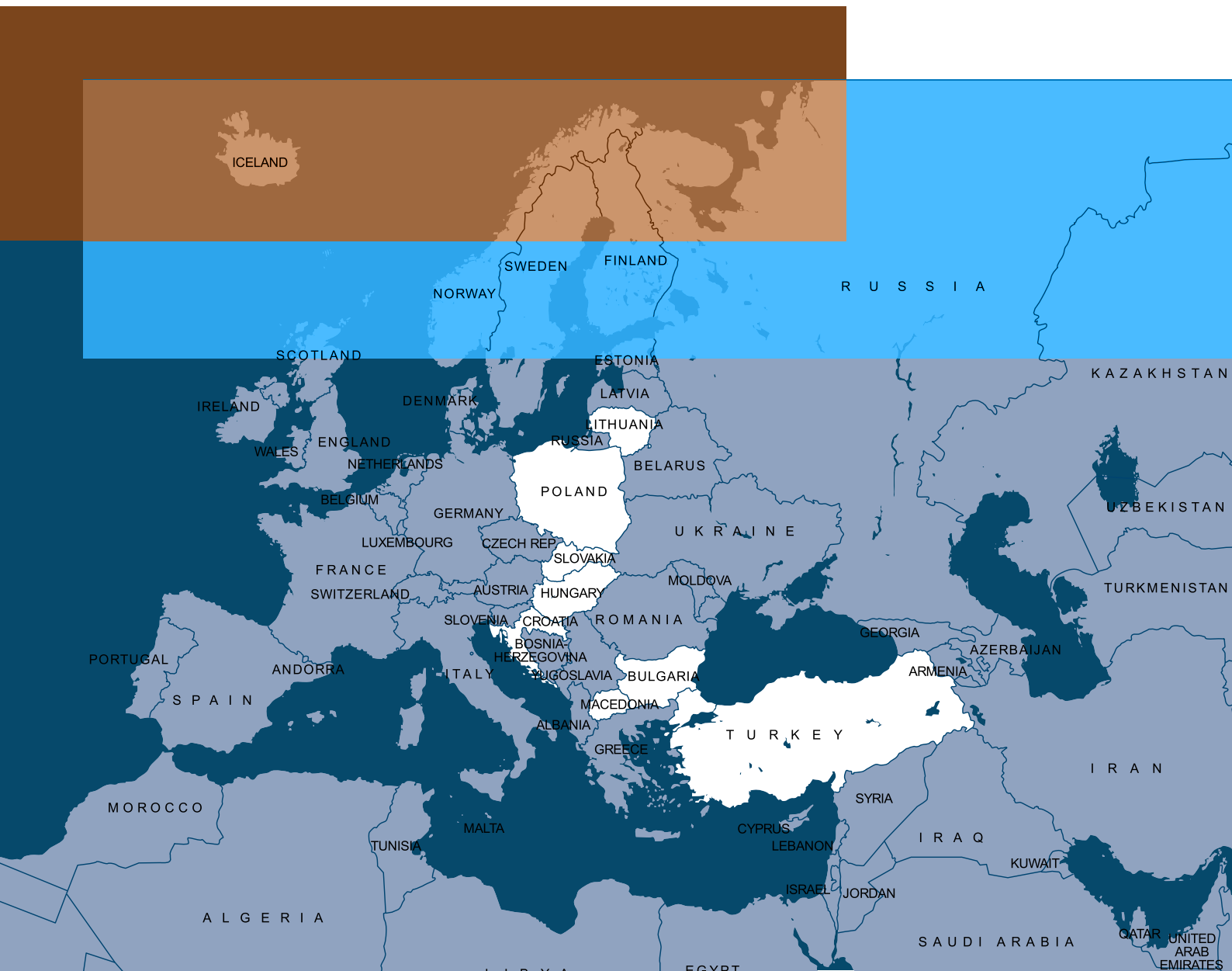




BASELINE STUDY ON CSR PRACTICES IN THE NEW EU MEMBER STATES AND CANDIDATE COUNTRIES



- BASELINE STUDY ON
CSR PRACTICES IN
THE NEW EU MEMBER
STATES AND CANDIDATE
COUNTRIES



BASLINE STUDY ON CSR PRACTICES IN THE NEW EU MEMBER STATES AND CANDIDATE COUNTRIES

© United Nations Development Programme
© Mark Line, csrnetwork Ltd., United Kingdom
© Robert Braun, Braun& Partners, Ltd., Hungary

The research was financed by the European Union. The views expressed in this study reflect the authors' opinion and do not necessarily represent the position of the European Union or the United Nations Development Programme.

■ PROLOGUE

Dear Reader,

I am proud to present you the very first comprehensive baseline study on Corporate Social Responsibility (CSR) in new EU member states and candidate countries. The study was completed within the framework of a regional project entitled "Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU", funded by the European Commission and the United Nations Development Programme.

CSR is becoming an increasingly powerful tool of modern societies – carried out by companies on a voluntary basis working to deliver social cohesion and environmental sustainability as well as economic development. In transition and post-transition countries, CSR can become a forceful tool contributing towards sustainable development and societal regeneration as well. In addition to the obvious, direct, benefits of CSR enjoyed by the ultimate beneficiaries of responsible corporate practices, CSR brings benefits to the companies that practice it. Organizations considering environmental, social and broader economic questions in connection with their core operations unleash innovations and deliver better financial returns. Strategically and systematically integrated into their business, CSR helps companies to better address reputation risks, attract investors, improve relations with stakeholders and become more competitive in mature markets.

The analysis presented in this study represents an essential stepping stone in the promotion of CSR in new EU Member States and candidate countries. It provides a map of relevant CSR actors and initiatives, assesses their level of engagement and dialogue with companies, evaluates the level of implementation of CSR practices among companies. It flags up particularly good practices and outlines the areas where consolidation of efforts of all actors is still needed. The report is a useful source of information to a wide range of audiences including private companies, government officials and non-governmental organizations involved in working towards a more sustainable future. The generous information it compiles reflects the contradictions inherent to this topic in a largely post-transition group of countries. It is my hope, hence, that it will also be a thought-provoking resource for scholars interested in helping all stakeholders address the specific challenges of the development of CSR in transition.

UNDP has been proud to play a catalyst for CSR in the region by creating a supportive environment for cross-sector dialogue, co-operation and partnerships. With this study we also provide a resource that, I sincerely hope you will find insightful and useful. Join us in promoting CSR to the benefit of all.



*Ms. Kori Udovički,
Regional Director, Regional Bureau for Europe and CIS
United Nations Development Programme
June 2007*

A handwritten signature in blue ink that reads "Kori Udovički".

■ GLOSSARY OF ACRONYMS

AA1000:	AccountAbility 1000 Standard
BVQI:	Bureau Veritas Quality International
CEE:	Central and Eastern Europe
CEFTA:	Central European Free Trade Agreement
CEO:	Chief Executive Officer
CPI:	Corruption Perceptions Index
CSI:	Civil Society Index
CSO:	Civil Society Organization
CSR:	Corporate Social Responsibility
EFQM:	European Foundation for Quality Management
EIA:	Environmental Impact Assessment
EMAS:	Eco-Management and Audit Scheme
EMS:	Environmental Management System
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
GRI:	Global Reporting Initiative
HSMS:	Health & Safety Management System
IET:	International Expert Team
ILO:	International Labour Organization
ISO:	International Organization for Standardization
MNC:	multinational corporation
MNE:	multinational enterprise
NET:	National Expert Team
NGO:	non-governmental organisation
OECD:	Organisation for Economic Co-operation and Development
OHSAS:	Occupational Health & Safety Assessment Series
QMS:	Quality Management System
RCI:	Responsible Competitiveness Index
SA8000:	Social Accountability 8000 Standard
SD:	Sustainable Development
SDS:	EU Strategy for Sustainable Development
SME:	Small and Medium-sized Enterprise
TOR:	Terms of reference
UNDP:	United Nations Development Programme
UNGC:	United Nation Global Compact
USAID:	US Agency for International Development

■ ACKNOWLEDGEMENTS

The authors of this report would like to thank the eight National Expert teams, the UNDP focal points and particularly the lead team in the UNDP office in Vilnius, Lithuania – most significantly Ms Indrė Kleinaitė and Dr Lyra Jakulevičienė – for their extraordinary efforts in delivering this highly important project. Our gratitude also extends to all of the many people in companies, Governmental bodies, NGOs, media organisations and academic institutions who contributed to the work. Authors would like to thank Anne Euler of csrnetwork and Rita Lukács of Braun & Partners for their assistance in writing this Report.

■ EXECUTIVE SUMMARY

The main aim of this study was to assess the level of Corporate Social Responsibility (CSR) practices in the new EU Member States and Candidate Countries. The study was carried out as a part of the regional CSR project “Accelerating CSR practices in the new EU member states and Candidate Countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU” implemented by the United Nations Development Programme Office in Lithuania together with UNDP Offices and local partners in the Project countries: Poland, Hungary, Lithuania, Slovakia, Croatia, Macedonia, Bulgaria and Turkey. The project is financed by the European Commission and the United Nations Development Programme.

The research was carried out in February-May 2007 by a team of two international CSR experts Mr. Mark Line (csrnetwork Ltd., UK) and Mr. Robert Braun (Braun&Partners Ltd., Hungary), who were responsible for developing a common methodology for desk research and interviews with companies and stakeholders across the Region, and 8 national experts’ teams (NETs) from Poland, Hungary, Lithuania, Slovakia, Croatia, Macedonia, Bulgaria and Turkey (for a list of NETs see Annex 2), who were responsible for applying the methodology in their countries and producing national baseline study reports on CSR. This report sets out the international team’s synthesis of the substantive work completed by the national experts.

The study is unique in the region, because it is the first comprehensive study on CSR situation presenting:

- The regional context of CSR as it was available in publicly available documentation at the outset of the project
- The actors involved in CSR promotion in the region
- A detailed analysis of company engagement with CSR
- The development of country level indicators and a preliminary, baseline scorecard for the region
- Recommendations based on the findings of the baseline research

As CSR as a term attracts different interpretations, the authors emphasize right from the outset the definition applied in this study. The Baseline Study was concerned with:

“The management of, and response to, social, environmental, broader economic and ethical issues – and the extent to which businesses are responsive to stakeholder expectations on these issues”.

Overview of main findings

Throughout the Region, contrary to the experience Western Europe it appears that it is businesses themselves – supported by local, membership based business organisations, like the Business Leaders Forum Network, and international institutions, like UNDP, – that are currently the main agents of change.

The direct involvement of Governments across the Region is diverse. Different ministries at different governmental levels deal with questions related to CSR, although none is really yet taking a lead role. In most of the countries of the region, systematic government incentives and initiatives for social and environmental performance are generally missing. Due to the socialist heritage, there is a general perception however, both in the business community and the public at large, that social responsibility and welfare is the primary role of government.

The awareness, ability and organisational power of NGOs to put pressure on business and government are limited. Existing NGOs commonly see the business community as a source of funding. Given the economic history and ongoing transition process in most of the Region, it is perhaps not surprising that there is relatively little discourse with companies or a tradition of criticism – constructive or otherwise.

Generally, the media in the Region is failing to hold corporate actors accountable for irresponsible business activities. Only limited consumer research is available regarding consumer expectations towards more responsible corporate behaviour and the effect of such expectations on consumer choices companies do not experience a pressing need to apply more responsible business practices and accountability measures. By far the most important international organisation actively participating in the promotion of CSR in the Region is UNDP and the Global Compact initiative. In most of the countries of the Region, this work integrates well with the efforts of membership based business organisations that understand the long term need for a more responsible way of doing business and also act as agents of change in promoting the idea and practice of CSR.

These observations have a significant impact on the practical application of CSR at a conceptual level in the Region. A dynamic dialogue between business and society is broadly regarded as an essential driving force for responsible business practice. Without it, the expectations made of companies will be limited and although this may lower business risk in the short term, it also means opportunities, though market development and innovation are lost.

The company level research suggests that, in most of the project countries, it is more often foreign, multinational companies with long-term commitments to local and global economic success that are key corporate drivers of the social agenda. These companies are, in most cases, applying general standards of corporate governance, transparency, management systems and operational tools. They have imported their own models for CSR, though application of global standards of business operation in local operating environments.

The summary data from 288 companies across the 8 countries has provided a new level of detail into the baseline. The over-

all results suggest, for example, that companies are more open to the concept of expressing a CSR strategy and engaging in dialogue with stakeholders. There appears to be less uptake of CSR related governance practices, performance management or public disclosure – and very little use of assurance processes to build rigour, at least in a CSR context.

Measuring international progress in CSR, which remains a relatively new business concept, requires consensus on what is being measured. One of the benefits of this project was that it enabled professionals working in eight countries to work together using a common methodology, which has already promoted a greater level of mutual understanding. A simple, but significant finding from this exercise is the need to build upon the lessons learned and promote a common appreciation of how to measure CSR practice at a company level across the Region. This is, however, a general issue that is not unique to this Region, it is driven in part by different cultural and business backgrounds internationally and countries that are at different stages of the adoption of various CSR practices.

Developing a common measurement framework

The authors of this report were also responsible for proposing country level performance indicators for CSR. Defining such indicators provides the opportunity to condense our broad understanding of the baseline into a series of simple measures, which can be used to track progress in the Region. The proposed framework is based around four areas of measurement (which are built around aspects relevant to CSR):

1. Legal and political environment
2. Civil Society Context
3. Company response – reporting
4. Company response – application of standards

The baseline research suggests a number of candidate performance indicators that could become the basis of an ongoing measurements system, supplemented by other existing measurement initiatives that could be drawn upon to provide greater rigour to the approach. The basis for the proposed measures draws heavily on experience elsewhere, significantly in Western European countries and also the programmes of large multinational companies, typically headquartered in the USA, Western Europe and Japan. The approach should be generally applicable, but needs further debate by the countries involved in this research, to set the work in the context of the Region.

As an experiment, the conceptual framework was applied to the countries in the Region and the approach is offered as a possible route for tracking the pace of change in the future.

Overview of recommendations

The challenge to progress posed by gaps in the common understanding regarding developmental priorities and good practice was demonstrated through this baseline research. The authors conclude by recommending that a further developmental process should be considered by the Project Initiators, leading to a still greater mutual understanding of CSR management issues among all actors in the Region. They put forward a range of recommendations:

Tracking acceleration on CSR in the Region:

- Adopt the structure of this baseline for future work;
- Build consensus on country level indicators;
- Establish a mutual understanding for future developmental priorities;
- Seek to co-opt other country level measures that are relevant for CSR.

Legal and political environment:

- National Governments should identify a named Department to lead on CSR issues;
- National Governments should consult widely with interested parties on CSR;
- National Governments to develop National CSR strategies;
- National Governments should lead by example – producing Government level Reports, integrating CSR issues into public procurement and adopting relevant legislation.

Civil society context:

- Project Initiators to enable further development of civil society organisations in the Region (specific recommendations are presented in the main report)

Company reporting on CSR:

- Project initiators to support the further development of good reporting practice by companies in the Region (specific recommendations are presented in the main report).

Company Adoption of Standards:

- Project initiators to support the further development of good management practice by companies in the Region (specific recommendations are presented in the main report).

■ TABLE OF CONTENTS

■ Prologue	3	■ Overview of the Regional Baseline.....	49
■ Glossary of acronyms	5	Developing country level indicators	49
■ Acknowledgements	7	· <i>Candidate Performance Indicators</i>	50
■ Executive summary.....	9	A preliminary, baseline scorecard for the Region	51
■ Introduction	11	· <i>The basis for scoring</i>	51
The main aims of this study.....	13	Experimental application of the conceptual	
The methodological approach.....	13	measurement framework in the Region	53
Outline of the study.....	14	■ Recommendations:.....	55
■ Baseline context	15	Tracking acceleration on CSR in the Region	55
Definitions	15	Legal and political environment	56
The regional context	16	Civil society context	56
Commonalities of the region	20	Company reporting on CSR	57
■ Actors involved in CSR Promotion in the Region	23	Company Adoption of Standards.....	58
Introduction	23	■ Annexes:	59
Analysis:.....	23	Annex 1: Experimental application of scoring methodology in Region	59
· <i>Governments</i>	23	Annex 2: List of NETs and companies that took part in the survey:	66
· <i>Civil Society</i>	25	Annex 3: Sampling and scoring	70
· <i>International Organisations</i>	30	Annex 4: Overview of the Regional company sample	72
Summary Findings	31	Annex 5: Background to existing measurement initiatives	73
■ Company engagement with CSR in the Region	33	Annex 6: Terms of reference	74
Approach	33	■ Selected References	77
Domain Analysis:	40		
· <i>Strategy</i>	40		
· <i>Stakeholder Engagement</i>	41		
· <i>Governance</i>	42		
· <i>Performance Management</i>	43		
· <i>Public Disclosure</i>	45		
· <i>Assurance</i>	46		
Summary findings	47		

■ INTRODUCTION

The main aim of this study was to assess the level of Corporate Social Responsibility (CSR) practices in the new EU Member States and Candidate Countries. The study was carried out within the framework regional CSR project "Accelerating CSR practices in the new EU member states and Candidate Countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU" financed by the EC and the UNDP.

The research was carried out in February-May 2007 by a team of two international CSR experts Mr. Mark Line and Mr. Robert Braun responsible for a common methodology, and 8 national experts' teams (NETs) from the Project countries carried out national researches on CSR. This report sets out the international team's synthesis of the substantive work completed by the national experts.

This baseline survey maps out CSR activities and actors in the Region. The study discusses the level of understanding of CSR in countries of the Region and concentrates on the different levels of uptake of CSR by companies. To complement the company level research, the survey also examines understanding of CSR and the level of involvement displayed by other actors, which may play an important role in accelerating CSR. Priority actors include NGOs, the media, and Governmental bodies. The research was designed to allow an analysis of significant similarities and differences in the general cultural, economical, and social environment that may have an effect on the level of CSR activities in each country. The study identifies gaps in capacity and corresponding opportunities for intervention, exchange of experience and good practice, awareness raising and capacity building at a national level.

The international experts have used a conceptual framework for CSR processes* that is becoming generally accepted in Western Europe, where business community leaders are talking about mainstreaming CSR and incorporating the principles into their core business strategies. They have considered whether relevant stakeholder groups in the Region accept, understand, and apply tool-kits that have already been developed in countries, such as the UK, which are widely regarded as demonstrating a leadership approach to CSR in Western Europe – and whether this is assisting the business community to incorporate responsible practices and stakeholder feedback into their business operations.

■ THE MAIN AIMS OF THIS STUDY

The Baseline Survey among all relevant stakeholders (local and foreign businesses, business and professional associations, trade unions, local and national governments, non-governmental organisations, media, trade unions and academia) has been undertaken in each Project country with the objective to:

- > Identify the actors/entities who promote CSR at country level (further-CSR promoters).

- > Assess the level of engagement in CSR of actors/entities promoting CSR at country level through mapping their past (not earlier than for the past two years) and present CSR promotion activities.

- > Assess the level of dialogue between different actors promoting CSR (e.g. through joint activities).

- > Identify the level of foreign/domestic business engagement in CSR implementation at country level and collect examples of good practices (in particular those that are linked to business case).

- > Identify capacity gaps/ constraints of CSR promoters and business entities in engaging in CSR activities.

- > Formulate recommendations and suggest specific activities based on the findings of the survey.

For the purpose of the baseline survey, an international expert team worked together with national expert teams in the 8 project countries. The international team was responsible for developing an overall research methodology, standards for sampling, interviewing and collecting data based on the terms of reference as well as overall quality assurance of the survey and its implementation. The role of the national team was to undertake and monitor the fieldwork for the questionnaire survey in each of the project country, conduct desk research and national consultations with stakeholders, and prepare the national report in consultation with the international team.

* The framework reflects the basis for the Accountability Rating TM (www.accountabilityrating.com) which is based around the following aspects – strategy, stakeholder engagement, governance, performance management, public disclosure and assurance.

■ THE METHODOLOGICAL APPROACH

In order to capture consistent information, the international team developed a common methodology for desk research and interviews with companies and 'actors'. They met with each national team to review their understanding of the methodology and also to refine its application.

The national teams used this guidance to undertake their work which led to eight draft national team reports which were circulated for comment and feedback*. This report represents the International team's synthesis of the substantive work completed by the national teams.

Creating an overview of the baseline situation in the Region was a necessary first step and sets the scene for the work to come. Given the exacting timeline, we cannot guarantee that the baseline complete or accurate – nevertheless, it is presented in good faith and should provide an essential launch point for the work ahead. This baseline survey comprises only the first part of the wider project. It was conducted against a demanding timeline and was only achieved through the extraordinary diligence and efforts of all the parties involved.

This Report has been compiled by the international expert team – the text quotes the national expert teams' work directly on occasions. Generally, however, it is presented as the international expert team's synthesis of the national experts' work. Because of the pace of work, the distinction between quotes and interpretation cannot always be drawn clearly.

■ OUTLINE OF THE STUDY

Following on from this Introduction (Section 1), Section 2 describes the situation in the Region at the start of the baseline project, as described by the literature and sets out the definitional context. Section 3 provides an overview of the involvement and understanding of various social actors in the Region. Section 4 provides an overview of the level of engagement and understanding displayed by companies. In Section 5, the base line is described and proposals are developed for relevant country level performance measures. Finally, the international team offer their recommendations in Section 6.

* See Annex 2 for NETs and companies that took part in the survey

■ BASELINE CONTEXT

■ DEFINITIONS

Understanding of what constitutes 'Corporate Social Responsibility' remains variable internationally, despite efforts to create a common interpretation. This study adopted the European Union's definition for CSR (see below) although we recognised from the outset that the practical interpretation of what constitutes CSR varies widely internationally. One of the objectives of this project was to understand these variances in interpretation and promote a greater common understanding.

EU Definition of CSR:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

(Communication from the Commission to the European Parliament, The Council and the European Economic and Social Committee (2006) – Implementing the Partnership for Growth and Jobs – Making Europe a Pole of Excellence on CSR which cites the Commission Green Paper 2001 "Promoting a European Framework for Corporate Social Responsibility", COM (2001)366 Final)

Amongst other things, this definition helps to emphasise that:

- *CSR covers social and environmental issues, in spite of the English term corporate social responsibility*
- *CSR is not or should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations*
- *CSR is a voluntary concept*
- *an important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organisations, public authorities, etc.).*

Source: http://ec.europa.eu/enterprise/csr/index_en.htm

The EU approach to CSR is also integrated in the broader context of various international initiatives related to trade and development co-operation, such as the ILO core labour standards, OECD guidelines for multinational enterprise, Rio Declaration on Environment and Development, Johannesburg Declaration and its Action Plan for Implementation, the UN Global Compact Principles and others. It has its roots in the Commission's White Paper from 1993 on growth and employment. In the following years, the concept of CSR gained in importance in the EU policy debate and in March 2000, the Presidency Conclusions of the European Council made for the first time "a special appeal to companies' corporate sense of social responsibility".

In 2001, the European Commission published a Green Paper on "Promoting a European Framework for Corporate Social Responsibility" which defines CSR as has been mentioned above. In 2002, a Multi-Stakeholder Forum consisting of companies, business organisations and networks, trade unions and civil society representatives was established to elaborate a European strategy for CSR and to encourage greater awareness raising about its implications.

The latest EU Strategy for Sustainable Development (SDS) of 2006 takes into account the implications of an enlarged European Union and outlines the importance of creating sustainable com-

munities, able to efficiently manage and use resources and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion to improve present and future quality of life (European Communities, 2006; Mandl & Dorr, 2007).

The practical definition applied in this study

For the purposes of this Baseline Study, the NETs were advised that we were primarily interested in:

"The management of, and response to, social, environmental, broader economic and ethical issues – and the extent to which businesses are responsive to stakeholder expectations on these issues".

- Social issues, can be taken to include (but not exclusively)– Diversity, human rights; poverty & social inclusion, education & lifelong learning
- Environmental issues, can be taken to include (but not exclusively)– Management of waste, water, energy, biodiversity and hazardous substances.
- Broader economic issues, can be taken to include (but not exclusively)– Avoidance of bribery & corruption, transparent pricing and contracting, responsible marketing; innovation & creativity
- Ethical issues, can be taken to include (but not exclusively)– Strong corporate governance, embedded values, code of conduct,
- Stakeholders, can be taken to include (but not exclusively)– Consumers, employees, shareholders, suppliers; NGOs, government, local communities

Central to this understanding of CSR is the underlying assumption that stakeholders are actively expressing their expectations and that business has the opportunity to engage in dynamic dialogue. This presupposes that the local or regional political and economic environment supports these processes and importantly that there is a mature and independent Civil Society movement acting as a feedstock of ideas, constructive criticism and in certain circumstances dissent. Testing the relevance of these assumptions in the project Region is central to this baseline research.

■ THE REGIONAL CONTEXT

This section summarises the substantive literature that was available in the public domain at the outset of this project. It is intended to provide information on the background of project countries in order to set this study within the wider framework of previous research that has been undertaken.

Bulgaria

Bulgaria's economy contracted dramatically after 1989 and the standard of living fell by about 40%. The first signs of recovery emerged in 1994 when GDP grew and inflation fell, but in 1996 the economy collapsed again due to lack of international economic support and an unstable banking system. Since 1997, Bulgaria has been on the path to recovery, with a growing GDP, increasing FDI, macroeconomic stability and European Union membership. Bulgaria now enjoys low inflation, a small budget deficit, declining external debt and a stable foreign exchange (British Chamber of Commerce, 2006).

A study by the United Nations Global Compact and the Bulgarian Charities Aids Foundation (2007) on "Corporate Responsibility within the Bulgarian Context" established that giving and socially responsible practices are evolving slowly from activities of limited scope, unclear focus and fragmentation into more high profile and structured activities. This seems to be due to positive economic development, the growing number of large foreign companies and the stronger capacity of one part of the non-governmental sector enabling it to support business better.

Large companies show most clearly the development of structured policies of giving and socially responsible activities. With smaller Bulgarian companies these activities are still fragmented, sometimes even chaotic, and mainly motivated by the personal characteristics of their managers (UNGC & Bulgarian Charities Aids Foundation, 2007). Additionally, many companies do not make a clear distinction between giving, sponsorship and socially responsible activities. When a distinction is made it is often for the purpose of accounting and not for identifying different levels and focus of company policy.

Giving and socially responsible activities are motivated by several considerations. The study outlines them as: "establishing a positive public image of the company and its owners, ethical factors related to the vision of shared success, the compensatory role of business vis-a-vis destitute social groups, and creating more favourable conditions for one's own business. Charity is becoming a prestigious social norm, part of business's socially-acceptable behaviour" (UNGC & Bulgarian Charities Aids Foundation, 2007: 27).

Business' awareness of the Global Compact Initiative is limited mostly to the representatives of large international companies whose main offices (and the Bulgarian branches) are members, and to the large Bulgarian companies (UNGC & Bulgarian Charities Aids Foundation, 2007).

Croatia

In Croatia the transition from socialism to capitalism has led to deteriorations in livelihoods, health, and welfare. It is only since 1995 that there has been a degree of territorial 'normalcy' in Croatia, and the consolidation of democracy was not completed until the election of a centre-left, internationally open, coalition government in January 2000.

GDP per capita has increased from 8,030 USD in 2004 to 9,664 USD in 2006*. Average per-capita income increased to an estimated 47% of the EU-25 average (in purchasing power standards) by 2005. Although the employment rate has constantly increased since 2001, a relatively high unemployment rate, limited job turnover and job creation remain among the most important economic problems. The officially registered unemployment rate declined from 16.9% in July 2005 to 15.7% in July 2006; however the long-term unemployment rate is 7.3% with a high percentage (30%) of unemployed youth (European Commission, 2006).

Analysts and practitioners believe that the overall legislative and policy environment relevant for socially responsible business practices in Croatia is hindered by over-regulation in some spheres and under-regulation in others**. Taking into consideration one of the key components of the definition of CSR as 'going beyond the legal requirements', it should be noted that for a large number of Croatian companies, regardless of their size, it is still a problem to meet all of the existing legal requirements***.

Socially responsible business practice in Croatia stems from many different factors. Many of the companies interviewed for this study (AED, MAP, IBLF, 2003), found the concept and practice of CSR relatively new, but have a much longer-term familiarity with, and commitment to, the areas of workplace quality and safety, consumer satisfaction, environmental protection and community investments and partnerships. Much less frequent practices related to corporate governance procedures, integration of CSR in risk analysis and overall business strategy development, supply-chain management and socially responsible investing.

The study also found that many companies expressed concern that the government and politicians were 'the absent partner' in CSR in Croatia in terms of regulation, policy consultation, and facilitation. Sustainable development and CSR have been increasingly discussed, but with little attention given to the policies providing an enabling environment.

One of the key factors affecting CSR in Croatia was ownership structure: "A company's ownership structure has been determined to influence its managerial and technological processes as well as its commitment to human resources and investment in the community. Some predominantly or exclusively Croatian owned companies demonstrate an interest in supporting local suppliers rather than importing cheaper raw materials. It is also indicated that leadership

for the development of CSR in Croatia is crucial. In the Croatian context leadership is demonstrated by the trust employees have in their leaders, many of whom stayed committed to the company's survival during the critical transition and war period of the 1990s. Once a strong trust is established between employees and their managers, leaders are in a position to introduce progressive changes in management processes and compliance with improved standards" (AED, MAP, IBLF, 2003).

In addition mainly large internationally owned companies had embraced CSR as part of their declared values or strategic orientation. Those that were publicly listed and export oriented tended to have much greater motivation and resources to organise, monitor and publicise their CSR practices. They were concentrated in manufacturing and processing industries, financial services and telecommunications, and often among top leaders in their sector.

