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Corporate Social Responsibility in Ukraine

Author:

Ievgeniia Stepanenko

Supervisor:

Carl-Axel Engdahl

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Authors:	Ievgeniia Stepanenko
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Abstract

The following thesis is a study of development of CSR policies around the world and in Ukraine in particular. Additionally, the purpose is to make suggestions for positive change in a process of CSR implementation by Ukrainian companies and a role of state in promoting responsible business behavior. Corporate Social Responsibility is an emerging concept in Ukrainian business and delay in its establishment can be explained with a number of factors. There is a need in changes to existing management practice, insuring integration of principles, methods and tools of social responsibility in business activities of Ukrainian corporations in order to ensure their competitiveness, achievement of high productivity and profitability.

The study has been performed through a literature review of current research and a case study of Ukrainian company CSR policy. The results show that there have been a major improvement in evolution of CSR concept in Ukraine over last few years, but there are still a number of problems to deal with.

This thesis can be useful in reviewing last trends in development of CSR in Ukraine and defining challenges and problematic areas.

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1 Introduction

1.1 Background

In the context of globalization and open markets, the success of a company is determined not only with the ability to find best ways to transform inputs into products and services, but also with a corporation participating in solving social issues, including its Corporate Social Responsibility policy.

Corporate social responsibility (CSR) refers to doing business in an ethical and responsible way in order to achieve economical, social and environmental sustainability. Every corporation must consider consequences of its impact on society and address ethical, social and environmental concerns in its everyday business practice. Even though the concept of CSR is voluntary by definition, a company's stakeholders (groups who affect a corporation and are affected by its actions at the same time) – consumers, local communities, governments, NGOs – bind it to contribute to greater good.

Given the global influence and engagement in international activities, multinational corporations (MNCs) are of particular interest in terms of sustainable development and CSR. MNCs have enough resources, influence and experience to be the driving force in implementing the concept of CSR in developing economies around the world.

1.2 Purpose

The thesis is a literature review of current theory and practices in CSR and a case study that aims to:

- explain the concept of corporate social responsibility, its importance, reasons for corporations to engage in CSR activities;
- describe evolution of CSR concept around the world and in Ukraine in particular;
- allocate latest trends and problematic areas in development of CSR in Ukrainian business sphere;
- develop a set of recommendations concerning state and corporation involvement in further evolution of sustainable and responsible business practices in Ukraine.

1.3 Approach

This study employed a qualitative publications content analysis to investigate the perceptions and practices of CSR in different countries around the world, including Ukraine.

The case study is based on analysis of self-reporting of activities by organizations (CSR reports). Therefore, the potential biasing of this information is recognized. The case study offers a framework for the type, orientation, and level of social reporting in Ukraine, based on a leading brewery company.

This study is rather a sketch than a complete painting of how concepts of CSR are implemented in the Ukrainian business, as both scholarly and journalistic accounts are limited to a small number of relevant publications.

2 Theoretical framework (literature overview)

2.1 Definition and concept of CSR

On 31 January 1999, in his speech on the World Economic Forum in Davos, Switzerland, Kofi Annan expressed hopes for a creative partnership between the United Nations and the private sector in improving labor conditions, human rights and environmental quality (Göthberg, 2011): 'Many of you are big investors, employers and producers in dozens of different countries across the world. That power brings with it great opportunities -- and great responsibilities. ...We have to choose between a global market driven only by calculations of short-term profit, and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity, in a healthy environment. Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership. I am sure you will make the right choice.' (UN Press Release, 1999). This speech represents a new milestone in the development Corporate Social Responsibility (CSR).

The term "corporate social responsibility" came into common use in the late 1960s and early 1970s. Corporate social responsibility (CSR) – undertaking business in an ethical way in order to achieve sustainable development, not only in economic terms, but also in the social and environmental sphere – has become increasingly important in today's business world. There is, however, less clarity about what 'corporate social responsibility' actually means (Hennigfeld et al., 2006).

Various authors use three approaches to define CSR (van Marrewijk, 2003):

1. Shareholder approach as the classical view on CSR, "the social responsibility of business is to increase its profits" (Friedman, 1962).
2. Stakeholder approach states that corporation has responsibility not only to its shareholders, but to different groups of stakeholders: employees, customers, owners, suppliers, NGOs, government, competitors, partners, investors etc. (Freeman, 1984). Every organization has its own key stakeholders, whose interests it has to balance in order to maintain profit in long-term perspective.
3. The pyramid of corporate social responsibility: Carroll - is the most famous and widely accepted theory concerning the actual content of corporate social responsibility (Filizöz, Fisne, 2011). This pyramid was framed to embrace the entire spectrum of society's expectations of business responsibilities and define them in terms of categories (Geva, 2008).

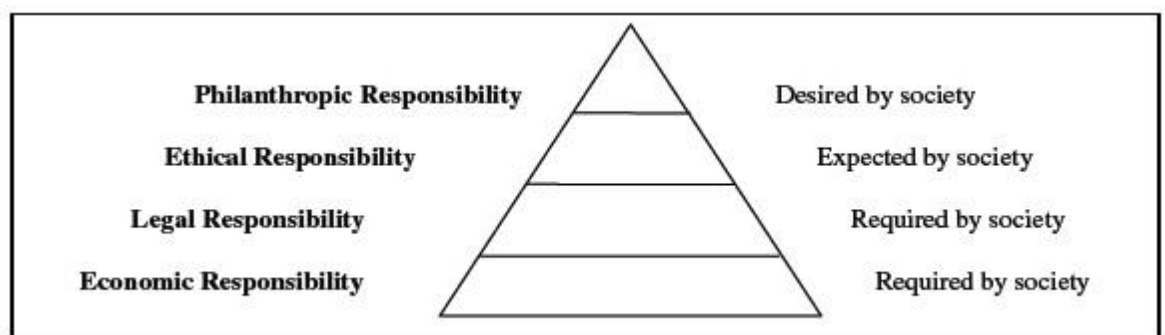


Figure 1. Carroll's Four-Part Pyramid of Corporate Social Responsibility (Hennigfeld et al., 2006).

Sustainable development became an underlying concept of international environmental policy. Key principles were adopted not only by governments, but by many corporations around the world. In course of time, sustainable development became an integral part of corporate social responsibility concept.

The International Institute for Sustainable Development, Deloitte & Touche and the World Business Council for Sustainable Development (WBCSD) define sustainable development for business enterprises as “[. . .] adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future” (Labuschagne, Brent, 2005). A sustainable business has to take into account “the interests of future generations, biodiversity, animal protection, human rights, life cycle impacts, and principles like equity, accountability, transparency, openness, education and learning, and local action and scale” (Van Kleef, Roome, 2007).

Bowen, often regarded as a pioneering advocate of corporate social responsibility, suggested that CSR refers to “... the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society” (Filizöz, Fisne, 2011).

CSR can also be defined as “a stakeholder oriented concept that extends beyond the organization’s boundaries and is driven by an ethical understanding of the organization’s responsibility for the impact of its business activities, thus, seeking in return society’s acceptance of the legitimacy of the organization” (Gray et al., 1996).

According to the World Bank, “corporate social responsibility (CSR) is a term describing a company’s obligations to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit” (Nicolau, 2008).

The European Commission defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs.¹

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce” (Holme, Watts, 2000). The CSR is used to ensure sustainable development of the company.

As we can conclude, there is a variety of definitions of CSR, which might be explained by differences of organization’s field, country of origin, size, strategy, key stakeholders etc. Jacques Schraven, the chairman of VNONCW, the Dutch Employers Association, once stated that ‘there is no standard recipe: corporate sustainability is a custom-made process. Each organization should choose its own specific ambition and approach regarding corporate sustainability, matching the organization’s aims and intentions and aligned with the organization’s strategy, as an appropriate response to the circumstances in which it operates’ (van Marrewijk, Werre, 2003). But it is in the very best interest of every business to adopt corporate social responsibility that includes a duty to help solve social problems.

The past few years have witnessed the simultaneous development of the antiglobalization movement, of shareholder activism, and of corporate governance reform. This trend has cultivated a climate of defiance toward businesses (Maignan, Ferrell, 2004).

¹European Commission - www.ec.europa.eu

Nowadays corporation's biggest concerns are not only delivering high-quality products and services to their customers, but to balance interests the needs of key stakeholder groups and eliminate (or at least minimize) any negative social, environmental or economical impact. 'An organization that fails to demonstrate responsibility in its actions, may not survive beyond the short term because irresponsible behavior is punished immediately by dramatic drops in share values or sales' (Filizöz, Fisne, 2011). The importance of CSR can also be proved by new generation of companies, such as The Body Shop and Ben and Jerry's, which base their business model explicitly on ethical foundations (Maon et. al., 2008).

