



Accelerating CSR practices in the new EU Member States and Candidate Countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU

Regional Conference for business and stakeholders

"CSR in the New Europe: challenges and solutions"

Brussels, Belgium – June 26, 2007

CONFERENCE REPORT

Prepared by: Sergej Muravjov, Lithuania

ABOUT THE CONFERENCE

This report presents an overview of the Regional Conference "CSR in the New Europe: challenges and solutions", which took place in Brussels, Belgium on 26 June, 2007. The Conference was organised within the framework of a regional 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). The project, funded by the European Commission and the United Nations Development Programme (UNDP), covers eight countries (Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovakia and Turkey). It aims to promote CSR practices in the region by fostering pro-active environment for stakeholder dialogue, co-operation and partnerships. The regional conference in June launched the first Baseline study on CSR practices in Central and Eastern European region and offered a unique opportunity to exchange experience and views on CSR-related issues. The Conference served as a constructive step to greater acknowledgement of the importance of Corporate Social Responsibility and its inclusion in daily practices of States, businesses and other partners. The organizers of the Conference hope it will serve as an important building block in developing an enabling environment for CSR development in Central and Eastern Europe.

CONFERENCE PROCEEDINGS

Introductory Remarks on Corporate Social Responsibility in Central and Eastern Europe

The Conference was opened by **Ms. Kori Udovički**, United Nations (UN) Assistant Secretary-General, Director of UNDP Regional Bureau for Europe and Commonwealth of Independent States (CIS), who stressed the importance of CSR as a voluntary initiative that adds value to business which cannot be imposed by the state and therefore has to be actively promoted by the companies and civil society organizations (CSOs). According to Ms. Udovički, CSR adds competitiveness in the global market and is a vital component within a long-term business perspective that needs to be put over short-term planning. Adherence to CSR practices not only adds profits but also increases business accountability to its stakeholders. Ms. Udovički acknowledged that currently CSR in the Central Eastern European (CEE) region is promoted largely by international actors and multinational investors. At the same time, there is a lack of public trust in businesses and to change that one needs to change negative public attitudes. While CSR is one of the means to do that, by no means CSR can be used only for public relations purposes.

Sustainability and CSR importance in the European Union

The opening remarks by Ms. Udovički were followed by **Mr. Richard Howitt**, MEP, Rapporteur on CSR in the European Parliament, who complimented the work of the project organizers and pointed out that while in Europe there are both positive and negative general CSR trends, the finding of the Baseline study that shows CEE companies first of all view CSR as compliance with the legal framework could be also more endorsed by Western European companies as a solid base for further CSR developments. In this light, Mr. Howitt put forward *five recommendations* on how to go forward with the promotion of CSR practices in Europe. According to Mr. Howitt, first of all multi-stakeholder approach is key, thus the European Parliament (EP) and the European Commission (EC) should support the enhancement of capacities of and engage CSOs in the region, often small and fragmented in size, into the dialogue with business. Secondly, there is a need to strengthen the CSR concept in indigenous companies in the region, especially of small and medium-sized enterprises (SMEs) on the local level. Thirdly, one should make good use of the statistical information at hand for further advocacy of CSR related issues. Fourthly, UNDP and EC need to unite their strengths on such initiatives as UN Global Compact, Global Reporting Initiative and OECD Guidelines for Multinational Enterprises to achieve best results possible. Finally, CSR practices should play a more important role in pre-accession. Mr. Howitt stressed that in regard to CSR implementation it is essential to stress outcome over process and see what CSR really is in practice.