While the role models exist, there was a deep information, competence and profitability gap dividing these leaders from the vast majority of SMEs that make up almost 90% of all Croatian business entities, as well as thousands of large companies that were primarily grappling with short-term survival issues. Many actors were trying to help to bridge this gap through, for example, various tool and guidelines that are intended to help companies to adopt CSR, for example, a manual prepared by the UNDP Croatia (2005) entitled "Winning with Integrity – Manual of Corporate Social Responsibility".

Across the Region, the UNDP team and its partners have had a particularly significant impact on the awareness and uptake of the CSR concept in Croatia, animating the debate at a country level and providing relevant tools.

Hungary

Hungary continues to demonstrate economic growth as one of the newer member countries of the European Union (since 2004). The private sector accounts for over 80% of GDP and foreign ownership of and investment in Hungarian firms are widespread (World Bank, 2005a, British Chamber of Commerce, 2006).

Again, most companies identify their key stakeholders as shareholders, customers, and employees. They believe that "socially responsible activities" are linked to complying with existing regulations as well as addressing stakeholders' concerns and behaving ethically.

The World Bank (2005a) study also found that a substantial majority of Hungarian companies have codes of conduct and believe that there is a relationship between codes of conduct and cost savings. Most companies also believe that codes of conduct have an impact on company reputation. However, it is important to note, that neither explicit anti-corruption policies, nor policies for financing candidates for public positions are widespread in Hungary. In addition, explicit anti-discrimination policies in personnel recruitment are far from being the norm in Hungary.

In contrast, most companies have employee health protection plans and provide some form of training to their employees. Other projects which are not focussed on employees are related to

* HGK Selected Economic Indicators

** Stubbs et al., 2007

*** This can be illustrated by difficulties in meeting legally mandated reporting requirements: out of 238 public joint companies, 108 did not submit their financial reports to the Management Board of the Zagreb Stock Exchange (Grčar and Mateljić, 2007: 13)

technical training and education. Companies are also engaged in a large amount of health projects as well as community development, housing, support to ethnic minorities, and HIV/AIDS. Regarding environmental projects, activities are often centred on providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.). The companies which develop these activities address them primarily to their employees and secondarily to management, company owners, and local communities. Recycling programs are also relatively widespread. However, almost half of Hungarian companies have no environmental certification or do not know whether they have any, even though environmental impact assessments (EIA) of companies' operations are relatively widespread (World Bank, 2005a).

The companies surveyed by the World Bank study cite greatest internal benefits deriving from CSR practices as business sustainability; increase in productivity, quality and sales; attraction and retention of qualified employees; competitive advantage; easier compliance with legislation; employee loyalty; reduction of costs; and financial improvement and access to capital.

Apart from a lack of appropriate regulation, Hungarian companies state many financial barriers to the adoption of CSR practices: excessive focus on short-term gains; lack of visible results; overall costs; lack of direct impact on financial success. The main perceived risk in adopting CSR practices is the increase in operating costs, followed, in order of magnitude of perceived risk, by: adverse impact on profitability; competitive disadvantage; increased intervention from regulatory bodies; decreased productivity; increased demands from interested stakeholders; and negative impact on quality of goods and services. However, the survey also found that as many as 17 percent of respondents believe there are no risks in the implementation of CSR practices (World Bank, 2005a).

Another study by the International Federation of Human Rights (2006) established that the concept of CSR is still new and not well-known in Hungary. Nonetheless, the influence of multinational corporations and of foreign investors seems to be clearly perceptible. The study also concludes that the corporations that adopt CSR policies are mainly concerned with their reputation and image and wish to uphold a socially responsible image for their customers, consumers and investors. In relation to codes of conduct, a lack of a clear definition and misuse of the concept make it difficult to get a clear picture of the efficiency of such policies. None of the companies surveyed in this study seem to be in favour of regulating CSR but to most companies the promotion of good practices and a better understanding of the concept would be welcome (FIDH, 2006).

Lithuania

As one of the Baltic countries, Lithuania has experienced high and low points on its journey to membership in the European Union. After a transition-induced recession it emerged in 1995 with a small, but open economy, and has since grown at a remarkable pace. Real GDP growth surpassed that of most other transition economies, and from 1996–2003, Lithuania's economy grew by roughly 52%. Moreover, studies show no signs of a slowdown; Lithuania as well as the other Baltic countries are still experiencing the highest growth rates in Europe, and are among the most rapidly growing economies in the world. Lithuania has been a member state of the European Union since 1 May 2004 (World Bank, 2005b).

Similar to the other countries surveyed by the World Bank (2005b), most Lithuanian companies consider their shareholders, employees and customers to be their key stakeholders. Ethical conduct and transparency in operations are seen as "socially responsible activities". Companies also believe that addressing stakeholders' concerns, complying with existing legislation, and protecting the environment are important.

According to the Lithuanian companies interviewed, paying taxes, making a profit, complying with the legal framework, ensuring job security and protecting the health of employees are the most important role of a company in society. However, only 39 percent of Lithuanian companies strongly agree on the protection of the environment being one of their main duties in society, the above mentioned World Bank study indicates.

Codes of conduct are not the norm in Lithuania, although a substantial majority of Lithuanian companies have one. The overwhelming majority of Lithuanian respondents believe that having a code of conduct helps to improve employee relations and company reputation. They also believe that having a code of conduct contributes to the survival of their business in the long term and enhances risk management. At the policy level, Lithuania has established a special inter-ministerial coordination body for CSR under the leadership of the Ministry of Social Security and Labour and formalised policy/action plan on CSR for 2006–2008. At the same time, it is still a long way to go before one ministry policy becomes a policy of the entire Government*.

Less than half of Lithuanian respondent companies implement core labour standards adopted by the International Labour Organisation (ILO); 21% do not; and as many as 38% of respondents do not know. Explicit anti-discrimination policies in personnel recruitment are the norm and awareness is very high as all companies know whether they have an antidiscrimination policy.

Lithuanian companies list the main reasons for engaging in social projects as follows: better reputation; better local community relations; survival of business in the long-term; and enhanced shareholder value. The majority of Lithuanian companies believe that the following factors do not play a role in the decision of companies to engage in social projects: building of corporate brand; compliance with legislation; access to new markets; alignment with industry

trends; improved standing with government; improved management of risk; costs savings; and pressure from business partners. Two interesting trends emerge in the study: community development projects increase as companies become larger; and education projects increase as companies become smaller.

In order to implement their environmental projects, most companies collaborate with a number of institutions. Activities providing education and information on environmental issues (for example school programs, community meetings, internal training, etc.) are not very popular in Lithuania. Companies which develop these activities address them primarily to their employees, and secondarily to management, local communities, and company owners.

In addition, a large majority of Lithuanian companies have no environmental certification (World Bank, 2005b).

Macedonia

Macedonia suffered severe economic difficulties after independence, when the Yugoslav internal market collapsed and subsidies from Belgrade ended. In addition, it faced many of the same problems faced by other former socialist East European countries during the transition to a market economy. The outbreak of the Yugoslav wars, the imposition of UN sanctions on Serbia and Montenegro and a Greek imposed trade embargo in 1994–1995 caused great damage to the Republic's economy. The Kosovo War of 1999 and the 2001 crisis involving part of the ethnic Albanian Macedonians caused further destabilization.

The Macedonian economy has since made a sluggish recovery, though the extent of unemployment, the grey market, corruption and a relatively ineffective legal system keep the growth rate low and cause significant problems. The Republic still has one of the lowest per capita GDPs in Europe and the official unemployment rate is 36%.

However, it is seeking to join NATO and the European Union, although its accession to either is unlikely to occur before 2008 and 2012, respectively. In December 2005, the leaders of the EU formally named it as a candidate country but did not set a date for starting entry talks. In February 2006, the Republic became the fourth member of the Central European Free Trade Agreement (CEFTA), joining Croatia, Bulgaria and Romania.

Presently, most of the companies understand CSR as an external component that depends on the requirements set from the external environment on which they react and respond in accordance with their capabilities, and not as a component that should be incorporated in strategic decisions and the mission of the company.

Initially, CSR was introduced in Macedonia through the activities of international organisations, including the World Bank Institute of the World Bank Group, UNDP and USAID, which cooperated with local higher education institutions, civic society organisations, government, the business community and media – as main actors – in putting CSR on the agenda.

Poland

Since the fall of communism, Poland has steadfastly pursued a policy of liberalising the economy and today stands out as a successful example of the transition from a state-directed economy to a primarily privately owned market economy. Poland's entry into the European Union in 2004 has fostered economic growth and a stable commercial environment in its drive to modernize its economy and globalise its commercial activities.

The most notable task on the horizon is the preparation of the economy to allow Poland to meet the strict economic criteria for entry into the European Single Currency (Euro) (World Bank, 2005a, British Chamber of Commerce, 2006).

The same World Bank Study (2005a) found that most Polish companies consider shareholders, customers and employees to be their key stakeholders. A majority of companies believe that acting socially responsibly means behaving ethically and that this is linked to transparency in operations. Only a few companies state that addressing stakeholder concerns, conducting public relations, and correcting social inequalities can be considered socially responsible activities.

According to the Polish companies interviewed (Worlds Bank, 2005a), complying with the legal framework and avoiding child labour are the most important roles of a company in society. A substantial majority of Polish respondent companies implement core labour standards adopted by the International Labour Organisation (ILO):

"However, as many as 25 percent of respondents do not know whether their company implements ILO standards. This high percentage of unawareness could be due to other labour standards being the accepted standard in Poland or on ILO standards not having been properly publicized" (World Bank, 2005a: 40).

A majority of Polish companies have written codes of conduct. The majority of respondents believe that having a code of conduct helps to improve employee relations, company reputation, and compliance with legislation. In addition, explicit anti-corruption policies are widespread in Poland but public companies have fewer anti-corruption policies than private companies.

Over the three years prior to the study, 80% of Polish companies engaged in environmental projects. Of those that engage in environmental projects, the majority engage in projects linked to the company's internal operations. In order to implement their environmental projects, most companies collaborate with a number of institutions that can be categorized as other businesses, municipal institutions, civil society organisations, governmental institutions and community institutions. However, even though many companies engage in environmental projects, half of Polish respondents have no environmental certification. Nevertheless, 31% of companies obtained an ISO 14000 certificate.

According to Polish respondents, the highest barrier to the broader adoption of CSR practices is of an institutional or governmental nature—the lack of an appropriate legal framework, followed by a mix of financial and government related barriers: overall

cost; lack of direct impact on financial success; lack of government involvement; excessive focus on short-term gains; apprehension regarding government change of policy; lack of visible results; current government policy; and lack of appropriate institutions.

Regarding the improvement of CSR practices companies believe tax incentives, recognition, and, to a slightly lesser extent, local government intervention, are paramount in improving CSR practices (Worlds Bank, 2005a).

Slovakia

Slovakia has undergone a difficult transition from a centrally planned to a market economy. The Slovak government made progress in 2001 in macroeconomic stabilization and structural reform, but this came at a cost of increasing unemployment. In the last few years, the penetration of foreign direct investment (FDI) has been high, with business investment particularly in the export-oriented manufacturing sector becoming the prime engine of capacity and output growth.

Overall, macroeconomic developments are currently favourable in Slovakia with robust growth, the decline of unemployment and easing inflation. Slovakia became a member of the European Union in May 2004 and plans to adopt the Euro in January 2009 (World Bank, 2005a; British Chamber of Commerce, 2006).

A study by the World Bank (2005a) found that most companies in Slovakia consider shareholder, customers and employees as well as top management and board of directors to be their key stakeholders. Only very few companies think of local communities as stakeholders. The same study established that most companies understand “socially responsible activities” as addressing stakeholders’ concerns and ethical conduct. Companies are also concerned about transparency in operations and compliance with existing regulations.

A vast majority of companies believe that avoiding the use of child labour and complying with the existing legal framework are their main roles in society. However, the protection of employee health, the provision of job security and job creation as well as protection of the environment are also seen as important.

Employee health protection plans are the norm in Slovakia. On the other hand, even though a slight majority of Slovak companies implement core labour standards adopted by the International Labour Organisation (ILO) there is still a large level of unawareness and low implementation percentages amongst small and medium companies.

Many companies undertake various environmental projects and in order to implement these projects, most companies collaborate with a number of institutions. Activities providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.) are relatively popular.

In addition, the study found that written codes of conduct are widespread in Slovakia and that very large companies seem to have the highest percentage of written codes. Companies believe that having a code of conduct helps to improve company reputation

and employee relations. Anti-corruption policies are widespread in Slovakia but only very few address the financing of candidates for public positions.

Some Slovak companies also engage in social projects as they believe this will help to improve reputation, local community relations and assist in building a global corporate brand. In order to implement their social projects, companies collaborate with a number of institutions that can be broken down into: civil society organisations, governmental, municipal, health, educational, cultural and sports institutions. Social projects can be implemented in a variety of areas, and serve a variety of beneficiaries. The study finds a noticeable trend in areas such as health, education, and community development.

Overall, Slovak respondents list the greatest internal benefits to their companies deriving from CSR practices as follows: business sustainability; increase in productivity, quality and sales; easier compliance with legislation; competitive advantage; employee loyalty; financial improvement, and access to capital attraction; reduction of costs; and retention of qualified employees.

However, many companies believe that the highest barriers to the adoption of CSR practices are the overall costs of CSR projects and the lack of direct impact on financial success. At the same time companies believe that sharing information, discussing, collaborating and negotiating with different stakeholders would make their CSR practices more relevant (World Bank, 2005a).

Turkey

With high GDP growth rates for the past years, Turkey has become one of the fastest growing economies in the world. Turkey was officially recognised as a candidate for EU membership in December 1999 at the Helsinki summit of the European Council and started negotiations on October 3, 2005. However, it is expected that this process will take at least a decade to complete (British Chamber of Commerce, 2007). Turkey’s possible future accession is now the central controversy of the ongoing enlargement of the European Union and corruption is one of the most serious obstacles to this accession (Bryane & Öhlund, 2005).

Only a few studies have explored CSR in Turkey in any detail so far. One study entitled “Corporate Social Responsibility across the Middle East and North Africa” (Ararat, 2006) which includes Turkey, outlines the main drivers for CSR in the region. It cites the need to improve the investment climate through better governance, voluntary disclosure, transparency and acceptance of the rule of law.

Other drivers outlined are international business relations, the development of international codes of conducts and international campaigns, programs and projects such as Global Compact, WB-IFC and UNDP programs. The relation with the European Union and the activism of Global Civil Society Organisations are also important aspects. In addition, the government is cited as an important driver of CSR through new laws and regulations such as Corporate Governance Codes, disclosure and reporting requirements.

The study also gives an account of current CSR practices in the region. It finds that subsidiaries of multinational companies demon-

strate examples of CSR by complying with their corporate policies and are also the primary source of funding for CSR oriented NGOs. Philanthropic activities are mainly focused on supporting education and health care. However, in most countries the society does not seem to differentiate between ethical behaviour and obeying the law in evaluating the business behaviour (Ararat, 2006).

■ COMMONALITIES OF THE REGION

The project countries are not all similar in terms of history, economic development and they each have a different relation to the European Union. Some are accession states which joined the EU in 2004 (Lithuania, Hungary, Poland, Slovakia); Bulgaria joined in 2007, some are Candidate Countries (Macedonia, Croatia, Turkey).

Although all new EU Member States were judged to be “functioning market economies” before accession (one of the Copenhagen criteria for membership), all of the countries in the Region are at different stages of development. In most, the business community as well as the society at large are struggling with the effects of this transition – high unemployment rates, low salaries and income, a high proportion of grey/black economy, migration of young and skilled workers and a still underdeveloped regulatory framework.

Corporate Social Responsibility is a relatively new phenomenon in the region. Its story is strongly influenced by the socialist system between 1948 and 1989 and the years after the transition in 1989. In countries with a socialist background, the state and large state-owned companies provided social services from public revenues. The economy was a part of the political system so companies did not have to be profitable; they had other roles, for example ensuring full employment.

Since the transition, economic sustainability was a continuous challenge for entrepreneurs so in general local enterprises, mainly SMEs, had no time and resources to pay attention to social or environmental responsibility – the general public did not put pressure on companies to be any more than profitable. Companies had never experienced applying the principles of good corporate governance or considering their wider impacts, so there was a lack of knowledge, instruments and tools. Nobody knew how to be efficient, profitable and socially and environmentally responsible at the same time. Privatization and the new economic agenda resulted in “wild capitalism”, where profit became the most important goal for most companies in the region.

The transformation from a socialist economy to a market economy offered firms’ management the option to clean their books of excessive social spending which was obligatory in the former planned system of the so-called “socialist firms”. At the same time foreign investors and privatising actors who were seeking low cost economies were also less committed to the corporate social responsibility approach. Some analysts started to identify that the serious

economic crisis that accompanied transition in CEE countries did not create a favourable environment to social, community or human investments on a company level.

In many of the countries in the region, there is a direct link between economic reform and privatisation and the emergence of CSR practices. In countries with a belated start, a wave of unsuccessful or dubious first-generation privatisation deals meant that stability of ownership and market maturity prevented the establishment of longer-term business strategies which contained in them the various components of CSR. The gradual establishment of business community organisations, which act as more than the token representation of a few economically powerful individuals, and the emerging critical mass of NGO and international initiatives such as the Global Compact, Business Leaders Fora and some other similar efforts helped breed a perception that CSR is here to stay in this region as well. These processes helped turn the attention to the fact such practices may increasingly be a pre-condition not solely to partnership with EU-based companies but also a pre-condition for continued survival in the Single European Market.

Since the mid-90s, companies slowly moved towards a more long-term oriented way of operation thanks to the stabilisation of the economy and the improvement of legal framework for employment and controls on the environmental impact of economic actors.

■ ACTORS INVOLVED IN CSR PROMOTION IN THE REGION

■ INTRODUCTION

The eight NETs undertook desktop research into the role of a variety of non-corporate actors across the Region, supplemented by interviews with a range of relevant stakeholders.

■ ANALYSIS

■ GOVERNMENTS

The direct involvement of Governments across the Region is very diverse. Different ministries at different governmental levels deal with questions related to CSR, although none is really yet taking a lead role. In most of the countries of the region, systematic government incentives and initiative are generally missing. Due to the socialist heritage, there is a general perception, both in the business community and the public at large, that social responsibility

Name of Department

Bulgaria	Directorate "Labour conditions, crisis management and alternative conscription", Ministry of Labour and Social Policy Directorate "Preventive Activities", Ministry of Environment and Water; Ministry of Agriculture and Forestry; Ministry of State Administration
Croatia	Directorate for International Economic Cooperation, Department for International Institutions of the Ministry of Economy, Labour and Entrepreneurship
Hungary	CSR Director, Ministry of Economy and Transport, Director level
Lithuania	No official CSR positions in governmental structure. Three responsible persons in Ministry of Social Security and Labour (MSSL): • Deputy director of department of labour; • Labour relations and payment department; • Labour market. Ministry of Environment (responsible for Sustainable Development Strategy) Ministry of Economy (deals with business sector) Inter-agency CSR Coordination Commission led by MSSL National Commission of Sustainable Development
Macedonia	Anticipated, but not in place yet
Poland	Ministry of Labour and Social Policy
Slovakia	Ministry of Social Affairs and Family
Turkey	Ministry of Environment and Forestry – Environment Ministry of Finance – Corporate Governance Ministry of Trade and Industry – Standards Ministry of Labour and Social Security – Labour Issues

and social caring is the primary role of government. Most companies consider their responsibility to operate in compliance with the legal and regulatory environment of the given country.

In Bulgaria there is said to be a profusion of administrative units and directorates where CSR issues receive attention and some limited policy treatment. Promotion, encouragement and adoption of these practices are at the core of the efforts of the Directorate "Labour conditions, crisis management and alternative conscription" at the Ministry of Labour and Social Policy. Other departments are involved however their activities are focused on legal requirements in these areas.

In Croatia, there is no specific, fully developed unit responsible for enhancing CSR. There are several government sponsored funding programmes and projects that are relevant to CSR development. The government provides support to developments in the areas of corporate governance and transparency, but these efforts remain relatively unsystematic. CSR is mentioned in the National Strategic Development Framework 2006-2013, prepared by the Central Government Office for Development Strategy and Coordination of EU Funds. It is the overarching strategic document used as a foundation for the development of specific national strategies and the programming of the EU pre-accession funding priorities of the Croatian Government.

Similarly, in Hungary, even though, there are several laws dealing with relevant topics, none of them directly mention CSR. In 2006 the Hungarian Government announced through the Ministry of Employment and Labour, a governmental commitment to focus on CSR in compliance with EU obligations, marking a change to a less passive stance.

In Poland, the Ministry of Labour and Social Policy with the participation of the World Bank and in cooperation with the Office of Competition and Consumer Protection (UOKiK) and the Ministry of Economy has prepared a "guidebook" to support the government administration in preparing the foundations of public policy in regard to CSR. A governmental, cross-departmental CSR Working Group has also been appointed by the Department of Social Dialogue and Partnership in the Ministry of Labour and Social Policy.

In Macedonia, the new Programme for stimulating Investment in the Republic of Macedonia (2007-2010) by the Ministry of Economy is looking at measures specifically directed to CSR for the first time. The most important activity under this programme is the establishment of a coordinating body on CSR within the Economic-Social Council of the Government of the Republic of Macedonia.

In Lithuania, the responsibility for CSR as a public policy has been assigned to the Ministry of Social Security and Labour (MSSL). A CSR strategy for 2006-2008 has been developed and released, which at this stage has only been approved by one Ministry. This is a leadership development in the Region, which should set the course for future activities. There is an inter-ministerial commission established to coordinate policies and actions in this field. Within the MSSL, three employees have some responsibility for CSR, however neither of them has CSR as his/her explicit duty. So, even though the government is starting to get involved these initiatives can still

only be seen as initial steps rather than an articulated and well developed state policy. None of the companies interviewed during the research was yet aware of the Ministry of Social Security and Labour role in the CSR field.

In Slovakia, Government institutions are not engaged on CSR, or its effective implementation. There is no institution, department, or any position within the ministries in Slovakia directly focused on CSR. The only institution devoted in some way to co-operation with companies is the Ministry of Labour, Social Affairs and Family. However, the main themes it is dealing with relate to the European Strategy of Employment.

In Turkey the government is cited in previous research as an important driver of CSR through new laws and regulations such as Corporate Governance Codes, disclosure and reporting requirements. Although there is no specific law with regard to a CSR framework, this gap is partly filled by two sources- national laws that are related to CSR issues (e.g. protection of consumers, public procurement, environment, bribery and corruption etc.) and international treaties and conventions to which Turkey is a signatory.

In some countries, concerns were expressed regarding potential allegations of corruption, should the state Government become too openly involved in direct co-operation with the private sector. Such interaction is, of course, one of the essential platforms upon which the success of CSR initiatives at the national level rests outside the Region. As an example, the UK Department of Trade and Industry has proactively led on CSR issues since 2001, appointing a responsible Minister, funding the development of a CSR Academy for business and providing a wide range of networking and information resources, for example on the business case for CSR. Other Government departments have proactively encouraged the development of widely recognised award schemes such as the ACCA UK Awards for Sustainability Reporting, providing market recognition to those that do well.

Overall, the research showed that national stakeholders in the Region have widely varying views regarding the role of the state in promoting the CSR. Some look for a strong leadership role from government, which would include instruments such as regulation, tax initiatives, subsidies, information, education, etc. Others favour the opposite approach, emphasising that the value of CSR lies in its voluntary nature, in their view. Those with a less polarised position suggest that CSR does not have to be regulated heavily but that the state should provide an enabling environment. In Lithuania, for example, business associations tended to argue for the first approach as *"the state should 'compensate' companies for their efforts with regulatory initiatives, tax breaks and financial injections"* (Lithuanian NET Report). On the contrary, the NGO sector was more inclined to highlight the responsibility of business itself and argued the middle position. Many of the stakeholders interviewed favoured the idea of a green procurement strategy from Government.

In most countries a focus on CSR seems to be missing at local government levels. There are some relevant initiatives (e.g., local community awards, stakeholder dialogue, environmental awareness rising campaigns), but it is difficult to see any systematic activities,

which aimed at stimulating responsible behaviour. One example is a UNDP project in Macedonia in partnership with the State Commission for Prevention of Corruption, Ministry of Local Self Government and ZELS (Association of units of local self-government). They initiated a capacity-building project for developing local policies and practices aimed at obtaining transparent and responsive municipal governance. The main objective of the project *“Fighting Corruption to Improve Governance”* is to promote accountability and transparency as indispensable pillars of local democratic governance.

■ CIVIL SOCIETY

Academia

Academia has played a significant role in the development in CSR in all the countries surveyed, more so than in Western Europe.

In Macedonia, academia played a pioneering role in introducing the CSR concept in the country. The Faculty of Economics, University SS. Cyril and Methodius in Skopje was the first institution that promoted CSR on a large scale, through the involvement in the World Bank Institute six-week Interactive Future Leaders' E-Conference on CSR and the publication of a book on the topic.

In Lithuania, there are some university level courses on CSR related issues, for example at the Institute of the Environmental En-

Courses

Bulgaria	<ul style="list-style-type: none"> • The National and World Economy University – courses on business ethics • BULGARIAN ACADEMY of SCIENCES: Institute of Economics, • NEW BULGARIAN UNIVERSITY: Course: Business ethic and corporate social responsibility • AMERICAN UNIVERSITY in BULGARIA: Business Administration: Course: Business Ethics
Croatia	<ul style="list-style-type: none"> • VERN Business Ethics course, Dynamic Entrepreneurship course. Ethics in Business Communication • Zagreb School of Economics and Management (ZSEM): Business Ethics and CSR course • Faculty of Economics, University of Zagreb – Ethics and CSR course Civil Society and CSR course • Faculty of Economics, University of Split –Business Ethics course. • Faculty of Economics, University of Osijek – Business Ethics course, which contains a module on CSR. • American College for management and technology – undergraduate modules on CSR. • Heidelberg Academy – CSR integrated into underground courses on quality management • Cotrugli Business Academy – CSR incorporated in several courses at the MBA level
Hungary	<ul style="list-style-type: none"> • Corvinus University of Budapest: Business Ethics, CSR Communication • CEU Business School
Lithuania	<ul style="list-style-type: none"> • Vytautas Magnus University, School of Political Science and Diplomacy, Department of Public Communication; • Mykolas Romeris University, Faculty of Economics and Finance Management, Department of Economics • Vilnius University, Faculty of Communication & Faculty of Economics & Business Ethics Centre • Kaunas University of technology, Faculty of Economics and Management & Institute of Environmental Engineering
Macedonia	<ul style="list-style-type: none"> • University SS. Cyril and Methodius, Faculty of mechanical engineering, “Basics of management”, separate item on CSR and business ethics. • University SS. Cyril and Methodius, Faculty of Economics in Skopje
Poland	<ul style="list-style-type: none"> • Business Ethics Centre, LKAEM
Slovakia	<ul style="list-style-type: none"> • Corporate Social Responsibility, Comenius University, Faculty of social and economic studies • Sponsoring, University of Cyril and Metod, Faculty of media communication – • Business ethics, University of Prešov, Faculty of management
Turkey	<ul style="list-style-type: none"> • İstanbul Bilgi University, Social Responsibility & Volunteerism Participation Program, Business Ethics • Sabancı University, Business and Society, Volunteerism Participation Program • Middle East Technical University, Business Ethics • Bosphorus University, Corporate Social Responsibility and Ethical Issues • İstanbul Technical University, Human Resources

gineering at Kaunas University of Technology. The courses include business ethics, environmental engineering and even management of sustainable development. Another notable academic organisation is the Centre of Business Ethics (Vilnius University). The Centre conducts research, provides services and offers education and training in the field of business ethics.

In Poland, the Business Ethics Centre (CEBI in Polish) was founded by the Team for Business Ethics in the Institute of Philosophy and Sociology of the Polish Academy of Sciences and Leon Kozminski Academy of Entrepreneurship and Management in 1999. The Centre is a research and study centre for the development of CSR thinking in Poland as well as a meeting place for business and academic leaders looking to promote business ethics as a basic condition for running a business in an efficient and socially responsible way.

In other countries, such as Croatia, while there is no specific academic programme focused on CSR or sustainable development, there are however an increasing number of courses on business ethics and CSR offered at undergraduate and graduate levels both at public and private universities and business schools, as mandatory or elective courses. Hence, CSR is being “mainstreamed” into formal education of future managers and economists.

However, even though academia is involved in the promotion of CSR some interviewees felt that this is not sufficient. For example in Slovakia, even though several academic institutions play an important role in promoting of CSR through integrating into certain courses, they felt that academic institutions do not devote enough time to courses on the actual social responsibility of companies and how the implementation of CSR could be facilitated. Companies expressed concern at a rather low perceived, practical awareness as well as theoretical knowledge of CSR implementation.

NGOs and Business Organisations

Generally, the civil society movement in most of the countries in the region is relatively undeveloped compared to Western Europe. Although many thousands of NGOs are registered in some countries, most of these are associations that have registered under legislation that enables some form of tax break. There are several NGOs predominantly funded by international actors that are organised around social, environmental, ethical or broader economic issues and are generally relevant to this enquiry.