'The alignment of business operations with social values is a well-developed industry: hundreds of websites, newsletters, professional associations, and consultants are devoted to CSR program development, students can earn an MBA degree in CSR, and most major companies issue a special annual publication dedicated to CSR or devote a large section of their annual reports to the documentation of social goals advanced and good works undertaken. Finally, perhaps most important, there is increasing evidence that CSR-related expenses of many companies are a substantial component of their operations ... Most studies on CSR ask the following question: Do socially responsible firms achieve higher, lower, or similar levels of financial performance relative to comparable firms that do not meet the same CSR criteria (Griffin and Mahon, 1997; Margolis and Walsh, 2003; Orlitzky et al., 2003). Financial performance is typically defined in such studies in terms of either (short- or long-run) stock prices or accounting information (e.g., return on equity, return on investment, or operating profit) or a combination of the two. To date, the results are rather mixed, but it would be fair to say that the majority of studies show a positive relation between CSR ratings and financial performance.' (Barnea, Rubin, 2010)

2.2 CSR drivers and regulation

It is now a common knowledge that corporations have responsibilities to society. Entity theory states that companies have strong tights to community they operate in: it takes resources from planet and society and it needs society to buy its products and services. Therefore, corporation's stakeholders can decide to purchase products of certain company depending on how responsibly those were produced (customers); to choose their future employer and how hard they are going to work for the firm (employees); which company/company's projects to invest in (investors); refuse to supply or charge prices reflecting the responsibility of the corporation (suppliers and financial institutions) etc. (Vives, 2008).

Powerful social and political forces encourage organizations to act more responsibly: NGOs and media are closely looking into corporations' socially responsible (and especially environmental) performance and conduct assessments and rankings of CSR performance, which reflects on companies' reputations. Shell and Exxon cases are a bright example to that (Helsin, Ochona, 2008).

Vives (2008) states that "it is not that the corporation has to work for the public good, but if it wants to work for its own good, it had better consider the impact of its activities on the public good".

Helsin and Ochona (2008) highlight five **key drivers of CSR initiatives**:

- growth in market share - CSR initiatives can open new markets, especially in developing countries. Companies that engage with local communities through SR projects can profit from creating new customers and markets for their product.

- organizational learning - CSR programs provide companies with opportunities to learn from the projects they invest in and use that knowledge to innovate and obtain competitive advantage while improving social or environmental conditions.
- committed and engaged employees – researches prove that potential employees are more attracted to socially responsible organizations, and some are even willing to receive less pay to work for a socially responsible firm.
- supportive external stakeholders - external stakeholders can powerfully affect organizational survival and prosperity. Sustainable businesses contribute to stable economies and livable communities, without which there would be fewer consumers, resulting in less need for many businesses to exist.
- positive investor relations - there is a growing trend for investors to direct their money towards socially responsible companies. The amount invested in “green” mutual funds in the U.S. rose 695% during 2002-2008.

Opinions on benefituality of implementing CSR by corporation are rather derived: some managers recognize the relevance of multiple stakeholders while others consider CSR as a concept that contradicts with profit maximization and leads to extra expenses (Buciuniene, Kazlauskaite, 2012). However, empirical studies result in a proof of positive impact of CSR on company's financial performance (Orlitzky et al., 2003; van Beurden and Gossling). Corporations that engage into CSR-related policies and practices report improvement of not only financial, but better performance outcomes in general (Buciuniene, Kazlauskaite, 2012).

Brønn and Vidaver-Cohen (2009) state that changing global business climate now requires companies to invest in a social agenda to maintain legitimacy within their organizational fields. In fact, most companies implement develop and execute strategy to institutionalize CSR in order to legitimize their business (improvement of image; being recognized for moral leadership; serving long-term company interests and meeting stakeholder expectations).

CSR drivers in developing economies

The World Bank derives following CSR drivers and their relativeness to MNEs and developing country companies²:

TABLE 1
Corporate Social Responsibility drivers

Driver	MNE (with supply chain)	MNE (extractive/ infrastructure)	Developing country firm (export/supply chains)	Developing country firm (extractive/ infrastructure)
Brand value and market share	®	®		
Investor pressure	®	®		
Contracts and business partners			®	®
Litigation	®	®		
Regulation/legislation	®	®		®
Trade agreements	®		®	
Employee and community license to operate		®	®	
Innovation and quality control		®	®	®
Productivity and cost savings		®	®	®

As we can see from Table 1, drivers for implementing CSR might be different for corporations in developing countries. United Nations Industrial Development Organization together with Centre “CSR Development” allocates such drivers:

²The World Bank - <http://go.worldbank.org/Q8W7PN5DX0>

- Improvement of production processes - increase in productivity, revenue, cost savings by using environmentally safe equipment;
- Formation of the company's reputation - increase of customer loyalty, brand value, improvement of partnership relations;
- Stability of the workforce, saving resources on attracting and retaining qualified personnel;
- Access to new markets - standardization in accordance with international standards (ISO);
- Effective risk management - timely and efficient access to specific information, an opportunity to respond to risky situations;
- Access to specialized "social investment" funds in social-oriented programs for socially responsible companies;
- Access to media and authorities;
- Expansion of ties with international companies;
- General increase of competitiveness;
- Financial benefits in future;
- Protection from administrative pressing;
- Increased confidence on the part of investors (United Nations Industrial Development Organization, Centre "CSR Development", 2010).

Employer branding

In a war for the most qualified and talented employees corporations unite their Human Resource Management and Corporate Social Responsibility efforts in order to become employer of choice. Employer branding is one of the latest and still relatively unexplored trends in CSR. However, it is already developing in a range of industries around the world.

Ambler and Barrow (1996) define the employer brand as "the package of functional, economic and psychological benefits provided by employment, and identified with the employing company". First of all, work life is no longer restricted to working, it is seen as an important resource for the construction of employee's individual identity as a corporate citizen (Aggerholm, Andersen, Thomsen, 2011). And on the other hand, socially responsible corporations are believed to be taking better care of their employees and continuously seeking to improve their working conditions and general well-being (Buciuniene, Kazlauskaitė, 2012) by providing them with career development, training opportunities and equal rights (Turker, 2009).

Aggerholm, Andersen and Thomsen (2011) define socially responsible employer as "employers who seek more than just profit maximization in making business decisions".

Barb Steele from Canadian Business for Social Responsibility (CBSR) states that latest researches note interesting trend: millennials (are also addressed as "Generation Y"), who were born between 1982 and 2003, show the most interest to whether their future employer is socially responsible.³ 79% are willing to work for corporation that is engaged in CSR; 56% would refuse to be employed by company that does not support CSR agenda; over 80% will change their brand preferences depending on producer's engagement in CSR.⁴

More and more companies address ethical issues and CSR in their recruitment programs and promote the benefits of working in a corporate culture based on values, including employee engagement and involvement of community.

³Canadian Institute of Chartered Accountants - <http://www.camagazine.com/csr/>

⁴Personal Branding Network - <http://www.personalbrandingblog.com/strong-employer-brands-pay-attention-to-corporate-social-responsibility/>

CSR regulations

CSR has come to be understood as actions 'beyond legal requirement', a subject of self-regulation within incorporation. At the same time, CSR is being promoted by public organizations on intergovernmental and national levels (Buhmann, 2011).

United Kingdom, France, Sweden, Australia and Denmark have legal binding requirements on certain corporations to report on the social impact of their business and investments, but soft regulations are the most widespread in CSR. Vives (2008) distinguished 2 types of regulations in CSR field: multilateral regulations and civil regulations.

Multilateral regulations are the result of international conventions developed by organizations like United Nations agencies. Helsin and Ochona (2008) state that there are over 4,000 organizations from more than 100 countries that are now members of the United Nations Global Compact (UNGC), established in 1999 by U.N. Secretary General Kofi Annan. UNGC is an international initiative that brings together companies, UN agencies, labor organization and civil society in support of 10 principles covering human rights, labor, the environment, and corruption. Another example is Guidelines for Multinational Enterprises and the Principles of Corporate Governance, developed by the Organization for Economic Co-operation and Development (OECD). "The fact that these regulations are non-binding does not mean that they can be ignored, as stakeholders can demand compliance and future binding regulations may build upon them" (Vives, 2008).

Civil regulations are developed by NGOs (for example: Amnesty International, 1% for the Planet Alliance, American Red Cross, Net Impact, the Social Venture Network, the Organization for Economic Cooperation and Development, the World Business Council for Sustainable Development etc.) and are of non-binding character. They include codes of conduct, reporting guidelines, factory monitoring guidelines, and certification criteria. Examples are the Clean Clothes Campaign Code of Labor Practices, the Collevocchio Declaration on Financial Institutions and Sustainability and the Equator Principles on sustainable practices in project finance (Vives, 2008).

Overregulating CSR should be avoided, but activities and passiveness in this field should attract close attention of public.

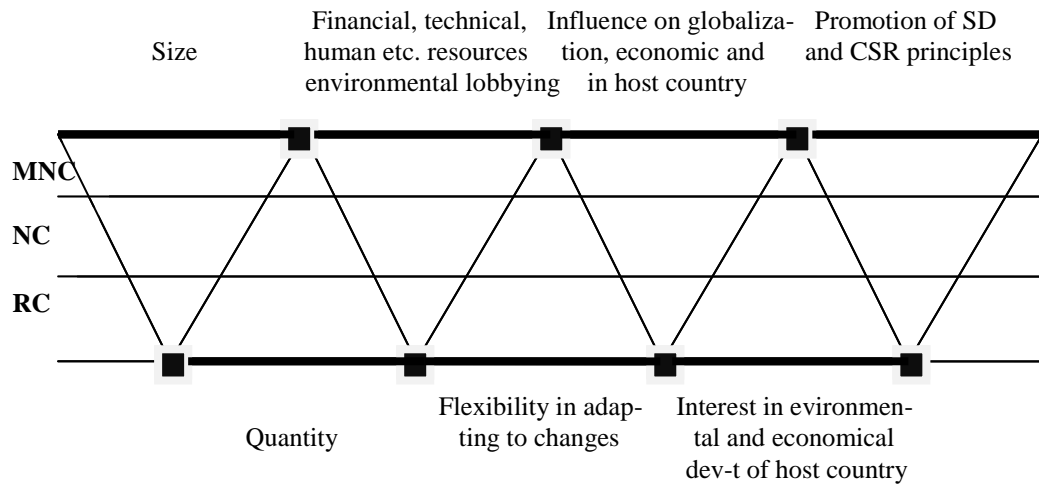
The role of MNCs in promoting CSR

Some of developing countries have weak regulations on environmental, labor and human rights issues. Therefore, the corporations may find that it is in their best long-term interest to become a leader in development host countries (Vives, 2008).