Corporate Social Responsibility by the European Commission

Mr. Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities, complimented the Baseline study and pointed out that, when compared with Western Europe, the subject of CSR continues to be approached differently, if not insufficiently, in Central and Eastern Europe. He stressed three points in his address. First of all, the Commissioner addressed

the challenges of the enlarged Europe; secondly, spoke about ensuing necessity for new forms of governance; and, finally, referred to CSR as an instrument of social reform in CEE states. The Commissioner pointed out that the EU has played an important role in consolidating social and environmental practices of its member states and strengthening its cohesion through common values. With the EU expansion to 27 members, Europe boasts strong economic potential and yet faces many new challenges, which have to be tackled proactively. The differences between average salaries, poverty thresholds and percentage of poor households in the EU members remain great. Mobility within the Union is increasing and changing in nature; while the demographic stability of European countries is undergoing dramatic changes. In that light the European Union's strategy on Corporate Social Responsibility is a win-win strategy that seeks to combine the benefits of better public and private governance. The two main pillars of the Strategy are (1) the European Alliance for Corporate Social Responsibility set up in 2006 and (2) a dialogue with all stakeholders involved in CSR at the European level for a joint review of progress in CSR in Europe and the world. While companies are called on to develop CSR practices which are voluntary and go beyond minimal legal requirements, the EU also seeks to provide more supportive macroeconomic business environment. The Commission asks companies to make a greater contribution to European public policy objectives and seeks to promote flexicurity, as a combination of flexibility and security for employers and workers. The EC also pays particular attention to CSR when dealing with small and medium-sized enterprises. Mr. Špidla stressed that CSR is an instrument of social reform in the CEE region. In that sense the accession process, transposition of the Community *acquis* and the increased presence of multinationals with their own practices are all important factors in promoting CSR in the region.

Presentation of the European Baseline Analysis Results

Mr. Robert Braun, representing the international expert team¹ that has carried out analysis of eight countries and compiled the European Synthesis Report, presented the audience with the results of their work. According to Mr. Braun, the study is a solid contribution to the understanding of CSR practices in Europe and should be repeated in the future. Global reporting on CSR is not enough – actions have to be taken on a local level as well. Therefore the project set to develop a scorecard not only for the region but also for a global use. The study analyzed CSR practices in eight CEE states – Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovakia, and Turkey. For the purpose of their work they defined CSR as *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*". The main objectives of the study were: (1) to identify the actors/entities who promote CSR at country level; (2) assess the level of their engagement in CSR promotion at country level through mapping their past and present CSR related activities; (3) identify capacity gaps/constraints of CSR promoters and business entities in engaging in CSR activities; and, finally, (4) formulate recommendations and suggest specific activities based on the findings of the analysis.

The main findings of the study could be summarized as follows: (1) agents of change (contrary to Western Europe) are business themselves – supported by membership based business organisations and international organisations; (2) the level of direct involvement by Government is diverse, although due to the socialist heritage, there is a general belief that social responsibility is the primary role of government; (3) the awareness and power of NGOs to put pressure on

¹ International expert team consisted of two international experts: Mr. Mark Line from United Kingdom and Mr. Robert Braun from Hungary.

business and government are limited; (4) the media is failing to hold corporate actors accountable for irresponsible business activities; (5) in the majority of the countries analysed foreign multinational companies are more often the key corporate drivers of the social agenda; (6) there is a need to build and promote a common understanding of how to measure CSR practice at a company level across the region; (7) companies are more open to the concept of expressing CSR strategy and engaging in dialogue with stakeholders (summary data from 288 companies across 8 countries); there is less uptake of CSR related governance practices, performance management or public disclosure – and very little use of assurance processes.

The recommendations put forward in the study could be divided under five separate headings and summarized in the following manner. First of all, while *tracking acceleration on CSR in the region*, it would be highly beneficial to adopt the structure of this baseline for future work; to build consensus on country level indicators; to establish a mutual understanding for future development priorities; and to seek to co-opt other country level measures that are relevant for CSR. Secondly, with regard to *the legal and political environment*, national governments should identify a department to lead on CSR issues; consult widely with interested parties on CSR; develop national CSR strategies; produce government level reports, integrating CSR; and, finally, introduce CSR issues into public procurement and adoption of relevant legislation. Thirdly, within *the civil society context*, it is essential to enable project initiators to address further development of civil society organizations in the region. Fourthly, when it comes to *companies reporting on CSR*, the project initiators could support the further development of good reporting practice by companies in the region. Finally, with regard to *company absorption of CSR standards*, the project initiators should support further development of good management practice by companies in the region.

