

What Does Business Think about Corporate Social Responsibility?

**PART II:
A COMPARISON OF ATTITUDES
AND PRACTICES
IN HUNGARY, POLAND AND SLOVAKIA**

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ABBREVIATIONS AND ACRONYMS

“Very small companies” are companies which employ from 1 to 50 people.

“Small companies” are companies which employ from 51 to 250 people.

“Medium companies” are companies which employ from 251 to 1000 people.

“Large companies” are companies which employ from 1001 to 5000 people.

“Very large companies” are companies which employ more than 5000 people.

“Regulation” refers to regulatory and legal framework.

“Respondent companies” and “interviewed companies” are used as synonyms.

A “public company” is a state-owned company.

CEE	Central and Eastern Europe
CPI	Consumer Price Index
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
ERM	Exchange Rate Mechanizm
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HR	Human Resources
ILO	International Labor Organization
ISO	International Organization of Standardization
NGO	Nongovernmental Organization
OECD	Organization for Economic Co-operation and Development
WTO	World Trade Organization

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Executive Summary

The World Bank surveyed business leaders in Hungary, Poland, and Slovakia to identify private sector views of corporate social responsibility* (CSR) and the ways in which these views are put into practice.

The survey findings indicate that all three countries have similar attitudes concerning the role of the company in society and the concept of socially responsible behavior. Respondents generally understand the term “CSR” to mean compliance with existing regulations, behaving ethically, and assuring environmental protection, but do not think that CSR involves correcting social inequalities or engaging in public relations.

The survey indicates that for company executives the most significant barriers to adopting socially responsible practices are “perceived overall cost” and “lack of appropriate regulations”. Cultural differences and the resistance of managers and employees to behaving in a more socially responsible manner are not considered significant barriers. Similarly, adopting CSR is not seen as risk to maintaining quality and productivity among workers.

The results of the survey, combined with an understanding of the socio-economic context of the respondents, indicate that while companies see themselves as predisposed to act in a socially responsible manner, they consider the corporate culture to be primarily market-oriented and competitive, and therefore often lacking the economic incentives and regulations to develop socially responsible practices further.

Respondents consider that decisions to engage in CSR activities are voluntary, but feel that a more conducive environment could be created by government and other stakeholders to stimulate further engagement.

The adoption of CSR practices in Hungary, Poland, and Slovakia to date has been mostly spearheaded by private companies, often multinationals that are expanding their operations consistent with their own best strategic interests. Many companies that have been sensitive to their employees’, customers’ and communities’ desires and perceptions have found a compelling business case for accommodating these desires and perceptions, beyond strictly legal and regulatory requirements.

* Corporate social responsibility is a commitment of business to contribute to sustainable development working with employees, their families, local communities, and society at large to improve their quality of life that are both good for business and good for development.

In most cases, governments have generally seen that CSR can serve society's interests, and have been satisfied that lead companies are aligning themselves with business practices under the pressure of the "market". Governments appear to have been satisfied with an implicit policy of remaining aware and sometimes endorsing private-led initiatives while monitoring and enforcing compliance with regulations, without an explicit policy to broaden or promote CSR. This has been a relatively passive or disengaged policy stance, and has served countries with vibrant formal business sectors relatively well to date.

However, it is clear from the survey results that firms in Hungary, Poland and Slovakia would welcome clarity of government policy regarding the promotion of CSR. The survey found a widely-held belief that there is a lack of sufficiently clear policies covering CSR, however firms from Hungary, Poland, and Slovakia do not agree on the most important actions required for broader adoption of CSR activities. Hungarian companies prefer incentives and relations with local jurisdictions to influence their behavior, and pressure from consumers rather than regulation, central government participation and/or management, and believes that under these circumstances it would embrace new business models and modes of behavior.

Slovak companies share these views to some extent, strongly believing in dialogue with the government. In contrast, Polish firms stress macro and national-level factor (regulatory reform, national dialogue with government, banking measures). However, there is agreement that governments should not become heavily or directly involved in micro-managing business issues.

The challenge facing governments in the Hungary, Poland and Slovakia is to acknowledge, to the maximum degree possible, the perceptions and values of the business sector and voluntary nature of CSR and build on these, while recognizing that the countries' obligations to meet European environmental and social standards, and often dependency on exports as the "economic driver" requires actions that may be contrary to these perceptions. To encourage such actions may involve educating and negotiating for a stronger role for the governmental initiatives, enforcing national policies to conform to EU standards, and assisting firms in meeting them.

Affecting change in attitudes and perceptions, as well as following through to define and agree on actual measures to promote acceptance of CSR would require a new consultative process between businesses, other stakeholders who they have identified as consumers/communities, and the national governments—although business representatives in Hungary were not in favor of such a dialogue. Various modalities can be envisaged to organize and conduct such tripartite consultations, but all would require common features including: a neutral forum and sponsorship, a commitment to follow-through to actions, and agreement on institutional arrangements that sustain monitoring and verification that agreed measures are being followed.

INTRODUCTION

Project Description

The World Bank surveyed business leaders in Hungary, Poland, and Slovakia to identify private sector views of corporate social responsibility (CSR) and the ways in which these views are put into practice. The principal objective of this survey is to determine how corporate managers in each country perceive CSR and define their companies' roles in society.

Project Commission

The survey is part of a broader World Bank pilot program “Enabling a Better Environment for CSR in Central and Eastern European Countries”, generously supported by a grant from the European Commission, Directorate-General Employment. The primary objective of this project is to establish and support new dialogue within CEE countries on the value and means of promoting corporate social responsibility. The principal activity is the generation of information to improve understanding of corporate attitudes and practices that may already be identified with “corporate social responsibility”, and the identification of gaps between current CSR practices in CEE and those in the EU and elsewhere. The intended outcome is to inform stakeholders in these countries how to create a better environment for CSR, and to engage them in discussion that could lead to a CSR promotion plan. In countries with sufficient awareness of CSR, the project will help stakeholders to broaden the dialogue and implement ideas.

Survey Methodology

Companies were selected from the 500 companies in each country with the highest turnover and/or number of employees. One hundred fifty companies were interviewed in Hungary, 154 in Poland, and 150 in Slovakia. The sample companies represent different economic sectors, ownership structures and sizes. The survey includes 36 questions, which were asked during face-to-face interviews with chief executive officers or other senior managers. The interviews took place during the fourth quarter of 2004 and the first quarter of 2005. Questions were predominantly close-ended, but space for written comments was provided where appropriate.

Brief Economic Background¹

The point of accession in May, 2004 was neither the beginning nor the end of EU integration of Hungary, Poland and Slovakia. The process began a long time ago, when Europe agreements were signed and took effect in the mid-1990s. This initiated a process of institutional adjustment, including liberalization of trade, harmonization of legislation and standards, and capacity building. In the course of the protracted accession negotiations, an ever increasing number of regulations took effect in the accession countries, which increased the similarity of the legal setting with that in the incumbent EU member states long before formal accession.

Real GDP growth in 2004 was significantly higher than in the preceding years, surpassing 5 percent in Slovakia and Poland, and 4 percent in Hungary. The process of EU accession may well have stimulated growth through trade creation, increased factor mobility (including FDI) and other dynamic effects such as capital accumulation, technology transfer, and increased competition. However growth is a very complex process and it is difficult to disentangle the impact of the EU accession process from what would otherwise have happened. Whatever the reason, Hungary, Poland and Slovakia have ahead of them a long period of catching up to average EU living standards.

BOX 1

Macroeconomic situation in Hungary, Poland, and Slovakia (2004/2005)

Slovakia

Macroeconomic developments remain favorable in Slovakia. In November 2004, the Organization for Economic Co-operation and Development published a positive Economic Outlook for Slovakia. In December, Standard&Poor's upgraded Slovakia's rating from BBB+ to A-, the same level as Hungary and the Czech Republic.

Growth eased to a still robust 5.3 percent in the third quarter of 2004. While net exports contributed negatively by 3.7 percent, stocks and consumption continued to rise. Export growth at 15.3 percent was the weakest of the last four quarters. Real GDP revisions for the period since 2002 in December 2004 revealed higher output growth in 2003 and stronger contribution from consumption.

Unemployment declined further. While the registered rate seemed to stabilize just below 13 percent in November, the Labor Force Survey shows a reduction from 19.3 percent in first quarter 2004 to 17.5 percent in third quarter. However, unemployment was still slightly above its level in 2003. Meanwhile, the duration of unemployment continued to rise.