Given the global influence and engagement in international activities, multinational corporations (MNCs) are of particular interest in terms of sustainable development and CSR. Following figure shows the correlation between the size of the company and its participation in the process of global sustainable development.

Figure 2 shows that with increasing size of corporation (multinational, national, local) increases its level of probable influence on development of CSR in a certain country. The biggest companies – MNCs – have largest access to key resources and can be a great influence on promoting concepts of Sustainable Development and Corporate Social Responsibility on a global level.

Figure 2. Influence on CSR development depending on a size of company



MNC – Multinational corporation

NC – National corporation (large corporation that operates within one country)

RC – Regional or local company (SME)

As we can see, MNCs have enough resources, influence and experience to be the driving force in implementing socially and environmentally responsible business practices and helping to develop host countries.

3 CSR development in different parts of world

3.1 A Brief History of CSR

The idea of business contributing to society isn't new at all and can be traced in history. In the 17-18 century, large factories and companies were providing housing, food and medical care for their employees to ensure good working conditions, because the state was failing to do so. This may be deemed as an early manifestation of corporate social responsibility, even though it didn't carry the exact same name. During the Industrial Revolution, the main concern of companies was the production, not workers. But in the early 20th century, the concept of CSR, the way we know it today, began to attract public attention and change companies' behavior. Now paying a debt to society means something more than complying with laws, paying taxes, and providing employment.

1930s - Chester Barnard and Theodore Krep made references to the social responsibilities of business in their works.⁵

1953 - the publication of Bowen's 'Social Responsibility of Businessmen' which posed the question 'what responsibilities to society can business people be reasonably expected to assume?', suggesting that beyond legal obligations companies had certain responsibilities to society.⁶

1971 - The Committee for Economic Development (CED) published its "Social Responsibilities of Business Corporations". It presented a three-tiered model of CSR (inner, intermediate and outer circles).⁵

1972 - The conference on the Human Environment, organized by United Nations in Stockholm. It led to the establishment of the United Nations Environment Programme (UNEP), amongst many other national environmental protection agencies.⁷

1976 - The Organization of Economic Cooperation and Development (OECD) developed a set of guidelines for companies operating across borders in their 'Guidelines for Multinational Enterprises'. It created common ground for overseas corporations and cleared a path for globalization.

1984 - Peter Drucker in his publication pointed out that solving social problems can be economically beneficial for business.⁶

1987 - The Brundtland Commission published their famous report 'Our Common Future' which introduced the term 'sustainable development' defining it as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".⁷

1989 - Ben and Jerry's published first report on social responsibility.

1990s - CSR became an established industry with major companies such as PricewaterhouseCoopers, KPMG and BursonMarsteller entering the CSR service provision market. New consultancies, such as SustainAbility (1989), Business for Social Responsibility (1992) and CSR Europe (1996), also sprang up over this period, all promising to protect industry from protest. Specialist university research centres and the CSR conferencing circuit also emerged in the late 90s. Similarly CSR evolved beyond simple codes of conduct and reporting to include more extensive dialogue with stakeholders, NGO engagement and 'multistakeholder initiatives' such as the Ethical Trading Initiative (1993) and the Forest Stewardship Council (1998), bringing together companies, NGOs and in some cases

⁵<http://thinkingshift.wordpress.com/2007/03/27/the-evolution-of-csr/>

⁶<http://www.corporatewatch.org/?lid=2682>

⁷<http://www.sustainabilitysa.org/sustainabilityreporting/BusinessandCSR/HistoryofCSR.aspx>

governments. Similarly trade unions began negotiating and signing global framework agreements.⁶

1992 - 'Earth Summit' in Rio de Janeiro gathered 180 countries representatives to deal with preservation of natural resources and reducing pollution. The Summit agrees a plan of actions - Agenda 21, and a recommendation that all countries to produce national sustainable development strategies. The Earth Summit also establishes the UN Commission on Sustainable Development, which meets every year. The Earth Summit influenced all subsequent UN conferences, which have examined the relationship between human rights, population, social development, and the need for environmentally sustainable development.⁸ The summit introduced the "triple bottom line" business model, as well as the idea of using sustainable development to a company's competitive advantage.⁹

1995 - Shell stood accused of complicity in the execution of Ken SaroWiwa and eight other activists in Nigeria, as well as being hounded by Greenpeace over the decision to sink the Brent Spar oil platform. Shell's story teaches a lesson on the importance of public reputations and the ability of campaigners to damage them. Shell spent £20 million on its PR offensive to rebuild its reputation.

2001- the collapse of Enron, once a paragon of CSR, showed just how deeply a corporation's claims of social responsibility can differ from the reality.

2002 - World Summit on Sustainable Development (WSSD) marked the crowning of CSR.⁶

3.2 CSR in Europe

Europe is considered to be a leading region in the world in CSR and CSR policies. 90% of Europe's top-100 companies report on social responsibility. Corresponding figures for USA and the rest of the world's top-100 are 59% and 61% (Finnish EU Presidency Conference, 2006a).

The starting point for the development of CSR in Europe was the publication of a Green Paper on "Promoting a European Framework for Corporate Social Responsibility" by the European Commission in 2001. It summarized EU's approach to CSR by giving a definition: '[CSR is] a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (European Commission, 2001, p. 3). It gave a push to for extensive public and industry discussions, and consultations of the Commission in the form of the EU Multi-Stakeholder Forum on CSR, which included European representative organizations of employers, business networks, trade unions and NGOs (Breitbarth et al., 2009).

In Europe, CSR is regulated by legislation; considerable attention is given to ethical corporate social responsibility. The dominant focus of CSR in the field of social protection of the employed population is unemployment: reducing staff turnover, job creation, the implementation of regional social business projects. State authorities and local government are the main driving force in development of CSR.

A distinctive feature of CSR in Europe is dictated by the diversity of economic, political and cultural landscapes across the continent (CSR Europe, 2010). For example, companies in Eastern Europe became aware of CSR quite recently. In countries like Belarus and Ukraine, CSR is mostly initiated by subsidiaries of foreign multinational corporations or by large local

⁸Katsoulakos, P., Koutsodimou, M., Matraga, A., Williams, L., (2004) "A Historic Perspective of the CSR Movement". www.csrquest.net/uploadfiles/1D.pdf

⁹<http://www.cim.org/csr/MenuPage.cfm?sections=67&menu=139>

corporations; almost no pressure from the society, authorities or media has been noticed so far.

Some attempts to formulate united European approach to CSR are being made by European Union governments. It is being complicated by some member-countries that have their own priorities concerning corruption, equality, labor and the behavior of multinational corporations in host countries. Furthermore, some EU countries (Germany, Austria) don't show much interest to development of CSR, arguing that most of social and environmental responsibilities, which are considered to be voluntary CSR elsewhere, are legally defined in Europe (CSR Europe, 2010). But even if so, due to globalization process, multinational corporations still take on CSR initiatives to obtain a 'license to operate'. Companies that are active in politically sensitive industries such as alcohol, tobacco, drug and oil production pay particular attention to CSR and develop it into a defense mechanism, in a way. Another motive for CSR is a recent financial and crisis. By actively participating in socially responsible activities, corporations in this sector build a 'reserve of credibility', which helps to attract investors and increase market value.

2011 Responsible Business Summit defined some trends in recent CSR development in Europe:

- Environmental aspects often get more attention from European corporations, but engaging in socially-oriented activities more frequently results in a positive brand image;
- The main driver of CSR is building trust;
- Many leading corporations start helping consumers to reduce utilization of resources (water, pollutants, energy);
- Full life cycle analysis to assess the environmental impact of products is becoming widespread;
- Sustainability reports are becoming more sophisticated. Now they are often a part of annual report to show full integration with corporate strategy.
- Technology will play an important role in making the world more sustainable (Couillard, 2011).

Further, we are going to look into development of CSR concept in 3 different countries around Europe that represent different levels of progress achieved in CSR field.

3.2.1 United Kingdom

United Kingdom has its own, unique model of CSR (a mix of American and European models), where along with the typical European attention of state and society to the social activities of companies, there is strong initiation of social programs by corporations themselves (businesses in the UK always have positioned themselves as key actors within local communities).

Level of awareness and implementation of CSR concept in the UK is rather high: 90 of the top U.K. companies report on social and environmental issues on an ongoing basis (The Guardian, 2007); 33% of public in the U.K. consider companies' social responsibility to be an important factor in their purchasing preferences (Insala, 2008), but large sectors of the population still remain skeptical, especially on climate change issues (CSR Europe, 2010). The influence of media on business in the UK is less significant than in other European countries.