Those NGOs that are focussed on CSR related issues are less numerous and fall into two main groups. The first performs a watchdog role through monitoring and public criticism of the actions of individual companies, or lobbying for legislative changes aimed at regulating the behaviour of businesses. The second promotes inter-sectoral partnerships, corporate philanthropy and community investments, and is more prone to direct engagement on CSR initiatives. Significantly, there are relatively few self funding, independent membership based organisations and many NGOs have in fact been funded by companies in relation to a social or environmental community based project. Overall, civil society’s focus on CSR is still rather weak due to the lack of continuous, coordinated monitoring

projects, which would serve as an external incentive for enhanced corporate accountability.

Examples of NGOs belonging to the first group are numerous. For example, the Consumers Organisation of Macedonia, an umbrella association of local consumer organisations with a membership smaller 3000 organisations has run awareness raising campaigns and written publications on the protection of consumer rights. Similarly, in Hungary, the Association of Conscious Consumers promotes environmentally conscious consumerism as well as ethical, socially and environmentally responsible purchasing and corporate activity, sustainable production patterns and the awareness of rights and obligations of consumers. They do not deal with companies directly but promote principles of ‘conscious consumerism’.

Also in Hungary, the Clean Air Action Group (CAAG) is one of the best-known environmental NGOs. It is a member organisation of the European Environmental Bureau, the European Federation for Transport and Environment and Climate Action Network Europe. The group cooperates with other international environmental organisations, like World Wide Fund for Nature (WWF) Greenpeace, CEE Bankwatch Network and World Carfree Network, as well as with a number of national NGOs in various countries.

Other organisations are more directly involved with CSR promotion and capacity development. In Hungary, Követ-Inem, a corporate membership based environmental NGO begun to promote CSR issues, especially corporate reporting and other public disclosure practices. DEMOS Hungary, a member of the Public Policy Network is also active in bringing together a coalition of experts to promote and educate CSR related practices. In Slovakia, the Pontis Foundation is considered to be a pioneer and leader in CSR promotion. It was identified by the majority of people interviewed and is very often mentioned as the key actor in CSR promotion by the companies themselves. Pontis defines itself as *“an organisation that has the ambition of interconnecting different sectors of Slovak society and that is helping to establish effective cooperation between them. We motivate individuals and firms to be more aware and responsible for themselves and world around us”* (Slovakian NET report).

Also in Slovakia, Integra is seen as an important actor in the field of CSR particularly because of its orientation towards small- and medium-sized enterprises, which differentiates it from other non-governmental organisations. They published a Manual of the ethical codex and social audit, which gives SMEs advice on how to build an ethical and transparent corporate culture.

In Lithuania, apart from the leadership role taken by UNDP, some other organisations are also actively involved in CSR promotion. The Association Investors’ Forum (bringing together companies owned by international owners) has been the most active among them. It organises CSR events, CSR-related initiatives and publishes related information. Other organisations which participate in the agenda include the Lithuanian Industrialists’ Confederation, the Association of Lithuanian Chambers of Commerce, Industry and Crafts, AIESEC, the Council of Lithuanian Youth Organisations, Lithuanian Development Agency, and Transparency International’s local chapter. The NET assessed that the majority of these organisations are:

Name of Organisation*

Bulgaria	<ul style="list-style-type: none"> • Bulgarian Business Leaders Forum • Association Integra BDS • Bulgarian Donor Forum • Confederation of Employers and Industrialists in Bulgaria • American Chamber of Commerce in Bulgaria • Bulgarian Charities Aid Foundation • Civic Works Initiatives Foundation • FIB Social Responsibility Fund • National Round Table for Introduction of Social Standards • Yambol Chamber of Commerce and Industry • Generous Heart Foundation • Protected Areas Fund • Centre for Economic Development • Balkan Institute for Labour and Social Policy, Sofia 	<ul style="list-style-type: none"> • Kurt Lewin Foundation • DEMOS Hungary Foundation • United Way Hungary • Non-profit Information and Education Center • Club of Budapest
Lithuania	<ul style="list-style-type: none"> • The National Network of Responsible Business under the UN Global Compact; • Association "Investors' Forum"; • Lithuanian Green Movement; • AIESEC – youth organisation; • "Transparency International" Lithuanian Chapter; • Environmental Information Center; • Baltic Environmental Forum (BEF); • Environmental Centre for Administration and Technology (ECAT); 	
Macedonia	<ul style="list-style-type: none"> • The Macedonian Chambers of Commerce • The Economic Chamber of Macedonia • Macedonian Business Lawyers Association • Consumers organisation of Macedonia • Centre for Institutional Development • Association for Protection of Shareholders' Rights "Akcioner 2001" • AIESEC Macedonia 	
Poland	<ul style="list-style-type: none"> • Responsible Business Forum • Academy for the Development of Philanthropy • Volunteer Centre Association • CentrumCSR.PL • Polish Chamber of Commerce 	
Slovakia	<ul style="list-style-type: none"> • PONTIS Foundation • INTEGRA Foundation • PANET (Partners for Networking) • Donors forum • Business Leaders Forum • Club of Corporate Donors • Slovak Chamber of Commerce and Industry • American Chamber of Commerce 	
Hungary	<ul style="list-style-type: none"> • American Chamber of Commerce in Hungary • Hungarian Business Leaders Forum (HBLF) • Business Council for Sustainable Development in Hungary (BCSDH) • Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungary) • Tudatos Vásárlók Egyesülete (Conscious Consumer Association) • Clean Air Action Group, • Védegylet 	<ul style="list-style-type: none"> • Business Association for Sustainable Development • Corporate Social Responsibility Association (Joint initiative) • TEMA • TUSIAD • Corporate Governance Association of Turkey (COGAT) • TEDMER (Turkey's Ethical Values Centre) • Private Sector Volunteers Foundation • TUSEV (Third Sector Foundation of Turkey) • Turkish Society for Quality • TEGV (Turkish Education Volunteers Foundation)

* A selection of organisations has been cited, this is not an exhaustive list

"engaging in CSR promotion in a rather fragmented way, with one off introductory events without a clear continuity. However, some of them see the CSR as a potential part of their mission in the future".

A range of business organisations have also been actively involved in the promotion of CSR. The International Business Leaders Forum has been especially important in Poland, Slovakia, Bulgaria and Hungary. The IBLF has developed representative bodies of local business executives, local representatives of international joint ventures and other influential business people to promote responsible business practices that benefit business and society. These are aimed at helping to achieve social, economic and environmentally sustainable development. The Fora are apparently in active cooperation with many partner organisations, which are said to offer opportunities for capacity-building and dissemination of international policy and good practice. In Bulgaria, BBLF worked with the Global Compact network and the Bulgarian Charities Aid Foundation to compile and publish the first ever CSR Directory of Responsible business (2005).

In Hungary and Croatia, other leading business associations focusing on the promotion of sustainable development in business practices are the Croatian Business Council for Sustainable Development (HR BCSD) and the Hungarian Business Council for Sustainable Development (HBCSD) who operate as national chapters of WBCSD. Since 2004, two leading business associations in Croatia – the Croatian Chamber of Economy (CEE), as well as the Croatian Association of Employers (HUP) – have integrated CSR in their organisational structure and programming. CEE has a special section named CSR Community, while HUP has set up Coordination on Sustainable Development, together with HR BCSD as its strategic advocacy project.

In Macedonia, the Economic Chamber of Macedonia and the Macedonian Chamber of Commerce, a relatively new and growing business association comprised mostly of SMEs attempts to engage in CSR awareness raising[0] and anticorruption activities. The American Chamber of Commerce in Macedonia has organized two conferences focusing on promoting CSR ("Corporate Social Responsibility: What is it? Why Do It?" and "Integrating Corporate Social Responsibility Into Your Company's Business Practices"), especially focused on the business community.

In Poland, the PKPP Lewiatan is one of most important employer organisation and has developed "Ethical Principles" last year. These constitute a declaration of values which members of the PKPP Lewiatan want to adhere to in business. Self-regulatory schemes are the most noticeable areas of social responsibility in the business sector in Poland. During the last three years, over 100 codes have been created. They usually assume the form of codes of ethics, codes of good practices or marketing codes, etc.

In Turkey, the study established a strong culture of philanthropy attached to individual business people active in society.

Media

In most countries in the Region, the role of the media in promoting CSR is not well developed. For example, in Macedonia, the media are mainly focused on poor corporate practices with regard to labour rights, corruption and environmental pollution. A few newspapers and magazines, like Kapital, a leading weekly business magazine, and Utrinski vesnik, a daily newspaper, have examined social and environmental aspects in more detail.

Croatian and Lithuanian media rarely focus on CSR in a systematic way, with the exception of a small number of specialist primarily business journals, and some radio stations. The role of the media in mobilizing the public at times of mass humanitarian actions, however, and reporting on corporate giving actions announced by companies themselves is widespread. Since 2005, Croatian media have increasingly reported on CSR beyond corporate philanthropy, yet a general lack of investigative journalists – hindered by commercial interests of media owners – results in a lack of in-depth, more sophisticated coverage of CSR issues and scrutiny of the corporate CSR reports.

In Poland there is growing quantity of articles connected with CSR and the discourse concerns various scopes of corporate business responsibility with the media mainly focusing on negative aspects of business operations. This is generally seen as driven by the low level of trust toward business as a whole. Recently, however, the business press such as Parkiet, Puls Biznesu and Gazeta Prawna has started publishing articles about CSR and Polish editions of Manager Magazine, Forbes, CEO and Harvard Business Review also addressing the subject. The same trend is followed by Manager magazine in Bulgaria which publishes and re-prints a series of articles about CSR and corporate management from renowned foreign authors and sources. Dnevnik newspaper maintains a weekly Management section where CSR related issues are covered.

The research from Slovakia found generally low public awareness about CSR, largely as a result of poor media attention. Slovak journalists were said to have low awareness generally confusing CSR with philanthropy. The media are often reticent to run CSR related stories from companies because they consider it as unbalanced PR. Another key issue is relatively strict legislation related to advertisement. This evokes fear of penalties in case articles published on activities of individual companies in the field of CSR are seen as unfounded.

The situation is even more complex in Hungary. 1st June 2006 was called the First CSR Day in Hungary after one of the main broadcasting companies was punished by the Hungarian Radio and Television Association for a hidden advertisement while reporting on a CSR event. Currently under the Hungarian Media Act (Act No. 1 of 1996) every time a company's name is mentioned in the media, this is considered to be advertisement and it is banned outside of allowed advertisement periods. On that day the media published CSR-related topics risking punishment by Hungarian Radio and Television Association to attract the attention of society to the importance of CSR and its communication. In Hungary it also true that journalists do not see a role for themselves in disseminating CSR related

Country	Journals/media*
Bulgaria	<ul style="list-style-type: none"> • Kapital weekly • Dnevnik daily • Bussines Week Bulgaria: • Dnes. bg (Electronic edition) • Pari daily • Telegraf daily • Nova TV • Manager magazine (monthly)
Croatia	<ul style="list-style-type: none"> • 'Gospodarstvo i održivost' Economy and Sustainability) • 'Okoliš' • 'Pomak • Privredni Vjesnik, major weekly on economic issues • Eukonomist • Bussiness.hr • Poslovni dnevnik • Lider
Hungary	<ul style="list-style-type: none"> • Uzletietika.hu • Szochalo.hu • CSR program of Economic Radio • Népszava • Piac & Profit • Figyelő • Manager Magazine • Hungarian Television/Kultúrház
Lithuania	<ul style="list-style-type: none"> • Lietuvos rytas • Verslo Žinios • Atgimimas • National TV and radio
Macedonia	<ul style="list-style-type: none"> • Kapital – weekly business magazine • Utrinski vesnik (daily newspaper) • Business Law – magazine for theory and practice of law • Dnevnik • Večer • Biznis • Fakti • Makedonija Denes • Nova Makedonija, • Vreme • Aktuel • Economy press
Poland	<ul style="list-style-type: none"> • Parkiet • Puls Biznesu • Gazeta Prawna • Rzeczpospolita • Manager Magazín • Forbes • CEO • Harvard Business Review Poland
Slovakia	<ul style="list-style-type: none"> • Trend (weekly) • Hospodárske noviny (daily) • Strategie (monthly)
Turkey	<ul style="list-style-type: none"> • Dünya • Hürriyet • Sabah • Zaman • Cumhuriyet • Hurriyet IK Newspaper • Milliyet Newspaper • Radikal Newspaper • Open Radio • Kanal D TV Broadcaster

* A selection of media organisations and journalists has been cited, this is not an exhaustive list

information or practices since they consider CSR as PR or “green-washing.” This tendency is supported by several media publications seeing an opportunity to offer sections or PR space to companies for promoting their “CSR activities” thus gaining more advertising space and extending their advertising service offering.

■ INTERNATIONAL ORGANISATIONS

Some International Organisations have played a particularly important role in the Region. At the initial stage of the CSR development in Poland, the World Bank created the first stakeholder forum for promoting CSR in 2002 in cooperation with Responsible Business Forum. In the following years, the Bank continued its support by organising conferences and meetings, as well as by carrying out the first regional research on attitudes towards CSR.

By far the most important international organisation actively participating in promoting the CSR in the region is UNDP. In Croatia, UNDP started a project specifically aimed at promotion of the concept and practice of CSR in 2004, the first such project in the region. The project was instrumental in developing some of the first CSR resources in the country e.g. a manual for implementing CSR in business processes; advisory services on implementing CSR; training modules for companies now on the market; and a national CSR rating system, which is now in its final phases of development). UNDP's role has ensured the collaboration of all parties with a stake in CSR, and in broadening the number of practitioners. The project has also specifically focused on the development of the partnership projects aimed at engagement of businesses in development. The Global Compact in Croatia was launched on the platform provided by the project, and is expected to become an additional driver for CSR in the country with its 80 members from business, academia, and business associations. Other UNDP projects, particularly those from the environmental portfolio, also engage the business sector in introducing comprehensive energy efficiency measures, and in introducing business practices supportive of biodiversity. The Croatian project apparently represents the largest ever investment from UNDP (and other donors) on CSR in the Region.

In Poland, UNDP is extremely influential both in raising general awareness but also on specific issues such as human trafficking. It is funding a wide range of projects in partnership, each focussed on relevant national CSR issues,

In Lithuania, the UNDP office also brought the CSR theme into the public discourse around three years ago. Previously there had only been a few initiatives seeking to introduce the concept to the public or to put pressure on companies to act more responsibly, however, these initiatives did not turn into a well-organized and systemic CSR promotion. So far most CSR conferences have been run by UNDP or UNDP was involved. The local branch of the Global Compact was initiated by UNDP and the Lithuanian office was mentioned as the main actor advocating the CSR by all stakeholders interviewed during the research.

In Turkey, UNDP is actively involved with CSR. Its aim is to find practical solutions to Turkey's development challenges and it has implemented over 80 programmes across the country since 1986. UNDP's strategy for 2006-2010, formulated with and agreed by the Turkish Government, highlights three core areas. These are: i) capacity building for democratic governance; ii) action and advocacy for poverty reduction; and iii) environment and sustainable development. In addition to these core areas, UNDP Turkey is em-

phasising the role of women, private sector, capacity development and information and communication technology in its policies and programs.

Initially, CSR was introduced in Macedonia through the activities of international organisations, including the World Bank Institute of the World Bank Group, UNDP and USAID, which cooperated with local higher education institutions, civic society organisations, government, the business community and media – as main actors – in putting CSR on the agenda. The UN Global Compact is cited as the most influential – which underlines the importance of this work for the promotion of CSR in Macedonia. UNDP focuses mostly on awareness raising and organizing training events for the Macedonian companies-members of the Global Compact.”

In Hungary, the Sub regional office for Central and Eastern Europe of the International Labour Organisation (ILO) focuses on completing or complementing gaps in national legislation. It was active in promoting the law on equal treatment (2003) and is now helping to draft amendments for the Elimination of Child Labour (under age 14), the Elimination of Forced Labour, and the Prevention of Discrimination against the Roma and other minorities as well as gender and age discrimination. It is also working on the construction of Social Dialogue inside multinational companies. The Hungarian OECD has established a national Contact Point for Co-operation against Fraudulent and Deceptive Commercial Practices in the Ministry of Economy and Transport. The role of the Contact Point is to promote awareness of the OECD Guidelines for Multinational Enterprises and ensure their effective implementation. It promotes guidelines and initiatives by translating them into Hungarian and by organising conferences, tripartite forums and by making an annual report about the level of guidelines' observance in the Hungarian economy.

In Bulgaria the critical mass of NGO and international initiatives is emerging such as the Global Compact, the activities of the Bulgarian Charities Aid organisation, the BBFL and some other sporadic efforts. This is marked by the implementation of the ethics code of BBLF, its awards, and other activities promoting CSR.

■ SUMMARY FINDINGS

Throughout the Region, contrary to the experience Western Europe where for example, there is a critical media and customers are starting to require businesses to reduce or compensate for their negative impacts, it seems that it is businesses themselves – supported by international institutions like UNDP – that are the main actors. (See Section 4 for an assessment of the role of business).

Given the economic history and ongoing transition process in most of the Region, it is perhaps not surprising that there is relatively little discourse with companies or a tradition of criticism – constructive or otherwise.

The awareness, ability and organisational power of NGOs to put pressure on business and government are still limited. This is partly due to the underdeveloped NGO scene in general. Existing NGOs commonly see the business community as a source of funding. Some may claim that the cause of relative indifference of civil society may also be the absence of community action which was common during socialist times. Another legacy of that era may be the feeling that people do not have the power to change and accept the status quo.

This economic tradition is not uniformly true of the whole Region. Those countries that have emerged from post-Yugoslav societies have a different legacy of ‘self-management’ socialism – coupled with, of course, the legacy of destruction created by the war in the 1990’s which led to the establishment of independent states. The kind of capitalism developed in most of the CEE countries for the last decade and a half is *“characterized by the dominance of insider interests, extreme client-ism, non-market based financial sector allocation, and a close link of the state and government with entrepreneurs and the financial sector”*.

A significant weakness in the Region is the lack of media that holds corporate actors accountable for irresponsible business activities. Only limited consumer research is available regarding consumer expectations towards more responsible corporate behaviour and the effect of such expectations on consumer choices. Companies do not experience a pressing need to apply more responsible business practices and accountability measures.

This all has a significant impact on the practical application of CSR theory however, a dynamic dialogue with society is broadly regarded as providing the essential fuel for stakeholder focussed processes. Without it, the expectations made of companies will be limited. These observations may explain why the company research presented in Chapter 4 produced some conflicting results. On the one hand the NETs identified a relatively strong uptake of CSR strategies by companies interviewed in their countries, and also a fair degree of good practice in stakeholder dialogue, on the other, many commentators are critical that most of the claimed good practice by companies is PR and there is relatively little evidence of outputs such as CSR reports or independent, formal or informal assurance.

The baseline study has painted a comprehensive picture of the role of non-corporate actors in the Region. Overall, the research shows that those actors that have historically driven discourse on responsible business practice in Western Europe are either not so well developed, or absent. This of course a generalisation, but the absence of a Civil Society movement or proactive Government intervention has significant implications for the pace of change in the Region, on CSR and other issues. In more developed member states, where CSR is becoming established as a priority focus for business, driving innovation and effective competition, the Media and NGOs are seen as highly significant in holding poor corporate practice to account. Similarly, in those countries, Government is, actively involved in the debate, helping to build awareness and capacity – and additionally legislating where commerce fails to act quickly enough.

■ COMPANY ENGAGEMENT WITH CSR IN THE REGION

■ APPROACH

In order to capture consistent information about engagement with CSR principles across the region, a common framework was needed for assessing company practices. We recognised that there are important differences in the legal and cultural environment across the eight countries in the region and that the measurement framework should therefore be flexible enough to accommodate these differences.

In 2004 AccountAbility, the leading international not for profit think tank and csnetworkTM, a UK based international consulting organisation, developed the Accountability RatingTM which established a measurement framework to assess corporate alignment with CSR principles*.

The rating is based upon six 'domains' or areas of measurement: Strategy, Stakeholder Engagement, Governance, Performance Management, Public Disclosure and Assurance. The results are published in FORTUNE International for the Global 100 and now lists using the same methodology are being published in a number of countries – such as Russia, South Africa and Hungary. A list based on a similar methodology was also published in China in 2006. Other country lists relevant to this project's Region will be published in 2007.

These domains describe the basic elements of good CSR practice and align with best practice as described by AA1000, the framework standard for social and ethical accounting auditing and reporting. Together, they set out the basic ingredients companies need to adopt if they are to create long-term economic value and play their part in sustainable development:

Strategy requires a company to recognise its main social, ethical and environmental impacts and describe relevant targets and objectives relating to these impacts and that integrate with the core business strategy.

Stakeholder Engagement looks for systematic dialogue processes with those who have the ability to influence a company's operations or may be affected by its business.

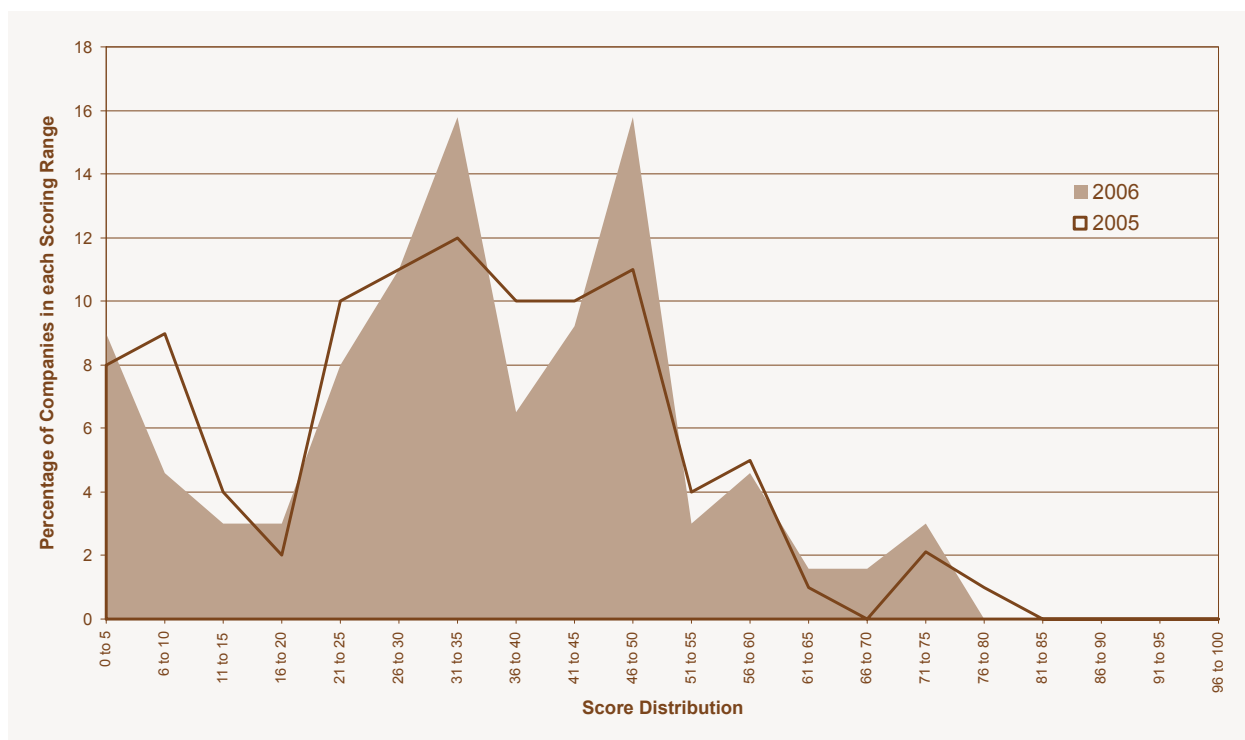
Governance looks for clear accountability for CSR policies and performance, leading from the most senior levels of the organisation.

Performance Management looks for processes, standards and incentives to achieve social and environmental goals, as well as financial ones.

Public Disclosure looks for evidence of reporting on the company's social and environmental performance, as transparency about policies and performance is regarded as essential for any responsible business.

Assurance looks for internal and external processes that build the credibility and effectiveness of CSR processes and reporting.

* See accountabilityrating.com



Results for the Rating are expressed as a percentage and, as context, overall in 2006, the average Accountability Rating™ score was 34% amongst the large global companies included in the benchmark. This was a measure of the ‘actual’ picture amongst large global companies which were selected on the basis of their size, regardless of existing knowledge regarding their CSR practices. Although there has been an overall trend of improvement in scores in this group, compared to previous years, there remains compelling evidence that even the largest global, multinational companies have a long way to go in demonstrating a responsible business practice.

On average, these large global companies scored highest on Strategy and Public Disclosure. The weakest domain, by some distance was Assurance.

The results of the 2006 Rating can be translated into four stages of development for corporate accountability. Some valuable themes emerge within each of the four stages, which we have termed as: ‘Bystanders’, ‘Participants’, ‘Challengers’, and ‘Leaders’.

Bystanders

Amongst the global companies, Bystanders are those that are disengaged from the concept of accountability beyond the responsibility to generate profit for shareholders and generally score below 15% in the Rating. They consciously or unconsciously have chosen to ignore the growing trend in business to accept more responsibility for the social and environmental impacts of the company. Frequently, this lack of action is the result of an unproven business case that appears to conflict with the primary responsibility to shareholders.

This is not to say that these companies do not have well-established risk management systems that account for non-financial issues, but these companies are not holding themselves accountable for the impacts of these risks beyond the bottom line. There are also many examples within this group of charitable actions, but these actions are not conducted in a strategic fashion that reflects the highest priorities of the company and the company’s stakeholders. The result is most often ad hoc and reactive donation of money and materials to ‘fix problems’ rather than proactive initiatives to address fundamental needs.

The key accountability challenge for bystanders is to engage in the debate. These companies need to demonstrate that they recognise the impacts of their business and to discuss their response in a transparent manner. For most, this means producing reports describing non-financial impacts, performance and the means undertaken by the company to control them.

Participants

These are companies scoring between 15 and 40%. Participants are companies that are addressing CSR issues within their normal business framework integrating the views of a limited number of traditional business stakeholders such as employees, customers, regulators and shareholders. The result of this narrow scope of engagement is that less traditional risks and opportunities presented by the broader range of stakeholders can be missed. Similar to Bystanders, the Participants have not established a strong business case to engage with those groups that do not have a direct and quantifiable impact on the business.

The challenge for Participants is one of investment. It requires time and capital to create the systems, structures and tools to identify, engage and respond to non-traditional stakeholders. Particularly challenging is that the business case for making this investment is frequently difficult to establish. The result is that the commitment to expand the CSR agenda has some elements of faith – faith that the investment will translate into financial benefit through operational efficiencies, reduced fees, enhanced customer base, lower liability, greater investment potential, etc. The most successful companies understand their own principles and priorities and select only those aspects of the CSR agenda that can be matched to the ethos of the company.

Challengers

Challengers are highly engaged companies that are taking a rational approach to identifying stakeholders, developing engagement mechanisms to determine specific issues and progressing the response and score between 40 and 60% in the Rating. These companies are not content to conduct 'CSR for CSR's sake', rather, they have accepted that CSR is beneficial and are identifying the value in particular initiatives and approaches. For many Challengers, these rational systems are in the developmental phase and will progress based on interaction and feedback from the stakeholders.

Challengers face two significant hurdles to improvement. The first stems from the development of the systems to drive continuous performance improvement for non-financial aspects. These systems need to be developed to address the needs of both the company and its stakeholders. Perhaps more importantly, these systems need to

adapt to take into account the integration of relevant stakeholder feedback and elements of organisational change. Finally, to take advantage of opportunities presented by stakeholder feedback, the systems need to integrate the assessment of materiality. The result will be a process that assesses important issues to the business (or its stakeholders), adapts company strategy to shift focus appropriately and changes the organisational culture to take advantage.

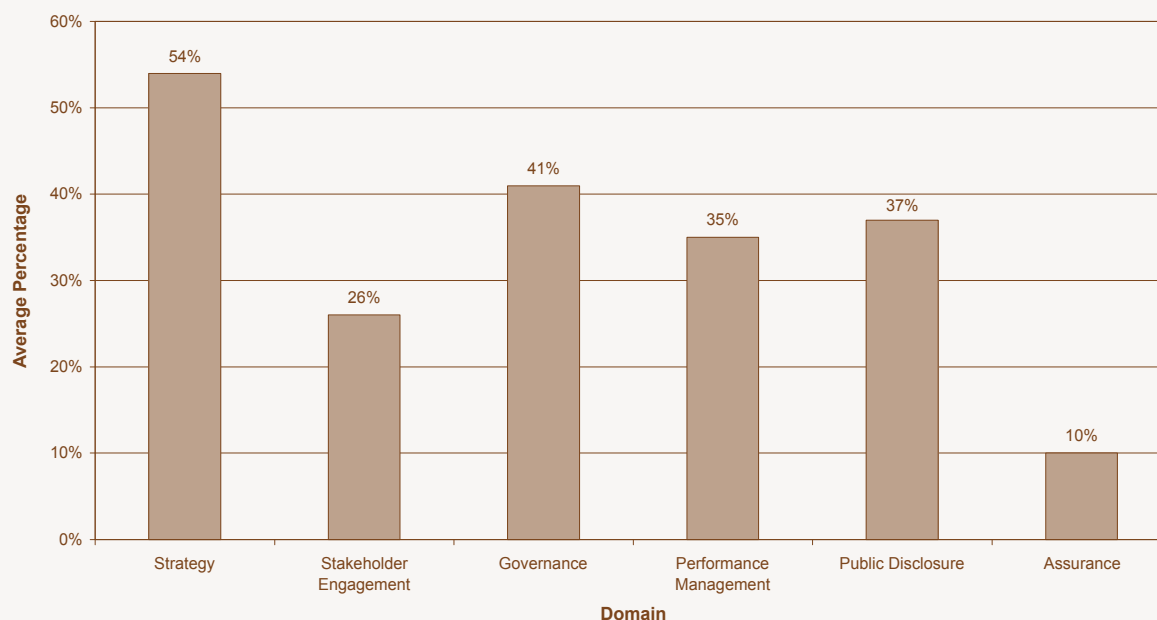
The second major hurdle for Challenger companies regards the interplay between global and regional operations. Non-financial consideration is typically initiated at the global level in large organisations. The frequent outcome is that regional performance does not match the systems and commitments from corporate headquarters. The challenge is then created to introduce a level of accountability that crosses cultural and geographic boundaries to achieve performance against consistently rigorous standards.