Practical examples of trends, challenges, and solutions from Project countries

Following the presentations of the first round of speakers, the participants of the Conference were presented with reflections from Project countries on practical examples of trends, challenges and solutions to CSR related issues. The discussion revolved around a number of topics such as the instruments that could help accelerate CSR policies in the region, where there is a lack of State involvement in CSR-related issues. Arguably, there is a clear need for promotion of joint peer action in the form of partnerships by companies and companies and CSOs alike. As **Mr. Vladimir Shopov** from Bulgaria pointed out, while the pace and quality of the economic reforms in the region have to be taken into account, it is also just as vital to bring changes in business attitudes towards social responsibility. Central and Eastern European countries may differ from their Western counterparts for a variety of historical, socio-political and cultural reasons. However, CSR is a dynamic concept that presupposes change, which means that it can be applied one step a time. **Mr. Mislav Ante Omazic** from Croatia outlined four stages of CSR development – latent, emerging, consolidating, and institutionalized – as proposed by the AccountAbility, UK. Meanwhile, **Mr. Settar Dinler** from Turkey brought everyone's attention to the reasons why companies may be in CSR in the age of the buyers' market, branding and positive imaging of businesses.

During the lunch break Mr. Teodor Milev, General Manager of Microsoft Bulgaria, presented the Conference participants with the work and CSR philosophy of the Microsoft Company and its successful ways to combine socially responsible practices with successful business activities.

Before breaking into specific subject oriented workshops, business, government and CSR representatives from the CEE region shared their experience with the Conference participants. The debate highlighted the importance of the balanced approach when implementing a CSR strategy, illustrated by an example of **the Podravka Company** (Croatia), which should eventually lead to the dialogue with and better understanding of the needs of stakeholders, development of early warning mechanisms, long-term partnerships, greater environmental protection, value for money and positive financial impact. The audience learnt of business support to community activities, education and health fields, and CSO work, all of which helps businesses better understand community needs, get better perception of the market, develop new products and brands, and strengthen brand loyalty, reputation, and subsequently receive higher profit. It became clear that governments in the region are taking steps to take account of and introduce CSR practices on national levels and even adopting government measures to promote CSR, as mentioned by the government representative, **Ms. Natalija Ziminiene** from Lithuania. Meanwhile, CSOs continue to face various challenges. There is still a lack of constructive co-operation between businesses and CSOs. Many companies in the region continue to tackle poor public image, various market constrains, and have limited understanding of real community problems. However, there is an increasing number of joint CSO and business undertaking, which hopefully herald positive changes for the future. In that sense, **Ms. Penka Tsvetkova** from Bulgaria stressed the importance of such partnerships in improving public image of business; promoting public trust and confidence in businesses, aiding to produce stable and “healthy” communities; and providing professionalism and practical expertise to the entire effort.

In the afternoon part of the Conference the speakers and participants broke out in three separate workshops to address such topics as “Enabling a better environment for CSR through public policies” (Workshop A); Successful integration of CSR principles into business strategy: steps and approaches” (Workshop B); and “The strength of civil society as a key factor in accelerating CSR in the region: positioning of stakeholders in CSR developments” (Workshop C). The following summary reflects the discussions and outcomes of each of the workshops.

Workshop A (*Enabling a better environment for CSR through public policies*) featured Associate Professor **Mr. Boleslaw Rok**, from Warsaw University’ School of Management (Poland); **Mr. Vidmantas Adomonis** from the Ministry of Environment (Lithuania); and **Prof. Adrian Henriques**, Middlesex University, UK, acting as facilitator.

The workshop started with presentations of government-led CSR initiatives. The cases of Lithuania and Poland, presented respectively by **Mr. Adomonis** and **Mr. Rok**, illustrated the Green Public Procurement initiative in Lithuania and the public CSR agenda in Poland. Both speakers stressed the ongoing efforts of their governments to engage in the CSR discourse on various levels in mandating, facilitating, partnering, and endorsing socially responsible practices. The ensuing debate focused on the role the governments have to assume in dealing with social responsibility. Among the calls for a more active facilitating role such as greater promotion of discussion and partnership among stakeholders, transparency, and guidance regarding the content of CSR activities, the participants pointed out that change may also come without strict regulation and financial incentives. The participants shared their views on national practices of placing the CSR agenda with particular ministries. It appeared that CSR-related issues are often regarded as a national matter addressed by a number of ministries. It was generally agreed that

such multi-ministerial approach to dealing with the CSR agenda may be best-suited to address CSR-related matters properly. Workshop participants paid particular interest to the subject of sustainable public procurement, inquiring for more information on the topic.