Interesting trend has lately developed in the UK - employee volunteering. Give & Gain Day, the UK's largest day of action for employee volunteers, mobilizes employees to volunteer their expertise and time during work hours (CSR Europe, 2010).

UKs CSR policy concerns three main elements – economic, social and environmental (Fairbrass, 2008).

Key issues in the UKs CSR:

- Environment: meeting ambitious carbon reduction aims; water conservation; promoting behavior change in waste and recycling and biodiversity protection.
- Human Rights: regulated on the government level by Human Rights Act. Leading companies tend to work in partnership with other corporations, governments, NGOs in order to work on solving such issues as low wages and child labor.
- Equal Opportunities: equality legislation exists for age, race, gender, disability, religion and belief, sexual orientation. New equality legislation includes a potential requirement for employers to report on their gender pay gap.
- Sustainable Products and Services: general growth of production and sales of 'green' and 'eco' products; businesses' awareness of a need to build sustainability into mainstream brands as standard.
- Supply Chain (CSR Europe, 2010).

Main CSR Actors: Business in the Community, Caux Initiatives for Business, LEAD International, Accountability, Ethical Corporation, London Benchmarking Group, Corporate Citizenship, Doughty Centre for Responsible business, Doughty-Centre-for-Corporate-Responsibility, Ethical Trading Initiative, HSBS, Vodafone Group, British Petroleum, HBOS, Barclays etc. (CSR Europe, 2010)

Main Challenges on CSR in the UK. In the current economic and financial situation in the UK, it's important to keep responsible business practice as a priority (Fairbrass, 2008).

3.2.2 Slovakia

Just like many Eastern and Central European countries, Slovakia has a quite low level of CSR awareness. The Slovakian government is rather inactive in regards to CSR and SD. There is no department or any other government structure in Slovakia responsible for promotion or implementation of CSR (CSR Europe, 2010). The major role in Slovakian CSR development is played by NGOs (Kurinko, 2008) and local corporations.

Slovakia developed a unique approach: the Social Law which allows companies to donate 2% of their yearly tax payments to NGOs. Public awareness of CSR in Slovakia is low (more than a half of Slovak citizens have not heard about CSR) due to low media coverage.

Key issues in Slovakian CSR:

- Environmental protection – the noticeable progress has been achieved in energy efficiency field.
- Equal opportunities – main focus in Slovakian equality issues is on Roma people, who are often discriminated in accessing employment (unemployment rates: 40-50% among Roma people). NGOs are actively involved in attempts to solve this problem;
- Communications and transparency (CSR Europe, 2010).

Main CSR Actors in Slovakia: Slovak Business Leaders, Pontis Foundation, UNDP, Integra Group, Panet, Donors Forum, American Chamber of Commerce, The Faculty of Social and Economic Sciences at Comenius University in Bratislava, Faculty of Management at Economical University in Bratislava, Citibank, DELL, Slovenské elektrárne, Holcim, Nestlé Slovensko, Orange Slovensko, Pfizer Luxembourg SARL, Pivovary Topvar, Slovak Telekom.

Main CSR Challenges: creating national CSR strategy and adjusting government structure would help Slovakia in defining priority areas for CSR development and incensement of public

awareness(CSR Europe, 2010). Government in Slovakia needs to be more active in CSR and SD related initiatives.

3.2.3 Sweden

Sweden is believed to be one of the most developed countries in pursuing SD and CSR. Swedish model of CSR heavily relies on state initiative, but there are a number of Swedish companies that are known for their responsible performance. State-owned companies in Sweden are concerned with environmental, human rights and equality between genders issues. They are obligated to present sustainability reports in accordance with the GRI guidelines. Leading roles in CSR development are assigned to NGOs, Trade Unions, consumers, media, auditing companies and PR-agencies. Sweden's major interests are human rights protection, the climate crisis, Swedish companies' responsible behavior abroad, fair trade and labour market issues (CSR Europe, 2010; Fairbrass, 2008).

“Strict environmental legislation combined with high levels of environmental awareness and knowledge have led Swedish companies to be environmentally innovative and efficient in their operations. Swedish companies also occupy world-leading positions within the field of cleantech. Cleantech is a term used to describe products or services that improve operational performance, productivity or efficiency while reducing costs, inputs, energy consumption, waste or pollution.”¹⁰

Level of awareness on CSR concept and its development in Sweden is very high. Mainly due to good media coverage by Swedish Radio and Swedish Television, SvenskaDagbladet, VeckansAffärer, “CSR iPraktiken” and educational programs in this field. Major Swedish companies (like H&M and IKEA) and their responsible performance are in constant focus of journalists(CSR Europe, 2010).

Key issues in Swedish CSR:

- Environment. The main issues are climate change, the Baltic Sea pollution and energy efficiency (non-fossil based energy sources);
- Supply Chain issues are very important especially in the textile industry;
- Human Rights;
- Equal Opportunities: gender equality is a major issue in Sweden. The state ensures fair distribution of power, resources and opportunities between genders;
- Sustainable Products and Services in Sweden are presented in most of spheres, e.g. clean water, organic cotton, eco-friendly cars (CSR Europe, 2010).

Main CSR Actors: GlobaltAnsvar, NyforetagarCentrumSverige, CSR Sweden, Mistra, SuRe Sustainability Research Group, CEBERG- The Corporate Social Responsibility and Business Ethics Research Group, The Swedish Institute, The Swedish Trade Federation, Svensk-Handel, Hallvarsson&Halvarsson, H&M, IKEA, ABB, Atlas Copco, SCA, Electrolux, Sandvik, SKF, Swedbank, TeliaSonera, Volvo, Coop, ICA Group.

Main Challenges on CSR: climate change, becoming ‘fossil fuel free by 2030’, reducing air pollution in Europe (Dalberg, Karpfors, 2011).

¹⁰ http://www.sweden.se/eng/Home/Business/Ethics_and_Business/Facts/CSR/

3.3 CSR in the U.S.

As it was mentioned earlier, origins of the CSR concept can be traced to the USA, where it was developed in early 60's (Eberhard-Harribey, 2006). American and European models of CSR share common roots, namely, the environmental issues or the environmental movement opposition to the business.

American model of CSR can be characterized with following features:

- **CSR legislation.** Activity in the field of CSR is initiated by the companies and corporations are provided with maximum independence in determining their contribution to the society. Therefore, all the initiatives of companies in CSR also are voluntary. Those activities that traditionally are considered in the U.S. as CSR in Europe, usually are governed by norms, standards and laws of the state. In the U.S., a similar degree of government regulation is perceived as interference in matters of personal freedom. At the same time, given system includes the legislative encouragement of social investment in areas beneficial to the society through appropriate tax reductions. State also regulates some environmental (pollution and hazardous waste control) and social (equal employment opportunities, product safety for consumers) issues (Larsen, 2010). However, state regulation of CSR is minimal and it gives American corporations an opportunity to innovate in this field.

- **Charity.** Philanthropy in Europe is less popular than in the U.S. The main reason is the level of tax burden, which substantially exceeds the American one. The U. S., on the other hand, has a history of social programs implemented by the U.S. business charitable funds. Cuttings on allocation of non-commercial organizations (and social security programs, grants for housing, access to free medical care with them) by U.S. Congress in 1997-2002 became a turning point in defining future prospects of CSR. Priority areas of investments are health care, social services, education and arts (Goncharov, Krichevski, 2006).

- **CSR reporting.** CSR and especially GRI reporting isn't popular in the U.S., but a number of companies that issue annual CSR reports is increasing (Cecil, 2010).

CSR in the U.S. is often a result of pressures from various stakeholders such as unions, NGOs, competitors, supply chains, customers, employees, and the local communities, which the corporation affects. Companies mostly focus on supporting and interacting with the local communities because there is less of a safety net provided by government in the U.S. than in EU countries, for example.

Key CSR issues in U.S.:

- **Environment:** recycling; reducing energy, water consumption, greenhouse gases emission; renewable energy; green building (Leadership in Energy and Environmental Design rating system);
- **Sustainable Supply Chain** issues are picked up by all the major U.S. companies;
- **Labor:** working conditions; labor rights; employee well-being; health, life, accident and disability insurance; retirement savings plan; paid vacations and holidays etc.
- **Responsible investment** in development of renewable energy, energy efficiency technologies, green building, biodiversity programs;
- **Equal Opportunities:** diversity, equality of the sexes.
- **Commitment to developing local communities, host-countries:** education programs and grants, public safety issues.

Main actors in U.S. CSR: Starbucks Coffee Company, Chevron Corporation, Bank of America, General Electric, IBM, Target, Goldman Sachs, Hewlett Packard, Citigroup, Ford Motor

CompanyThe Whole Planet Foundation, American Red Cross, US Human Rights Network, Amnesty International, CARE, Oxfam, Friends of the Earth, Global Trade Watch etc.

Despite the fact that CSR concept emerged in the USA, its implication is considered to be less developed than in European countries. This might be explained with voluntarily approach and charitable character of SR initiatives.

3.4 CSR in Ukraine

Ukraine is a developing country with population over 45 million and GNI per capita around \$3000¹¹. Ukraine is located between Europe and Russia which defines many political and economic decisions. It also has influence on development of CSR.

