a CSR report as a supplement to the management’s review in its annual report. The CSR report should describe the business model and the use of any non-financial key performance indicators, and should contain specific sections highlighting policies for CSR (see A).

The undertaking may choose to place the CSR report:
- In the management’s review (see B)
- On its website (see C)
- In a supplementary review presented as part of the annual report (e.g. by way of a separate CSR report) (see D)
- In a consolidated report (as a subsidiary) (see E)
- In a separate CSR report to the UN / pursuant to GRI\(^2\) (exemption clause) (see F).

If the undertaking has no CSR policy, this should be stated in the management’s review and reasons should be given for not having a policy in place. Independently of the undertaking’s CSR policy, the undertaking has an explicit duty to disclose its business model in the CSR report that forms part of the management’s review and – if applied – to disclose the undertaking’s non-financial key performance indicators of relevance to specific business activities.

What is the auditor’s duty?
The auditor issues his independent auditor’s report on the financial statements, which comprises an opinion on the management’s review, including the undertaking’s compliance with the duty of disclosure provided for in section 99 a of the Danish Financial Statements Act. If there are errors or deficiencies in the management’s review, the auditor’s opinion must be qualified.

The auditor must perform a consistency check of the undertaking’s CSR report, see section 135(5) of the Danish Financial Statements Act, and if the disclosure requirements set out in section 99 a of the Danish Financial Statements Act have not been complied with due to errors or deficiencies, he must qualify his opinion on the management’s review in his auditor’s report on the financial statements to reflect such non-compliance.

The auditor’s duty applies no matter where the CSR report is placed.

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\(^2\) Undertakings reporting according to voluntary international guidelines or standards may use the exemption provision of the Danish Financial Statements Act with respect to reporting on CSR, see Executive Order no. 558 of 01/06/2016. This applies to three types of reporting: 1) Undertakings which have signed on to the ‘UN Global Compact’ (the UN principles for responsible business conduct) must report annually to the UN by means of a ‘Communication on Progress’ report (CDP report); 2) undertakings which have signed on to the UN principles for responsible investment. ‘UN PRI’ must report annually to the UN by means of a Reporting Framework; 3) undertakings which report according to applicable guidelines from the Global Reporting Initiative (GRI).
A

Does the undertaking have one or more policies, including any standards, guidelines or principles for CSR?

- Does this policy (or policies) comprise the policy area that addresses the environment, including a reduction of the undertaking’s climate impact?

- Does this policy (or policies) comprise social issues and employee-related issues?

- Does this policy (or policies) comprise the policy area that addresses respect for human rights?

- Does this policy (or policies) comprise the policy area that addresses anti-corruption and bribery?

A1

In its CSR report that forms part of the management’s review, the undertaking has a duty to disclose that it has no CSR policy and to state the reasons for not having one as concerns at least each of the following areas:

- In its management’s review, the undertaking has a specific duty to disclose that it has no environmental policy, including with respect to a reduction of the undertaking’s climate impact, and to state the reasons for not having such a policy.

- In its management’s review, the undertaking has a specific duty to disclose that it has no policy for social and employee-related issues and to state the reasons for not having such a policy.

- In its management’s review, the undertaking has a specific duty to disclose that it has no human rights policy and to state the reasons for not having such a policy.

- In its management’s review, the undertaking has a specific duty to disclose that it has no anti-corruption and bribery policy and to state the reasons for not having such a policy.

Independently of the undertaking’s CSR policy, the undertaking has an explicit duty to disclose its business model in the CSR report that forms part of the management’s review and – if applied – to disclose the undertaking’s non-financial key performance indicators that are relevant for specific business activities.

Please note that if the undertaking’s annual report already contains a description of its business model, the description should not be duplicated elsewhere. In its CSR report, the undertaking may state where information about the business model may be found in the annual report.

The undertaking itself will define the contents and degree of detail of the information given about the business model. The purpose of the description is to contribute to understanding the connection between strategy and (core) business and the undertaking’s approach to CSR. The description will typically address topics such as business areas, products and services.

The undertaking itself also defines the degree of detail of the information provided about non-financial key performance indicators, if applicable.