Leaders

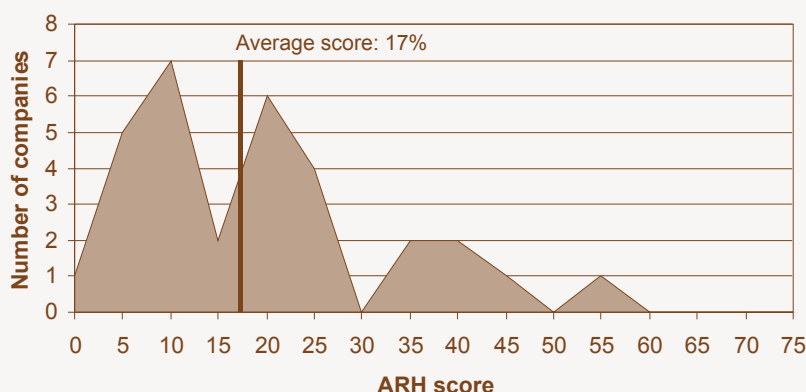
Leaders typically score over 60% in the Accountability Rating and are well on the way to having these advanced management systems for non-financial performance in place. As a result, these companies are well-positioned to recognise and exploit trends presented by wider stakeholder movements. For the most part, Leaders are highly innovative companies with established business strategies that are designed to address societal needs. These companies do not 'make a profit and benefit society', but rather 'make a profit because they benefit society'.

Despite the opportunities presented by a leadership position in accountable practices, these companies face perhaps the

Overall average score for each domain in G50+ in 2006



Distribution of the scores of ARH2006



greatest challenge of the four categories. This is the challenge of preventing the next accident, wrong-footing or missed opportunity. Some of the top performers in the 2006 Rating have recently had significant issues where even with highly developed and progressive management in place, mistakes have occurred. For these companies, which generally have highly regarded reputations, these mistakes are highlighted in bold in the public eye. They reflect on our ability to trust even the most trustworthy companies and they bring into question our ability to ever accurately assess their accountability.

In 2006 the Accountability Rating was also applied in Hungary. For comparison purposes that may be useful for this survey it may be interesting to look at the Accountability Rating results from one of the countries that has been surveyed in this research as well. The average score of the Hungarian assessment was 17%, this chart shows the distribution of the scores attained by the H30+ in 2006.

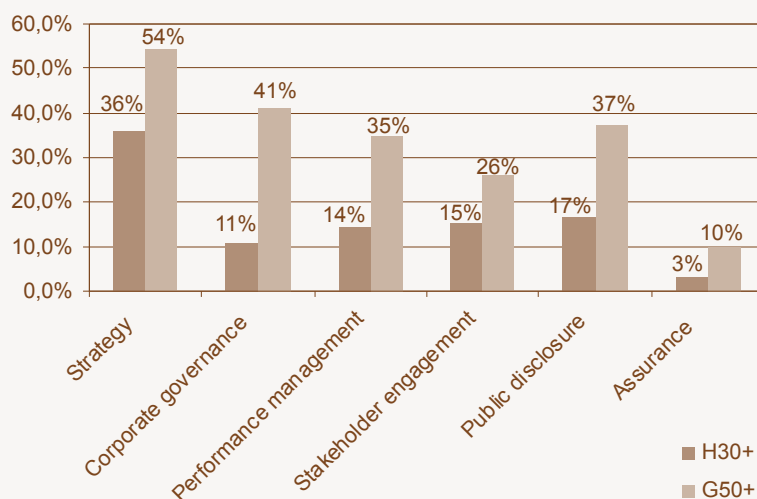
The Hungarian average score (17%) is well below the global average (34%), which shows that corporate responsibility issues have relatively recently arrived in Hungary however CSR uptake is happening quickly. As an example, the first international non-financial report was born in the 1970s, but in Hungary, the first EHS-report (Environment, Health and Safety) was published only in 1996 by MOL the Hungarian Oil and Gas Company. At the same time the relatively small difference between the rank-leaders (HU: 52% and G:72%) shows that progressive Hungarian companies are catching up with the international level at a rapid pace.

Comparing the results of the domains, the smallest difference is in the Strategy domain. The the Stakeholder engagement results, confirm that systematic stakeholder engagement is uncommon in Hungary, just as internationally. The large difference between the Hungarian and Global results in the Corporate governance and Performance management not only mean that management systems of Hungarian companies fall behind those of the multinationals, but also that for Hungarian companies reporting and supplying public information is not yet common. Overall in Hungary, as well as internationally, third party assurance is not yet widespread.. Most assurance of Hungarian non-financial reports did not

comply with the criteria of the methodology.*

The international expert team for this baseline project are experienced in applying the Accountability Rating™ internationally. They used it as the basis for directing the country level company research amongst the NETs, as it is a generally applicable framework which is widely recognised. It focuses on measuring 'actual' rather than 'best' practice, which was important in building a baseline in the Region.

Comparing scores in different domains



* Quoted from the Accountability Rating Hungary Report 2006.
For the full report see www.arhu.hu

The framework for the 6 domains was used to gather information about the state of development of CSR practices in companies in the Region. Each of the NETs was asked to interview in the order of 40 companies, each using a similar approach to i) selecting the sample of companies and also ii) gathering and recording information on company practice – using a methodology developed by the IET. The intention was to gather reasonably objective information regarding the level of engagement displayed by each company against similar headings to those that underpin the Accountability RatingTM. The methodology did not use the Rating methodology itself, which is currently proprietary and is based solely on information placed in the public domain by companies. It was recognised that such an approach in the Region would yield very limited scores given the low level of public disclosure.

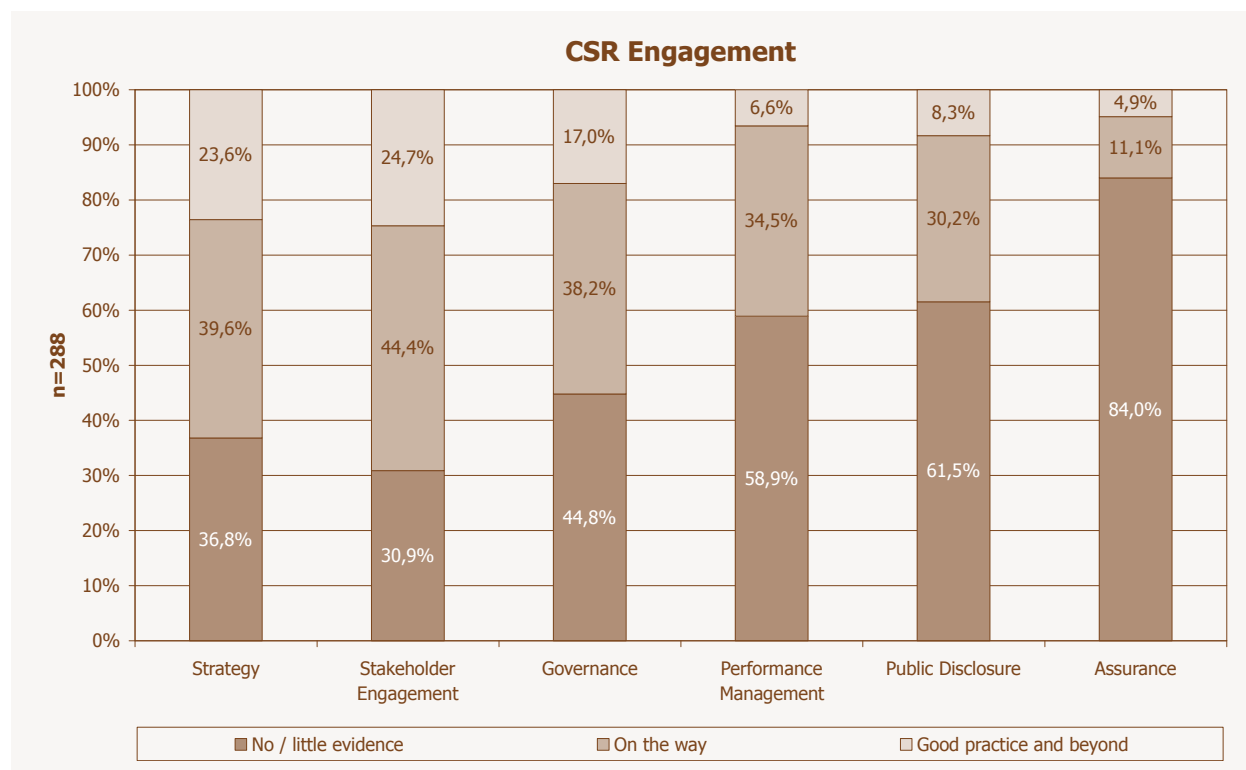
For each of the six domains, the NET recorded whether the company displayed 'no/little evidence of engagement', was 'on the way' or exhibiting 'good practice and beyond'. The IET provided scoring guidelines and met with each of the NETs to discuss the approach. Where possible, the IET joined each NET on a small sample of company interviews, which gave the opportunity to practice the approach and discuss the scoring approach. Each NET was asked to provide written feedback on a sample of company scores, allowing

a moderation process to be undertaken with a view to increasing inter-county consistency.*

In addition, the NETs gathered information regarding company uptake of significant initiatives and standards and also whether the company was producing CSR related reports. This information was intended to supplement the desk research that had already been undertaken at a country level. Comparing and contrasting company level data on reporting, standards and initiatives against country level data (generally gathered from public domain sources) provided an opportunity to assess the reliability of information gathered through interviews.

The overall company results for the six domains are presented below. The differentiation between 'no/little evidence', 'on the way', and 'good practice and beyond' draws upon the methodological guidance set by the international expert team and is explained in Annex 2. The percentage falling in each category of the chart represents the proportion of the main sample of companies interviewed in all eight countries, displaying each level of development for that domain.

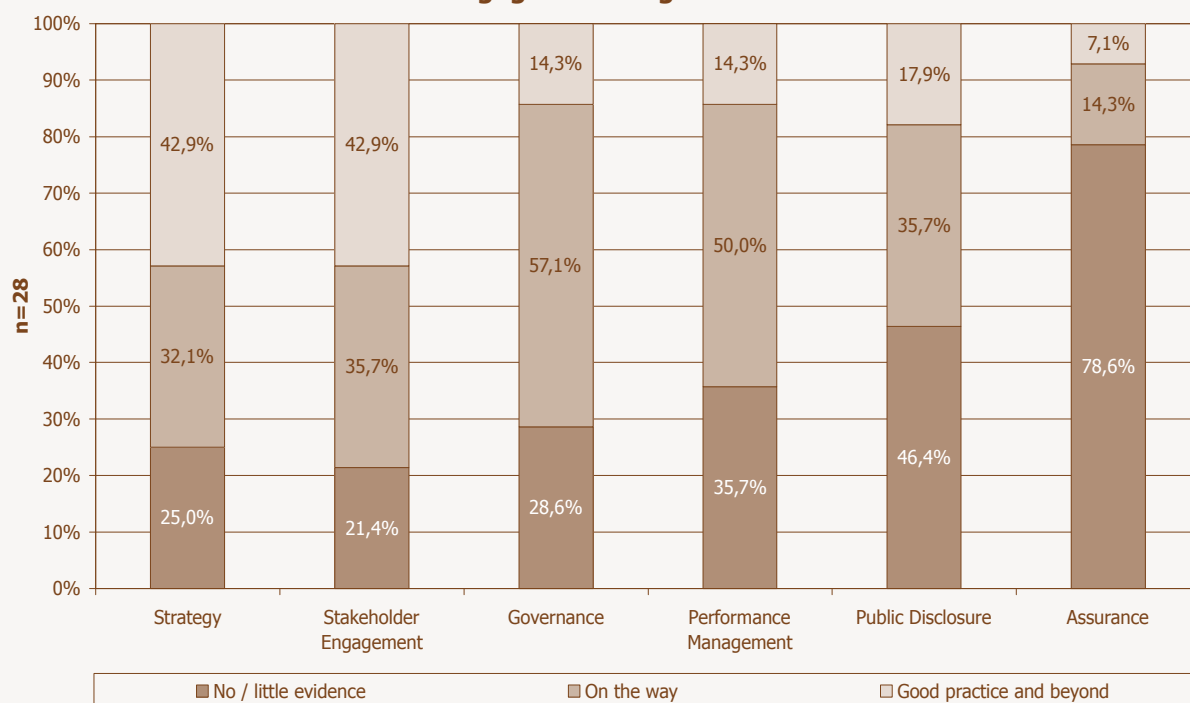
This chart provides an initial basis for measuring the company response to CSR** in the Region, but it must be interpreted with caution. Despite the best efforts of both the IET and the NETs, dif-



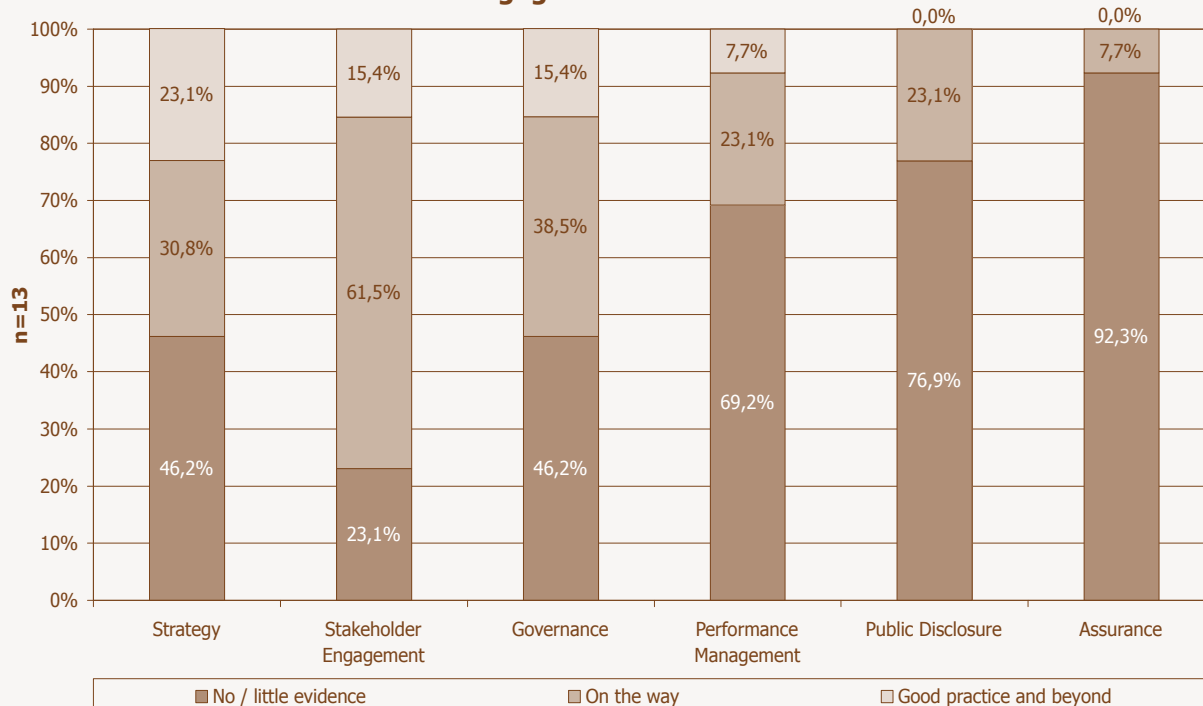
* See Annex 2 for more information on sampling and scoring.

** Annex 3 provides an overview of the Regional company sample, in terms of size, ownership and sector.

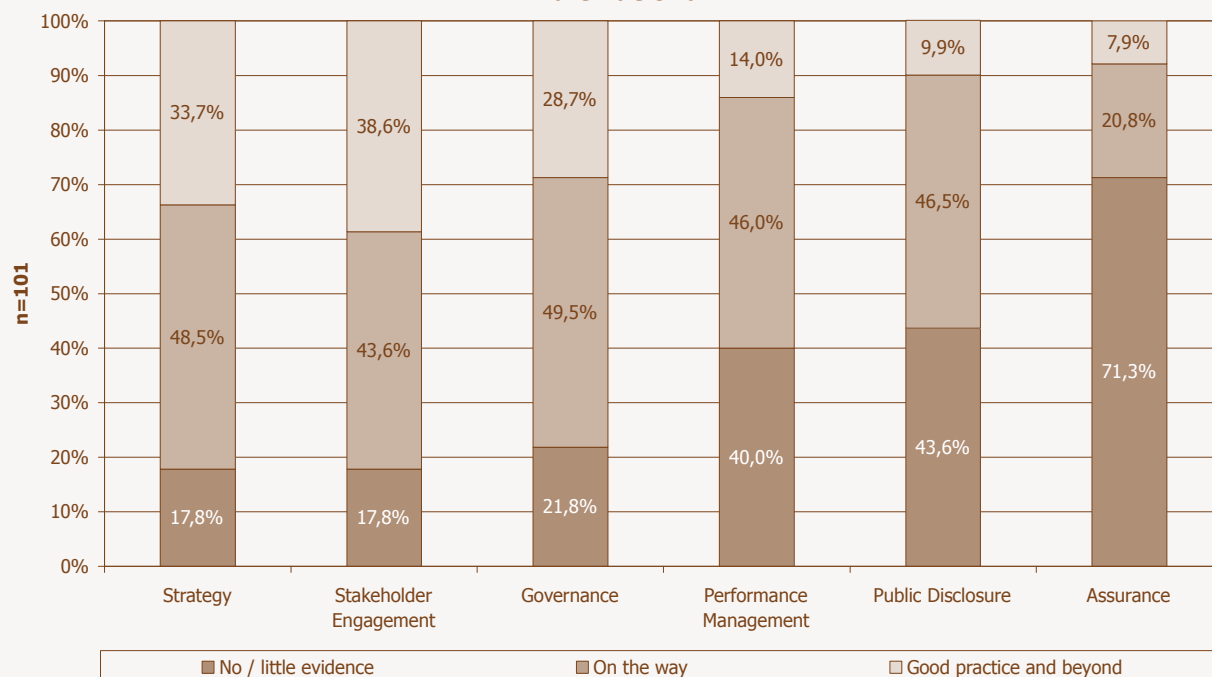
CSR Engagement - Agri-business sector



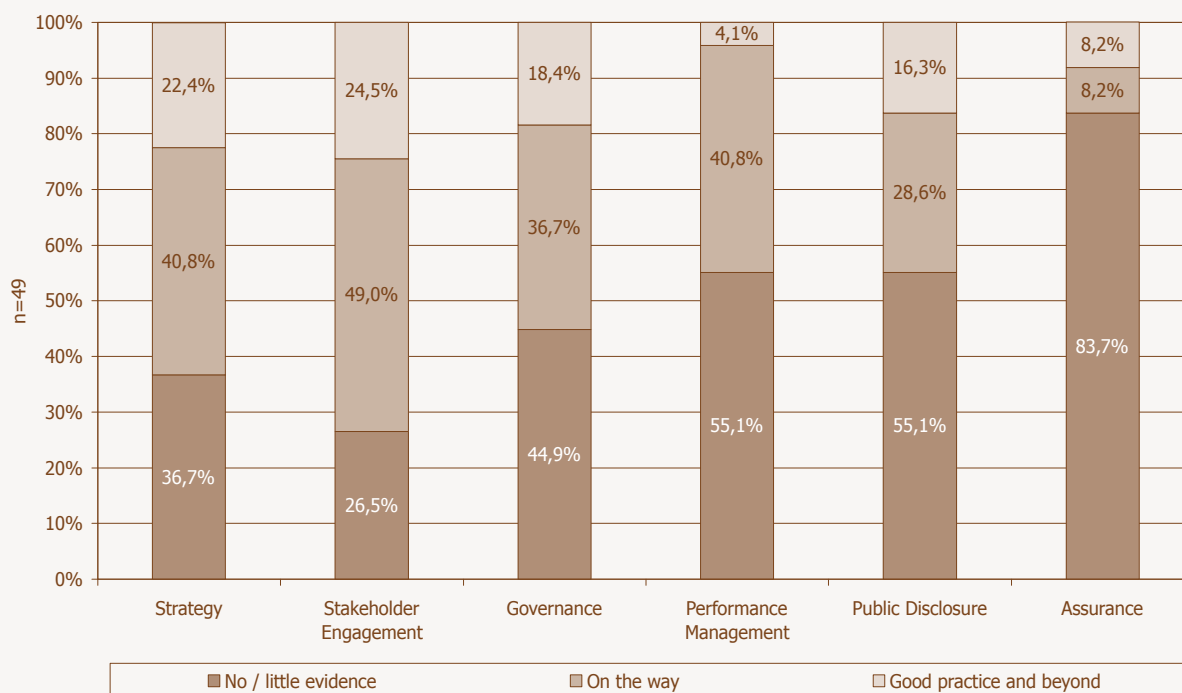
CSR Engagement - Extractives sector

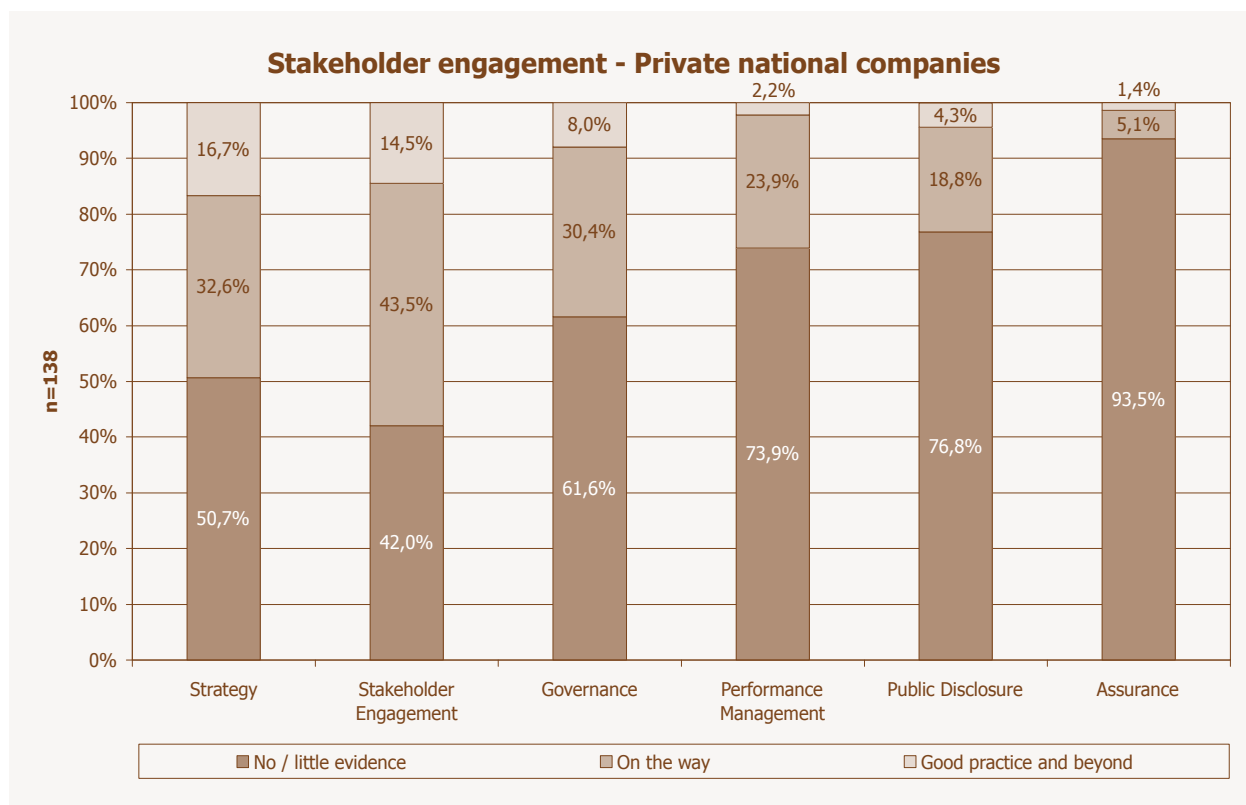


Stakeholder engagement - Private companies - subsidiary of multinational



Stakeholder engagement - State-owned companies





ferences remained in the approach to sampling and interpretation of the scoring guidelines.

Although considerable efforts were made to achieve mutual understanding regarding this measurement approach, we do not believe this goal was fully achieved. For example, some NETs were more successful than others in gaining information from companies that had limited CSR practices, or who were simply reticent to be interviewed. So the representativeness of the sample varies and is, in some cases, skewed towards better practice in a country. There was also evidence of a significant variance in understanding and inclusion of practice standards between the NETs. A few NETs, for example, included practices and certifications of MNCs at global levels, whereas other NETs to exclude these, although guidance on interpretation had been provided. We do not believe that such differences were entirely managed through the moderation process. Great caution should therefore be taken in assessing company engagement data, in particular at the country level data.

A simple, but significant finding from this exercise is the pressing need to build and promote a mutual understanding of how to measure CSR practice at a company level across the Region. However, this observation is unlikely to be restricted to the countries involved in this research. This is a general problem internationally driven in part by different cultural and business backgrounds and different stages of the adoption of various CSR practices.

Nevertheless, the summary data from 288 companies across the 8 countries provided some insight into the baseline. The overall results suggest that companies interviewed in the region are more

open to the concept of expressing a CSR strategy and engaging in dialogue with stakeholders. There appears to be less uptake of CSR related governance, performance reporting or public disclosure – and very little assurance.

The NET data reveals differences between sectors –for example, the Agri-business (28 companies) sector seems to be more engaged than the Extractives (13 companies):

Not surprisingly, company ownership strongly influences CSR uptake as foreign and, perhaps surprisingly, state ownership generally appear to be a driver.

■ DOMAIN ANALYSIS

■ STRATEGY

Strategy

An effective CSR strategy gives a company a framework for managing all of its CSR challenges, and is the starting point for an effective CSR programme. More than this, it puts responsible practices at the heart of corporate decision-making by ensuring that core business strategy reflects the organisation's CSR objectives.

Definitions of the term strategy vary, especially when applied to CSR. Some see it as an overarching statement of intent; others as a code of ethics. This study takes a practical view, and sees strategy as the path towards achieving a particular vision. This encompasses not only the organisation's high-level goals, but also the existence of plans for achieving them.

Integrating CSR issues into core strategy helps the organisation manage a wide range of current and future risks, and enables it to spot and exploit opportunities that might otherwise remain hidden – for example, to develop new products and services or gain access to new markets.*

* The boxes that precede each domain description are adapted from 'CSR – A practitioners guide', by csrnetwork, due to be published by IEMA, UK 2007.

In our experience, the development of an effective CSR strategy is the initial step towards a greater corporate commitment to CSR for most companies.

The company data shows that across the Region there are many that have actively engaged in CSR by developing a CSR strategy. The CSR strategies employed by firms in the participating countries take many different forms however and are dependent on a number of factors, including the local context for understanding of CSR that prevails in a specific country.

The Croatian approach to scoring resonates across many NET countries. A relatively high proportion of the main sample has been rated as "on the way" in this category, based on their explicit mention of CSR in core documents (mostly mission/vision statements) and companies' profiles, although further evidence of incorporation of these statements is lacking. Nonetheless, the NET felt it would be unfair to rate them as "no/little evidence", given that in the Croatian context of emerging CSR awareness, recognition of CSR as relevant to business strategy development is considered a significant step forward.

Larger companies and subsidiaries of multinationals tend to have a more de-

tailed and sophisticated understanding of CSR which is reflected in the quality of their strategies. Some medium sized and state owned enterprises have relevant activities, even though they might not explicitly label them as "CSR", and so the absence of a specific strategy that links to the core business strategy does not necessarily mean that a company is doing nothing.

For many companies in the Region, the first step towards more strategic CSR seems to be the development of a formal code of conduct.

For example, **Magyar Telekom Co.** (Hungary) has developed a Code of Ethics which has to be acknowledged by all employees. **Constructus**, a Lithuanian construction company employs a policy called "Our Way of Work", which outlines an open, transparent, ethical working environment, and tries to motivate to seek the best quality and professionalism.

US Steel in the Slovak Republic summarises the significant value of a Code of Conduct for CSR activities as follows:

Denso Manufacturing Hungary Ltd

Denso aims to place CSR (Corporate Social Responsibility) at the core of its business management. In April 2006, they announced their new CSR policy called "Denso Group Declaration of Corporate Behavior" as a guideline for corporate activities. It establishes what Denso can and should do for each of its key stakeholder groups, including customers, suppliers, shareholders, investors, local citizens and employees. It shows a commitment to taking the initiative in contributing to building a sustainable society. To distribute this declaration to all group employees, Denso launched a "CSR Promotion Committee" and a "CSR Promotion Centre".

The development of a Code of Conduct can be seen as an effective start to a corporate commitment to CSR. However, an effective CSR strategy should ultimately be aligned with core business strategy and also reflect a company's awareness of key non-financial impacts arising from the company's core operations. For example, Orange Slovakia (see example below) has not only formulated business principles, but also states three other "pillars of its CSR activities".