Accurate landmark in the development of corporate social responsibility (CSR) as a separate area can be considered an official establishment in Ukraine of the UN Global Compact, which was held on 25th of April, 2006 and united 34 leading Ukrainian and multinational private companies, associations and civil society organizations¹². Despite a quite late development of this concept in Ukraine, this country has a long history of sponsorship which was established in 996 in Kyiv Rus by Prince Vladimir. Ukrainian industrial tycoons in the end of 19th century (Tereshenko, Brodski, Degterev, Khanenko, Chikalenko) were actively involved in raising living standards by building churches, hospitals, schools and museums mostly because of religious reasoning (Gogulya, Kudinova, 2008).

Unlike in many other European countries, the development of CSR in Ukraine took its own, special way: initially it were the companies, that took the lead in developing the practice of socially responsible behavior, engaging other players (consumers, NGOs, government representatives at the regional and national levels) in such activities.

It is the absence of external influence, initiative from the public that caused the emergence of unique features in development of CSR in Ukraine. In Western countries, social responsibility emerged as a response from corporations to the discontent of community, especially in the environmental aspects. But in Ukraine CSR became attractive to companies in process of transition from short-term thinking and business models like "here and now" into the strategically-oriented approach. Ukrainian companies started to realize that by paying taxes and hoping for the state to fulfill its social protection functions, they cannot get qualified or even just healthy staff, as well as gain the trust and loyalty of consumers.

Low level of ethical and environmental development is resulting in most of Ukrainian companies not getting competitive positions on international markets. Codes of corporate conduct and certification schemes applied in international trade through supply chain requirements act as a barrier to market access. For example, it's hard to export your product to EU countries if it doesn't meet certain environmental standards (United Nations, 2007). Therefore, it's in Ukrainian government's best interest to develop National policy on CSR that would define minimal standards on environment and labor.

"A clear government vision of how it wants to address issues where there are potential trade-offs between economic, social and environmental considerations, as in the case of the use of the country's natural resource endowment for socio-economic development, may increase the likelihood of success of corporate contribution to national development. (United Nations, 2007)"

¹¹ The World Bank - <http://data.worldbank.org/country/ukraine>

¹² Global Compact Network Ukraine - <http://www.globalcompact.org.ua/about/inukraine>

As a developing country that is interested in implementing best social, environmental and economic practices, Ukraine can and should seek for alliance with foreign investors⁴. Apparent progress in promoting CSR was achieved by signing Government of Ukraine – United Nations Partnership Framework 2012-2016 on 21 March 2011. Partnership Framework for 2012-2016 is a five-year strategic plan to improve status of 4 key areas in Ukraine with UN agencies (FAO, IAEA, IFC, ILO, IOM, UNAIDS, UNCTAD, UNDP, UNECE, UNEP, UNESCO, UNFPA, UNICEF, UNIDO, UNHCR, UNODC, UN Women, World Bank and WHO) assistance. Amount of resources allocated by UN agencies is USD 132 million total:

- sustainable economic growth and poverty reduction - USD 12,450 million;
- social development - USD 64 million;
- governance - USD 21,585 million;
- environment and climate change - USD 34,730 million.¹³

3.4.1 Types of socially responsible companies in Ukraine:

- Branches of multinational corporations that have international corporate strategies, with requirement for all countries to contribute to sustainable development;
- Progressive Ukrainian companies that realize the barriers for long-term development in the market and try to transform them into opportunities through the mechanisms of CSR. Mostly export-oriented companies that are interested in legitimization of their business in the West, where Corporate Social Responsibility has long been the rule, and usually they develop and execute strategy to institutionalize CSR;
- Opportunistic companies - CSR for them is a trend and nothing more than a short-term activity at availability of the budget. For such companies, CSR is an integral part of the PR-strategy and a source to increase reputational value. For example, Ukrainian company "Inrepipe", a producer of pipes for needs of oil, gas, machinery and railway industries, sponsored Elton John concert dedicated to HIV issues in Ukraine. It was noted that more reasonable solution would be spending the same amount of money on drugs for people suffering from this disease (Chernov, Tsetsura, 2012);
- Companies that consider the fact of compliance with legal norms (such as paying taxes) a "socially responsible behavior" under conditions of Ukraine (Gogulya, Kudinova, 2008).

3.4.2 As a part of the national scenario for the development of CSR it is possible to allocate some areas of apparent progress.

A. *Charity.* It's already difficult to find a company in Ukraine, for which the concept of charity would be completely alien. Very often it is a charity that's identified with corporate social responsibility. The downside is that such actions are not always systematic, and, moreover, do not always provide solutions to the most urgent issues. Strategic philanthropy is rather a perspective than reality.

B. *More attention to environmental issues.* Recently, there were a couple of new additions to Ukrainian market: products, marked as "eco". While Ukrainian consumers are still not highly interest in ecology and "green products", the companies started to integrate responsibly towards the environment into their practice. Ukrainian customer has low level of awareness on CSR and is focused on core product attributes, such as price and quality. Rather low average income is a reason for not moral-driven consumption. Despite the fact that company's social responsibility is not yet a determining factor in consumers' buying preferences in Ukraine, studies performed by ArliandLasmono (2010) prove that 'when

¹³ United Nations in Ukraine - <http://www.un.org.ua/en/un-country-team-in-ukraine/introduction>

consumers [in developing country] have to buy similar products with the same price and quality, CSR could be the determining factor'.

It shows not only in products companies produce and sell. Some adopt the concept of a "green office", more eco-friendly manufacturing, retail of "green products", etc. Growing prices for gas and electricity are a good stimulus for the implementation of energy saving technologies in Ukrainian business. "Green (Feed-In) Tariff" is a state initiative program that implies setting a relatively high purchase price on renewable energy (solar, wind and small hydro energy) and long-term contracts for purchase of electricity. However, implementation of this project brought up some serious obstacles: one can obtain Ukrainian Feed-In Tariff only at the final stage of renewable energy project and only if one is a Ukrainian citizen (Petrov, 2011). Even though not perfect, such state encouragement through taxes, payment schemes and state energy efficiency programs stimulate the emergence of new business models and new markets. The giant of national energy sector, DTEK entered the markets of alternative energy, creating subsidiary company DTEK WindPower, and began to build a large wind farm stations in Zaporozhye region. At the same time, brewery "Obolon" is experimenting with recycling of PET bottles into plastic tape, and other useful products.

Ukrainian government is a large-scale consumer itself, which enables it to set CSR as key criteria in selecting companies that are going to perform state contracts. In construction industry companies win tenders for large projects based on the company's performance in SR field and general sustainability (Chernov, Tsetsura, 2012). JV 'Ukrinterm' won a tender on servicing housing offices and installation of its products in new buildings in Kyiv because of its energy efficiency programs and leading positions in renewable energy usage. This provided company with high financial sustainability indexes and significant increase of profit.

C. The development of industrial and cross-industrial partnerships and initiatives. Private businesses have generally low credibility in eyes of the consumers and other social groups. In the absence of trust between business partners, it is difficult to talk about collective actions in addressing various social issues or joint initiatives that protect the environment. Nevertheless, in last couple years Ukrainian companies passed the stage of the competition in matters of CSR and now are looking into joining their efforts with business partners, nongovernmental organizations and sponsors in various CSR projects. For example, IT-companies are actively involved in dealing with problematic issues in the education system and building partnerships with universities through the industry association "IT-Ukraine". System Capital Management is working with British Council to develop a new type of professional standards in their key industries: mining and metallurgical complex, energy sector, journalism. "Metinvest" DTEK, "Aluminum" and "Danone" cooperate with their host-territories in short-term programs.¹⁴

D. Forming a triangle "business-government-society." Lately, the understanding of the role of business in society developed in Ukraine. In its multiple attempts to cooperate with the government to better address social and environmental issues, the business realized that civil society sometimes can be an ally of business in a dialogue with the state or local governments. CSR-active companies realized that both the state and society have their own position, and now the mechanisms to address social, environmental and economic problems of the country are being built. An example would be the multilateral board to develop a Preliminary Version of a National Strategy on CSR that worked in 2009-2011 with a parliamentary committee of enterprise and industrial policy and was originally initiated by the UN Global Compact in Ukraine. The Council has developed a document which is intended to institutionalize dialogue between the government, business and society to attract more

¹⁴Sostav.ua - <http://sostav.ua/news/2012/04/23/9/48706/>

companies to responsible business behavior, building a new model of cooperation to address issues of social importance¹⁵.

E. Professionalization of CSR-sector. Companies are building their own strategies for social responsibility and actively using the industry tool, such as targeted programs, multi-sectoral partnerships, and discussion meetings with stakeholders, reporting on CSR, the creation of innovative products and services of social or ecological orientation. Protecting the budgets allocated to CSR, companies are learning to build the business model of social responsibility. As a result of a joint project with the UN Global Compact in Ukraine, the Ministry of Education and Science of Ukraine, Ukrainian Association of Management Development and Business Education (UARMBO) and SCM a profession "manager of CSR" appeared in the National Classifier of professions. More than 30 universities have courses on CSR as one of the options for the bachelor's level in the field of "Economics" and "Management of Organizations"¹⁶.

F. Reducing industrial deaths and injuries. With the policy of social responsibility, the largest Ukrainian companies managed to reverse the upward trend in occupational injuries and deaths. When companies began to realize the level of their responsibility for industrial safety, the situation has improved. Nor fines, state bodies checking or trade unions complaints lead to this result before.