The Current account deficit remained within comfortable margins, despite an increase in the third quarter to 2.4 percent of GDP. Estimates for 2004 deficit were in the 2.2-3.5 percent of GDP range. FDI picked up in 2004 to an estimated Euro 1.8 billion, although it was still lower than in 2002. Several new projects were contracted in the automotive sector, electronics and engineering.

Inflation eased. CPI inflation in December declined to 5.9 percent year to year from a peak of 8.5 percent in July. Core inflation remained at around 2 percent. In December, the National Bank of Slovakia announced its new monetary program for 2005-08 focused on "inflation targeting under ERM conditions". While inflation targets for 2006-08 did not change (below 2.5 percent in 2006 and then below 2 percent), the target for 2005 increased from 2.4-3.3 percent to 3-4 percent. Despite further cuts in interest rates, several rounds of market intervention and relatively high inflation, the koruna continued to appreciate (5.5 percent year to year at end-December 2004).

¹ Based on World Bank EU-8 Quarterly Economic Report January 2005 : Country Pages / Data provided to illustrate economic conditions in which the survey was conducted.

The fiscal outcome for 2004 was better than expected on the back of strong revenue performance.

State budget revenues exceed plans by 4.5 percent (while expenditures were raised only by 0.7 percent), reflecting better than expected personal income tax collections (36 percent), corporate income tax collections (35 percent) and value-added tax (2 percent). The fiscal deficit in 2004 was around at 3.9 percent of GDP compared to 3.6 percent of GDP in 2003. The budget for 2005 targets a broadly unchanged fiscal balance with a fiscal deficit of 3.8 percent of GDP, but adjusted for pension reform the deficit would decline to 3.4 percent of GDP (the pay-as-you-go pillar revenue shortfall was projected at 0.4 percent of GDP in 2005, 1.0 percent of GDP in 2006 and 1.1 percent of GDP in 2007).

Poland

Output growth decelerated in the second half of 2004 as domestic demand growth slowed. Private consumption and fixed investment growth slowed to 3 percent and 4.7 percent year to year, respectively, in the third quarter. A more sustained recovery in investment was still pending despite capacity utilization at the highest level ever (most recent estimates put it at 80.7 percent against a low of 73.3 in the first quarter of 2002) and high corporate profits and liquidity. Corporations should have enough resources and credit potential to sustain at least 10-15 percent fixed investment growth for the next couple of years. However, investors appeared to be awaiting further stabilization of the business and political environment.

Unemployment was slowly coming down, visibly diverging from the pattern of the past two years. With the unemployment rate at 18-19 percent, estimates of structural unemployment of at least 10 percent and a natural rate possibly between 4-5 percent, the reservoir of a available labor could possibly have shrunk to as low as 3-4 percent of the labor force.

The sharp appreciation of the zloty helped stabilize inflation with no need for further interest rate hikes in the last quarter of 2004. CPI inflation stabilized at 4.5 percent year to year toward the end of 2004, and should decline to below 3 percent in the second half of 2005. The appreciation of the zloty reflected stronger fundamentals and represented a change from very favorable to neutral conditions as the rate was around the average of previous years. Wage growth remained slow at around 3 percent year to year, and export growth and the current account balance remained strong.

Fiscal performance in 2004 was better than budgeted on the back of strong revenues. The deficit was estimated to have undershot by 4 bn zloty. Revenues evolved more or less in line with stronger than expected output growth, while expenditures were held at budgeted levels. Nevertheless, the expansionary 2004 budget raised the deficit by 1.5 percent of GDP compared to the year before. The budget for 2005 initiated a much needed fiscal consolidation process, with the fiscal deficit targeted to decline by nearly 2 percent of GDP.

Hungary

Output growth slowed in the second half of 2004 mainly due to slower consumption and export growth. Output expanded by 3.7 percent in third quarter 2004, down from 4.0 percent in second quarter 2004 and with decelerating dynamics quarter by quarter during the year. Investment remained the key growth driver, up nearly 13 percent and contributing 3.25 percentage points to growth in third quarter (of which 3 pp gross fixed capital formation alone). A rebound of investments in machines and equipment supported future export growth. The sector breakdown of investment revealed strong expansion in transport, storage and communications as well as manufacturing investment (mainly electrical and optical equipment). Also, investments in construction retained its strong growth fuelled by the extensive motorway building program of the government. At the same time consumption growth slowed to less than 3 percent year to year due to slowing real wage growth, reductions of government preference schemes on home loans and a drop in government expenditure. Net export performance was disappointing, with export growth decelerating significantly to 10 percent year to year in third quarter from 18-19 percent in first quarter.

The current account continued to be the weakest part of the economy. The current account deficit for the first nine months of 2004 amounted to over 9 percent of GDP. While the trade gap shrank in the

third quarter, the income and tourism balance deteriorated. At the same time, however, non-debt generating financing increased to 80 percent of the current account gap in the third quarter, triggered by higher FDI inflows which reached 3.4 percent GDP in the first nine months of the year. External debt was on the rise, but the state's share in it was increasing more slowly. A rough estimate of the debt stabilizing current account deficit was around 6 percent of GDP.

Inflation was slowing. After fluctuating just above 7 percent in the second quarter, CPI inflation fell to 5.5 percent in December 2004. Meanwhile, the “constant tax inflation rate” dropped to 3.5 percent and core inflation to 5.0 percent. Monetary easing continued. The decline in inflation reflects currency appreciation, slowing household consumption and wage growth, and tighter government spending.

Fiscal policy remained a key credibility issue. During 2004 the government revised upwards the fiscal target twice to 5.3 percent of GDP from an initial level of 3.8 percent of GDP (or 3.1 percent of GDP adjusting for the effect of pension reform). Even this higher fiscal target was estimated to have been met only through additional measures of around 1.8 percent of GDP in 2004 and arbitrary postponement of expenditures into 2005. This notwithstanding, expenditures (as a share of GDP) were estimated to overrun the budgeted level by nearly 2 percent of GDP, while revenues—despite greater than expected VAT losses after accession and greater uses of tax credits in PIT—would be higher than projected in the budget by 0.4 percent of GDP. On the positive side, the fiscal position improved by roughly 1.2 percent of GDP in comparison to 2003, reflecting equally stronger revenues and lower expenditures (each by 0.5 percent of GDP). The budget for 2005 targets a further reduction in the deficit to 4.7 percent of GDP (3.8 percent of GDP adjusting for pension reform). Expenditure would be curtailed by 1.9 percent of GDP through more effective staff management within the public sector, a 5.5 percent nominal reduction in expenditure appropriations of central budgetary institutions, introduction of zero-base budgeting for chapter managed appropriations (0 percent growth in nominal terms), and implementation of infrastructure projects under Public-Private Partnership schemes (both capital and current spending would decline by 1 percent of GDP).

1

COMPARISON OF ATTITUDES AND PRACTICES

Results of surveys conducted in 454 Polish, Hungarian and Slovak companies illustrate private sector attitudes towards CSR and present an overview of CSR practices as implemented by respondent companies.

1.1 Understanding of CSR Concepts

Respondent companies in Poland, Hungary and Slovakia have similar perceptions of the concept of stakeholder, but slightly different perceptions of the concept of CSR and of their companies' role in society.

Polish, Hungarian and Slovak companies are aligned on their understanding of stakeholders. They all consider their three main stakeholders to be their shareholders, their customers, and their employees. Both Hungarian and Slovak companies believe their governments come next, whereas Polish respondents believe their local communities do. Civil society organizations are not considered to be a main stakeholder in any of the countries analyzed.

Respondent companies' understanding of "socially responsible activities" varies from one country to the other. Poland links these activities principally to ethical conduct, Slovakia links them to addressing stakeholders concerns, and Hungary links them to complying with regulations.

Respondents in the three countries tend to have different views of their role in society. While complying with regulations is clearly the most important role for Hungarian respondents, Polish respondents believe avoiding the use of child labor is as important a role, and Slovak respondents think that avoiding child labor and protecting employees' health are as important roles as complying with regulations.