Workshop B (*Successful integration of CSR principles into business strategy: steps and approaches*) involved private sector speakers: **Mr. Jacek Dymowski**, Head of CSR at Telekomunikacja Polska (Poland), **Ms. Benan Vey**, CSR Director at Hey Textile Company (Turkey) and **Ms. Michelle Wolfe**, CSR Reporting Manager at Aviva (UK), as facilitator.

The workshop discussion focused on the reasons and ways companies integrate CSR into their business strategies; what benefits (tangible and intangible) CSR brings to business; and practical ways to commence with CSR practices for those companies that have only considered it. The workshop participants particularly addressed the internal dimension of CSR, or the so-called business case, while acknowledging that the external dimension of CSR practices, i.e. business partnership with various stakeholders, continues to play an important role. The discussants stressed the importance of the senior management in bringing about and implementing CSR-related changes. No new policy will succeed if employees see that company top management do not mean it. The representative of **AVIVA** pointed out the company's practice of individual unit reporting that allows to demonstrate CSR achievements on a more detailed level. The participants also spoke of partnership and the win-win approach as a long-term business profit strategy that could be illustrated with the following quotation: "When you use your core competences and find partners with similar aims but different core competences you have inevitable win-win situations". For instance, **Telekomunikacja Polska** has been investing in education of various stakeholders.

It was also pointed out that successful CSR practices such as implementation of codes of conduct that promote the benefit of the worker often allow to bolster employee loyalty and subsequent quality of company product, which in its turn allows to gain greater profitability. In such way, the Hey Textile Company was able to make its brand more recognizable and increase demands for its services. One of the concerns raised in the group discussion was the actual integration process of CSR practices and internal communication tools a company should use to advocate social responsibility among its employees. A problem of free-riders was also mentioned. Yet, workshop participants seemed to agree on the necessity to provide CSR training at all levels in the company that would allow integrating socially responsible practices into the core of the business.

Workshop C (*The strength of civil society as a key factor in accelerating CSR in the region: positioning of stakeholders in CSR developments*) featured Mr. **Michal Kissa** from Pontis Foundation (Slovakia); **Ms. Nikica Kusinikova** from the Center for Institutional Development (Macedonia); **Ms. Martina Etlinger**, from Croatian Banking Association, **Ms. Ida Petrik** from Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungária) and **Mr. Tom Alcott** from the Social Network Company (UK), as facilitator.

During the workshop discussion the participants identified three areas that require particular attention. First of all, they called for greater professionalization of CSOs that would see their transformation from philanthropy administration to focused activism; secondly, support of CSO development; and finally, promotion of CSO co-operation. When it comes to CSO professionalization, there seems to be a great variety of knowledge and experience that needs to

be sufficiently digested and processed to increase CSO effectiveness. There is also a need to support and educate media on CSR issues and help CSOs to deal with fear and ignorance from companies to reinforce the climate of partnership. Meanwhile CSO development may be promoted by establishing joint pilot projects involving CSOs and businesses and holding trainings and other kinds of assemblies to promote the development of a denser CSO landscape. Finally, it is just as important to develop co-operation among CSOs on national and international levels. Civil society organizations were encouraged to share best practices locally and regard each other as partners. Local CSOs also have to be enticed to communicate with and sometimes learn from larger internationally established CSOs to gain greater knowledge of and confidence in their practices. As for the matters of concern raised in the workshop, the participants discussed the conditions on which CSOs should accept funds from businesses and possible risks CSOs may face by becoming hostage of company cherry pickings. Other questions raised dealt with the ways how to support the growth of local CSOs, help develop awareness of what they can do, and address a perceived lack of optimism towards realizing the potential of CSO activism, particularly in the light of the gap between those CSOs that have the competence, knowledge and experience to engage with business on CSR issue and those that do not.