Orange Slovakia has defined 4 pillars of socially responsible business: business principles, philanthropy and charity, rules for implementation of business principles into practice, reporting and independent audit. The business principles were formulated in 2002 and since then they have been a part of a programme of social responsibility across the Orange Group. CSR is based upon 8 principles defined against the Code of Conduct that was put into practice for Orange Slovakia in 2006. Three particular principles are stressed in the 2005 CSR report: respecting the needs of stakeholders, honesty and transparency.

Orange Slovakia created the Konto Orange in 2002. This fund mainly supports education, regional development, minority groups and various charity programmes. The company has developed several rules for putting business principles into practice. These deal with different aspects such as – methods of cooperation with providers, management of environmental aspects, health care and ethical standards expected from employees.

Reporting and independent audit is recognised as a fourth key aspect for CSR in Orange SK: "We are committed to execute the independent provision of our Reports on Corporate social responsibility in order to provide our shareholders with transparent and balanced explanation of our actions" (CSR Report 2005). (Adapted from NET Report Slovak Republic)

"They aren't just the words written on a paper. Everybody saw that if US Steel published Code of Conduct, management keeps and enforces it and that it is valid in good or bad times. As if you are living somewhere and you know that you can rely upon your neighbour".

▪ **STAKEHOLDER ENGAGEMENT**

Stakeholders are the people and organisations that affect and/or could be affected by an organisation's activities, products and services, and associated performance. Stakeholder engagement is the foundation of effective Corporate Social Responsibility. Of course, an organisation interacts with its customers, employees, suppliers and investors every day but few companies carry out systematic stakeholder engagement.

Through a carefully planned programme of engagement and dialogue, companies can learn about the perceptions and expectations of their stakeholders and can use this insight to manage and report on key social and environmental issues. Stakeholder engagement is therefore important for risk management and the protection of corporate reputation.

However, this is only part of the story – a systematic stakeholder engagement programme also provides new access to the expertise and ideas of stakeholders, so a company can build these into its core business strategy and decision-making, and gain competitive advantage as a result.

Compared to other domains, the variance across the region regarding companies' use of stakeholder engagement is very large.

Stakeholder engagement activity in the Region prioritises business stakeholders such as employees, labour unions, business partners and direct customers. Some companies also actively engage with municipality, government or other organisations on regional development, sectoral development and education. However, these interactions rarely take the form of two-way communication or, indeed, dialogue that is specifically designed to yield information about social, environmental and ethical expectations.

The survey results suggest that stakeholder engagement is understood differently across the Region – for example, the NETs had diverse views on whether normal customer satisfaction data, in its own right, constitutes 'dialogue'. There seems to be a wide spectrum of expecta-

Skopski saem DDO (Macedonia) is an interesting example of a company that established its CSR agenda through engagement with different stakeholders. The company consulted with the Ministry of Labour and Social Policy before allocating donations on the basis of the most pressing needs of the local community. The Ministry suggested an involvement in the scheme "Home – family" for raising orphaned children in foster families.

The company also consulted with the Centre for Social Protection Issues to identify socially vulnerable groups that should be invited to a New Year Eve gathering organized by Skopski saem DDO. This CSR activity arose from the need to create more positive social conditions, which was identified as a priority issue from the company's stakeholders (adapted from the Macedonian NET report)

tion regarding what constitutes an effective approach and this was reflected in the NET's scores for companies.

As the application of stakeholder theory is widely regarded as central to responsible business practice, this dilemma needs to be better understood, moving forwards. We believe the difference lies in the lack of mutual understanding regarding what is expected from a sophisticated approach to dialogue.

Having said all of this, many of the companies interviewed recognise stakeholders as very important to their business activities:

"We exist because of stakeholders, so it is the matter of survival to fulfil their needs and interests" (CEO, Service Company, Hungarian NET report).

British American Tobacco (BAT), Poland

British American Tobacco (Poland) has started a social reporting process under independent supervision from BVQI, called 'Social Dialogue'. Representatives of all institutions, organisations and social groups interested in the issues connected with tobacco products are invited to join the process.

The role of the independent expert is to ensure a high standard and objectivity in all stages of the process, which uses AA 1000AS as its basis. An auditor monitors the way the Dialogue is carried out, studies and verifies reports from discussion panels and compares the comparability of the company's answers and data presented with the actual report.*

In a series of meetings organised as part of the Social Dialogue 2006 representatives of over 60 institutions, organisations and social groups came together. These included: members of parliament and political parties; ministries and central state offices; non governmental organisations; medical communities; academic circles; local authorities; media (local and medial); tobacco planters, trade organisations as well as companies, business partners and employees. There were discussions concerning, for instance, the harmfulness of smoking among under-aged people; the need to counteract smuggling and the illegal tobacco trade; the necessity of further support for Polish tobacco planters; the need to educate and activate the unemployed as well as workers' issues.

The series of discussions will conclude with a publication of another, publicly available Corporate Social Responsibility Report of British American Tobacco Poland which will sum up the whole process.

* AA1000 AS is the Accountability Assurance Standard issued by AccountAbility (www.accountability21.net). It is based around three principles – materiality, completeness and responsiveness.

The specific role of Civil Society – principally through NGO dialogue – is noteworthy. From the business perspective, the value of a constructive social dialogue with NGOs is not very widely understood as a component of CSR. This contrasts with the experience of many Western European countries. In this Region, business interaction with NGOs is generally limited and focuses on “social projects”, where firms provide financial assistance. Businesses tended to report excellent relationships and are proud of their contribution to the formation of new NGOs. Those challenging company performance on CSR issues, generally are perceived to have little power are not considered to be constructive partners – they tend to be ignored. There is limited or no public funding for pressure groups resulting in a poorly developed ‘civil society’. Some companies had experience of NGO or media criticism, but the majority of interviewees felt only limited pressure from society to act more responsibly.

In Croatia some of the interviewed companies’ representatives reported that the incentive for more structured stakeholder engagement came out of specific crisis situations, such as community pressure in case of perceived environmental damage or direct action by the unionized labour. Others reported that an increased awareness of the importance of structure in their stakeholder engagement resulted from the transfer of good practices within the multinational groups of which they are subsidiaries (for instance in case where representatives of a Croatian subsidiary participate in annual consultation meetings of the group with a variety of stakeholders at the European level).

As part of its corporate programme, British American Tobacco has developed a stakeholder engagement process in Poland which many regard as an example of a best practice approach to dialogue. Some commentators however remain sceptical of the motives behind this approach, given the health effects of the company’s products on its consumers.

■ GOVERNANCE

In general, CSR is only seen as effective when it is founded on clear company policies and integrated at the highest level of the company. The understanding of the concept of corporate governance across the Region remains very diverse, and highly dependent on factors such as the legal structures, other company law and relevant codes and standards. In many cases, the concept of good corporate governance has not yet gained a practical understanding or uptake. As a result, the interpretation of what effective CSR governance means also varies greatly across the region which is, again, reflected in the company interview results.

These days, stakeholders demand that governance frameworks apply to corporate social responsibility as well as the company’s financial interests. Board directors should be accountable for the company’s social and environmental impacts and its long-term sustainability. They should balance financial goals with ethics, and that demands that they understand and consider CSR issues when running the company and formulating corporate policy.

Based on the feedback from NETs it is difficult to judge the coverage of policies, whether a company has really assigned responsibility “at the highest level” in the organisation or if simply “someone” has been appointed with responsibility for CSR issues. For example, the Polish NET Report states that in most researched companies, the qualifications of the person dealing with CSR are related to Public Relations as a CSR unit is located in this department. Activities connected with social responsibility are then appraised by a Communications Director. Only four researched companies have a CSR specialist, including one company which has a CSR person from the management board.

At this stage, it seems that company management in the Region has not generally accepted the case that CSR issues should be a core business issue. Some companies think assigning responsibility to individuals is counterproductive:

“We do not need such a corporate governance scheme, because CSR is the charge of every employee, primarily managers. I do not think it is useful to delegate CSR to specific positions – it would mean there are people who are responsible for CSR and there are others who are not. It is not the point. The mission and aim of company claim CSR to be generally valid for every employee and participant.” (CEO, Service Company, NET report Hungary)

The experience reported by the Lithuanian NET resonated across the Region, where only “A few interviewees confirmed that the board of directors or the director is responsible for the CSR at the highest level”: There was generally a difficulty in understanding the difference between board level ‘accountability’ for delivering policy, which we see as relevant to sound CSR governance and allocation of management responsibility (which was more common) which we see as relevant to performance management.

In the supplementary sample of twelve companies with declared CSR orientation in Croatia, there are three cases of direct and regular communication on CSR between Board members and managers responsible for the implementation of CSR programs or activities. In Pliva, the link is the president of the sustainability committee who is at the same time a board member, while in Hauska&Partner, CEO and other Board members from each national office sit on the CSR committee chaired by the Croatian CSR focal point, who is herself not a Board member. In Coca Cola Beverages Croatia (CCBH), the CSR Council, engaging CSR managers from each local company, advises the CSR Committee of the Board of the parent company. Holcim and Ericsson NT are examples of strong and fruitful two-way communication between Boards and CSR managers, resulting in regular consideration of sustainability and CSR issues at Board meetings even though there is no Board member specifically responsible for CSR. In both cases, sustainable development and CSR have already been integrated in the overall business strategy.

■ PERFORMANCE MANAGEMENT

Companies can use a variety of mechanisms for driving performance in their organisation, including formal and informal management systems. Where an auditable standard exists there is the option of seeking independent certification.

Whichever approach is used, good practice requires that there is clarity over the most significant CSR impacts, that responsibilities for driving performance are clearly allocated and that suitable improvement targets and objectives are developed. The most successful approaches integrate achievement of CSR targets into suitable incentives for management and staff.

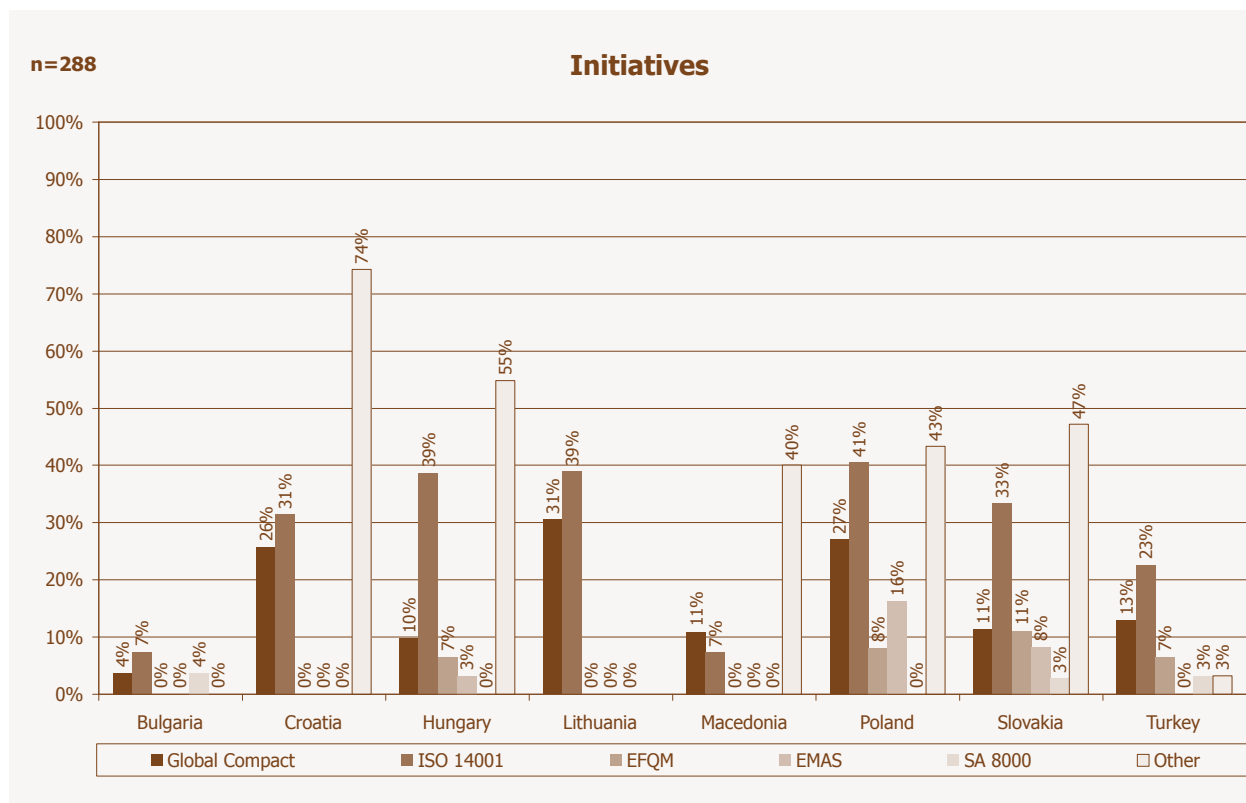
Many companies choose to align their CSR management programmes with a starting point for effective management of CSR performance which is often key voluntary standards or initiatives, making a corporate commitment to conform or comply. The graphs below outline the data gathered by the NETS on the uptake of certain initiatives in the Region. It is clear from this information that the

uptake of certain initiatives (especially the UN Global Compact and ISO 14001 – which is concerned with environmental management) varies widely across the region. However, standards such as EFQM (which has a significant component addressing social impacts), the EU EMAS (focussed on the accuracy of environmental disclosures) and SA8000 (concerned with labour standards in the supply chain) are generally much less popular across the whole region (with some notable exceptions). Slovakia, Croatia, Poland and Hungary note a high number of “other”, often national, initiatives were reported.

Opinions about the value of these initiatives are also very diverse across the region. While a number of companies reported positive experience from aligning with a recognised international initiative, others said that they do not consider commitment to voluntary initiatives to be beneficial. For example, the Lithuanian NET report observed that some companies see independent certification only as an exercise to get a certificate on the wall, without any other real benefits. These interviewees felt that having their own, tradi-

tional way of dealing with CSR relates issues should be sufficient – they did not need to apply the label CSR. Other respondents felt that having an environmentally focussed initiative such as ISO 14001 is enough and that no additional commitment to wider initiatives, like the Global Compact, would be necessary. Smaller and state owned Hungarian companies claimed that attain-

Performance management drives an effective CSR programme. It is about making CSR a reality by getting a company to change – at management level and below, across business units and regions, and in daily business-as-usual operations. For this reason, it usually demands a lot of time and effort. But without it, new initiatives will be ineffective and eventually fail altogether. Effective performance management requires clear lines of management responsibility for CSR performance, appropriate incentives and support for staff, and solid management systems.



Holcim (Slovakia) is a major producer and supplier of concrete, cement and stone mainly for middle and eastern Slovakia. They have one concrete production centre in Rohožník employing around 300 staff. Their CSR coordinator sees that the primary goal of Holcim's business strategy is to create value for all its stakeholders. This means for employees, suppliers, consumers, as well as for communities living in the around the production operations. This strategy is based upon 5 'mindsets' among which are explicitly and separately mentioned 'corporate social responsibility' and 'sustainable environmental performance'. The company's environmental policy is built upon four pillars that are common across the Holcim Group: management systems, effective use of resources, decreasing the environmental impact, and relationships with stakeholders. The formal documents that manage the policy in sustainable environmental performance are an integrated approach of QMS, EMS, and HSMS. CSR and sustainable environmental performance are understood as a necessity on the one hand, on the other as tool that helps to build competitive advantage.

Adapted from the Slovakian NET Report

ing and maintaining certifications is too costly (the certification fee is too high), and that their national market does not appreciate it if a company achieves the standards.

As an effective tool for CSR performance management, certifiable international standards are more often used by multinationals operating in the Region. When questioned, a number of other companies viewed "performance management" as being more connected with – "pro-social activities, strategic partnerships as well as an extent to which individual stakeholders' expectations are incorporated in the overall management strategy" (Polish NET report).

There does not appear to be a lot of evidence that CSR goals are integrated into daily tasks and routines. A large number of the companies interviewed do not have defined procedures, monitor their performance, or apply relevant CSR related goals. There was little evidence of internal employee management or staff being incentivised to meet policies and for example through bonuses and other rewards. For example, Coca Cola Beverages Hrvatska (CCBH) is the only company surveyed in Croatia with integrated CSR objectives in the executive performance review, as evidenced by the annual business review of leadership competencies in 2007 at the level of parent company, including Croatian executives. The company's management processes are standardized (ISO 9001, ISO 14001, OHSAS 180001 and Coca Cola quality system TCCQS), and supervised by the quality management unit. Annual external audits are conducted in regard to ISO 14001 and TCCQS standards.

Overall, it can be concluded that one of the main obstacles to progress in the Region is the absence of a systematic application of the CSR strategy through effective performance management systems. With notable exceptions (see below), if companies recognise CSR as a relevant issue it is most commonly seen as a possible vehicle to achieve positive PR rather than

a strategic tool to manage social, environmental and ethical performance.

Only a few companies communicate strategic CSR goals, and benchmarking and systematic monitoring of performance is generally not absent. Companies seldom put efforts into financial estimations of costs and benefits.

▪ PUBLIC DISCLOSURE

The NETs' reports revealed conflicting stories about the uptake of reporting. On the one hand, their desk research revealed startlingly low levels of reporting from public domain sources. On the other hand, company interview research sug-

gested a greater level of CSR disclosure activity. This anomaly requires further investigation, but it is likely that the overall level of Reporting in the region is still very limited. Where companies do report, only very few use an internationally recognised standard in developing their reports (see graphs below). With notable exceptions, a key driver for subsidiaries of MNCs is where the parent company publishes a global report. In these cases it is common for data to be provided to a Group centre, but not to produce a local country or regional report.

The economic and political history of much of the Region may explain the reticence to report:

"Public disclosure has been a subject of changing mentality, largely attributed to changing market conditions during the transition period. In the past, business avoided publicity. Secrecy was a norm due to a non-compliance culture in the context of a fragile and unstable economic environment. Rapid, hasty and sometimes ill-considered reforms provided many gaps for corruption, tax evasion and poor institutional capacities.

These days the situation is changing. However, there are still some legacies of the previous mentality, which impede the progress of public disclosure related to CSR. Nevertheless, the move towards

Being transparent about important CSR issues and reporting on a company's CSR performance can be the route to securing many of the potential benefits of being a responsible corporate citizen. It can help to win the trust of stakeholders and set an organisation apart as an accountable business.

Increasingly, for many global companies, the primary channel for disclosure is a CSR or sustainability report using the sustainability reporting guidelines developed by the independent Global Reporting Initiative (GRI), and the AA1000 series of standards for social accounting, reporting and auditing published by international think-tank AccountAbility (the Institute for Social and Ethical Accountability)**. Only a few companies are yet equipped to report against*

* www.globalreporting.org

** www.accountability21.net

CSR Reporting Motives

Strategy deployment

- Implementation of global SD/CSR strategy, requiring performance monitoring according to corporate standards
- Manifestation of company's traditional commitment to sustainability and strong external communications

Reputation

- Communication of corporate legacy of high labour standards to new co-owner
- Environmental risk management
- Public presentation of environmental investments and accumulated expertise
- Extending public awareness of company's CSR efforts beyond company's philanthropy

Organisational learning

- Improving employee awareness on company's CSR programs
- Review and strategic integration of CSR practices
- Structuring of corporate giving program
- Group's CSR strategy development
- Curiosity matched by leadership support

CSR Reporting Benefits

Reputation

- CSR as a significant component in consumers' trust in corporate brand
- Enhanced employee loyalty
- Positioning within emerging CSR community of practice
- Further market differentiation

Program and system development

- Increased employee CSR awareness
- Organisational structuring of CSR
- Code of Business Ethics
- Structuring of corporate giving
- Enhanced organisational learning
- Development of CSR governance (specific policies, organisational structure) and transformation of corporate culture
- Greater focus on community partnership programs
- Improvement of overall management systems in line with integrated sustainable business strategy
- Enhanced interdepartmental coordination related on CSR
- Synergy and positive effects on parent company's CSR strategy and reporting

Stopanska banka AD – Skopje is one the most active participants in the Macedonian network of the UN Global Compact, undertook comprehensive activities to implement the ten socially responsible principles to which it committed itself. Thus, CSR was not only included in the values and the mission of the company but became an integral part of everyday business.

The Bank reviewed each of the principles in light of its business operations in order to determine their relevance regarding the specific business activities. In the areas that were identified as affected by some of the principles, practical steps were taken in order to translate the commitment into action. For example, the principles were included in the code of ethics of the company.

Furthermore, the Bank established a system for measuring its performance in implementing the Global Compact by tracking the outcomes of its CSR activities.

The company is also a leader in CSR reporting in Macedonia, as it not only publishes a communication of progress in the implementation of the ten principles, but it also includes information on its CSR programme in the annual financial report. Information on CSR, which is available on-line, is discussed in the board and is adopted by the shareholders assembly.

The leading position of the company in this area is seen as a natural outcome of the management's commitment and support to the concept of corporate social responsibility. In this regard, a significant contribution can also be attributed to the cooperation with international financial institutions (EBRD and IFC), which require compliance with the standards.

Macedonia NET Report

transparency is accelerating due to a more or less stable economic situation, increasing intolerance of non-compliance from society and other businesses. Therefore there is a clear need to be transparent and accountable in order to ensure a good company image" (Lithuanian NET report).

However, the uptake of a CSR reporting process itself – especially when undertaken in a systematic, collaborative manner – serves often as the turning point for the introduction of a more systematic approach to CSR. For instance, the preparation of the first social report based on the GRI methodology has motivated a leading Croatian oil and gas company to structure its corporate giving into a transparent public call for proposal. The company has also set up a permanent cross-departmental CSR working group in charge of reporting and proposing CSR initiatives, such as the Corporate Code of Ethics. In the case of another CSR reporting pioneer, a local branch of a global sectoral leader, the enthusiasm and innovativeness of the local management, led by the corporate communications director with special interest in CSR, has impacted the quality of reporting of the entire Group, stimulated ISO 14001 certification and resulted in the formulation of several specific corporate policies, including the first corporate HIV/AIDS policy in Croatia. The following table presents key motives and benefits of CSR reporting as described by seven interviewed companies' representatives (Croatian NET report).

• ASSURANCE

Accounting failures, corruption scandals, environmental disasters and supply chain malpractice have all taken a heavy toll on public faith in big business, internationally. In response, companies are looking for ways to restore the trust of their stakeholders. Gaining independent assurance of a CSR report and other aspects of the CSR programme can be a vital step in that process. It can give stakeholders confidence that a companies activities have been subject to proper scrutiny.

A small but fast-growing number of companies are now seeking third-party opinion on their reporting. However, the assurance statements that appear in their reports still tend to be limited to verification of data. Few companies have yet been bold enough to seek broader comment on whether, and how well, their report addresses the issues that really matter to stakeholders. From a best practice view point, meaningful assurance is about checking not only that the information in a report is right, but also that the right information is in the report. Only then will assurance instil the trust companies crave.

In a CSR context, assurance is usually applied to an organisation's public CSR or sustainability report. However, it can also be applied to other CSR activities including management methods, data collection systems and stakeholder engagement processes.

Uptake of independent report assurance continues to increase. According to the 2006 Accountability Rating*, published in Fortune Magazine in October 2006, 25 out of 64 Fortune Global 100 companies rated used some form of assurance, with nine of the top 10 companies publishing independent assurance statements within their reports.

The research methodology focussed on AA1000AS, the AccountAbility Assurance Standard, as it is the only widely recognised and internationally applicable assurance standard which is focussed on CSR related issues. Its adoption is growing amongst leadership companies, particularly in Western Europe – it is seen as an indicator of best practice.

Again the great variation in results across the surveyed countries can be explained by certain countries having included assurance statements of MNE's global reports whereas others did not. From the company research, it was largely only the Multinationals that included assurance in their CSR reports.

The concept of assurance is generally not very well known yet and many respondents mentioned that neither customers nor companies believe in the credibility of assurance:

"I do not claim international standards are all eye-wash, but they are just something to tick off, they are mainly worth to assurance and consultancy firms. I think

CSR is not measurable in this "tick off" rate." (Communication Executive, Service Company, Hungary)

Although many companies are not familiar with the benefits of obtaining assurance, nor the relevant standards or reputable assurance providers, the situation may be changing in the Region. Companies supplying abroad are increasingly using assurance related practices to satisfy international company's requirements.

* www.accountabilityrating.com

■ SUMMARY FINDINGS

This research suggests that, in most of the project countries, it is more often foreign, multinational companies with long-term commitments to local and global economic success that are the key corporate drivers of the social agenda. These companies have, in most cases, applied general standards of corporate governance, transparency, management systems and operational tools, as they have imported their models of corporate social responsibility and applied global standards of business operation to local operating companies.

In most countries in the Region, CSR is generally seen as an addition to the core business activity companies, and is often connected with philanthropy and sponsorship. It is not seen as central to risk management and stakeholder relationships.

While many companies in the Region have adopted CSR strategies and are involved in forms of stakeholder dialogue, the absence of a dynamic civil society movement currently limits the ability for stakeholder opinion to help shape strategy.

The trend towards clearer corporate governance that has swept through other markets internationally (e.g. Western Europe and the USA) has generally led to CSR being formally embraced within company structures – leading to an increase in clarity regarding responsibility and accountability and on how policies will be delivered. Generally, in the Region, companies have not yet adopted similar structures for CSR, formally allocating responsibility for delivery on CSR priorities.

Some of the market leading international companies operating in the Region have developed or adapted CSR strategies for the local market and have begun local reporting on CSR/SD issues. However, most of the multinational companies which are aware of the importance of public disclosure, still only report globally. Local operating companies in the Region, typically only collect and feed data into the central system. Generally relatively little information on policy and performance on CSR is published in the Region. Transparency is widely regarded as a core component of CSR.

One of the main obstacles to progress in the Region is the absence of a systematic application of the CSR strategy through effective performance management systems – whereby processes are put in place to deliver improvements. Some internationally recognised standards are being adopted although their uptake is generally patchy.

The concept of assurance (formal or otherwise) for CSR processes and reporting has not yet taken off in the Region. This reflects the trend internationally although, year on year, more global companies adopt assurance practices for CSR with the aiming of building credibility and driving improvement.

■ OVERVIEW OF THE REGIONAL BASELINE

■ DEVELOPING COUNTRY LEVEL INDICATORS

The core objective of this project was to describe the baseline for CSR in the Region. The findings compiled in the earlier Sections of this report fulfil that brief, at least from a qualitative point of view – we have described the current status in each of the countries, using a common structure.

We were also asked to propose country level performance indicators as part of our work, which is a much more challenging task. To fulfil this part of our brief, we tried to stand back from the detail of the research findings and propose the basis for a relatively simple approach. Our goal was to try and summarise the baseline through a series of simple measures allowing longer term measurement of progress in the Region – and potentially elsewhere.

Perhaps more controversially, identification of a set of candidate measures enabled us to describe a wide spectrum of country level performance, either real or imagined and apply them to the countries in the project Region. For example, comparing the practice in countries where CSR is just taking off, to the different picture that can be observed in countries with a more substantive experience. In this way we might describe a developmental path towards best practice internationally, and even imagine what a leadership position might look like, beyond current best practice.

As this overall project is concerned with ‘accelerating progress’ we believe a clearer description of such a developmental path, using country level indicators, could go a long way towards fulfilling that goal as it supports the creation of an agenda for change in the Region.

Our initial thinking is described in this Section and although we believe our proposals have considerable merit it was neither possible, nor appropriate to close out all the possible avenues of enquiry in this baseline study.

The preceding Sections are therefore presented as a synthesis of our research, whereas this Section is more experimental in nature and our principal objective is to create the basis for future discussion.

■ CANDIDATE PERFORMANCE INDICATORS

Standing back from all of the research undertaken by the NETs, we have proposed a framework based around four areas of measurement.

1. *Legal and political environment*
2. *Civil Society Context*
3. *Company response – reporting*
4. *Company response – application of standards*

The baseline research suggests a number of candidate performance indicators that could become the basis of an ongoing measurements system. These are summarised in the table below. The column headed 'Candidate Measures' contains our initial proposals for a set of country level measures based upon the kind of information compiled by the NETs. We recognise that many of these candidate indicators are not open to fully objective measurement, at least at this stage of development. We are also aware that they have been built upon the 'art of the possible' and could be improved by incorporating other existing data that is available at a country level.

	Candidate Measures	Ideas for further developmental work and integration
Legal and political environment	<ul style="list-style-type: none"> a) Existence of a named government department leading on CSR issues. b) Existence of a published SD or CSR national strategy. c) Publication of a government CSR report d) Adoption of a public procurement strategy that addresses social, environmental and ethical issues. e) Existence of specific legislation to promote the wide adoption of CSR good practices. f) Existence of a partnership between National Government, the private sector and NGOs to raise awareness and understanding of social, environmental and ethical issues. 	<ul style="list-style-type: none"> • Transparency International's "Corruption Perceptions Index (CPI)", the "Global Corruption Barometer", the "Bribe Payer's Survey" • AccountAbility's "Responsible Competitiveness" framework and National Corporate Responsibility Index
Civil Society Context	<ul style="list-style-type: none"> a) Independent funding of Campaigning NGOs b) International organisations enabling CSR through networking and exchanging information on best practice. c) Existence of Universities and research institutes offering specific programmes and/ or courses in CSR d) Existence of academic research / publications. e) Publication of frequent and relevant articles on CSR in mainstream national media. f) Existence of an active market involving specialist consultancies that are expert in social, environmental and ethical issues. g) Existence of civil society involvement in structured and publicly disclosed dialogue with companies openly aimed at developing corporate strategy. 	<ul style="list-style-type: none"> • The CIVICUS Civil Society Index
Company response – reporting	<ul style="list-style-type: none"> a) % Top 100* companies by turnover that produce regular structured CSR/SD reports b) % Top 100 companies by turnover that use independent assurance using a recognised standard (such as AA1000AS) c) Level of adoption of formal public disclosure of CSR issues and data by the companies outside the largest 100. 	<ul style="list-style-type: none"> • The Average Accountability Rating TM scores for the 100 largest companies in each country, as a measure of actual CSR practice.
Company response – application of standards	<ul style="list-style-type: none"> a) % Top 100 companies by turnover that are independently certified to ISO 14001 b) % Top 100 companies by turnover that are national signatories to the Global Compact. c) Level of adoption of ISO14001 companies outside the largest 100 companies. d) Level of adoption of the Global Compact companies outside the largest 100. 	