1.2 Codes of Conduct and Transparency

Codes of conduct are most common in Hungary, where more than 60 percent of companies have written codes. Hungary has both the lowest percentage of explicit anticorruption policies and the

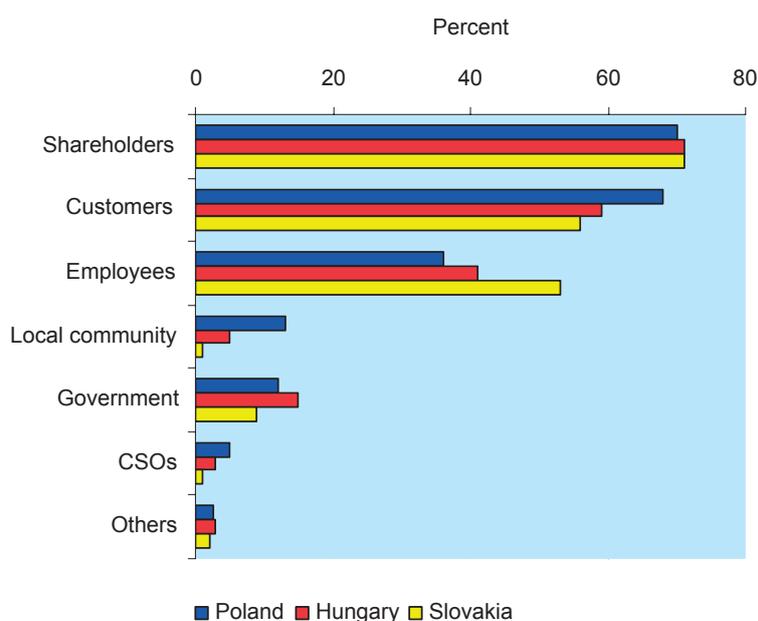
highest percentage of policies on the financing of candidates for public positions. According to the surveys, Hungary is also foreseeing the steepest increase within the next five years in both policies on corruption and on financing of candidates for public positions. Both social and environmental reporting are likely to increase significantly within the next five years, with the highest increase forecasted in environmental reporting in Slovakia (from 25 to 42 percent). Polish respondents regularly consult with their stakeholders the most (84 percent).

1.3 CSR Projects

Employee Projects

Poland is at the forefront among the surveyed countries in the implementation of ILO labor standards and employee training programs, while both Hungary and Slovakia lag behind. Both Poland and Slovakia are ahead of Hungary in the adoption of anti-discrimination policies in recruiting workers. However, all three countries agree on the importance of employee health protection plans.

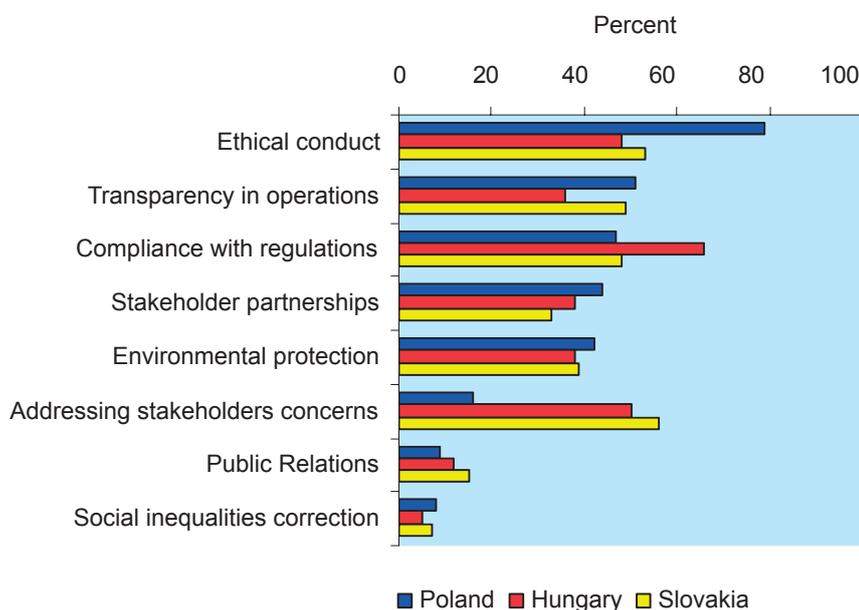
Figure 1: Compared – Understanding of Stakeholders



Social Projects (other than employee-focused)

In comparison to Poland and Slovakia, Hungary prefers to engage in technical training, housing, and support to ethnic minorities. All three countries main beneficiaries of social projects are the youth. Despite the general planned increase in engagement in social projects, companies in Poland and Slovakia tend to be hesitant to state their plans relating to social projects for the next five years.

Figure 2: Compared – Understanding of CSR (Activities)



Environmental Projects

Although Poland engages the most in environmental projects, it engages less than Hungary and Slovakia in environmental educational activities. Recycling programs are most widespread in Poland and Hungary, where more than 70 percent of respondent companies adopt recycling programs. Environmental certification is most widespread in Hungary, where 41 percent of companies are certified. The highest rate of environmental impact assessments belongs to Slovakia, where 83 percent of respondents conduct such assessments. As mentioned for social projects, companies in Poland and Slovakia tend to be hesitant to state their plans relating to environmental projects for the next five years.

Figure 3: Compared – Understanding of CSR (Position of Interviewees)

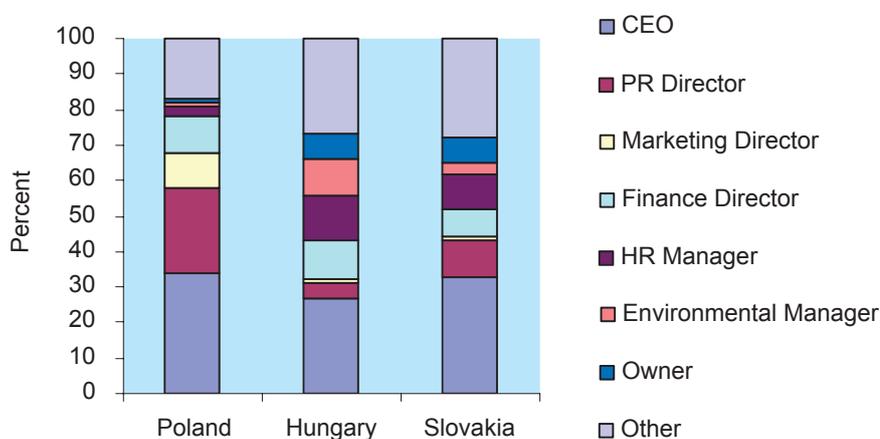
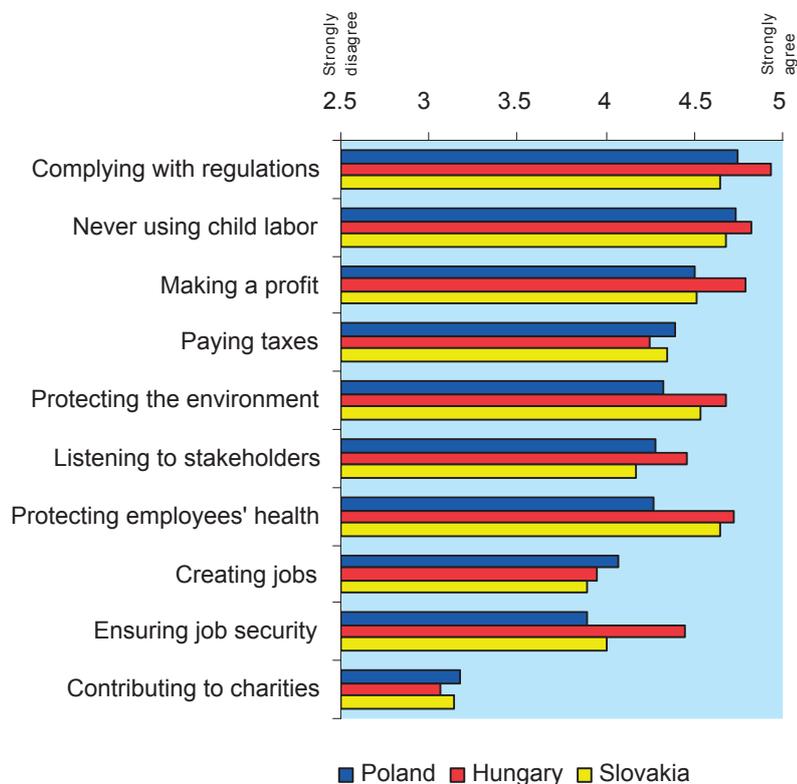