G. Changes in the educational system and improving the quality of human capital of the country. In contrast to the immediate western neighbors, Ukraine has not recognized at the state level, the presence of deep gap between labor market needs and competencies of human capital in the country. As a result, there are no relevant government programs. Over the past five years, socially responsible business was a considerable help in solving this problem. The company's development programs, corporate universities, collaboration with schools and universities, internship programs and jobs with the new requirements have raised the general level of competence of people in the country, creating tens of thousands of professionals - from senior management to workers.¹⁰

H. *Improving the transparency of the business.* The active position regarding CSR helped to increase transparency of business - the Ukrainians are now able to find lots of information: starting with the corporate governance structure to understanding of CSR strategies and directions of social investments. According to "CSR Ukraine Community", in 2010 in Ukraine:

- a. 38 companies engaged in non-financial reporting
- b. 55 non-financial reports in any form have been published
- c. 47 UN Global Compact Communication on Progress have been published
- d. 7 GRI-compliant reports have been published by five companies
- e. 3 reports have been verified by external auditors
- f. 10% of top 100 companies engage in non-financial reporting.

The most popular issues in the non-financial reports in Ukraine are: working conditions and human capital development, environmental protection, philanthropy, local community engagement¹⁷.

I. Euro integration of Ukraine extends. Centre for CSR Development, that unites 21 Ukrainian companies, has become a national partner of CSR Europe (the European network of CSR-oriented organizations). Ukrainian company DTEK became the first member of "CSR Europe" from the CIS countries. "CSR Europe" is an opportunity to meet with CSR-oriented

¹⁵ CSR Ukraine Community - <http://www.svb.org.ua/publications/kontseptsiya-natsionalnoi-strategii-sotsialnoi-vidpovidalnosti-biznesu>

¹⁶ CSR Ukraine Community - <http://www.svb.org.ua/reviews/tendentsii-cho-to-dvizhet-cho-tormozit-kso-v-ukraine>

¹⁷ CSR Ukraine Community - http://svb.org.ua/sites/default/files/Non-Financial_Reporting_Ukraine_Summary.pdf

organizations in Europe, to discuss and implement joint projects. Centre for CSR Development has become a national partner of the World Business Council for Sustainable Development (Geneva, Switzerland), which allows to represent CSR activity of Ukrainian companies on an international level¹⁸.

Those all are very positive trends in development of CSR in Ukraine. But there are many problems to solve in this field. For example, NGO's influence on CSR in Ukraine is rather minor. At this point, few businesses are interested in cooperation with NGOs, and they, in turn, have virtually no impact on Ukrainian business. It should be also mentioned that the subject of socially responsible investments has not yet received its development in Ukraine. These are just few issues to be dealt with in development of CSR in Ukraine.

Key actors in Ukrainian CSR include national and multinational corporations (the biggest of them are reviewed further), national and international NGOs such as: Centre for CSR Development, Global Compact Network Ukraine, CSR Committee in European Business Association, CSR Committee in American Chamber of Commerce in Ukraine, CSR Ukraine Community, East Europe Foundation, Center for Business and Society Cooperation.¹⁴

In 2012 the newspaper "GVardiya" composed "Rating of socially responsible companies in Ukraine – 2012":

1st place – "METINVEST".Metinvests investments in the implementation of social, charitable and corporate programs in the regions in 2010 estimated as 1.46 billion UAH, and in the first half of 2011 - almost 400 million UAH. In 2010 Metinvest became a member of the UN Global Compact. Metinvest releases social reports since 2008. There are reports for the Year 2008 (GRI, level C) 2009-2010. (GRI, level B +, verified LLC "Ernst & Young"), as well as a report on the requirements of the UN Global Compact. The next report (2011-2012), the company plans to publish in 2013.

2nd place – "DTEK". In 2011, for achieving objectives in healthcare DTEK allocated 8.8 million UAH; education, culture and sports - 5.3 million UAH; the development of the business environment - 2,1 million UAH; other projects - more than 14 million UAH. In 2007-2011 DTEK granted 58 million UAH on CSR. DTEK social reports are being published since 2007.

3rd place – "System Capital Management" Group. In 2011 the total investment in implementation of programs aimed at development of staff, safety and health of employees, the environment, the development of the host-regions was estimated as more than 5 billion UAH. Starting from 2007, SCM reports on the projects and achievements in the field of sustainable development and corporate responsibility in accordance with international standards of non-financial reporting.

4th place - "Arcelor Mittal KrivoyRog" - the largest enterprise in the mining and metallurgical industry of Ukraine and one of the most powerful foreign investors in the country. In 2010-2011 the company invested in CSR-related areas more than 1.8 billion UAH. In 2010, "Arcelor Mittal KrivoyRog" published the first report on corporate social responsibility.

5th place - "Kyivstar". The company implements CSR in the overall business strategy, adopting in 2009 the concept of corporate social responsibility that includes sustainable development of economic, environmental and social performance. In 2010 there was over 45 million UAH directed for the implementation of CSR-related goals. The company is a signatory to the UN Global Compact since 2006."Kyivstar" issues social reports since 2008¹⁹.

...

10th place – "Carlsberg Ukraine"²⁰.

¹⁸ Centre for CSR Development - <http://www.csr-ukraine.org/?lang=en>

¹⁹ Kontrakti.ua - <http://companies.kontrakty.ua/rankings/207-gvardiya-rejting-socialno-otvetstvennykh-kompanijj-ukrainy-2012.html>

²⁰ Carlsberg Ukraine - <http://en.press.carlsbergukraine.com/release/667>

4 Case study - Carlsberg Ukraine CSR policy

The owner of Carlsberg Ukraine Company is Carlsberg Group. Carlsberg is the largest brewing group in Northern and Eastern Europe which is on the fourth place in the brewing industry all over the world. Company owns portfolio of 500 beer brands and great amount of brands of non-alcoholic beverages. The number of employees who work in "Carlsberg Breweries" in 50 countries all over the world is 41,000 people. The company's production is sold on more than 150 markets.

According to the results of 2011 Carlsberg Ukraine became the second member in volume term of beer market in Ukraine. Due to AC Nielsen data the initial company's market share was 28.8%. The company is also the leader at the Ukrainian kvas market — due to data up to 2011 market share is 35,8% in volume term due to AC Nielsen.

The strategy of Carlsberg Ukraine development is based on generally accepted principles of successful economic existence of the companies, one of which is corporate social responsibility (CSR). The company does honest and transparent business, builds loyal relationships with society, and takes care of environment. The source of this strategy is the awareness that the company operates in a modern open society, and harmonization of the relations with external social environment is the key to the successful and stable work.

Carlsberg Ukraine, like all the companies of Carlsberg Group, uses high ethical standards in its relations with the employees, customers, partners, shareholders and local communities.

“At Carlsberg, we aspire to become better every day. We move forward. We grow up. But it is important that we grow responsibly.” Peter Chernyshov, CEO at Carlsberg Ukraine.²¹

In May 2012 company published its first CSR report covering SR initiatives and policies during a period of 2010-2011.²²

In 2011 Carlsberg Group hit the top five ranking of companies for the best results among the world's environmental programs brewers (Newsweek Green).²³

In 2010, Carlsberg Ukraine joined the UN Global Compact. Therefore, CSR in Carlsberg Ukraine is claimed to be built on the UN Global Compact's ten principles.

Table 2. The UN Global Compact's ten principles²⁴

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labor
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

²¹ Carlsberg Ukraine - <http://en.carlsbergukraine.com/csr/strategy/>

²² Carlsberg Ukraine - <http://en.press.carlsbergukraine.com/release/705/>

²³ CSR Review - <http://www.csr-review.net/carlsberg-group-povyishaet-uroven-sotsialnoy-otvetstvennosti-rezultatyi-2011-goda>

²⁴ United Nations Global Compact - <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

The social activity of Carlsberg Ukraine is based on the strategy of openness and covers eight areas: environment, responsible consumption, concern for the society, marketing communications, labor rights and human rights, health protection and safety engineering, business ethics, supply management.

Six of them are accompanied by the corporate social responsibility policy:

4.1 Business Ethics:

- Bribery - Carlsberg Group Employees must not accept or offer bribes in any form;
- Payments for the simplification of formalities - Carlsberg Group does not endorse the practice of making payments to accelerate the resolution of any issues;
- Gifts, meals and entertainment - must be appropriate and not to go beyond the business;
- Donations - employees should not make political donations or use them to gain improper business advantages;
- Conflict of interest - Carlsberg Group employees shall not engage in activities that could create a conflict between their personal interests and business interests;
- Confidential information - employees should not disclose confidential information;
- Competition law - employees must make sure that the business practices of Carlsberg Group match rules of fair competition;
- Fraud - Employees should not use the assets or resources of the company for personal purposes.

Supplier Code of Conduct. In 2011, Carlsberg Ukraine initiated the creation of an internal Supplier Code of Conduct. This act, which is required to be executed, governs the relationship of brewery with its business partners. The Code contains a number of mandatory requirements to be met by partners of Carlsberg Ukraine. It includes five sections that regulate such key areas as labor rights and human rights, workplace safety and health, environment, business ethics and transparency in business.

Goals for Carlsberg Ukraine to reach in 2012-2013 in business ethics: implementation of an electronic training on business ethics, developed in 2011; beginning with 2012, each employee will have to undergo annual training on the issues specified in the Policy on Business Ethics (Carlsberg Ukraine CSR Report).