* We have suggested that a consistent universe be adopted of, for example, the largest 100 companies by turnover. This is to enable a consistent basis for judging actual practice across countries. This approach was not used in the sample design for the company research presented in Section 4 of this report.

We have therefore also identified possible other, existing measurement initiatives that could be drawn upon to provide greater rigour to the approach. We have not closed out this thinking – but to illustrate the kinds of other measures which could be integrated into the ‘scorecard’ that we have proposed, some ideas are set out in the right hand column of the table.

The Accountability Rating TM has already been described elsewhere in this Report as it was influential in our thinking for the country company research. The three other initiatives suggested as ideas in the right hand columns are described briefly in Annex 4. We hope that these ideas can be discussed as the wider project progresses – and it goes without saying that in order to be able to develop them, outreach to the organisations responsible for these other existing measures would be necessary.

■ PRELIMINARY, BASELINE SCORECARD FOR THE REGION

Based on this research, but also drawing on our wider international experience and learning, we have developed a conceptual framework to compare and categorise the development phases of countries in the region by different subsets of CSR awareness, capacity, performance. As discussed earlier we believe that based on the assessment of four main areas, public disclosure, standards, legal environment, and civil society context, the state of CSR development may be determined in both the region and in any individual country. Working with the candidate measures suggested above (but not the developmental ideas), we have prepared an example CSR baseline fingerprint at a country level for each country in the Region.

We have named each stage of development as follows:

Integrated & managed – these countries regard CSR as one of the most important factors of a successful and competitive business environment. NGO, consumer and government pressure for social and environmental performance by companies is a mainstream. There are no significant obstacles that hinder excellence in CSR performance. There is widespread adoption of best practice and internationally recognised leadership examples. There are widely recognised CSR standards which are becoming a mainstream. CSR performance is benchmarked, measured and assured. There is an evolved community of CSR professionals that enable key actors to enhance their CSR performance.

Aware & responsive – these countries regard CSR as central to a successful business environment, there is strong NGO, consumer and government pressure for companies to apply CSR practices, and there are few obstacles that hinder key actors to excel in their social and environmental performance. There are a number of good examples to draw upon, supported by clear mutual professional understanding, and a developed vocabulary, there are recognised standards of CSR practices accepted widely by companies, NGOs, and government. CSR performance is beginning to be benchmarked, measured and assured. There are some CSR professionals that enable key actors to enhance their CSR performance.

Attentive & emerging – these countries are aware of the importance of CSR, there are both corporate and NGO pressure to apply CSR practices, there are some obstacles and missing drivers that would enable key actors to promote and practice CSR. There are a limited number of good examples, some awareness of internationally best practice. Mutual professional understanding, vocabulary, standards of CSR practices is emerging within companies, NGOs, and government.

Vigilant & challenged – these countries are aware of the importance of CSR, there is some pressure to use CSR practices, however there are significant obstacles, major drivers are limited,

there is a lack of capacity and experience, national good practice examples are few and far between and there is a general lack of a developed business culture to enable key actors to promote and practice CSR. There is a lack of mutual professional understanding, vocabulary, standards of CSR practices among companies, NGOs, and government.

Unaware & distracted – in these countries the prevailing economic conditions are challenging and any examples of responsible business practices are generally led by foreign investment. There are major obstacles and no significant drivers for adoption of CSR as a business issue. There is very limited capacity and no mutual understanding of priorities among companies, NGOs and government.

▪ THE BASIS FOR SCORING

Legal and political environment

Scoring – Developmental stage **A** 4 or more of factors a) to e) in the box below, **B** 3 factors, **C** 2 factors, **D** 1 factor, **E** none

- a) There is a named government department leading on CSR issues and / or the relationship between various government departments working on CSR issues has been clearly explained in the public domain.*
- b) There is a published SD or CSR national strategy.*
- c) The national government has acted to address its own corporate responsibility by for example publishing its own CSR report or adopting a public procurement strategy that addresses social, environmental and ethical issues.*
- d) Specific legislation to promote the wide adoption of CSR good practices has been enacted.*
- e) The government is working in partnership with the private sector and NGOs to raise awareness and understanding of social, environmental and ethical issues.*

Civil society context

Scoring – Developmental stage **A** All of factors a) to f) in the box below, **B** 4 or 5 factors, **C** 2 or 3 factors, **D** 1 factor, **E** none.

- a) Campaigning NGOs are independently funded and are not largely or wholly reliant on company / direct state financial support.*
- b) International organisations are no longer prioritizing developmental activity in this country and have moved the focus to networking and exchanging information on best practice.*
- c) Universities and research institutes are offering specific programmes and/ or courses in CSR and related fields. Academic research / publications are available.*
- d) There are frequent and relevant articles published in the mainstream national media. There are specific publications addressing CSR.*
- e) There is an active market involving specialist consultancies that are expert in social, environmental and ethical issues.*
- f) Wide civil society involvement in structured and publicly disclosed dialogue with companies openly aimed at developing corporate strategy.*

Company Response – Reporting

Scoring of developmental Stages –

A: A significant majority of large companies produce regular structured CSR/SD reports (greater than 60% of top 100 by turnover) and independent assurance using a recognised standard (such as AA1000AS) has been adopted by more than 25% of these reporting companies. There is wide adoption of formal public disclosure of CSR issues and data by the second tier of companies.

B: A significant number of large companies produce regular structured CSR/SD reports (less than 60% but greater than 40% of top 100 by turnover) and independent assurance using a recognised standard (such as AA1000AS) has been adopted by less than 25% and more than 10% of these reporting companies. There is some adoption of formal public disclosure of CSR issues and data by the second tier of companies.

C: Some large companies produce regular structured CSR/SD reports (less than 40% but greater than 10% of top 100 by turnover) and independent assurance using a recognised standard has been adopted by more than 5% of these reporting companies. There is no adoption of formal public disclosure of CSR issues and data by the second tier of companies.

D: Very few large companies produce regular structured CSR/SD reports (less than 10% of the top 100 by turnover) and independent assurance has not yet been adopted by these reporting companies. There is no adoption of formal public disclosure of CSR issues and data by the second tier of companies.

E: Virtually no large companies produce regular structured CSR/SD reports (significantly less than 10% of the top 100 by turnover) and independent assurance has not yet been adopted by these reporting companies. There is no adoption of formal public disclosure of CSR issues and data by the second tier of companies.

Company Response – Application of standards

Scoring of developmental Stages:

A: The significant majority (greater than 60%) of the 100 largest companies by turnover are independently certified to ISO 14001 and many (greater than 30 %) of the 100 largest are national signatories to the Global Compact. There has been wide adoption of these initiatives by tier two companies.

B: A significant number (less than 60% but greater than 40% of top 100 by turnover) of the 100 largest companies by turnover are independently certified to ISO

14001 and some (greater than 20 %) of the 100 largest are national signatories to the Global Compact. There has been some adoption of these initiatives by tier two companies.

C: Some (less than 40% but greater than 10% of top 100 by turnover) of the 100 largest companies by turnover are independently certified to ISO 14001 and a few (greater than 10 %) of the 100 largest are national signatories to the Global Compact. There has been little adoption of these initiatives by tier two companies.

D: Very few (less than 10% of the top 100 by turnover) are independently certified to ISO 14001 and very few (less than 10 %) of the 100 largest are national signatories to the Global Compact. There is no adoption of these initiatives by tier two companies.

E: Virtually no (significantly less than 10% of the top 100 by turnover) are independently certified to ISO 14001 and very significantly less than 10 % of the 100 largest are national signatories to the Global Compact. There is no adoption of these initiatives by tier two companies.

■ EXPERIMENTAL APPLICATION OF THE CONCEPTUAL MEASUREMENT FRAMEWORK IN THE REGION

The measurement framework developed for this baseline study is a new proposition that has not been attempted in Europe before, at least at a country level. Some of the indicators that we have proposed are novel and this overall approach is unique.

In Annex 1, we have applied the framework to the situation we observed in the Region – as an experiment, and to illustrate more clearly the application of the proposed methodology. The observations that we have drawn are based on illustrative only and the results that we have proposed are not intended to stand up to rigorous scrutiny.

The principal objective of presenting this work is to stimulate debate about the usefulness of these proposals in tracking the acceleration of CSR in the Region, building mutual understanding of what is intended by the measures and starting to create a common agenda for future developments.

■ RECOMMENDATIONS

Based on the findings of this baseline research in the Region, we have set out our recommendations below. Some of these will be addressed through the next Phases of this project. Others may require separate development and funding, possibly working in partnership with other relevant parties:

■ TRACKING ACCELERATION ON CSR IN THE REGION

This study has provided an invaluable body of baseline information that describes the state of CSR in the Region in 2007 (Section 3 and 4) and can be built upon in the future.

The authors have also proposed a set of candidate, country level performance indicators and made suggestions for how these might be developed to track the acceleration of CSR in the Region (Section 5). The candidate performance measures have been applied to the countries participating in the project to provide an illustration of this conceptual measurement framework.

Recommendation 1

Adopt the structure of this baseline for future work

The structure used to organize the qualitative and quantitative baseline research findings (set out in Sections 3 and 4) should be adopted as the basis for tracking further developments in the adoption of CSR practices in the Region, which should be monitored and reported upon using this structure.

Recommendation 2

Build consensus on country level indicators

Country level performance indicators should be adopted that support a common understanding of progress and the priorities for future development. We recommend that the proposals for a conceptual framework and candidate performance measures presented in this report (Section 5) be subject to further discussion through this project. The objective being to agree a process that involves the project initiators and countries in the Region and which leads to a consensus on how to measure the pace of CSR acceleration at a country level.

Recommendation 3

Establish a mutual understanding for future developmental priorities

The challenge to progress posed by the lack of common understanding regarding developmental priorities and good practice was demonstrated through this baseline research. We recommend

that efforts be made to establish a mutual understanding of CSR vocabulary, management practices and performance among all countries in the Region. The imminent conference provides an excellent starting point for achieving this aim. Further recommendations on how to support a mutual understanding are made below, Recommendation 9, 10 and 11).

Recommendation 4

Seek to co-opt other country level measures that are relevant for CSR

A number of high profile and respected initiatives already exist which are aimed at measuring and understanding the legal and political environment and civil society context at a country level, in the Region. We recommend that those organisations holding relevant data (for example: Civicus, Accountability Rating TM, Transparency International, AccountAbility and possibly others) should be approached and consulted regarding their willingness to participate in development of the measurement framework. The objective should be to agree a basis for future co-operation and sharing of data.

■ LEGAL AND POLITICAL ENVIRONMENT

In those Western European countries where CSR has already become established as a concept that promotes innovation and greater competitiveness, national (and sometimes, Local) Governments play an important supporting and enabling role. The subsequent Phases of this project offer the prospect of wider reflection upon the lessons that can be learned from countries such as the United Kingdom, Germany, France or Sweden and engagement with Governments in the Region.

Recommendation 5

National Governments should identify a named Department to lead on CSR issues

National Governments in the Region should actively be encouraged to support the process of accelerating CSR at a country level. In order to better co-ordinate policy and action, they should each identify a named government department that leads on CSR and also explain the relationship between various government departments working on CSR issues.

Recommendation 6

National Governments should consult widely with interested parties on CSR

National Governments in the Region should actively be encouraged to adopt a code of consultative practice with non-state actors, including the business sector, aimed at enhancing the qual-

ity of policy dialogue and optimising the effectiveness of interaction between all the various actors in promoting the CSR agenda. This process should seek to integrate National Strategies for Sustainable Development leading to a clearer set of priorities for private sector participation, built around responsible business practice.

Recommendation 7

National Governments to develop National CSR strategies

National Governments in the Region should actively be encouraged to develop National CSR Strategies, backed up by clear objectives and action plans, which are supported by comprehensive registers on the use of standards, environmental and social labels at a country level and which are accompanied by information-education activities targeting the business sector.

Recommendation 8

National Governments should lead by example – producing Government level Reports, integrating CSR issues into public procurement and adopting relevant legislation.

National governments should be encouraged to lead by example by a) addressing their own corporate responsibility through publication of regular CSR reports and b) adoption of public procurement strategies that address social, environmental and ethical issues drawing on international best practices and benchmarks and c) developing specific legislation to promote the wide adoption of CSR good practices to addresses social, environmental and ethical issues

■ CIVIL SOCIETY CONTEXT

A vibrant, civil society movement is essential if companies are to understand the changing expectations of society. In large parts of the Region this resource is still poorly developed and change will be closely linked to changes in economic circumstances. Direct intervention to artificially accelerate the development of civil society is unlikely to be appropriate and UNDP, for example, is already active as an independent, international organisation in the Region. However, without a vibrant Civil Society movement, it will be hard for CSR practices to proliferate in a country or for business to exploit the benefit of a more interactive relationship with society seen elsewhere.

Recommendation 9

Project Initiators to enable further development of civil society organisations in the Region

The project initiators are encouraged to develop options for increasing their enabling activities in the following areas:

- Increasing awareness of independent financing schemes to support campaigning NGOs to become independently funded
- Supporting outreach by business associations and NGOs in the Region, through local organisation of education on CSR and good corporate governance.

- Assisting the expansion of web-based information resources, focusing on toolkits and best practice by NGOs, business and professional organisations.

- Increase accessibility of CSR education support for SMEs – reporting and program development training, guidelines and SME best practices by NGOs and other CSR practitioners

- Assisting and supporting universities and research institutes in offering specific training and/or courses in CSR and related fields through best practices, exchange of curricula, professors, students

- Facilitating access to education resources at those academic institutions leading on CSR.

- Assisting, supporting, and funding academic research/publications, academic and professional journals;

- Creation of a CSR technical bibliography which can be regularly updated, in cooperation between universities and research institutions and available through the internet

- Enhancing greater Pan-European institutional exchange and cooperation;

- Promoting publication of articles about CSR practices in national media through, for example, training journalists and support for special CSR supplements, specialist CSR publications;

- Enabling the participation of journalists in CSR education programs organised by business associations and integration of CSR content in formal education media professionals;

- Supporting independent investigative journalist projects focussed on CSR related issues, in order to balance the dominance of commercial interest of media owners;

- Assisting the exchange of best practice experience through leading European business media, for example partnering on CSR benchmarking projects and focusing on those media organisations that report on their own CSR practices (e.g. The Guardian in the UK).

- Fostering greater cooperation between academic institutions, student organisations and business (individual companies or business associations) on CSR programme development

- Assisting and enhancing stakeholders in involvement in structured and publicly disclosed dialogue processes openly aimed at developing corporate strategy through establishing and enabling NGO–corporate partnerships.

■ COMPANY REPORTING ON CSR

Transparency is essential for accountability and greater corporate responsibility. The baseline research has shown that there is little evidence of widespread reporting on company CSR practice and performance.

Recommendation 10 – Project initiators to support the further development of good reporting practice by companies in the Region

In order to promote wider disclosure, the project initiators are encouraged to develop increase their enabling activities in the following areas:

- Provide assistance to achieve mutual understanding of CSR management issues, and develop a common vocabulary based on international best practices;

- Assist and support professional organisations, NGOs, government bodies to initiate public awareness campaigns about the importance of SD/CSR reporting;

- Build capacity to support higher quality stakeholder dialogue processes, both within business and other relevant and link this work to initiate greater reporting and uptake of assurance

- Support the translation of GRI/G3 reporting standards into local languages and provide assistance in organizing workshops on reporting, the GRI/G3 methodology, AA1000AS and other best practice techniques;

- Provide assistance to professional membership based associations, trade associations and other relevant actors in publishing recommendations for reporting and other self regulatory practices that enable company level reporting;

- Provide assistance to promote uptake of internationally recognised benchmarks for CSR practice and disclosure, like the Accountability RatingTM;

■ COMPANY ADOPTION OF STANDARDS

Adoption of recognised international standards can be significant in driving performance and also building capacity.

Recommendation 11- Project initiators to support the further development of good management practice by companies in the Region

In order to promote wider adoption of relevant standards, the project initiators are encouraged to increase their enabling activities in the following areas:

- Helping countries in the Region to develop capacities through organising workshops on CSR standards and standards-based best practices
- Assisting professional membership based associations to publish recommendations for applying standards such as ISO 14001, EFQM, EMAS, SA8000;
- Assisting companies to develop capacities for the introduction of such standards through training;
- Assisting professional membership organisations to develop or introduce benchmarks for the application of management and engagement standards such as AA1000;
- Assisting Chambers of Commerce, tripartite working groups, organisations to publish recommendations for applying management standards;
- Encouraging Governments to require state owned enterprises to adopt CSR standards.

■ ANNEXES

■ ANNEX 1: Experimental application of scoring methodology in Region

A summary of the results from applying the conceptual framework in the eight countries is set out below. This is only an illustration and will be controversial. Inevitably opinions will vary regarding each country's score which can only be resolved once there is consensus and mutual understanding regarding the basis for the measures. None of the countries were assigned to the lowest category in any of the areas of measurement.

Country	Legal and Political		Civil Society		Company response	
	Standards		Reporting		Reporting	
	Environment		Context			
Bulgaria	D		C		D	D
Croatia	C		C		D	D
Hungary	C		C		D	C
Lithuania	C		D		D	D
Macedonia	D		D		D	C
Poland	D		D		D	D
Slovakia	C		C		D	D
Turkey	D		C		D	D

A = Integrated and managed
 B = Aware and responsive
 C = Attentive and emerging
 D = Vigilant and challenged
 E = Unaware and distracted

▪ REASONING FOR SCORES:

Bulgaria

Legal and political environment: There is no published national strategy for Sustainable Development; the issues of CSR are not formally on the agenda of government. There is no specific department leading on CSR issues. There is no public procurement strategy focusing on social, environmental or ethical issues and the government has not yet enacted specific legislation to promote the wide adoption of CSR good practices among national companies. (D)

Civil society context: Civil society is slowly developing. Although there are no independently funded national NGOs, international organisations (have the legal status of NGOs) play a significant role in spreading CSR and there are frequent articles about CSR published in the national media. Universities are offering courses in CSR and Business Ethics issues and publishing scientific articles about CSR. (C)

Reporting: Only a few Bulgarian companies are reporting about CSR in regular, structured CSR reports. Independent assurance has not yet been adopted by these reporting companies. (D)

Standards: 105 companies (less than 20% of all Bulgarian companies) are independently certified to ISO 14001. There are more, 120 national signatories to the Global Compact which shows the active role of the national office of the Global Compact in spreading CSR. There has been no adoption of these initiatives by second tier companies. (D)

Croatia

Legal and political environment: Croatia has no specific Government Department leading on CSR issues. There is no published Sustainable Development Strategy or a public procurement strategy that is concerned with ethical, environmental or social issues. However, one is apparently being prepared. There is no specific legislation for promotion of CSR issues and good practices among companies. The government has some involvement of working in partnership with the private sector or NGOs to raise awareness and understanding of social, ethical or environmental issues. (C)

Civil society context: There is an active technical discussion about CSR in the country. More universities and research institutes are offering specific courses in CSR and related fields and publications about academic research in CSR issues are available. There are relevant articles published in the mainstream national media, too. These are the strengths of Croatia in the field of civil society context. The weaknesses are that campaigning NGOs depend on financial support from the private sector and from the State; the market for CSR consultancies is limited. Companies pick up and share knowledge, experiences and practices about CSR with the help of national bodies of international organisations as well as business associations, which are very actively promoting CSR. (C)

Reporting: Only 3 companies have published a CSR Report in Croatia. (D)

Standards: Almost 200 companies are independently certified to ISO 14001 standards and 61 Croatian companies are national signatories to the Global Compact. There has been no adoption of these initiatives by second tier companies. (D)

Hungary

Legal and political environment: Hungary has the most developed legal and political environment in the Region, although the national Sustainable Development strategy is still in draft. The Hungarian Government is working in partnership with the private sector and NGOs. The CSR Director in the Ministry of Economy and Transport is adopting a leadership role—in 2006 legislation was enacted for promoting the wide adoption of CSR good practices. (C)

Civil society context: Civil society is not yet really developed in the country; most NGOs are funded by the state. International organisations are still prioritising developmental activity although some are now moving their focus to networking and exchanging information. Despite a low awareness by media and some obsolete legislation, there is a growing number of relevant articles about CSR – in the mainstream national media and specific publications (websites, newsletters etc.) addressing CSR. Universities and research institutes should be an important driver in spreading CSR, but it is only partly true for Hungary. There are courses about Business Ethics in almost all universities. There is some research data about CSR but not all research institutes practice in this field. Hungary is one of the two countries in the survey with an active market involving specialist consultancies that are expert in social, environmental and ethical issues. (C)

Reporting: There are only a few reporting companies, 15 CSR Reports have been released in 2006. Less than 5% of these reporting companies use independent assurance – the only example is British American Tobacco, which uses the AA 1000 AS at the CSR Report. (D)

Standards: ISO 14001 is a wide adopted standard in Hungary; more than thousand companies are independently certified to it. The Global Compact is not as popular as the ISO standard; there are only 22 national signatories to the Global Compact. The adoption of these initiatives by second tier companies is not revealing. (C)

Lithuania

Legal and political environment: As yet here are no formally identified CSR positions in the governmental structure and the government has not yet started to implement green procurement. Lithuania has published a Sustainable Development Strategy, which at the moment is being reviewed to include the CSR concept. The Ministry of Social Security and Labour (MSSL) has a number of positions that are partially responsible for CSR – it has an approved plan of measures to promote CSR for 2006–2008. The MSSL leads an inter-agency CSR Coordination Committee and Environmental Ministry which is responsible for reporting to the National Sustainable Development Commission on Sustainable Development Strategy implementation. These are the main strengths of Lithuania in the domain of the legal and political environment. (C)

Civil society context: Civil society in Lithuania is not strongly developed. The only CSO that currently organises any boycotts is the Lithuanian Green Movement, but it is resource constrained. NGOs are wholly reliant on financial support from the state and from companies. International organisations are still intensively working on spreading the idea of CSR; they are one of the most important promoters of CSR in the country. CSR is still not really on the agenda of universities and research institutes and there are only a few positive exceptions. The media has not yet found its own role in spreading CSR, CSR related issues appear only occasionally in the mainstream national media, however, the media covers boycotts (e.g. against GMOs) and independent media have started to tackle various CSR-related issues. Systematic stakeholder dialogue with companies does not yet exist in Lithuania in an organised way. (D)

Reporting: None of the companies in Lithuania have published separate CSR Reports in 2006, but some include non-financial information in their annual reports (D)

Standards: More than 200 companies are independently certified to the ISO 14001 standard – but less than 20% of the companies in Lithuania. So far 38 national companies have signed the Global Compact. The adoption of these initiatives by second tier companies is not known. (D)

Macedonia

Legal and political environment: The legal environment is underdeveloped. There is no published national CSR or Sustainable Development strategy, and the national government has not yet acted to address its own corporate responsibility. CSR issues do not appear in the legislation. There is neither specific legislation for promotion CSR best practices, nor a named government department leading on CSR issues. (D)

Civil society context: Civil society in Macedonia is still emerging. Campaigning NGOs are largely or wholly reliant on financial support from the state, international organisations and companies. International organisations are still intensively working on spreading the idea of CSR. Neither the media, nor specialist consultancies are active in this field. The strength of the country in this domain is the academic sphere: There are courses in CSR offered by universities and publications are available. (D)

Reporting: Only a few Macedonian companies have ever published a CSR report, very few large companies produce structured CSR reports and these companies have not yet adopted independent assurance standards. (D)

Standards: Very few, only 17 companies are independently certified to ISO 14001. The number of national signatories to the Global Compact is significantly more. Fifty signatories may seem very few but this still represents more than in other, more developed countries – like Hungary for example. This shows how intensively the national office of the Global Compact is working on spreading CSR among companies. (D)

Poland

Legal and political environment: The legal and political environment remains relatively underdeveloped in this country. Although the Ministry of Labour and Social Affairs is becoming increasingly engaged, there is no named government department leading on CSR issues, CSR is not formally on the national agenda. The main strength in this domain is the published Sustainable Development national strategy. The national government has not acted to address its own corporate responsibility; there is no public procurement strategy that addresses social, environmental or ethical issues. There is no specific legislation to promote the wide adoption of CSR good practices among Polish companies. The government is not working in partnership with the private sector and NGOs to raise awareness and understanding of social, environmental and ethical issues. (D)

Civil society context: The civil society context is still emerging in the country; there are only a few universities and research institutes offering specific programmes and courses in CSR and related fields. International organisations are still focusing on the developmental activity and on the spreading of CSR, although UNDP is very active and driving a number of high profile projects and networks. There is no active market of CSR consultancies; campaigning NGOs are largely or wholly reliant on company or direct state financial support. There is no wide involvement in structured and publicly disclosed dialogue openly aimed at developing corporate strategy. (D)

Reporting: Ten Polish companies have published a CSR report in 2006. The number of regularly produced, structured CSR reports is very low and independent assurance has not yet been adopted by these reporting companies. There is no adoption of formal public disclosure of CSR issues and data by the second tier of companies. (D)

Standards: There are thousand companies in Poland (less than 20% of all companies), are independently certified to ISO 14001 and some of the largest companies are signatories to the Global Compact, too. (D)

Slovakia

Legal and political environment: Slovakia is the second most developed country in this area. The government has published a Sustainable Development strategy and has enacted specific legislation to promote the wide adoption of CSR good practices. The government has not yet acted on its own corporate responsibility nor named a government department leading on CSR issues. (C)

Civil society context: Although most campaigning NGOs are not independently funded, and there is no wide involvement in structured and publicly disclosed dialogue openly aimed at developing corporate strategy, there are international and national organisations actively promoting CSR. These organisations – for example the Pontis Foundation – are the main drivers of CSR in Slovakia. They concentrate on networking and exchanging information among companies. The strengths of the country are that Universities in this country are offering specific programmes and courses in

CSR and related fields, and academic research and other publications are available. In the mainstream national media are frequently published relevant articles about CSR. (C)

Reporting: Less than ten CSR reports have been published in Slovakia in 2006, so we can say that very few large companies produce regular structured CSR reports and independent assurance has not yet been adopted by these reporting companies. The adoption of formal public disclosure of CSR issues and data by the second tier companies is not known. (D)

Standards: A lot of companies (342), but less than 20% of all companies are independently certified to the ISO 14001 standard. The Global Compact is not as popular as the ISO standard; there are less than ten national signatories to the Global Compact. (D)

Turkey

Legal and political environment: The legislation about CSR issues is underdeveloped. There is no published Sustainable Development or CSR national strategy or a named department leading on CSR issues. The national government has still not acted to address its own corporate responsibility by for example publishing its own CSR report or adopting a public procurement strategy that focuses on social, environmental or ethical issues. The government in Turkey does not working in partnership with the private sector and NGOs to raise awareness and understanding in CSR issues. (D)

Civil society context: Turkey has a more active Civil Society movement and is one of the two countries in the survey with an active market involving specialist consultancies that are expert in social, environmental and ethical issues. Universities in this country are offering specific programmes and courses in CSR and related fields, even academic research and other publications are available. In the mainstream national media are frequently published relevant articles about CSR. The main weaknesses of the country in this field are that campaigning NGOs are largely or wholly reliant on financial support from the state or from companies, international organisations are still prioritizing developmental activity and there is no involvement in structured and publicly disclosed dialogue openly aimed at developing corporate strategy (C).

Reporting: We have no exact data about the number of published CSR reports in Turkey, but we believe there may be only a very few reporting companies in the country. There are no CSR reports in the database of Global Reporting Initiative. (D)

Standards: Almost 500 companies are independently certified to the ISO 14001 standard and there has been little adoption of this initiative by tier two companies, too. The number of national signatories to the Global Compact is significantly smaller, only 67 companies have subscribed to this initiative. (D)

OVERVIEW OF THE RESULTS FROM APPLYING THE SCORING METHODOLOGY

Legal and political environment

In most of the countries of the region, activities of governments lag behind that of companies. With the exception of Hungary where there is a CSR Director within the Ministry of Economy and Trade there is no specific and transparent government body or individual within government responsible for CSR activities or CSR initiatives.

In almost all countries in the region research teams struggled to find the appropriate government body dealing with CSR related issues and governmental relations are not settled and explained in the public domain. Transparency of relations and operations, CSR or otherwise, is not a virtue of governments in the region.

Poland, Lithuania, and Slovakia have accepted and published Sustainable Development strategies. In Hungary the strategy is ready and under stakeholder discussion and feedback before it is submitted to the parliament, while in Croatia, Macedonia and Turkey the process of formulating the strategy has recently been started.

No country in the Region has issued a government CSR report or communicated its CSR activities in any systematic manner.