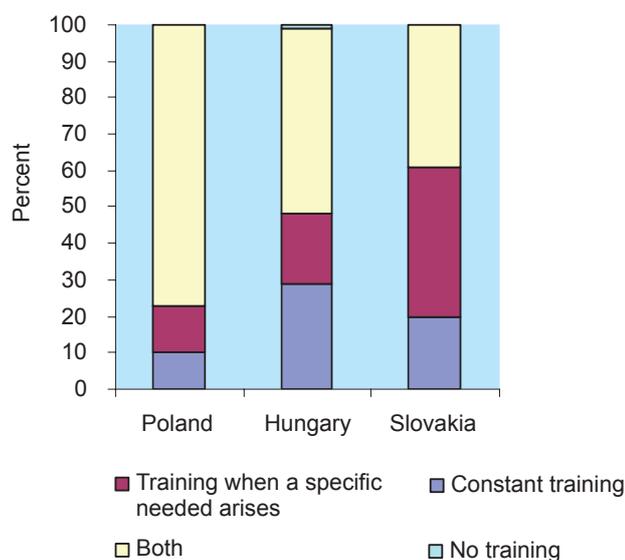
Figure 4: Compared – Understanding of Role of Company in Society



1.4 Benefits, Risks and Barriers in Adopting CSR Practices

While all companies agree that business sustainability is the most important internal benefit, Hungarian and Slovak companies, more than Polish companies, perceive the increase in productivity, quality and sales, as a more important internal benefit.

Figure 5: Compared – Employee Training



Although the three countries' perceptions of the external benefits derived from CSR practices differ, all three agree that the effect on companies' reputation is the main external benefit of CSR practices, followed by the effect on their country's sustainable development.

The lack of appropriate regulation is considered by all countries as the main barrier to the broader adoption of CSR practices. While Hungarian companies lament the lack of appropriate institutions, visible results and the excessive focus on short term gains, Slovak companies emphasize the importance of overall cost in preventing the broader adoption of CSR practices.

Generally, Polish and Slovak companies, more than Hungarian companies, perceive greater risks linked to the adoption of CSR practices.

Figure 6: Compared – Future Engagement in Social Projects

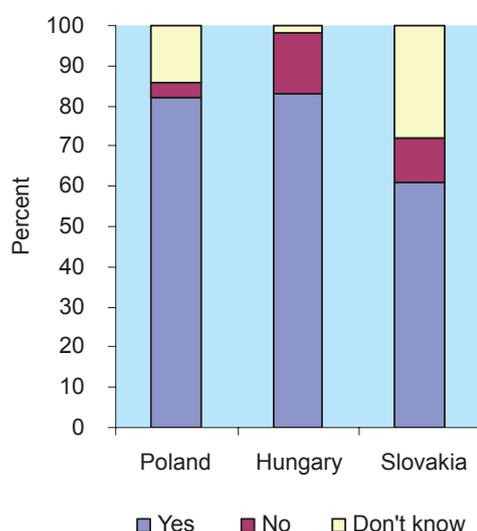


Figure 7: Compared – Future Engagement in Environmental Projects

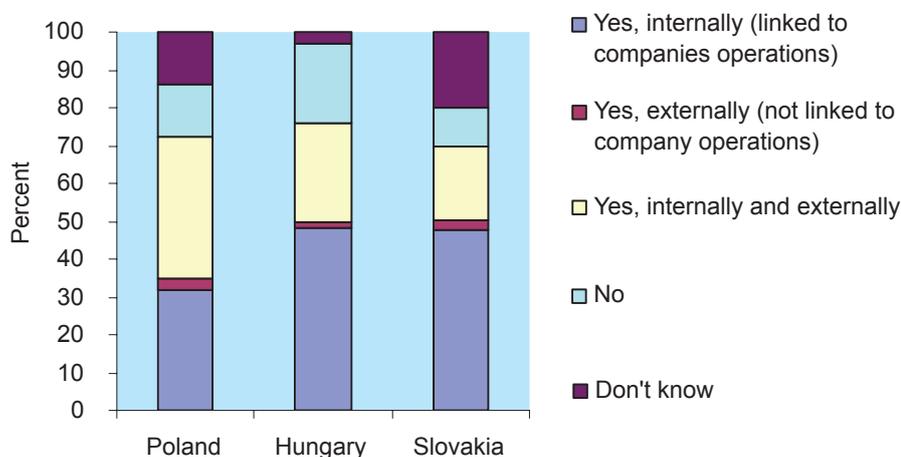
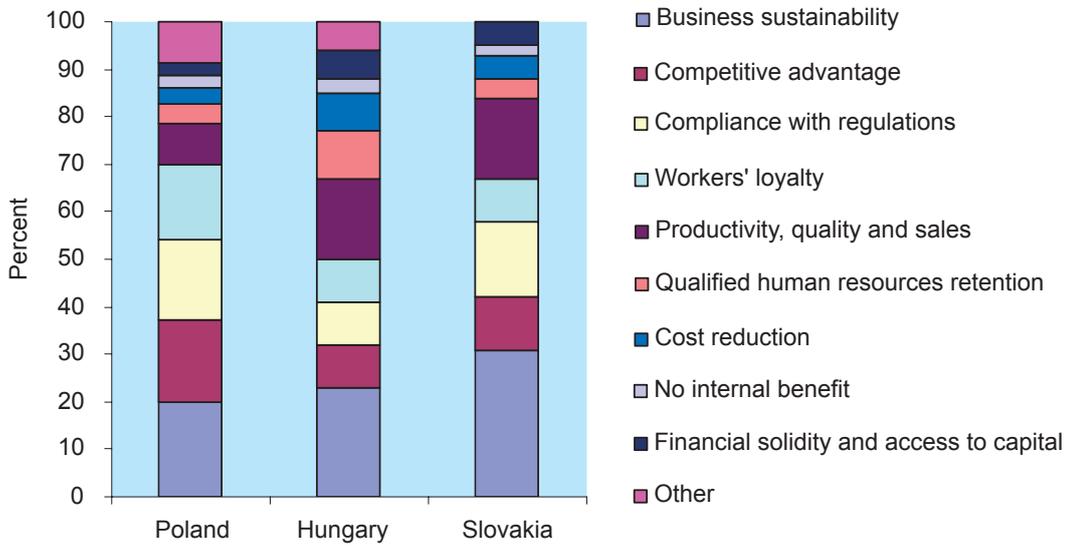


Figure 8: Compared – Internal Benefits from Adopting CSR Practices



1.5 Supporting CSR Practices, Improving them and Making them More Relevant

Support from Governments, CSOs and Others

Company owners are perceived to be most able to help respondent companies meet their social responsibilities, followed by employees. The role of CSOs and of the government in helping companies implement CSR practices is not perceived to be as important. Slovak companies are relatively