Reviewing Carlsberg's business ethics practice, we can conclude that the company addresses supply chain issues, which is one of the areas that doesn't get needed attention in Ukrainian CSR. It's a valuable initiative that engages other Ukrainian companies to meet minimal SR requirements.

Carlsberg Ukraine provides online access to financial statements, constituent documents, regulations, information about changes in personnel, which is not typical for Ukrainian private company. They are setting a good example by taking a lead in increasing business transparency.

Research of world's leading brewery companies (ABInBev, SABMiller, Molson Coors) and their CSR reports proved that Carlsberg's Code of Business Conduct matches world's best practices. Even though, the company still has something to learn. For example, SABMiller uses the Sustainability Assessment Matrix (a measurement tool and benchmarking system based on inputs from the Global Reporting Indicators G3 guidelines and UN Global Compact Principles) to track its progress and engages with government institutions at all levels on issues that have a major impact on our business and their stakeholders' interests (SABMiller).

4.2 Health and safety

Occupational Safety and Health is a priority of CSR in Carlsberg Ukraine. It is regulated by relevant policies that are the same for all companies in Carlsberg Group.

Project 5StoHS (5 Steps to Health and Safety) launched by Carlsberg Ukraine has a strong OSH management system, through which the company systematically improves its activity. The project is being implemented on the basis of accounting and investigation of accidents, injuries and threats to health of employees in the workplace, risk assessments, development of plans for their reduction and mandatory reporting on major issues of safety.

The first important point for the implementation of policies on labor protection, the company implemented is the staff training. Thus, based on internal corporate learning website, was developed a special program that tells you about the basic rules of safety, fire and electrical safety requirements, as well as the rules of rendering first aid to the victims and the actions in emergency situations. This training took place for two years (2010-2011) and engaged 927 employees. In addition, each year all employees participate in fire drills and undergo training on first aid.

One of the main goals of Carlsberg Ukraine is to maintain and support a safe working environment for employees. A pilot project for recording accidents that almost happened – but did not – has been initiated to support this goal. Recording ‘near miss’ incidents at a workplace, which is the same as accidents that could have happened but were avoided, is an efficient tool to improve safety in the workplace. In June 2011 Carlsberg Ukraine implemented a ‘near miss’ registration system at our brewery in Lviv. This system allows tracking of key trends in the different manufacturing processes as well as in employee behavior that could lead to injuries or property damage, if not dealt with. The system provides employees with a special registration form. Once filled out and registered, an investigation is conducted by the machine-shop manager and the health and safety engineer. Based on this investigation the threat severity level of the near miss is determined, as well as who will be responsible for taking action to make the necessary changes to eliminate the threat.²⁵ As of December 31, 2011 on “LvivBrewery” 30 tags were filled. 15 of them are already fixed, the others comments are in the process.

Goals for Carlsberg Ukraine to reach in 2012-2013 in health safety: risk assessment in production and logistics departments; development of motivational program on labor protection; development of a system of training and evaluation for health and safety; development of system for monitoring the work of contractors of Carlsberg Ukraine; certification to an international system OHSAS 18001 (Carlsberg Ukraine CSR Report).

Even though Carlsberg’s orientation on preventing accidents (and not only dealing with consequences) is progressive, there are some aspects which the company should improve. For example, staff training on safety should be taken annually to create a sustainable safe working environment; informing employees about issues such as healthy lifestyles and diets, stress reduction and recommended levels of physical activity (SABMiller, 2011); providing information on safety performance results (quantity of accidents, corresponding injuries and working days lost due to injury) would help to estimate progress of company in a field of health and safety.

4.3 Environment

Generally, Carlsberg Group reduced the use of thermal energy by 10%, and water consumption — by 5,6%. In its turn, Carlsberg Ukraine managed to reduce the use of water by 17%. Now the Carlsberg Group enterprises all over the world use about 3,3 hl of water to

²⁵ Carlsberg Group - <http://www.carlsberggroup.com/csr/map/Pages/Creatingacultureofsafelabour.aspx>

produce 1 hl of beer, which is one of the most efficient rates reported by world beer companies. The CO₂ emissions as compared to the rates of 2010 reduced by 8,6%.²⁶

In 2011 the brewery company Carlsberg Ukraine managed to decrease the consumption of electricity, heat and water at the average by 15%. The company started a course toward the conservation of natural resources back in 2009, when it developed and implemented a project titled "1715". Like the same-name beer brand "Lvivske 1715", this project was quite a success. The aim of the project "1715" is reaching the best ratio of heat, electricity and water consumption and increase of work efficiency of the employees during beer production. 1715 is a formula of the best resources consumption for obtaining a quality product. Due to the structural work of Carlsberg Ukraine company it was possible to decrease the energy resources consumption that in its turn resulted in their more economic and reasonable inventory and use and significant decrease of its environmental influence. In three years in the course of the project "1715" we managed to achieve significant results. From 2009 to 2011 (inclusive) the consumption of heat energy decreased by 20%, the consumption of electricity — by 8 %, the consumption of water — by 17%.²⁷

In 2011 Carlsberg Ukraine Company reused more than 400 million of glass bottles. It allowed not only to cut expenses of the company for purchase of new glass packaging, but also to reduce significantly the quantity of the solid household waste polluting the environment. According to the results of 2011 the actual factor of bottle returning exceeded the 65% level of a number of secondary sales of beer in glass package at the Ukrainian market. The company promotes essential decrease the of CO₂ emission level, which is known to be produced in considerable quantities during producing new bottles by meeting of more than 2/3 demand in the turnover packaging and 1/3 deliveries of the new glass packaging. The project of broken glass gathering and returning of glass to manufactures for processing also promotes the important decrease of CO₂ emission.²⁸

Goals for Carlsberg Ukraine to reach in 2012-2013 concerning environment issues: modernization and expansion of treatment facilities at the Kiev factory, which will increase the production of biogas in 2012 to 1.5 thousand cubic meters per day and up to 3.5 thousand cubic meters per day in 2013; reducing consumption of resources to the following numbers:

- in 2012: water consumption - 2.1 hl of water / hl of beer, power consumption 5.7 kWh / hl, heat consumption 10.7 kWh / hl;
- in 2013: water consumption - 2.0 hl of water / hl of beer, power consumption 5.4 kWh / hl, heat consumption 10.0 kWh / hl (Carlsberg Ukraine CSR Report).

Carlsberg's low water consumption and energy efficiency is one of the best rates reported by world brewery companies and company's initiatives on using renewable energy resources are considered to be quite progressive in Ukraine. But there are still few improvements that Carlsberg Ukraine should implement in its sustainable practice.

Optimization of transportation of products is a relative issue in this field and can help to reduce company's carbon footprint. For example, switching to rail transport to replace trucks, if infrastructure allows to do so. Packaging of beer also plays major role in Carlsberg's carbon footprint. Therefore, source reductions and material substitutions in a process of producing packaging should be considered carefully. Waste management and byproduct recycling is an important issue in brewing industry. Programs on reusing and recycling its brewery waste might become one of the main long-term projects of Carlsberg Ukraine. Concerning refrigeration

²⁶ Carlsberg Ukraine - <http://en.press.carlsbergukraine.com/release/660>

²⁷ Carlsberg Ukraine - <http://en.press.carlsbergukraine.com/release/658>

²⁸ Carlsberg Ukraine - <http://en.press.carlsbergukraine.com/release/681>

equipment purchasing, contenance of chlorofluorocarbons (CFCs) that contributes to climate change should be considered.

4.4 Labor and human rights

Carlsberg Group seeks to create a working environment where employees can realize their potential. The company is committed to high standards, based on the principles of fairness, decency and safety.

Standards of Carlsberg Ukraine:

- The absence of discrimination. Any form of discrimination against employees based on race, color, sex, language, religion, political or other beliefs, national or social origin, sexual orientation, disability, age or other characteristics, are unacceptable. All decisions regarding personnel, from recruitment to and including termination and retirement are based solely on relevant and objective criteria.
- Prohibition of any forced labor. The company prohibits any form of forced labor, including work to pay off debt, as well as payment for professional training, slave labor and human trafficking.
- A ban on child labor. The company under no circumstances allows using child labor. The minimum age for working in the company on terms of full working day is 18.
- Freedom of association and collective rewards. The company respects the right of employees to create, join or not join a Union or other organization which seeks to protect the professional interests. In the Carlsberg Ukraine there is a Union, which aims not only to protect the rights, provide legal and financial support to employees, but also to organize recreational and leisure activities.
- Absence of harassment. The company protects its employees from any physical, verbal, sexual or psychological harassment, threats or violence in the workplace from both colleagues and managers.
- The company complies with the norms of working hours and overtime in accordance with current legislation of Ukraine.
- Guarantee of rest. Carlsberg Ukraine guarantees all employees the right to registration of sick leave, annual vacation and holidays, which is guaranteed by law, including for the care of newborns or adopted children. In case of employee's vacation, one is not threatened with dismissal; the employee has the opportunity to return to the previous working conditions, payment and compensation.

Carlsberg Ukraine provides free health insurance to all staff members who have passed a probationary period. In 2011, a standard package was supplemented with an option "Pregnancy care and Childbirth", which includes a full package of essential health care to future mothers. Another improvement in health insurance programs in 2011 was the voluntary insurance against accidents.

Nutrition is another important area for the company. Canteens are created on every factory. Carlsberg also provides employees with compensation for meals (80-90% of the cost of lunch).