A10

The auditor must oversee that:

- In its CSR report contained in the management’s review, the undertaking has disclosed that it has no general CSR policy, and/or in which of the required policy areas there is/are no policy/policies, stating the reasons for not having such a policy/policies.

- In its CSR report contained in the management’s review, the undertaking has described its business model and disclosed the use of any non-financial key performance indicators that are relevant for specific business activities.
### What is required by law?

**B** Has the undertaking chosen to report on CSR in the management’s review?

**YES**

**NO**

### What is the undertaking’s duty?

**B1** The undertaking must report on CSR, and within each policy area (see A) it must list disclosures regarding the following four dimensions:

1. The undertaking’s policy for CSR, including any standards, guidelines or principles for CSR that the undertaking applies and the specifics of such policy.

2. How the undertaking transforms its CSR policy into action, including any systems or procedures in this regard. In addition, it should provide information about due diligence procedures, provided that the undertaking applies such procedures.

3. The most important risks in relation to the business activities of the undertaking, including, where relevant and proportional, in relation to its business connections, products and services that involve a special risk of having a negative impact on the undertaking’s policy areas. In this connection, information should be provided as to how the undertaking handles the relevant risks. The information should be stated for each policy area.

4. The undertaking’s assessment of its achievements as a result of its CSR activities during the financial year and also the undertaking’s expectations in terms of the outlook for its future CSR activities. The information should be stated for each policy area.

In addition, the undertaking should disclose its business model and – if applied – disclose the undertaking’s non-financial key performance indicators of relevance to specific business activities (see A1 regarding degree of detail, etc.).

### What is the auditor’s duty?

**B10** The auditor must oversee that:

- In its management’s review, the undertaking has accounted for all four dimensions in respect of each policy area, has described its business model and has disclosed the use of any non-financial key performance indicators that are relevant for specific business activities (see B1).
C Has the undertaking chosen to report on CSR on its website?

**YES**

In the management’s review, the undertaking must state that it has chosen to publish the CSR report on its website and give a direct link to it (URL). The CSR report must:

- Comply with the requirements as to the contents of the CSR report (see B1).
- State that it forms part of the management’s review in the annual report, and also specify the period covered by the annual report.
- Cover the same period as the annual report.
- Be available for perusal by the shareholders no later than on publication of the annual report.
- Be published under the designation, ‘Reporting on CSR, see section 99 a of the Danish Financial Statements Act’.
- Be publicly available as from the time when the annual report is published.
- Be clearly separate from any other information about CSR on the website.
- Be accessible via the URL for a period of five years.

C10 The auditor must oversee that:

- The undertaking has stated in its management’s review that it has published the CSR report on its website, citing the URL.
- On its website, the undertaking has accounted for all four dimensions in respect of each policy area, has described its business model and has disclosed the use of any non-financial key performance indicators that are relevant for specific business activities (see B1).
- The undertaking has stated in the CSR report that it forms part of the management’s review.
- The undertaking’s CSR report covers the same period as the annual report and specifies the period covered by the annual report.
- The undertaking’s CSR report is available for perusal by the shareholders no later than on publication of the annual report.
- The undertaking’s CSR report is published under the designation, ‘Reporting on CSR, see section 99 a of the Danish Financial Statements Act’.
- The undertaking publishes the CSR report on its website no later than on publication of the annual report, and has checked that the cited URL works.

D Has the undertaking chosen to report on CSR in a supplementary report to the annual report?

**NO**

D1 The undertaking must state in its management’s review that it has chosen to publish the CSR report as a supplement to the annual report. The CSR report must:

- Comply with the requirements as to the contents of the CSR report (see B1).
- State that it forms part of the management’s review in the annual report, and also specify the period covered by the annual report.
- Cover the same period as the annual report.
- Be published under the designation, ‘Reporting on CSR, see section 99 a of the Danish Financial Statements Act’.
- Have been published no later than on publication of the annual report.