Figure 9: Compared – External Benefits from Adopting CSR Practices

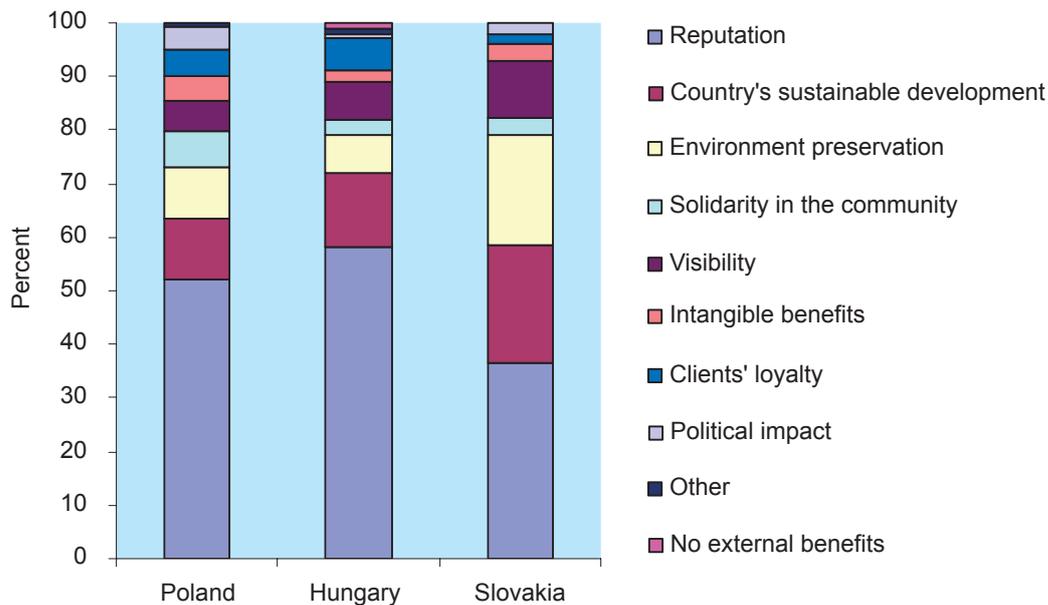


Figure 10: Compared – Barriers to Adopting CSR Practices

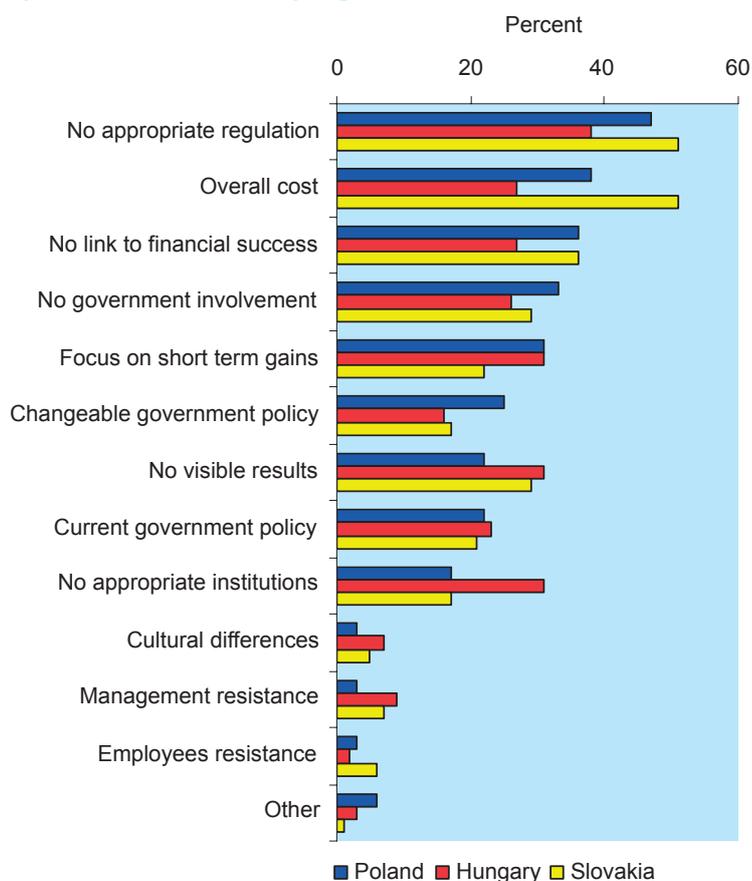


Figure 11: Compared – Risks in Adopting CSR Practices

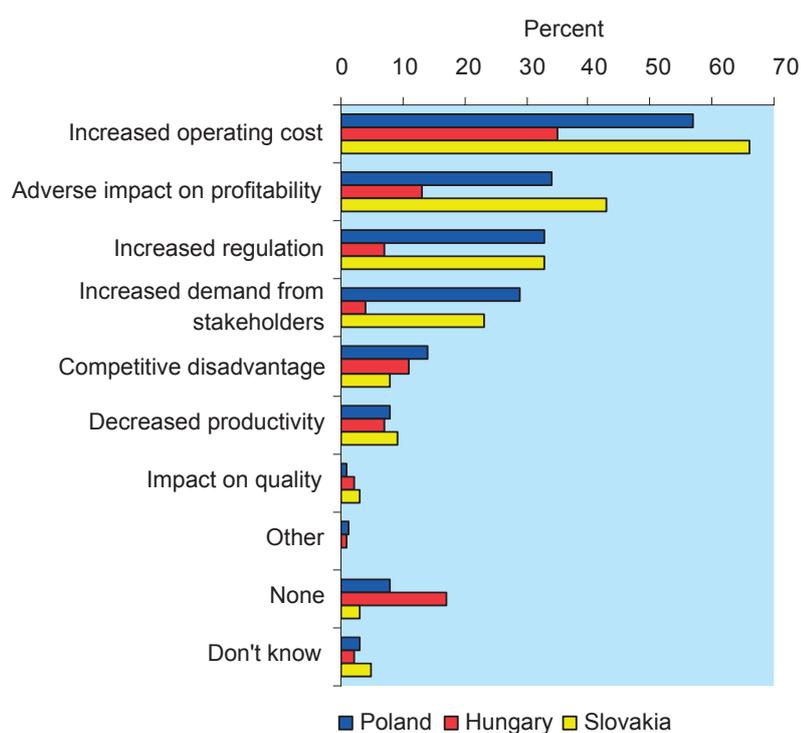
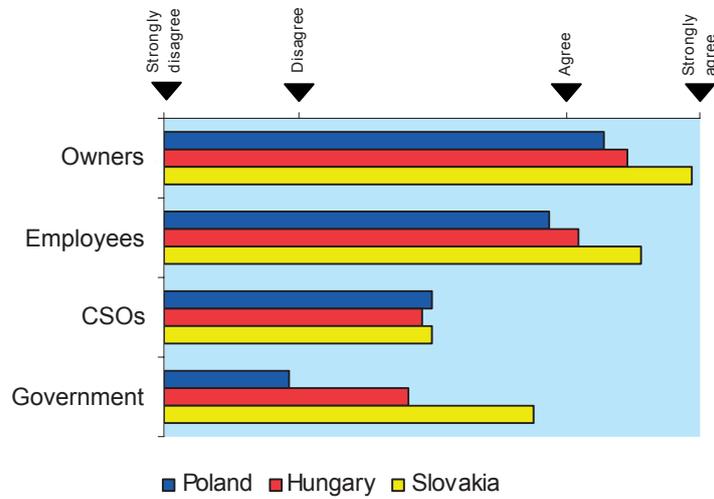


Figure 12: Compared – Support for CSR from Government, CSOs, Owners and Employees



more optimistic about the potential positive role of the government, and Polish companies place more emphasis on the role of CSOs.

Poland is the most adamant about the lack of government policies encouraging CSR investments.

Improving CSR Practices

The three countries surveyed have similar perceptions of which actions could improve CSR practices. Overall, Hungary has the most positive perception of the impact the listed actions would have on CSR practices. Slovak companies appear to be far more skeptical than Polish and Hungarian companies about the ability of actions such as recognition and local government empowerment to improve CSR practices.