In Hungary government and EU tenders that promote equal opportunity or use more environmentally benign techniques are favoured. The Ministry of Environment and Water intends to develop a program of green public procurement, while the Municipality of Budapest adopted a Green Public Procurement regulation in June 2006. In Lithuania the law of public procurement involves some aspects that may be considered as CSR related, such as the issuing organisation may request environment management certificates, procurements are simplified for companies that employ socially vulnerable groups of society or companies that have more than 50 percent physically or socially challenged people. A similar scheme is enacted in Croatia. Green procurement action plan is being formulated by the Ministry of Environment in Lithuania.

In Croatia, CSR is specifically mentioned in the National Strategic Development Framework 2006-2013, prepared by the Central Government Office for Development Strategy and Coordination of EU Funds. It is the overarching strategic document used as a foundation for the development of specific national strategies and the programming of the EU pre-accession funding priorities of the Croatian Government. CSR is very generally referred to in the Chapter IV Social cohesion and Social Justice as one of the avenues of ensuring social cohesion, hence promotion of CSR is generally listed as one of the six government goals in this strategic area including the following proposed actions – (1) formulation of government guidelines and recommendations to companies for setting up transparent corporate donation programs (public tenders or matching funds for programs recommended by expert state bodies and (2) setting up national awards for CSR backed up by adequate media outreach. The promotion of CSR is not explicitly linked to other strategic themes, such as Entrepreneurial Climate; Transport and Energy; or Space, Nature, Environment and Regional Development.

In Turkey the Circular Order by State Planning Organisation dated 1999 uses the term “Sustainable Development” and issues it as an environmental necessity. And the Turkish Ministry of Education has built up a good record of launching educational campaigns supported by the private sector and local communities.

In the majority of the countries of the region some scheme of tax allowance/deduction is in place to assist the funding of NGOs. In Hungary 1% of personal income tax may be offered to a specific NGO, while in Slovakia a similar system exists for companies that may directly transfer 2% from their corporate tax to an NGO of their choice. In most of the countries there are examples of financial instruments (such as tax incentives, schemes of tax deduction) being used to support corporate NGO donations. However, especially in the case of Hungary and Slovakia many see the direct relationship between NGO donations and tax, as well as the nature of the system without competition and transparency as a direct obstacle of a strong NGO movement that may act as a watchdog or partner to companies and enhance the CSR agenda.

The lack of government awareness, initiatives, transparency, and responsiveness is a key obstacle to the acceleration of CSR throughout the region. Governments need to do more both legally, operationally, and apply proactive communication for raising awareness on CSR issues.

Civil society context

Civil society is generally quite underdeveloped in the region. Private sponsorship of NGOs is not widespread, while tax schemes proved to be disadvantageous for assisting in strong, proactive, and innovative NGOs to emerge. Campaigning NGOs in most of the countries are, in most of the cases, not independently funded and rely heavily on company or direct state support. Green organisations are active in both campaigning and securing independent funding, especially in Croatia and Hungary. International membership organisations (like the Business Leaders Fora, International Chambers of Commerce, the Donors Forum etc.) are active in promoting the CSR agenda throughout the region however watch-dog groups are quite weak and are, currently, not able to draw the attention of the general public to CSR related issues.

In many countries international organisations are no longer prioritising developmental activities and have moved the focus to networking and exchanging information as well as introducing complex schemes of development activities, awareness raising campaigns, and involvement oriented co-operations. In most countries universities and research institutes are beginning to offer specific programmes and courses in CSR and related fields and academic research/publications are beginning to become available in the local language. CSR research and courses are generally emerging from business ethics and corporate governance teaching in most of the countries while in Slovakia courses are offered in a few institutions related to sponsoring. In Bulgaria and Turkey academic involvement in CSR is very limited.

The media is seen in many countries as the biggest obstacle to the mainstreaming of CSR in the region. In most of the countries

the media market is small and media outlets are highly dependant on advertising revenues of a few major advertisers. Also there is no tradition of editorial independence therefore the complete separation of the editorial and publisher is generally not the case. Media in most of the countries are generally ignorant of CSR related issues and do not take an active part in raising the awareness of companies or the public at large. In most countries there is no market involving specialist consultancies that are expert in social, environmental and ethical issues, with some exceptions.

In the Region there is limited involvement in structured and publicly disclosed dialogue openly aimed at developing corporate strategy, companies do not engage in a systematic, open and two-way transparent dialogue with their stakeholders. We have observed a varying appreciation regarding the definition of high quality stakeholder engagement. Although there are many interactions with stakeholders in the region, for example consumer research, public meetings, employee satisfaction surveys. As since this is rarely linked to systematic stakeholder engagement with two-way communication, it is fair to say that companies do not really engage with their stakeholders in a way that aligns with international best practice.

There are some limited examples of strategic NGO-company partnerships throughout the region involving especially multinational companies with a clear vision for CSR. Assessing the civil society context the region in general is on the border of the category of vigilant & challenged and attentive & emerging. There is an active NGO scene in promoting CSR as there is an active academic community which may serve as drivers to CSR while independent funding of NGOs, ignorance of media, and the lack of consultancy expertise is a serious obstacle to overcome.

Company response – reporting

The overwhelming majority of companies in these countries do not publish any information about their activities in the social realm. CSR activities, policies, and performance are not transparent, let alone assured, by stakeholders with very limited exceptions. Public disclosure is one of the key areas that need development and may become the key driver in the acceleration of CSR in the region, while multinational companies need to change their strategy of global reporting only and should support local operational companies to publish their own reports and thus initiate direct dialogue with their local stakeholders.

As CSR is in an early phase of development, public disclosure of CSR activities is not a widespread practice in the region. Although the EU Directive on inclusion of non-financial information in corporate annual reporting for large and midsize companies* have been adopted in EU member states, still very few large companies produce regular structured CSR/SD reports.

Some institutions promote CSR/SD reporting (Business Leaders Fora; Global Compact; Business Councils for Sustainable

* (DIRECTIVE 2003/51/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings)

Development) but the local awareness of the goals, purpose, and skill-sets necessary for reporting is still missing in most of the countries. The GRI/G3 standard is available in local language in Hungary, GRI 2002 has been published in Croatia and G3 is planned to be launched in June 2007 by the Croatian Business Council for Sustainable Development in partnership with MAP Savjetovanja, and Pontis Foundation of Slovakia is considering translating G3 in Slovakia.

International companies with CSR/SD reporting have begun collecting data from some of their local operational companies and a few (less than 20 in most countries) local as well as multinational companies publish social information (philanthropy, community involvement, sponsorship) as part of their annual report.

Some companies (less than 20) publish some CSR information (strategy, philanthropy, sponsorship, community involvement, health&safety, environment) on their websites; however the information is sporadic and not systematic.

According to the desktop research data of the participating countries, Hungary has the most companies with in the region CSR/SD reports (15); Poland has 10, in Croatia 3 companies have reported in 2006 while 6 will publish their report in 2007. The results of the company interviews show that in Lithuania, only one company has published a report while in Bulgaria no companies have published a CSR/SD report or have reported on CSR/SD issues in their annual report. In Macedonia four of the top 100 companies have published reports while in Turkey 9 companies have reported.

From these data it is evident that public disclosure of CSR related information is in an early phase of development and few companies feel any pressure from their stakeholders to report on their CSR strategy, policies or specific activities either on the internet or in a published form. Most of the companies which choose to publish a report are local operational companies of multinational companies with a few exceptions like Tauris and Topvar in Slovakia, MOL, Nexon in Hungary, Podravka in Croatia, and Utenos trikotazas in Lithuania.

Most of the companies are major companies in the top 100 of their country, while in some cases there are second or even third tier companies (Nexon in Hungary, Hauska in Croatia) that found it important to inform their stakeholders about CSR activities.

Independent assurance is not a widespread practice among reporting companies in either of the countries with very few exceptions (Hungary, Poland, and Slovakia) where specialized NGOs or auditors have done non-standardized assurance. BAT both in Hungary and Poland publish a Social Report based on a systematic dialogue process and the report as well as the process is assured by Bureau Veritas based on the AA1000AS standard.

Some of the reports have been endorsed by an NGO, a business organisation or an academic in the field, but no systematic audit of the data has been reported. As for second or third tier of companies, there is no adoption of formal public disclosure of CSR issues and data with a few exceptions mentioned earlier. In general the region would fall into the category of vigilant & challenged.

Company Response – Application of standards

Application of standards may be a key driver in the acceleration of CSR throughout the region. ISO 14001 is quite widespread among large and midsize companies and the application and reporting of Global Compact principles may be of key importance. EFQM models are not used widely, however corporate modernization, changing corporate cultures and a more challenging business environment may be driver for companies to introduce EFQM or similar models of excellence with CSR modules being part of the scheme.

The uptake of management standards such as ISO 14001 and EFQM (which has a specific module that looks at impacts on society), or initiatives such as the UN Global Compact (which includes a reporting requirement) is greater than the level of reporting. In most of the countries of the region ISO 14001 is applied by several hundreds of companies, in the case of Hungary and Poland the number of companies using ISO 14001 is over a thousand, while Macedonia is lagging behind with only 15 companies using ISO 14001. Obviously here it is also important to consider the relative size of the countries.

The use of the EFQM model is not widespread in the region with less than 20 companies using it with the exception of Turkey where more than 5000 companies are using the model.

The roll out of the UN Global Compact has so far been a success in most of the countries, with Bulgaria taking the lead with 120 signatories.

Application of EMAS is very limited with several countries having no EMAS registered companies as of yet (Bulgaria, Turkey, Macedonia, Lithuania) Hungary takes the lead with eight companies registered while in most other countries EMAS registered companies are less than five.

SA8000 has not been adopted widely in the region. Most countries have one or two specialized companies, especially in the garment industry, who apply the standard, with the exception of Poland where eleven companies apply SA8000.

It is also a fair estimate to say that there has been little adoption of these initiatives by tier two companies.

We would categorize the region falling into the attentive & emerging category with the application of some standards (especially ISO 14001) which stems from the wide use of other ISO standards, mainly ISO 9001 as a tool for modernization and professional operation with the exception of Macedonia where neither ISO nor other models or standards are used by companies with exception of a few 'first movers.'

Putting the results into perspective

The purpose of the exercise set out in this Section so far was to enable readers to build a deeper understanding of what we are proposing in terms of an initial measurement framework. We understand that 'standing in judgement' on the CSR context in the project countries will not make us popular, not least because our philosophical approach draws upon the worldview that there we should look outside the Region for examples of country level best practice and also that generally, there is a long way to go across the region.

Reflecting on our application of the Accountability Rating globally (with AccountAbility) and at a country level (with a range of country level partners) we have learned that average actual practice amongst large companies has a long way to go. There are many leadership examples, but even these companies can become involved in controversies regarding their CSR performance. Generally, CSR remains an emergent phenomenon internationally and many countries, even in the more developed economies are only now starting to fully engage and to develop a deeper understanding of what good practice means.

- ANNEX 2:
List of NETs and
companies that took part
in the survey:

■ NETS

Bulgaria

Alpha Research Ltd.
Ms. Boriana Dimitrova
Ms. Radostina Angelova
Mr. Vladimir Shopov
Mr. Pavel Valchek
Ms. Neli Gancheva
Ms. Elitza Barakova

Hungary

TÁRKI
Dr. László Fekete
Ms. Anikó Balogh
Ms. Blanka Dencső
Ms. Valeria Nemeth,
Dr. Anikó Balogh

Croatia

MAP Consulting
Ms. Aida Bagic
Ms. Marina Skrabalo

Macedonia

Mr. Vladimir Petkovski
Ms. Dimitrija Novacevski
Mr. Aleksandar Nikolov
Ms. Nina Babushkovska

Slovakia

Center for the Research
of Ethnicity and Culture
Bratislava (CVEK)
Ms. Michal Vasecka
Mr. Miroslav Kollar
Ms. Elena Gallova Kriglerova
Ms. Jana Kadlecikova

Poland

Responsible Business Forum
Dr. Bolesław Rok:
Ms. Mirella Panek-Owsiańska
Iwona Kuraszko
Leszek Wiecech
Andrzej Brzozowski

Lithuania

Public Policy and
Management Institute
Mr. Egidijus Barcevicius
Ms. Dalia Čiupailaitė
Ms. Nora Mzavanadze

Turkey

Corporate Social
Responsibility Association of
Turkey
Mr. Serdar Dinler
Mr Ceyhun Gocenoglu

COMPANIES

Bulgaria

- Agrotech Impex
- Asarel-Trans
- Balkanfarma — Dupnitsa
- BTB Bulgaria
- Bulbank
- Central Cooperative bank
- Cooperatchia Suglasie
- Devnya
- DZI Bank
- Ekont Express
- Elovitza
- Enemona
- Eurokom
- Euroshoes
- Fazerles
- Gorubso — Lucky
- Gorubso AD
- Greenhouse Kozarsko
- Hemus
- In Time
- Inermat
- Intis
- Irrigation Systems Sofia
- Kaolin
- Kozarsko
- Kozloduy
- Lev Ins
- MDZ Balsha
- Medica
- National Electric Company
- Nedko Milev
- Neochim Dimitrovgrad
- Pension-insurance Lukoil
- Perla
- Proektostroi
- Roadengineering
- Skalni Materiali
- SO MAT Bulgaria
- Sofia Commerce
- Sofia Public Transport
- Stroimontaj
- Story Engineering
- Terem Georgi Benkovski
- Transpress
- Trimona
- Union Trade Company
- Vedernik
- Veni Style Slavtchev
- Wagrianka
- Yazov
- ZMM- Haskovo
- Bulgarian Business Leaders Forum

- Bulgarian Chamber of Economy
- CITU
- Economics University
- Gorichka
- Kapital
- Ministry of Agriculture and Forestry
- Ministry of Environment
- Ministry of Labour and Social Policy
- World Wide Fund Bulgaria

Croatia

- Agencija za komercijalnu djelatnost
- Anamarija Company d.o.o.
- Atlantic Grupa
- Auto-Kreso d.o.o.
- Bina-Istra d.d.
- Carlsberg
- Centrometal d.o.o. Macinec
- Chromos Boje i lakovi d.d.
- Chromos Svjetlost d.o.o.
- Coca Cola
- Croatia Airlines
- Dalekovod
- Djuro Djakovic Zavarene posude d.d.
- Dukat d.d.
- Elektrokontakt
- Ericsson Nikola Tesla d.d.
- FIMA Group
- FINA d.o.o.
- Franck d.d.
- Hartmann
- Hauska
- HG Spot
- Holcim
- Hrvatska lutrija d.o.o.
- HT — Hrvatske telekomunikacije d.d.
- INA d.d.
- JANAF
- Kerum
- Koka d.d.
- Končar group
- Konstruktor Inzenjering d.d.
- LIM-MONT d.o.o.
- Mercator
- M-SAN Grupa d.o.o.
- Nestle Adriatic d.o.o.
- NEXE Group
- NINA Commerce
- OTP Bank
- PBZ
- Plava laguna
- PLIVA
- Podravka

Hungary

- STRABAG
- Termocommerce d.o.o
- Valamar
- VIRO
- Zagrebačka banka d.d.
- Axa Hungary
- Bácsai Agricultural Co.
- Badacsonyi & Király Consultancy Ltd.
- Balatonföldvár és Vidéke Saving Cooperative
- Central Laundries Plc.
- Chinoi Medicine and Chemical Manufacturing Co.
- Dalerd Délalföldi Forestry Co.
- Danone Ltd.
- Denso Hungary Manufacturing Ltd.
- Díjbeszedő (Rent collector) Co.
- Dráva Pebble and Concrete Ltd.
- Dreher Breweries Ltd.
- E.On Hungary
- EVM Householdchemicals and Cosmetics Co.
- Főkefe Rehabilitation Employment Industrial Ltd.
- GE Hungary Co.
- HM Budapest Forestry Co.
- Hungarian Post Co.
- Hungarian Power Companies
- Huntsman Co. Hungary Ltd.
- Ibusz Tourist Office Ltd.
- Jász Saving Cooperative
- Kisalföldi Forestry Ltd.
- Klorid Chemical and Plastic Co.
- Kürt Zrt.
- Lombard Financial and Leasing Co.
- Magyar Telekom
- Mecseki Forestry Co.
- Merkantil Bank Co.
- Nagyfa Alföld Agricultural Ltd.
- Nestlé Hungary
- Pannon GSM Telecommunications Ltd.
- PEMÜ Plastic Co.
- Pest Megyei Állami Közútkezelő Co.
- Shell Hungary Zrt.
- Shinwa Hungary Precision Ltd.
- Sodexho Hungary Ltd.
- Vadex Mezőföldi Forestry Co.
- VÁTI Hungarian Nonprofit Company for Regional Development and Urban Planning
- Vodafone Telecommunications Ltd.

Lithuania

- Achema
- Anyksciu kvarcas
- Arijus
- Autotoja
- Bonum Publicum
- Constructus
- Danisco Sugar
- Deva
- DnB Nord
- Durpeta
- Fermentas
- Hansabankas
- Kauno autobusai
- Kauno regiono keliai
- Klaipėdos energija
- Kraft Foods Lietuva
- Lietuvos pastas
- Lifosa
- Maxima LT
- Meta
- Narbutas ir Ko
- Omnitel
- Pakmarkas
- Rimi Lietuva
- Rizgonys
- Ruta
- Samsonas
- Sanga
- Schneider Electric Lietuva
- Siaulių bankas
- Siaulių energija
- Siaulių vandenys
- Singlis
- Teo
- Utenos trikotazas
- Vilniaus autobusai
- Vilniaus miskų ūdija
- Vilniaus Vandenys
- Yazaki Wiring Technologies Lietuva

Macedonia

- AD ELEM – Podružnica REK Bitola
- AD Gica – Ohrid (Gica DOO)
- AD INEX Gorica – Ohrid
- AD Makedonska poshta – Skopje
- AD MEPSO – Skopje
- Agent-Net – Skopje
- Amak SP AD – Ohrid
- Boveks DOO – Bogdanci
- Cementarnica USJE AD – Skopje
- Construction company “Granit” AD – Skopje
- Cosmofon Uslugi na mobilna telefonija AD – Skopje
- DIDO-TEKS DOO – Gevgelija

- EMO Holding AD – Ohrid
- ESM AD – Skopje
- Eurolink osiguruvanje AD – Skopje
- Evrobus DOOEL – Skopje
- FHL Mermeren kombinat AD – Prilep
- Hemiska industrija OHIS AD – Skopje
- HINA DOO – Skopje
- IMB Mlekara AD – Bitola
- Invest banka – Skopje
- JP Makedonski zheleznici – Skopje
- JP Vodovod I kanalizacija – Skopje
- JPAU Makedonija – Skopje
- Jugosven AD – Gevgelija
- Keramika Nova – Veles
- Knauf-Radika AD – Debar
- Komunalna higiena – Skopje
- Konfekcija “Dekon” AD – Skopje
- Konti Hidroplast DOO – Gevgelija
- KPMG Macedonia
- Lotarija na Makedonija AD – Skopje
- Makedonija proekt AD – Skopje
- Mlaz AD – Bogdanci
- Nelt S&T DOOEL – Skopje
- Nikob DOOEL – Skopje
- NLB Tutunska banka AD – Skopje
- OKTA Rafinerija na nafta AD – Skopje
- On.net DOO – Skopje
- Pilko DOO – Skopje
- Rade Koncar – kontaktori i relei DOO – Skopje
- Rudokoop AD – Skopje
- Semos kompjuterski obrazoven centar – Skopje
- Skopski Pazar AD – Skopje
- Skopski saem DOO – Skopje
- Somi DOO – Gevgelija
- Stocharstvo AD – Bogdanci
- Stopanska banka AD – Skopje
- Swisslion Agrar DOO – Resen
- Teteks AD – Skopje
- T-Mobile Makedonija AD – Skopje
- Veropulos DOOEL – Skopje
- Zaki DOOEL – Skopje
- Zemjodelski kombinat “Pelagonija” AD – Bitola
- Zitko DOO – Gevgelija

Slovakia

- AllDeco, s.r.o.
- ANASOFT APR
- Citibank (Slovakia) a.s.
- Continental Matador Púchov, a.s.
- CSC
- DELL
- Dexia
- ERNST & YOUNG
- GlaxoSmithKline
- Hewlett-Packard Slovakia, s.r.o.

- Holcim, a.s.
- IBM Slovakia
- Komárňanské tlačiarne
- KPMG
- Letisko M.R.Štefánika Bratislava
- MERCK
- OLO
- Orange Slovensko
- Penta Investments
- Philip Morris
- Protherm
- SIKA
- SkyEurope
- SLOVAK Telecom
- Slovenská energetická a prenosová sústava
- Slovenské magnizitové závody, a.s. Jelšava
- Slovenský rozhlas
- Slovenský vodohospodársky podnik, š.p.
- Tauris, a.s.
- TESCO, a.s.
- Topvar, a.s.
- US Steel Košice
- Vojensky opraverensky podnik
- Východoslovenská energetika – VSE
- Západoslovenská energetika
- Železnice SR
- Zinkoza, a.s.
- Fakulta sociálnych a ekonomických vied Univerzity Komenského
- Fórum Donorov
- Integra Foundation
- Komunitná nadácia Bratislava
- Ministerstvo hospodárstva
- Ministerstvo práce, sociálnych vecí a rodiny
- Nadácia pre deti Slovenska
- PANET
- Podnikateľská Aliancia Slovenska
- Pontis Foundation
- Republiková únia zamestnávateľov
- Stratégie
- VUC Košice

Poland

- ABB
- Adam Bak – Wieprz
- Alcatel-Lucent
- Alstom Power Polska
- Animex
- Arlen S.A.
- Atos Sp. z o.o.
- Blikle
- BP Polska
- British American Tobacco Polska
- Citibank Handlowy
- Commercial Union

- DaimlerChrysler
- Danone
- DHL
- Dr Irena Eris
- Elektrownia Opole
- Eurodental
- Hochtief
- Interia Sp. z o.o.
- Krajowa Izba Rozliczeniowa S.A.
- Leroy Merlin
- Michelin Polska
- Miejskie Przeds. Robót Ogrodniczych
- Miejskie Przedsiębiorstwo Oczyszczania w Warszawie
- OS3
- Phillip Morris Polska S.A.
- Pilkington Polska Sp. z o.o.
- PKN Orlen
- Poczta Polska
- Polkomtel
- PricewaterhouseCoopers
- Proximity
- Ricoh
- Ruch S.A.

- Sheraton Polska
- Ströer
- Telekomunikacja Polska S.A.
- WPRT
- Zgoda – Sanatorium

Turkey

- Altinbilgi yayinlari
- Aras kargo
- Aygaz
- Ayplast
- Baxter
- Canimpa
- Çiftçi tekstil
- Danone
- Doralp
- Etik lojistik
- Fortis
- Gfk
- Güneş sigorta
- Henkel
- Hsbc
- Intel
- Ipek kagit

- Kelebek matbaasi
- Kutuş
- Kuteks quatro tekstil
- Lider otomotiv
- Metro
- Microsoft
- Migros
- Mopaş
- Netron
- Novus
- Philip morris
- Pinar
- Shell
- Sinter metal
- Superonline
- Sütaş
- Tefal
- Tirsan
- Total
- Tskb (türkiye sinai kalkinma bankasi)
- Yeni inci içgiyim

■ ANNEX 3: Sampling and scoring

■ SELECTION OF INTERVIEWS

In selecting companies for interview, we recognise the structure of business in each Member State will vary in terms of the distribution of business by size, and also by sector. The sample size in each country may not be large enough to offer statistically significant analysis at the country level. Nevertheless, as far as possible, we would like the selection of companies to be as representative of the national picture. It is important that the NET findings are as comparable as possible. The selection of companies for interview should therefore concentrate on Medium sized companies and above, in terms of size, with the emphasis on larger companies.

National experts should interview in the order to 55 companies in their member state.

As far as possible, the selection of companies should also take account of the most significant industrial sectors in the member state. The initial sample should therefore include at least 5 examples each from the following types of industry – service, finance, agri-business, extractives, chemical/oil&gas, manufacturing and any other sectors significant to the national economy.

The selection of companies should otherwise be random to the extent that they should NOT initially be influenced by existing knowledge of uptake of CSR in country. We want to gather a view of the actual picture in the country.

■ INTERVIEW QUESTIONS FOR STAKEHOLDER GROUPS

Sample

Stakeholder	Ratio
Business associations local	10%
Business associations local branch of international (e.g. Chamber of commerce; Business Leaders Forum)	10%
Trade unions (national)	10%
Local government/Municipalities	10%
National government/regulator	15%
Non-governmental organisation	25%
Media	10%
Academia	10%

■ INTERVIEW QUESTIONS FOR COMPANIES

Sample

The composition of the sample should represent the structure of the local economy. We recommend the following ratios:

Company	Ratio
<i>Medium enterprises (50 -249 employees)</i>	25%
<i>Large enterprises (250+ employees)</i>	
o state-owned companies	25%
o large multinational companies	25%
o large national companies	25%

If you believe it is necessary to vary that sample ratios in your country because of local differences, you should provide a clear justification for such differences. Please also see the guidance given on sampling and reporting in the Introduction to this document.

▪ GUIDE TO NATIONAL EXPERTS REGARDING SPREADSHEETS

Spreadsheet for the company interviews

• See boxes below for support to assign the performance of companies in segment “CSR Engagement”. These simple rules can help you judge the CSR engagement of interviewed companies.

Strategy

- *No / little evidence: there is no specific strategy for managing CSR risks and opportunities; there are no guidelines, toolkits and policies related to CSR; there is no specific budget for CSR activities.*
- *On the way: there is some evidence of strategy for managing CSR risks and opportunities but the CSR program does not / partly supports strategic goals of the company; there is some budget allocated for CSR activities and CSR communication.*
- *Good practice: there is a specific strategy for managing CSR risks and opportunities; the CSR program supports strategic goals of the company; CSR has been taken into consideration as a tool for achievement of strategic goals; there are toolkits, guidelines that help implementing CSR in business strategy.*

Stakeholder Engagement

- *No / little evidence: there is no / very limited interaction with stakeholders, stakeholders are not clearly defined, stakeholder relations are not managed.*
- *On the way: there is ad hoc interaction with stakeholders, communication of stakeholder concerns regarding CSR is reactive; company feels pressure from stakeholders, but stakeholders priorities are not identified*
- *Good practice: there are existing processes for managing stakeholder relations and conducting stakeholder dialogues; point of view of stakeholders; issues are prioritised and are taken account in the business strategy.*

Governance

- *No / little evidence: there are no policies related to transparency, accountability, or CSR issues; there is no executive/manager responsible for CSR issues; CSR does not appear on Board agenda.*
- *On the way: there is executive/manager responsible for CSR issues in the company, but reporting to Board on CSR is ad hoc, not required*

and regular; collaboration between departments on CSR issues is not expected.

- *Good practice: there is a named individual accountable for CSR issues on board level/ senior management; there are regular reports to the Board on CSR; there are policies to promote transparency and accountability of the company.*

Performance Management

- *No / little evidence: there are no management systems relevant to CSR; performance improvements on CSR issues are not quantified; there are no set/specific goals, objectives and targets to drive improvement; CSR issues are not managed in supplier relations.*
- *On the way: there are several management systems that are relevant to CSR; there is some quantification of performance improvements on CSR issues.*
- *Good practice: there are management systems that are relevant to CSR; performance improvements on CSR issues are quantified; there are set/specific goals, objectives, targets to drive improvement; CSR issues are managed in the supplier relations; environmental, social or fair-trade labels are used on products.*

Public Disclosure

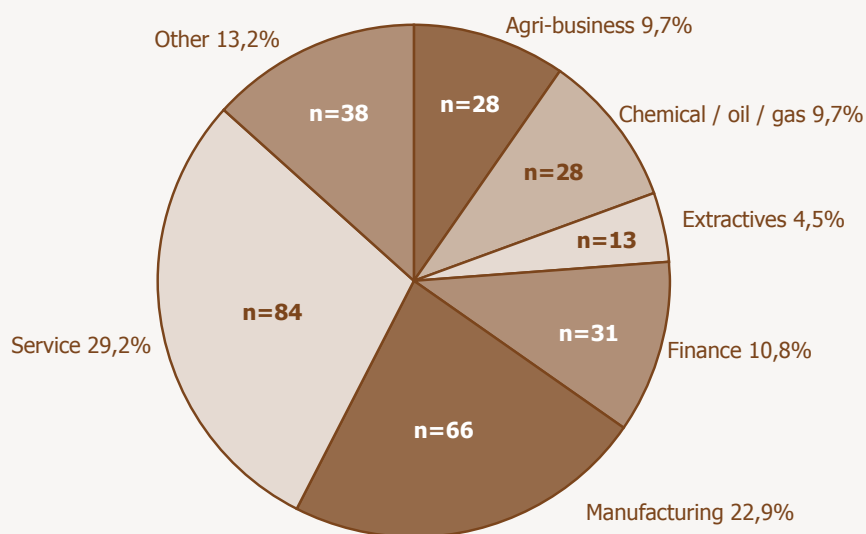
- *No / little evidence: no / very limited information in public domain (report or web), beyond legal requirements.*
- *On the way: ad hoc information on CSR in public domain; measurement systems are being set up to structure information on CSR performance*
- *Good practice: structured/standardized information on CSR & related policies, performance in public domain*

Assurance

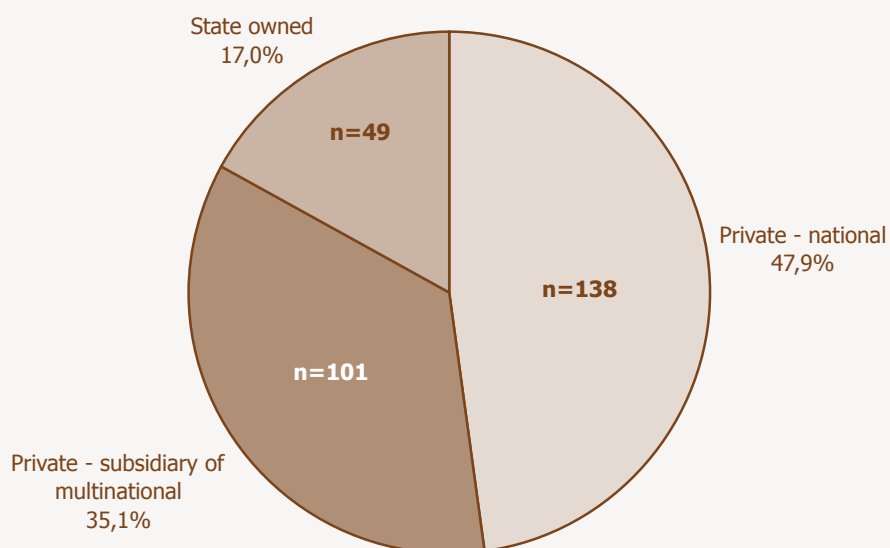
- *No / little evidence: there has never been any assurance process by an independent organisation at the company.*
- *On the way: an assurance process by an independent organisation is planned or being prepared/indicated at the company.*
- *Good practice: CSR / SD / Environmental Report has been assured by an independent organisation.*

■ ANNEX 4: Overview of the Regional company sample

Company Data - Sector



Company Data - Type



■ ANNEX 5: Background to existing measurement initiatives

■ RESPONSIBLE COMPETITIVENESS INDEX AND NATIONAL CORPORATE RESPONSIBILITY INDEX

The Responsible Competitiveness Index, developed by AccountAbility, is an investigation of the relationship between corporate responsibility and competitiveness. It reveals which countries are achieving sustainable economic growth based on responsible business practices.