D10 The auditor must oversee that:

- The undertaking has stated in its management’s review that it has published the CSR report as a supplementary report.
- In its CSR report, the undertaking has accounted for all four dimensions in respect of each policy area, has described its business model and has disclosed the use of any non-financial key performance indicators that are relevant for specific business activities (see B1).
- The undertaking has stated in the CSR report that it forms part of the management’s review.
- The undertaking’s CSR report covers the same period as the annual report and specifies the period covered by the annual report.
- The undertaking’s CSR report is published under the designation, ‘Reporting on CSR, see section 99 a of the Danish Financial Statements Act’.
- The undertaking publishes the CSR report no later than on publication of the annual report.
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<td>E Is the undertaking a subsidiary of a parent company that reports on CSR for the entire group?</td>
<td>E1 The undertaking has two options, depending on how the parent company reports on CSR. 1. The undertaking has stated in its management’s review that the subsidiary is comprised by the parent company’s consolidated CSR report and refers to it, citing the direct URL. 2. The undertaking has stated in its management’s review that the subsidiary is comprised by the parent company’s UN/GRI report, citing a direct URL (see F). It is a prerequisite that the CSR report to which reference is made covers the same period as the subsidiary’s accounting reference period, apart from the exemption options relating to consolidation (see section 116 of the Danish Financial Statements Act), and that the CSR report is published no later than on publication of the subsidiary’s annual report.</td>
<td>E10 The auditor must oversee that:  • The undertaking has stated in its management’s review that the subsidiary is comprised by the parent company’s consolidated CSR report or in the parent company’s UN/GRI report, citing the URL.  • The parent company has prepared a consolidated CSR report that complies with the requirements as to publishing a report that addresses CSR (see B1), or the parent company has prepared a UN/GRI report that complies with the relevant requirements as to its contents (see F).  • The subsidiary is included in the consolidated CSR report or in the UN/GRI report.  • The consolidated CSR report covers the subsidiary’s accounting reference period, apart from the exemption options relating to consolidation (see section 116 of the Danish Financial Statements Act) and has been published no later than on publication of the subsidiary’s annual report.</td>
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<td>Failure to comply with legislative requirements constitutes a violation of the Act.</td>
<td>The undertaking is obligated to supplement the management's review with a CSR report in the annual report.</td>
<td>Where the disclosure requirements set out in section 99a of the Danish Financial Statements Act have not been complied with due to errors or deficiencies, the auditor must qualify his opinion on the management's review in his auditor's report on the annual report to reflect such non-compliance.</td>
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**F**

Has the undertaking signed on to the UN Global Compact, UN PRI, or does it report according to GRI?

Undertakings reporting according to voluntary international guidelines or standards may use the exemption provision of the Danish Financial Statements Act with respect to reporting on CSR, see Executive Order no. 558 of 01/06/2016. This applies to three types of reporting: 1) Undertakings which have signed on to the UN Global Compact (the UN principles for responsible business conduct) must report annually to the UN by means of a Communication on Progress (COP) report; 2) undertakings which have signed on to the UN principles for responsible investment, UN PRI, must report annually to the UN by means of a Reporting Framework; 3) undertakings which report according to applicable guidelines from the Global Reporting Initiative (GRI).

**F1**

The undertaking has the option of not including a CSR report in its management’s review if the application of the exemption provision appears from the management’s review and if reference is made to the undertaking’s UN/GRI report, citing a direct URL. The undertaking’s UN/GRI report must:

- Comply with the requirements as to the contents of the CSR report (see B1).
- Cover the same period as the annual report and specify the period covered by the annual report.
- Have been published no later than on publication of the annual report.
- Be accessible via the URL for a period of five years.

**F10**

The auditor must oversee that:

- The undertaking has stated in its management’s review that the undertaking has applied the exemption provision, citing the URL of the undertaking’s UN/GRI report.
- In its UN/GRI report, the undertaking has accounted for all four dimensions in respect of each policy area, has described its business model and has disclosed the use of any non-financial key performance indicators that are relevant for specific business activities (see B1).
- The undertaking’s UN/GRI report covers the same period as the annual report and specifies the period covered by the annual report.
- The undertaking publishes the UN/GRI report no later than on publication of the annual report.

**F1**

The undertaking has the option of not including a CSR report in its management’s review if the application of the exemption provision appears from the management’s review and if reference is made to the undertaking’s UN/GRI report, citing a direct URL. The undertaking’s UN/GRI report must:

- Comply with the requirements as to the contents of the CSR report (see B1).
- Cover the same period as the annual report and specify the period covered by the annual report.
- Have been published no later than on publication of the annual report.
- Be accessible via the URL for a period of five years.