Figure 13: Compared – Government Policies' Impact on Investment in CSR

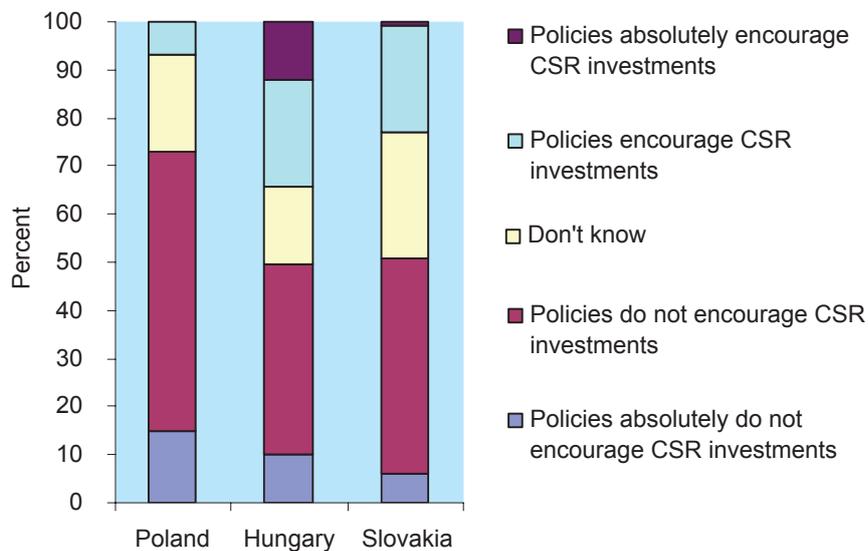
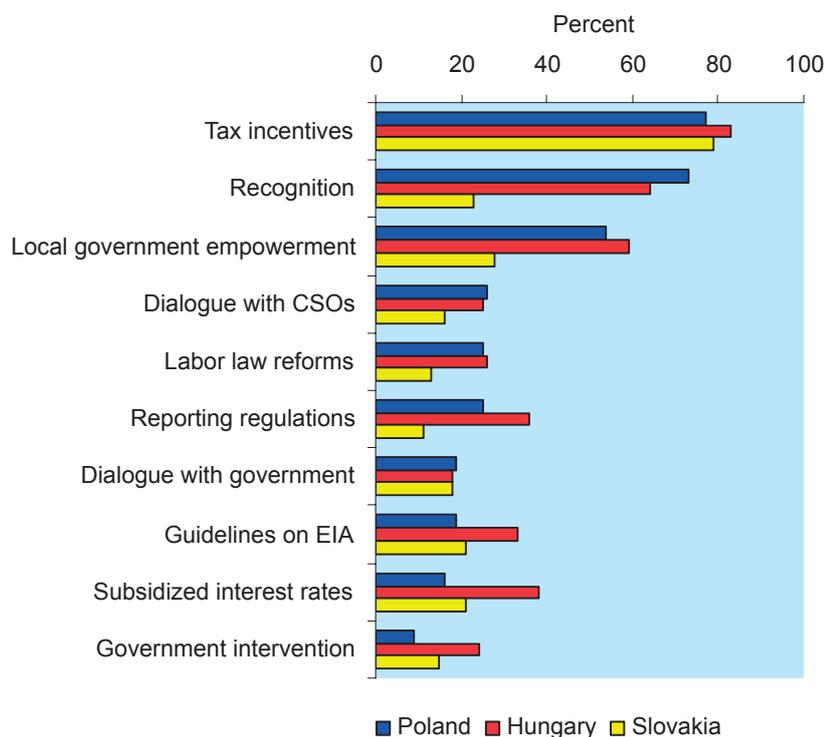


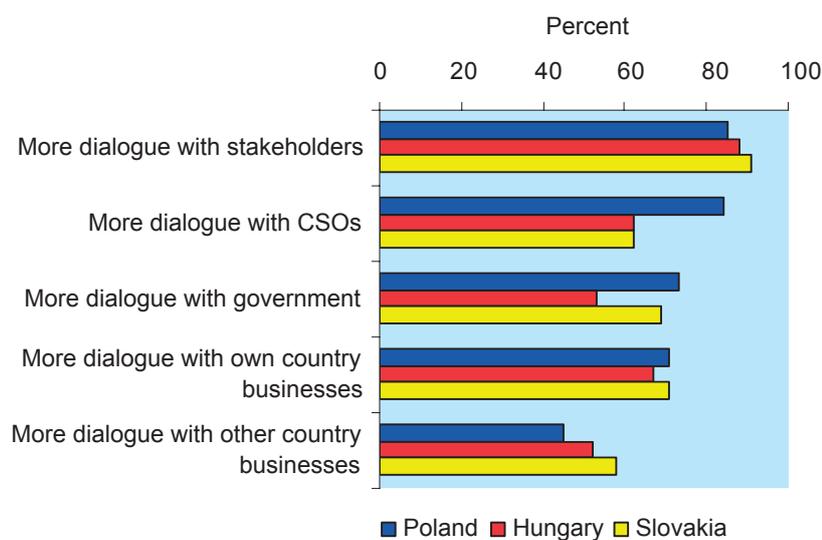
Figure 14: Compared – Actions that Improve CSR Practices



Making CSR Practices More Relevant

Companies in all three countries believe dialogue is likely to make CSR practices more relevant. Dialogue with foreign companies is perceived as less important.

Figure 15: Compared – Dialogue that Makes CSR Practices More Relevant



2

ANALYSIS OF SURVEY RESULTS Poland

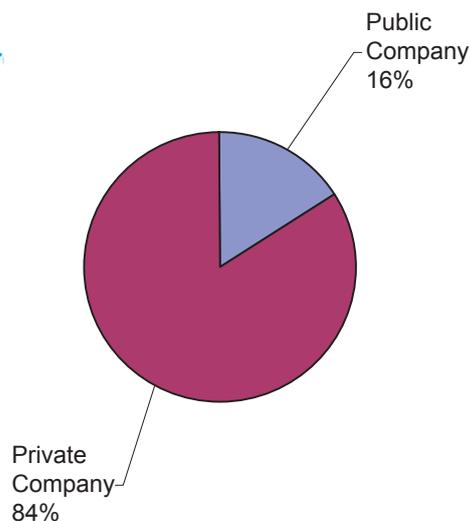
2.1 Ownership Structure and Funding of Respondent Companies

Of the 154 companies interviewed, 84 percent are privately owned companies, and 16 percent are owned by the Polish government (public companies).

In total, 42 percent of respondent companies are funded with local capital, 34 percent are funded with foreign capital, and 22 percent are branches of multinational companies.

Nearly all public companies interviewed are local, funded with local capital.² Private companies are almost evenly split between local companies funded with local capital, local companies funded with foreign capital, and branches of multinationals.³ All branches of multinationals are private companies.

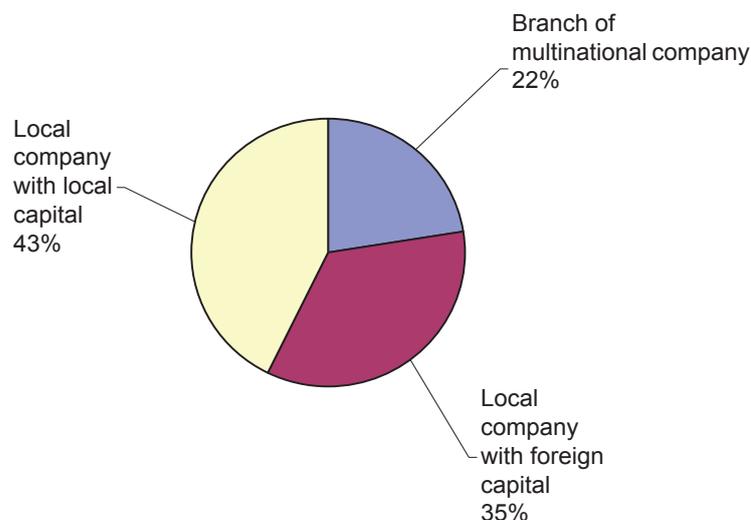
Figure 16: Poland – Ownership Structure of Respondent Companies



² 96 percent

³ 31, 40 and 26 percent respectively

Figure 17: Poland – Funding of Respondent Companies

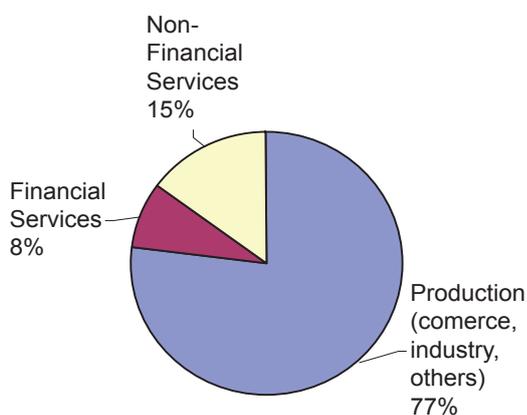


2.2 Sector of Activity of Respondent Companies

Respondent companies have been divided into three sectors of activity: production, financial services and non-financial services.

The majority are involved in production.⁴ Local companies funded with local capital are the best represented subgroup within production companies.⁵ Fifteen percent of respondent companies offer non-financial services and 8 percent offer financial services.

Figure 18: Poland – Sector of Activity of Respondent Companies



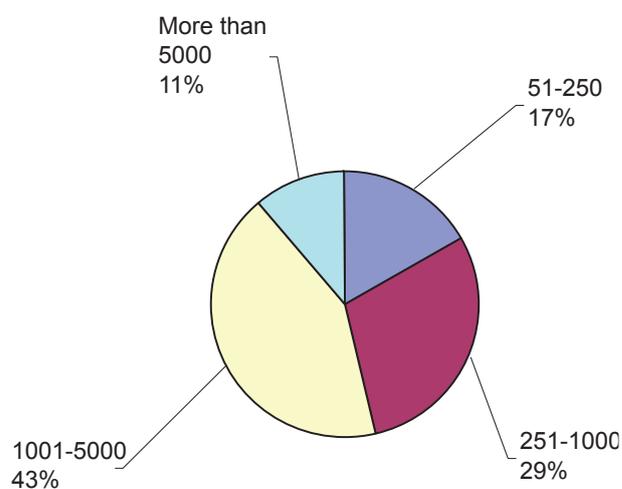
2.3 Number of Employees of Respondent Companies

Respondent companies have been subdivided by number of employees as follows: 51 to 250 (small companies), 251 to 1000 (medium companies), 1001 to 5000 (large companies), and more than 5000 (very large companies). Forty-three percent of respondent companies are large, 29 percent are medium, 17 percent are small, and 11 percent are very large.