The National Corporate Responsibility Index is an assessment of the state of corporate responsibility internationally. The index assesses over 80 countries on criteria including corruption, civic freedom, corporate governance and environmental management to establish a global ranking.

■ TRANSPARENCY INTERNATIONAL CPI

The annual Corruption Perceptions Index (CPI), first released in 1995, is the best known of Transparency International's (TI) tools. It has been widely credited with putting TI and the issue of corruption on the international policy agenda. The CPI ranks more than 150 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys.

■ THE CIVICUS CIVIL SOCIETY INDEX

The CIVICUS Civil Society Index (CSI) is an action-research project that aims to assess the state of civil society in countries around the world, with a view to creating a knowledge base and an impetus for civil society strengthening initiatives. The CSI is initiated and implemented by, and for, civil society organisations. However, it also actively involves, and disseminates its findings to a broad range of stakeholders including governments, donors, academics and the public at large.

It assesses four different dimensions of civil society and summarises its findings in the form of a diamond:

- **Structure:** What is the internal make-up of civil society? How large, vibrant and representative is civil society in terms of individuals and organisations?

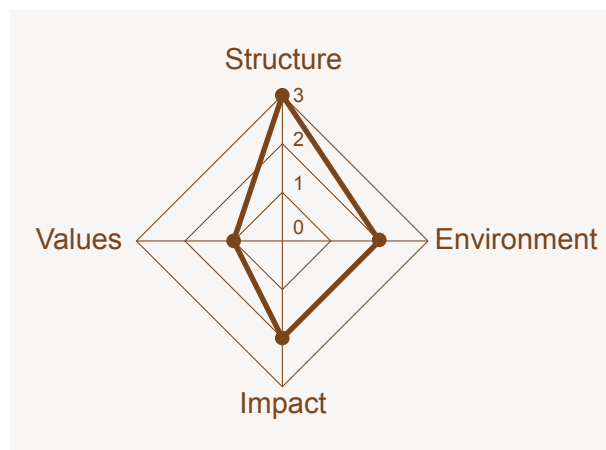
- **Environment:** What is the political, socio-economic, cultural and legal environment in which civil society exists? Are these factors enabling or disabling to civil society?

- **Values:** Does civil society practise and promote positive social values?

- **Impact:** What is the impact of civil society? Is it effective in resolving social, economic, and political problems, and in serving the common good?

■ THE CIVIL SOCIETY DIAMOND*

The CIVICUS Civil Society Diamond reveals the current state of civil society and, when mapped over time, illustrates its development



CSI activities are conducted by National Index Teams at a country level, with support from CIVICUS. The findings of the CSI's research component, based on the four dimensions outlined above, are debated and validated at a national workshop involving a broad range of civil society stakeholders. Here, appropriate strategies and actions to address emerging issues are also discussed. A final country report, including research findings, dimension scores and recommendations for action, is published for national and international readership.

The Project Sponsors are encouraged to initiate research aimed at refining these recommendations into a potential measurement framework.

* An analytical framework developed for CIVICUS by Dr. Helmut Anheier of the Centre for Civil Society, London School of Economics.

■ ANNEX 6: Terms of reference

■ I. BACKGROUND

Context

The new Member States (MSs) of the European Union are facing integration challenges to adapt and internalize the most progressive developments of the EU. Moreover, new MSs and Candidate Countries have to unfold their capacity to respond rapidly to unprecedented global environmental and social threats, as they become integrated members of the global community, especially through economic and business connections.

Corporate social responsibility (CSR) represents one of the most progressive developments in the private sector, urging private companies to evaluate their operations differently from what they are accustomed to and to stretch the borders of their responsibilities. Narrow shareholder value approach is no longer valid under current environmental and social challenges and a more open stakeholder model is paving the way into the business world as a tool for creating more innovative, competitive and sustainable business that benefits both business and society.

As business-to-business relationships are increasingly becoming based on CSR principles in the EU, the MS's businesses supplying other EU companies will eventually be asked to demonstrate their commitments to social and environmental values. Also, as investment foundations start to evaluate investment projects taking into account social and environmental criteria and with the increasing emergence of green/social/ethical funds, there is strong incentive for companies to comply with these new criteria and take advantage of the pool of these funds.

However, low awareness of CSR coupled with lack of trust between social partners is making this process cumbersome. Also, several companies in the region perceive the lack of a conclusive environment with appropriate economic incentives as impeding further engagement of companies in CSR activities.

To make CSR practices sustainable and responsive to local needs would require a number of complementary efforts, namely (a) a shift in thinking on the part of both businesses and stakeholders to acknowledge their respective role as partners in sustainable development; (b) raising awareness and knowledge on CSR; (c) creation of a business-friendly environment to support and encourage CSR practices and (d) strengthen capacity of both existing and future CSR stakeholders.

Regional Project

In the context described above, the United Nations Development Programme (UNDP) has prepared a project proposal in 2006 and received funding from the European Commission to work on addressing some of CSR challenges persistent in the new MSs and

Candidate Countries. The main objective of the project "Accelerating CSR practices in the new EU member states and Candidate Countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU" (Project) is to accelerate the implementation of CSR practices in new MSs and in Candidate Countries through mapping out the CSR activities and actors and identification of capacity gaps and corresponding areas of intervention, exchange of experience and good practices, awareness raising and capacity building of national stakeholders. The target countries of the project are: Poland, Lithuania, Hungary, Bulgaria, Slovak Republic, Macedonia, Croatia and Turkey (Project countries). Spain, Germany and the United Kingdom will be involved in the Project by contributing to exchange of experience and good CSR practices with the Project countries. The target beneficiaries are local (small, medium and large sized) and foreign enterprises, business and professional associations, local and national governments, trade unions, academia, nongovernmental organizations and the media in the Project countries. The Project will comprise 3 main components:

1. Diagnosis of CSR status and mapping out the actors' engagement in CSR in the project countries through research and consultations;
2. Promoting multi-stakeholder dialogue at the strategic level to enhance awareness and knowledge on CSR, contribute to the creation of social trust and discuss the establishment of a business-friendly environment for CSR promotion and implementation;
3. Support to development and strengthening of capacity of existing and future CSR stakeholders at the national/local level to promote and implement CSR.

■ II. OBJECTIVES AND SCOPE OF THE ASSIGNMENT

The Assignment under this TOR will involve the implementation of the first component of the Regional project – to undertake Baseline Survey on CSR in the Project countries. A baseline situation analysis of CSR issues is critical to understand the status of CSR awareness and engagement among the various targeted stakeholders in the region concerned prior to putting in efforts and formulating activities to accelerate CSR promotion and implementation in the region.

Furthermore, any future benchmarking on CSR in the region requires the availability of a baseline data.

The main aims of the Baseline Survey are to:

- Identify the actors/entities who promote CSR at country level (further-CSR promoters).
- Assess the level of engagement in CSR of actors/entities promoting CSR at country level through mapping their past (not earlier than for the past two years) and present CSR promotion activities.
- Assess the level of dialogue between different actors promoting CSR (e.g. through joint activities).
- Identify the level of foreign/domestic business engagement in CSR implementation at country level and collect examples of good practices (in particular those that are linked to business case).
- Identify capacity gaps/constraints of CSR promoters and business entities in engaging in CSR activities.

- Formulate recommendations and suggest specific activities based on the findings of the survey.

The survey will be carried out among all relevant stakeholders (local and foreign businesses, business and professional associations, trade unions, local and national governments, nongovernmental organizations, media and academia) in all Project countries.

The findings of the survey are expected to generate data at 2 levels:

1. At the level of actors involved in CSR promotion (business associations, NGOs, media, government bodies and others) a study will inventorize who does what in which area of CSR and how their actions translate into a better understanding/awareness of CSR as well as practical actions on CSR by companies. The survey results will indicate how these actors influence the CSR development at national/local and company level and also, a capacity needs assessment in achieving this objective with the ultimate aim of having a greater impact on CSR implementation.

2. At the company level the study will provide:

- a. a snapshot of the level of CSR implementation (according to sector, area of CSR and other parameters determined by the international experts) ;

- b. good practices in CSR implementation (focusing on business case);

- c. an indication of their CSR implementation/engagement capacity.

It is expected that the baseline survey will be carried out in each Project Country by a National Team of Experts (NET), who will carry out desk review and consultations with national stakeholders, prepare and present national baseline report at national level. The assignment of the International Expert Team (IET) will cover:

1. Development of methodology and a questionnaire for the Baseline study to be undertaken at national level in the 7 Project countries (this questionnaire will be developed in close consultation with national expert teams and will be later used by them in carrying out national surveys);

2. Carrying out one field visit to all Project countries with the purpose of discussing with the National Expert Team the results of the desk review and meeting with most important national CSR stakeholders;

3. Providing guidelines to the preparation of national reports (in order to ensure consistency of structure and content and the comparability of data);

4. Providing advice to the National Expert Team on the process, methodology,

conclusions/ recommendations of national report and other aspects related to the Baseline study as needed, during the period of the assignment.;

5. Preparation of a European synthesis report on the basis of national reports that will provide diagnosis of CSR status and mapping out of actors' engagement in CSR in a particular Project country;

6. Presenting the European synthesis report during a regional conference in Brussels in second half of June 2007.

III. METHODOLOGY

The Study will employ a variety of methodologies and will include qualitative and quantitative methods (desk reviews, stakeholder meetings, survey, and selected visits). While National Expert Team will be responsible for conduction of the fieldwork in the Project countries and preparation of the National Baseline Reports, International Expert Team will be responsible for overall quality assurance of the survey implementation and the regional conclusions through a European synthesis report.

In consultation with the European Commission as well as the project partners involved in the Regional Project, the Commission's definition of CSR will be used as the main basis against which CSR status in the project countries will be analysed, as well as internationally agreed instruments such as the ILO core labour standards, OECD guidelines for multinational enterprise, Recommendations of European Multi-stakeholder Forum on CSR, EU Charter of Fundamental Rights, Rio Declaration on Environment and Development, Johannesburg Declaration and its Action plan for Implementation, the EU Sustainable Development strategy and Aarhus Convention, UN Global Compact Principles and others, as appropriate.

The international expert team will be responsible for preparation of more detailed description of methodology (including sectoral approach, numbers of respondents, etc.).

IV. EXPECTED OUTPUTS

The main expected output is a comprehensive European Synthesis Report based on the Baseline Study of the 8 Project countries, produced in English, including relevant annexes with detailed data. Also, a power-point presentation in English should be prepared on the report that could be used for its' presentation during the regional conference in Brussels in second half of June 2007.

The European synthesis report will compile the results of the Baseline study at the regional level (comparing the status of CSR in Project countries against indicators based on European Commission CSR definition) and provide recommendations for the advancement of CSR in the region (including drivers of CSR and obstacles in the region, interaction among actors, good practices, concrete actions to be undertaken at regional level).

The final Report by the IET, should at the very least contain, but not restricted to, the following:

- Executive Summary (including main conclusions and recommendations);

- Background with analysis of the regional context;

- Analysis of actors in CSR promotion in the region (governmental bodies, international organizations, civil society, private sector, etc.), key areas/activities of their involvement, relationship between these actors and their input to CSR promotion in the region, if any;

- Good practices of CSR implementation in the region;

- Analysis of CSR implementation capacities in the region (at the level of CSR promoters and companies).

- Findings and Recommendations for further activities in the region (in particular capacity building, elimination of obstacles and establishment of regional approach to CSR agenda);
- Annexes (TOR, abbreviations, persons met, documentation reviewed or references, statistics, etc.).

▪ **V. MANAGEMENT ARRANGEMENTS**

Overall coordination of the assignment and liaison with contacts at the national level (discussions with UNDP Office in the country, national actors and NET) will be ensured by Regional Project

Coordinator based in Vilnius, Lithuania. At the country level, IET will work closely with NET in carrying out the assignment, while UNDP Office in the country will provide support throughout the process in dialogue and interaction with national stakeholders, as necessary.

▪ **VI. REQUIREMENTS FOR THE INTERNATIONAL EXPERT TEAM**

Two international experts are envisaged to carry out the assignment of the IET described above.

The basic requirements for both experts are explained below:

- 1) Senior expert with at least 7 years practical experience in CSR issues in business context and in the European environment (preferably EU); excellent writing skills in English;
- 2) Assistant expert with at least 5 years practical experience in CSR issues in business context and in the European environment (preferably EU); excellent writing skills in English.

▪ **VII. TIMEFRAME**

The assignment will start on 1 February 2007 and will end on 30 June 2007 with the following interim deadlines (preliminary):

1. Development of methodology (including guidelines for the preparation of national reports) a questionnaire together with countries involved for the Baseline study by 15 February;
2. Field mission to 8 selected Project countries (one expert) by 1 April;
3. Preparation of a draft European synthesis report on the basis of national reports (which are to be prepared by 30 April) by 30 May;
4. Presentation of the report will take place in the second half of June during a regional conference in Brussels;
5. Providing advice to the NET throughout the whole period of the assignment.

■ SELECTED REFERENCES

- Aarhus Convention: Convention on Access to Information, Public Participation in Decision – Making and Access to Justice in Environmental Matters, Denmark, June 2006;
- Alytaus miesto savivaldybės subalansuotosios plėtros strateginis planas (The Sustainable Development Plan of Alytus Municipality) 2002. (Lithuania)
- Annual Global Compact Report, Report 2005, UN Global Compact Bulgaria;
- Ararat, Melsa & Ugur, Mehmet. 2003, Corporate Governance in Turkey: an overview and some policy recommendations. Corporate Governance, Vol. 3 No.1 2003, pp 58- 75
- Bagić, Aida, Škrabalo, Marina, and Narančić, Lana. An Overview of Corporate Social Responsibility in Croatia [Pregled društvene odgovornosti poduzeća u Hrvatskoj]. Zagreb: AED, 2004, 2006.
- Bajuk, Jože, Cvijanović, Vladimir, Dadić, Tatjana, Račić, Domagoj and Melita Veršić Marušić. Korporacijsko upravljanje u javnim dioničkim društvima u Republici Hrvatskoj [Corporate Governance in Public Joint Stock Companies in the Republic of Croatia]. March 2005.
- Bežovan, Gojko, Siniša Zrinščak i Marina Vugec “Civilno društvo u procesu stjecanja povjerenja u Hrvatskoj i izgradnje partnerstva s državom i drugim dionicima [Civil Society in Croatia in the Process of Building Trust and Partnership with State and Other Stakeholders] /Civil Society Index Report/ “: CERANEO and CIVIL-CUS, 2005.
- Bikmen Filiz, 2003, Corporate Philanthropy in Turkey: Building on Tradition, Adapting to Change, SEAL – Social Economy and Law Project Journal Autumn 2003, p.2
- Boda, Zs. – Radácsi, L. [1996]: Vállalati Etika (Corporate Ethics). BKE Vezetőképző Intézet, Budapest (Hungary)
- Braun & Partners researches (Hungary)
 - *CSR in Financial Sector, 2006*
 - *TOP 25 research: what corporate leaders think of CSR, 2006*
 - *Public opinion of CSR, 2006*
- Brownlie, Mark; Escudero, Manuel; Andreu, Alberto; Errath, Birgit; Lavigne-Deville, Jerome; de la Hoz, Jesus Diaz; Garilleti, Jevier; Slater, Marinilka; Reis Ursini, Tarcila. “Praktinis vadovas pažangos atskaitai parengti” (Engl. Practical guide on preparing the progress report)– UNDP (Lithuania)
- Bulgarian Red Cross: “Project Care Partners Network”, 2004–2006, financial Report;
- Charity in Bulgaria, 2005, Foundation BCAF Bulgaria, January 2006;
- Corporate Governance in Bulgaria—An outsider perspective on recent development, Prof. Stewe Bristow, Open Direction LTD, September 2005;
- Csonka, V. – Kenyeres, A. – V. Larsen, S. – Szabó, C. [2004]: Corporate Social Responsibility: State of the Art in Hungary 2004. La Vida Consultancy nad Training Centre, Budapest
- Deák, K. – Győri, G. – Báron, P. – Ágoston, L. [2006]: Több, mint üzlet: vállalati társadalmi felelősségvállalás (More than Business – Corporate Social Responsibility). Demos Hungary Foundation, Budapest (Hungary)
- Demirag Istemi and Serter Mehmet. 2003. Ownership Patterns and Control in Turkish listed companies. Corporate Governance, Volume 11 Number 1, January 2003, Blackwell Publishing, Oxford
- East-West Management Institute, Partners For Financial Stability Program [2006]: Survey of Reporting on Corporate Social Responsibility by the Largest Listed Companies in Eleven Central and Eastern European Countries, Warsaw, Poland
- Ekologinis gaminių projektavimas (Ecological engineering of products). 2006. Institute of Environmental Engineering. (Lithuania)
- Ekonomika ir aplinkosauga. Ekologinio ženklinimo sistemos Lietuvoje ir pasaulyje, aplinkai palankaus verslo perspektyvos (Economy and Environment. Systems of Ecological Labeling in Lithuania and the World, Perspectives on Environmentally Friendly Business). 2005. Published by Centre of Environmental Information.
- Eterović Heidi, Kurešević Ela and Andreja Kocijan (eds.) Časno do pobjede. Priručnik za društveno odgovorno poslovanje. [Winning with Integrity. Handbook on Corporate Responsibility] UNDP, 2005. (Croatia)
- EU register of EMAS organisations, http://ec.europa.eu/environment/emas/about/participate/sites_en.htm
- EU Sustainable Development strategy, Commission of European Committees, Brussels, 15.01.2001;
- European charter for small enterprises, EU Bulgarian Country Report, Sofia 2004;
- European Commission. “Croatia 2006 Progress Report” {Com(2006) 649 Final}. Brussels. 2006

- European Multi-stakeholder Forum, Improving knowledge about CSR and facilitating the exchange of experience and good practice, Round table: Development aspect of CSR, Round table: Diversifying, convergence and transparency of CSR Practices and Tools, 29 June 2004, Final Report, europa.org;
- Farsang, A. — Kovács, M. [2006]: CSR Online 2006 — Online CSR communication of the Hungarian Top100 companies, Budapest (Hungary)
- Fekete, L. [2005]: Hungary — “Social Welfare Lagging Behind Economic Growth”, in *Corporate Social Responsibility Across Europe*, HABISCH, A. ET AL. (Eds.), Springer, Berlin, 2005, pp. 141-149
- Frankental, Peter. 2002. The UN Universal Declaration of Human Rights as a corporate code of conduct. *Business Ethics: A European Review*; Apr2002, Vol. 11 Issue 2, p129, 5p
- Gruževskis, Boguslavas; Vasiljevienė, Nijolė; Kleinaitė, Indrė; Moskvina, Julija. 2006. “Relevant issues in social politics 2006/7: social responsibility of companies”. Published according to the plan of the social partnership development between the government of the Republic of Lithuania, labour unions, and employers’ organisations for 2005 — 2006.
- Hall, D. and Lobina, E. 2004. Private and public interests in water and energy. *Natural Resources Forum*. (Lithuania)
- Hrvatska Agenda 2005 za odgovorno poslovanje [Croatian Agenda 2005 for Responsible Business Practice]. “Promicanje društveno odgovornog poslovanja u Hrvatskoj: Agenda za 2005. godinu — program konferencije, prijedlog inicijativa, zapisnik, sudionici [Promoting CSR in Croatia: Agenda 2005 — Conference Programme, Initiatives Proposal, Report, Participants]”, Zagreb, 8. 12. 2004. 2004.
- International Federation For Human Rights (FIDH) [2006]: An Overview of Corporate Social Responsibility in Hungary
- Johannesburg Action plan for Implantation, Sustainable Development, World Summit Report, 2002;
- Kun, A. [2004]: A vállalati szociális elkötelezettség tematizálásának alapvonalai az Európai Unióban (The Outlines of Tematization of Corporate Social Involvement in the EU) *Jögméleti Szemle*, 2004/1 (Hungary)
- Ligeti, Gy. [2007]: CSR — Vállalati felelősségvállalás (Corporate Social Responsibility). Kurt Lewin Alapítvány, Budapest (Hungary)
- M&H Communications Intelligence Unit [2006]: CSR, a magyar beteg (CSR, the Hungarian Sick)
- Mazurkiewicz et al. [2005]: What Does Business Think about CSR? In *Enabling a better environment for CSR — Diagnostics*, TÁRKI, supported by the European Commission, DG Employment, Social Affairs, and Equal Opportunities and the World Bank
- Melsa Ararat, Sabanci University, Faculty of Management, Director of Corporate Governance Forum of Turkey with Ceyhun Göcenoğlu CSR Association — Turkey General Secretary; Drivers for Sustainable Corporate Responsibility, Case of Turkey, November 2006, For MENA Development Forum
- Ministry of Employment and Labour [2005]: Informant on Companies’ Social Responsibility (Hungary)
- Multinational companies, challenges in front of industrial syndicates: Years Later, ISSI KNSB, “FRIEDRICH EBERT FOUNDATION”, 2004;
- National program: Be Independent, Ministry of Labor and Social Policy, 2006; (Bulgaria)
- National Sustainable Development Strategy, adopted by the Government of Lithuania (September 11, 2003, Vilnius, No. 1160).
- Nonprofit [2003]: A vállalatok társadalmi felelőssége Magyarországon— Összefoglalás (CSR in Hungary, summary)
- Priručnik o društveno odgovornom poslovanju [Handbook on business social responsibility]. Integra Foundation and Ruke— Small and Medium Enterprise Development Association. 2006. (Croatia)
- Project of the Action Plan for Economic Development in 2007 — 2013. (Lithuania)
- Project: The young persons who left the school, Ministry of Labor and Social Policy, 2005-2006; (Bulgaria)
- Rio Declaration on Environment and Development, United Nations Conference on Environment and Development, Rio de Janeiro, 3 to 14 June 1992;
- Short-term developments in the business economy: Bulgaria and Romania, Eurostat, 04.01.2007;
- Šiaulių miesto Aplinkosaugos politikos ir Aplinkos darnaus vystymosi strategijos projektas (The Project of the Environmental Policy and Sustainable Development Strategy of Šiauliai). 2007. (Lithuania)
- Social security and labour minister decree on the approval of means of CSR promotion in 2006-2008, (December 22, 2005, Vilnius, No A1-337) (Lithuania)
- Stubbs, Paul, Tafr Vlahović, Majda and Denis Redžepagić. “Creating Sustainability Competencies Through Reporting in Croatia.” In *Seventh International Conference on „Enterprise in Transition”*, Faculty of Economics at the University of Split. May 24-26, 2007, Bol, Brač, 2007.
- Šulenta, Leslie, Mirna Koričan and Andrijana Mušura. Reporting on Corporate Social Responsibility by Leading Croatian Firms 2006: Zagreb School of Economy and Management (ZSEM) February 2007.

- Szlávík, J. — Pálvölgyi, T. — Csigéné Nagypál, A. — Füle, M. [2006]: CSR in Small and Medium-sized companies: Evidence from a survey of the automotive supply chain in Hungary and Austria, Rhetoric And Realities: Analysing Corporate Social Responsibility in Europe (RARE)
- Tendencies of social responsibility between small and medium enterprises in Baltic countries. Research Report, forthcoming in 2007. Ekonominės konsultacijos ir tyrimai.
- The Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange, approved by Lithuanian Securities Commission (July 26, 2006 No. 9K-16) (Lithuania)
- The Decree of the Government of Lithuanian Republic on the Program of bio fuel production and usage incentives for 2004-2010. (August 30, 2004. No.133-4786)
- The Environmental Strategy of Kaunas for 2006 – 2015 and the Plan of Implementation Measures of the Environmental Strategy for 2006 – 2008. (January 26, 2006. No. T-7) (Lithuania)
- The Law of Consolidated Financial Accountability of the Republic of Lithuania (latest version June 27, 2006, No IX-576).
- The OECD guidelines for Multinational Enterprises: Revision 2000, OECD Report 2000;
- Turkish-US Business Council of DEIK. 2006. Sector Briefs for Foreign Companies.
- UNDP Local Network annual Activity Report Lithuania 2006
- UNDP. Izvješće o društvenom razvoju Hrvatska 2006. Neumreženi. Lica socijalne isključenosti u Hrvatskoj. [Human Development Report Croatia 2006Unplugged: Faces of Social Exclusion in Croatia.]: United Nations Development Programme (UNDP) Croatia, 2006.
- Verslas ir Filantropija. Lietuvos įmonių apklausa. (Business and Philanthropy. Poll of Lithuanian Companies). 2005. TNS Gallup.
- Vlada Republike Hrvatske [Government of the Republic of Croatia]. Strateški okvir za razvoj 2006.-2013. [Strategic Development Framework 2006-2013]. Zagreb: Government of the Republic of Croatia, 2006.
- What Does Business Think about Corporate Social Responsibility? Part I: Attitudes and Practices in Estonia, Latvia and Lithuania. 2005. Research Report. World Bank
- Who is creating Lithuanian future? Corporate social responsibility. Forthcoming in 2007. Investors' Forum.
- World Bank.. Croatia: Living Standards Assessment. Volume 1: Promoting Social Inclusion and Regional Equity. November 2006.
- Žiliukaitė, Rūta; Ramonovaitė, Agnė; Nevinskaitė, Laima; Beresnevičiūtė, Vida; Vinogradnaitė, Inga. 2006. Neatrasta Galia.
- Lietuvos pilietinės visuomenės žemėlapis. (Undiscovered Power. The Map of Lithuanian Civil Society) Vilnius: Versus Aureus.
- Zsolnai, L. (ed.) [2005]: Vállalkozások társadalmi felelőssége az Európai Unióban és Magyarországon (Corporate Social Responsibility in the European Union and in Hungary), Hungarian Chamber of Commerce and Industry, Budapest, 2005.



Mark Line

Mark Line is a pioneer of corporate social responsibility with more than 20 years of experience in the field.

Mark is a co-founder and the managing director of csrnetwork – an international consultancy that provides leading-edge services in CSR benchmarking, performance management, report development and assurance. csrnetwork works with large, multinational corporations on designing and implementing their CSR and sustainability strategies or on assurance assignments. Current clients include Airbus, Hitachi Europe, Kesko, Mittal Steel, RWE npower, Stora Enso and Vodafone.

Mark is also co-founder of JustAssurance, whose assurance work for Cooperative Financial Services was rated first in the SustainAbility/Standard & Poor's 2005 global benchmark of corporate sustainability reporting.

Mark led a team that developed the indicator protocols for the Global Reporting Initiative's 'G3' sustainability reporting guidelines. He is also a member of the Association of Chartered Certified Accountants (ACCA) UK Sustainability Reporting Awards judging panel. Mark was one of the founding developers of the Accountability Rating TM published annually by FORTUNE and elected Council Member of AccountAbility.



Robert Braun

Robert Braun co-founded Braun & Partners Ltd., a business focused CSR consultancy, bringing together specialists from the fields of social accounting, sustainable development, business strategy and communication, in 2005.

Robert is a recognised expert in social thinking, strategy and communications. He has 15 years professional experience, including 5 years of dealing with Corporate Social Responsibility issues, as well as, in pre-transition Hungary, working with NGOs such as the Raoul Wallenberg Association and other human rights organizations.

Robert's recent client work involves development and implementation of corporate organisations' social strategies. He has been actively involved in the development of the Accountability Rating on a regional level as well as the Global Reporting Initiative/G3 reporting guidelines to Hungarian. Prior to establishing Braun & Partners, Robert lead the strategy effort of PM Gyurcsány in Hungary, and acted as communication director to PM Medgyessy. He is an Associate Professor of CSR and Marketing at the University of Economics in Budapest.