Goals for Carlsberg Ukraine to reach in 2012-2013 in labor and human rights field: to increase the number of training hours on average at least to 15 per 1 employee; to implement a motivational program for English language learning and reward with tickets for UEFA EURO 2012 employees who show the best results; development of a fellowship program for college graduates and young professionals in the company 'Grow Faster' (Carlsberg Ukraine CSR Report).

Generally, Carlsberg Ukraine is in the forefront in areas concerning labor and human rights. But gender equality issues, which are quite relevant in Ukraine, are poorly addressed in

Carlsberg's SR strategy. Reporting on balance between the sexes would be a significant improvement. At the same time, employment after graduation is known to be problematic in Ukraine. Launching paid traineeship programs to recruit graduates of the best Ukrainian universities can help to attract best talent to Carlsberg Ukraine and contribute to economic and social development of country at the same time.

4.5 Marketing Communication

The most important aspect of marketing policy of the company is accountability to a consumer. The company is guided by the highest standards of product quality. All factories of Carlsberg Ukraine are certified to ISO 9001 - Quality Management System, ISO 14001 - Environmental Management Systems and ISO 22000 – Food Safety Management Systems.

Carlsberg Ukraine recognizes the negative impact of underage consumption of alcohol. To reduce the consumption of alcoholic beverages by teenagers, in 2010-2011 the company together with the Association of Beer "Ukrpivo" launched a large-scale project "Consume Responsibly."

In the course of this campaign, in 2011, another joint project has been implemented together with the Association - "Family Talk". The program aims to help parents and teachers to find common ground with young people and explain to them why underage drinking is not allowed. The project involved more than 12,230 students from 221 schools from all over Ukraine.

Carlsberg Ukraine together with other key players in the beer industry, the Ukrainian Advertising Coalition, Industrial Television Committee, Association of Lawyers and the Association "Ukrpivo" in 2011 signed the "Regulations on the system of self-regulation of commercial communications." According to this document the following restrictions are introduced:

- promotion of prevention of beer abuse;
- limitations associated with beer abuse by minors;
- limitations associated with drunk driving;
- limitations associated with the medical aspects;
- limitations associated with alcohol content;
- limitations associated with the qualities and abilities of consumers;
- restrictions on sponsorship of events organized for minors;
- restrictions on promoting products through tastings by minors.

Goals for Carlsberg Ukraine to reach in 2012-2013 in marketing communications. In 2012, the approval of the state program "Join me" is planned, in which Carlsberg Ukraine together with the Association "Ukrpivo" will introduce a separate project "Responsibility Starts With Me." Also, together with the "Ukrpivo" the placement of billboards aimed at coverage of the following problems is planned: a ban on drinking and driving, selling alcohol to minors, drinking in prohibited areas, and the irresponsible attitude of adults towards consumption of alcohol by minors. The campaign will take place in 2012 in cooperation with the Ministry of Education, Youth and Sports of Ukraine (Carlsberg Ukraine CSR Report).

Carlsberg Ukraine takes leading positions in responsible marketing communication in its field, but it still has something to learn from competitors. For example, AB InBev's initiative 'Six Handshakes' in Ukraine which encourages adults to show responsible drinking "passports" when buying alcohol and to give information cards contained in the passports to other six consumers (AB InBev, 2011); offering alternative (low and non-alcohol beers) products to consumers or providing free alternative transportation (cabs) to prevent drunk driving (SABMiller, 2011).

4.6 Commitment to the community

Carlsberg Ukraine is a socially responsible company that is aware of its impact on society and strives to make a positive contribution to its development. In 2002 Carlsberg Ukraine became a member of American Chamber of Commerce, co-chair of the Committee on CSR. In 2006 Carlsberg Ukraine became a member of the European Business Association (EBA). And since 2010, the company is a member of the UN Global Compact. Carlsberg Ukraine adheres to the position of a fair and balanced approach to the allocation of social investment. The company does not support activities that relate to the armed conflicts drug trafficking, violent sports, beer consumption by minors, as well as political parties and is very careful about all types of activities that somehow relate to driving.

Philanthropy. Starting with 2006 Carlsberg Ukraine takes care of foster homes. Textbooks and clothes for kids were purchased, buildings were renovated. Company also provided financial assistance in medical treatment of kids and organization of leisure activities. Today the company is in the care of seven foster homes:

- Volnyansk boarding school, Zaporizhia region.
- Vyshgorodsky district orphanage "Lovage", Kyiv region.
- Orphanage № 3, Dnepropetrovsk.
- Orphanage, Dnepropetrovsk.
- Orphanage for children under the age of 3.5 years, Sumy.
- Boarding school number 11 for children with vision problems, Kiev.
- Family-type foster home, Vladimir-Volnysky.

Education projects of Carlsberg Ukraine in 2010-2011:

- Career Conference 'AIESEC Talents Fair';
- Lectures of Professor Thierry Post;
- 'Leadership Development Seminar 2010 (AIESEC)';
- Ukrainian championship on solving business case studies 'Case Champ';
- Marketing Conference 'Managing a portfolio of brands';
- Lecture on launching new products in KMBS.

Goals for Carlsberg Ukraine to reach in 2012-2013 committing to community: to increase support of foster homes; to strengthen corporate governance of CSR; to promote the responsible consumption of beer during the Euro 2012 Championships; to improve communication with the public on a platform of social media; to involve stakeholders in the creation of effective joint initiatives (Carlsberg Ukraine CSR Report).

Programs concerning commitment to the community are diverse and are effective as long as they are long-term and address the most important issues of certain region.

Carlsberg Ukraine Company is in the forefront in development of Ukrainian CSR. Company's CSR report is well-structured and profound. Activities in fields of environment, gender equality and responsible marketing communication might be expanded by company. Carlsberg Ukraine should consider joining Global Reporting Initiative (especially because Carlsberg Group already did so) to increase transparency of business and promote integrated reporting.

Carlsberg Ukraine case study proves that CSR not only can, but should be implemented in Ukraine.

5 Conclusions

This study, of development of CSR in Ukraine, is of a particular interest, considering low level of business transparency in Ukraine and a small number of relevant publications.

The main research question for this thesis object were: explanation of the concept of corporate social responsibility, its importance, reasons for corporations to engage in CSR activities, description of evolution of CSR concept around the world and in Ukraine in particular, allocation of the latest trends and problematic areas in development of CSR in Ukrainian business sphere, development of a set of recommendations concerning state and corporation involvement in further evolution of sustainable and responsible business practices in Ukraine.

The research shows that CSR is still a concept waiting to be applied in Ukraine. Consumers are often unaware and unsupportive towards CSR. Main CSR challenges for Ukraine are: raising public awareness on CSR concept and its principles, combating gender-based inequality, discrimination, fighting HIV/AIDS, tuberculosis, corruption, protecting biodiversity and forest cover, combating soil erosion and water pollution, increasing energy efficiency (Ukrainian companies use three times as much energy to produce the same output as companies in the European Union²⁹).

Such general recommendations are given by author to implement on a state level:

- develop National CSR strategy;
- promote knowledge about the basic principles of CSR. Remind of codes of corporate conduct, international cooperation agreements on CSR in the regulatory documents;
- promote training programs in basic theory and practice of CSR;
- provide the legal framework and favorable economic and social conditions for companies that decided adhere to the principles of CSR;
- promote the ratification of international conventions on human rights and environmental protection;
- involve corporations into joint participation in the development and implementation of sustainable development programs.

As for Ukrainian corporations, such actions should be considered:

- develop and implement social protection programs (i.e. health insurance) for employees and their families;
- develop partnerships with government, other corporations and NGOs;
- establish principles, standards and procedures for voluntary social reporting in accordance with 10 principles of UNGC;
- enhance staff awareness of economic, social and environmental impact of companies on society;
- create the company's pension funds;
- involve business partners - suppliers and contractors - into using the principles of ethical corporate behavior;
- pay greater attention to issues on gender equality;
- report the social, ethical, environmental policies and employees' treatment.

Ukrainian companies are developing an understanding of strategic CSR as a competitive advantage in a long-term perspective. We have a great opportunity to build our CSR in Ukraine based on world's best practices which are already bringing positive results.

²⁹ Ukraine Energy Efficiency Program – www.ukeep.org

In a wider perspective, ethical aspects of embracing CSR policies in controversial industries, like tobacco, alcohol, drugs, sugar production and fast-food are of particular interest.

The World Health Organization (WHO) sees alcohol abuse as a global problem which compromises both individual and social development.

The harmful use of alcohol results in 2.5 million deaths each year.

- 320 000 young people between the age of 15 and 29 die from alcohol-related causes, resulting in 9% of all deaths in that age group.
- Alcohol is the world's third largest risk factor for disease burden. It is the leading risk factor in the Western Pacific and the Americas and the second largest in Europe.
- Alcohol is associated with many serious social and developmental issues, including violence, child neglect and abuse, and absenteeism in the workplace.³⁰

There is an apparent paradox in aspiration to social responsibility of corporations in controversial industries while marketing products identified by health authorities as health-threatening (fast-food) or even as 'the major preventable cause of disease and premature death' (alcohol, tobacco, sugar) (Barracough, Morrow). Further research in this area should be conducted.

³⁰The World Health Organization - <http://www.who.int/mediacentre/factsheets/fs349/en/index.html>

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