⁴ 77 percent

⁵ 43 percent

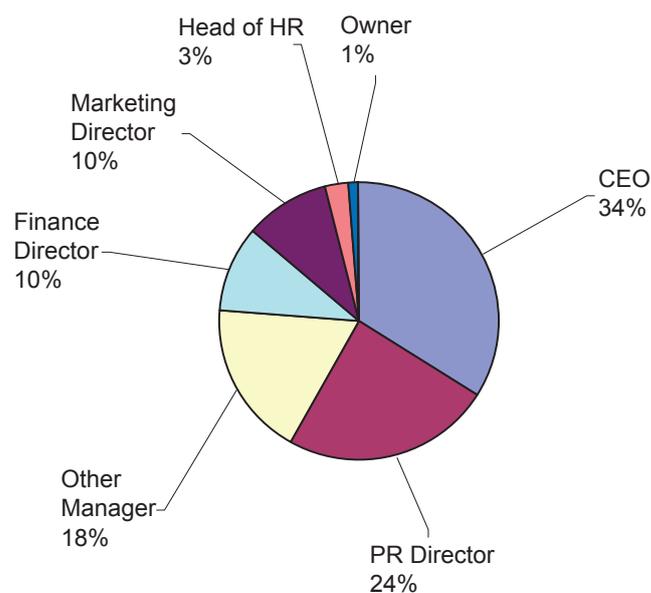
Figure 19: Poland – Number of Employees of Respondent Companies



2.4 Level of Respondents within the Companies

Questionnaires were completed mainly by CEOs, PR Managers, CFOs, and Marketing Directors⁶. HR Directors and Environmental Protection Managers account for only 3 and 1 percent respectively. Only one percent of respondents are company owners.

Figure 20: Poland – Position of Interviewees

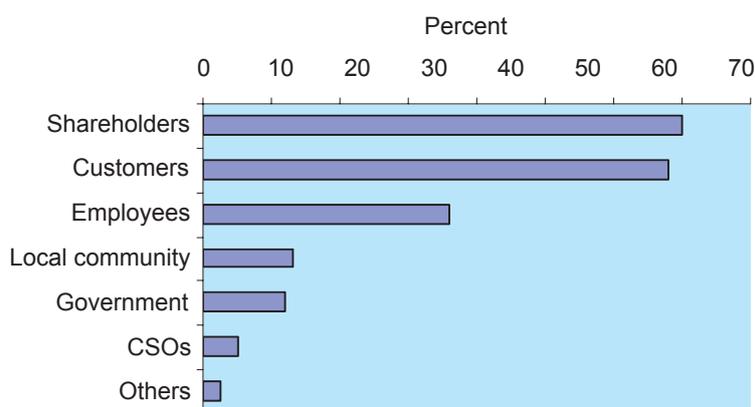


⁶ Respectively 34, 24, 10, and 10

2.5 Companies own Financial Situation Rating

Given a choice between “very good”, “good”, “tolerable”, “bad”, and “very bad”, 39 percent of respondent companies rate their financial situation as “very good”, 46 percent as “good”, 12 percent as “tolerable”, 1 percent as “bad” and 1 percent as “very bad”. Financial services companies on average rate their situation better than that of the other subgroups. Very large companies, on average, rate their situation worse than the other subgroups do.

Figure 21: Poland – Understanding of Stakeholders



2.6 Understanding of Stakeholders

When asked to identify their main stakeholders⁷, 70 percent of respondent companies indicate their shareholders, 68 percent indicate their customers, and only 36 percent indicate their employees. Only 13 percent, 12 percent and 5 percent of respondent companies identify respectively their local communities, the Polish government, and CSOs as among their main stakeholders.

Public companies, more than other companies, understandably consider the Polish government to be a main stakeholder.⁸ Compared to other companies, financial services companies consider their customers and their shareholders to be main stakeholders; whereas they consider their employees relatively less important stakeholders.⁹ No non-financial services companies consider the local community to be a main stakeholder. Finally, compared to others, very large companies do not seem to consider customers as important stakeholders.¹⁰

⁷ Not more than 2 answers were allowed.

⁸ 28 percent (companies’ average is 12 percent)

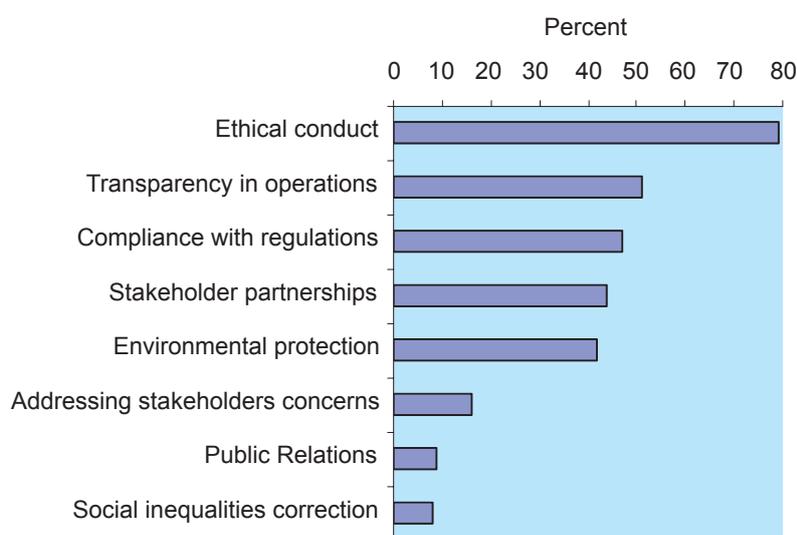
⁹ customers and shareholders are at 83 percent (customers companies average is 68 and 70 percent respectively), while employees are at 17 percent (companies’ average is 36 percent)

¹⁰ 59percent compared to companies’ average of 68 percent

2.7 Understanding of Corporate Social Responsibility

Respondent companies were asked how they define “socially responsible activities”¹¹. A significant majority of Polish respondents believe acting socially responsibly means behaving ethically.¹² Approximately half of respondent companies link CSR activities to transparency in operations. More than one third of respondent companies believe compliance with existing regulations, establishing stakeholder partnerships, and environmental protection, are socially responsible activities. A much smaller number of respondents believe that addressing stakeholder concerns, conducting public relations, and correcting social inequalities can be considered socially responsible activities.¹³

Figure 22: Poland – Understanding of CSR



Public companies, more than others, associate environmentally friendly activities with CSR, and associate it much less with ethical conduct. Financial service companies, more than others, associate CSR with ethical conduct and correction of social inequalities, rather than with the environment.¹⁴ This is probably due to the low degree of relevance of environmental activities to these companies. However, a less ambiguous survey result is that none of the respondent financial services companies believes that addressing stakeholder concerns is a socially responsible activity. On the other end of the spectrum are small companies which, more than any other subgroup, associate addressing stakeholders concerns with CSR.¹⁵ Respondents from these companies also do not believe that the correction of social inequalities is an attribute of CSR. Conversely, very large companies are more likely to associate the concept of social responsibility with the correction of social inequalities.¹⁶ As companies become larger, CSR is identified less with compliance with existing regulations.

¹¹ Respondents were asked to select the three most important answers

¹² 79 percent

¹³ 16, 9 and 8 percent respectively

¹⁴ 92 and 33 percent

¹⁵ 27 percent compared to companies' average of 16 percent

¹⁶ 18 percent

2.8 Perception of Main Role of Company in Society

Respondents were given ten possible main roles of their company in society. Their task was to grade the importance of each role by choosing between “strongly disagree”, “disagree”, “don’t know”, “agree”, and “strongly agree”.

Figure 23: Poland – Perception of Role of Company in Society



According to the Polish companies interviewed, complying with the legal framework and avoiding child labor are the most important roles of a company in society. The opinion of Polish companies on compliance with legal framework is straightforward. Three in four companies strongly agree, and one in four simply agrees.¹⁷ The percentages are fairly consistent across the spectrum of company size, ownership and sector of activity.