Concluding Remarks and the Way Forward

Once the summary and results of the workgroup discussions were presented in the Plenary with kind facilitation by **Mr. Simon Pickard** from EABIS (Belgium), a cross-sectoral discussion between representatives between business, CSO and government sectors ensued. The questions of and exchange of opinions by the Conference participants focused on the role CSR could play in their agenda and what forms the co-operation between different parties could take. It became clear that representatives of a particular sector - business, CSO, and government alike - often were not aware or knew little of the CSR-related realities of and developments in parallel sectors. It was also evident that while there was considerable interest on behalf of the attendants, many did not know or were uncertain of the concrete steps they should take to pursue to effectively promote CSR policies and implement CSR practices, what actors to engage and how to address the issue overall. The results of the discussion clearly called for further dialogue and actions aimed to address separate and concrete CSR-related issues.

To put finishing touches to the CSR debate, **Ms. Lyra Jakulevičienė**, Regional Coordinator for Regional CSR Project and the Head of UNDP Lithuania, made concluding remarks that summarized the essence of the day's work at the Conference.

Regional Project Coordinator stressed that integration of CSR agenda in the strategies of organizations and business companies is a learning process that involves changing of our mind and thus takes long time, which means that we cannot just wait in the face of everyday social, environmental and governance challenges. Indeed, as it was rightfully pointed out, only one-third of respondents in the UK remember companies acting on an issue without being prompted to do so. In the context of CEE region in which traditional CSR drivers lack power, the promotion of Corporate Social Responsibility by respective governments plays a vital role for accelerating the process. Without their active encouragement the leadership of businesses may be insufficient to achieve substantive results. While CSR is a voluntary initiative, calling for more active role to be played by the Government should not become an excuse for absence of action on the side of business.

Ms. Jakulevičienė pointed out that many conference participants raised the issue of CSR definition and suggested that the discussions during the conference indicate that the challenge is not about defining what CSR is but rather finding a particular relevance and content to a complex combination of social, environmental, ethical and other aspects for an individual company and organization. It may also mean it is difficult and probably unnecessary to generalize and search for a uniform format of CSR implementation for everybody. Yet, it is certainly important to look for common criteria to measure the country progress at national level and enable to put it in a regional perspective. This should all be done in a dialogue with stakeholders. The comprehensive survey presented today addressed this challenge to a certain extent.

Ms. Jakulevičienė also summarized the main points raised by the speakers during the plenary sessions and discussions at the workgroups and went on to stress the importance of joint involvement of local communities, international organizations, businesses of all sizes and governments if we are serious about effectively promoting the CSR agenda. She mentioned the long-term profitability of CSR-related practices for business; the role of the Government in developing a friendly yet unambiguous legal and political environment friendly to CSR practices; and the challenges faced by CSOs that are often too weak to act alone.

Lastly, the Regional Coordinator proceeded with a short overview of the upcoming Project activities during 2007 and 2008. She encouraged the participants to use both the national and the European Baseline Reports in defining their national priorities. All national reports should be launched by the end of 2007. The reports are aimed to show which national capacities need to be strengthened, who-is-who and with whom to partner and coordinate the activities at country level and where the good examples could be found – all this could become a roadmap for action endorsed by national stakeholders.

Meanwhile, the European report can serve as a solid platform for the discussion on commonalities between the countries in the CEE region and between them and Western EU countries and cooperation on issues that countries could handle together and not only individually. The Project organizers also expect to facilitate country-to-country visits between the end of 2007 and beginning of 2008 to promote exchange of experience and peer network-building. Late in 2007 there are activities for media representatives planned in order to raise their awareness, share experiences and challenges of reporting on CSR. Finally, a database of available CSR tools, materials and learning courses will be launched by the end of 2007 to assist everyone's daily tasks of working with CSR.

Ms. Jakulevičienė concluded by thanking all those who contributed and were involved in the preparation of the Conference and the participants for their active participation.