On the issue of avoiding child labor, respondent companies are less aligned.¹⁸ Financial and non-financial services companies are at opposite ends of the spectrum: non-financial services companies are the least convinced that avoidance of child labor is one of their main roles in society.

Following the above roles, other perceived roles, in order of importance, are: making a profit;¹⁹ paying taxes;²⁰ protecting the environment;²¹ listening to stakeholders; protecting employees’ health;²² creating jobs;²³ ensuring job security;²⁴ and contributing to charities. Regarding contributing to charities, it is interesting to note that there is a large spread between the answers provided and the highest percentage of undecided.²⁵

¹⁷ None are undecided, disagree or strongly disagree.

¹⁸ A total of 7 percent don’t know, disagree or strongly disagree

¹⁹ Medium companies are least convinced, large companies are most convinced

²⁰ Small companies are least convinced, medium companies are most convinced

²¹ Financial and non-financial services companies are least convinced, medium companies are most convinced

²² Financial services companies are least convinced, production companies are most convinced

²³ Financial services companies and very large companies are least convinced, large companies are most convinced

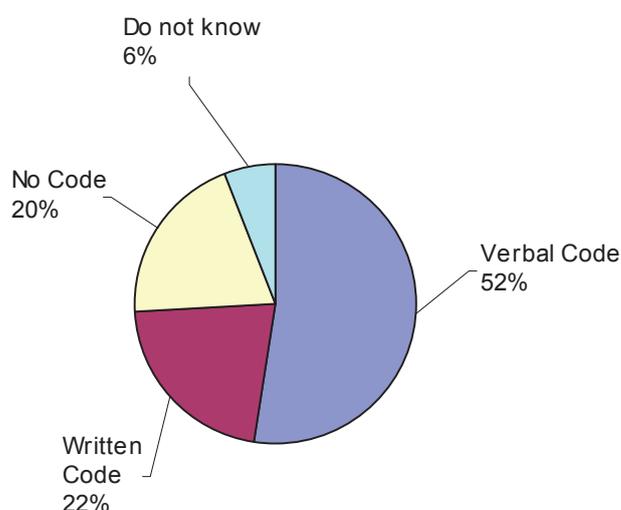
²⁴ Financial services companies are least convinced, production companies and public companies are most convinced

²⁵ 21 percent (average of undecided is 3 percent)

2.9 Codes of Conduct

A majority of Polish companies have written codes of conduct, one in four has verbal codes, and the rest have no code.²⁶ The greatest difference in adoption of codes of conduct is between public and private companies. Forty-four percent of public companies do not have a code of conduct, versus only 15 of private companies. The adoption of written codes of conduct is the highest among medium companies.²⁷ The adoption of codes of conduct, both verbal and written, is the highest among financial services companies.²⁸

Figure 24: Poland – Written and Verbal Codes of Conduct



The benefits of having a code of conduct were analyzed across thirteen parameters among those companies which have a verbal or written code of conduct.

The overwhelming majority of respondents believe that having a code of conduct helps to improve employee relations, company reputation, and compliance with legislation.²⁹ Less than 9 percent of companies disagree or don't know.

A large majority of respondents believe that codes of conduct improve business sustainability, risk management, shareholder value, local community relations, and competitive advantage.

Within this second group of benefits brought by codes of conduct, it is interesting to note that public companies are the most positive about the impact of codes of conduct on local community relations; non-financial services companies are the most negative, and attitudes seem to become more positive as companies become larger. Regarding the impact of codes on risk management, small companies seem to be the most optimistic, and non financial services companies the most skeptical. Public companies are the most skeptical about the effect of codes on shareholder value.

²⁶ 6 percent of respondents do not know whether their company has a code of conduct

²⁷ 67 percent, versus 53 percent companies' average

²⁸ Only 8 percent of financial services companies do not have a code of conduct (companies' average is 20 percent)

²⁹ 95, 94 and 92 percent respectively

Figure 25: Poland – Benefits Brought by Codes of Conduct



The percentage of skeptics and undecided exceeds 50 percent regarding the benefits of codes of conduct on alignment with industry trends, cost savings, improved government relations, lessened pressure from business partners, and better access to new markets.

It is interesting to note that financial and non-financial services companies are the most skeptical about the impact of codes on the pressure applied by business partners. It is also interesting to note that small companies are the most undecided and the least negative about the impact of codes of conduct on better access to new markets. Public companies are most positive about the effect of codes of conduct on the alignment with industry trends. Financial services companies are the most skeptical about the impact of codes on cost savings. Financial and non-financial services companies are the most skeptical about the effects of codes of conduct on government relations.

2.10 Transparency – Policies, Annual Reports and Consultations

Policies

The survey tests attitudes toward policies on corruption and on financing candidates for public positions.

Explicit anti-corruption policies are widespread in Poland. Sixty-eight percent of respondents currently have such a policy, and 69 percent plan to have one within the next 5 years. Interestingly, public companies have fewer anti-corruption policies than any other subgroup, but plan the most substantial increase in policies within the next five years. In contrast, financial services companies, which also have a low percentage of anti-corruption policies, plan to have even fewer of these policies within the next five years.

As few as 8 percent of respondent companies currently have a policy for financing candidates for public positions. Interestingly, as companies become larger the percentage of such policies drops.

Companies plan to increase this percentage to 13 percent within the next five years. This increase is determined mainly by the additional number of large and very large companies, and, to a lesser extent, by the number of financial services companies, which plan to have such a policy within the next five years.³⁰

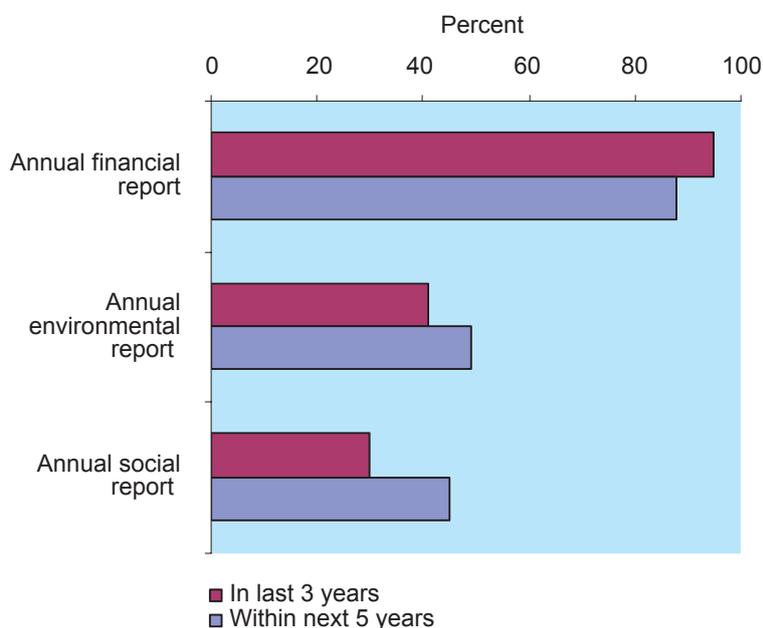
Annual Reports

The overwhelming majority of interviewed companies publish an annual report.³¹ Oddly, the number of companies who intend to publish an annual report in the next five years decreases. This decrease is roughly consistent across the spectrum of companies.

Annual reports presenting environmental performance are published by 41 percent of respondents. Public companies and companies in production are the most likely to publish their environmental performance,³² whereas financial services and, to a lesser extent, non-financial services companies are less likely to do so.³³ Within the next five years, 49 percent of respondents plan to publish environmental performance reports.³⁴

As many as 30 percent of respondents currently publish annual reports presenting social performance. Financial services companies are most likely to publish such reports, while public companies and very large companies are the least likely to do so. Within the next five years, 45 percent of respondents intend to publish such a report. The steepest increases would concern public companies and very large companies.

Figure 26: Poland – Social and Environmental Annual Reports



³⁰ No very large company has a policy for financing candidates to public positions, whereas 12 percent plan to have one; no financial services company has such a policy, whereas 8 percent plan to have one

³¹ 94 percent

³² respectively 68 and 48 percent (companies' average is 41 percent)

³³ respectively 0 and 29 percent

³⁴ the steepest increase would be in the number of financial services companies

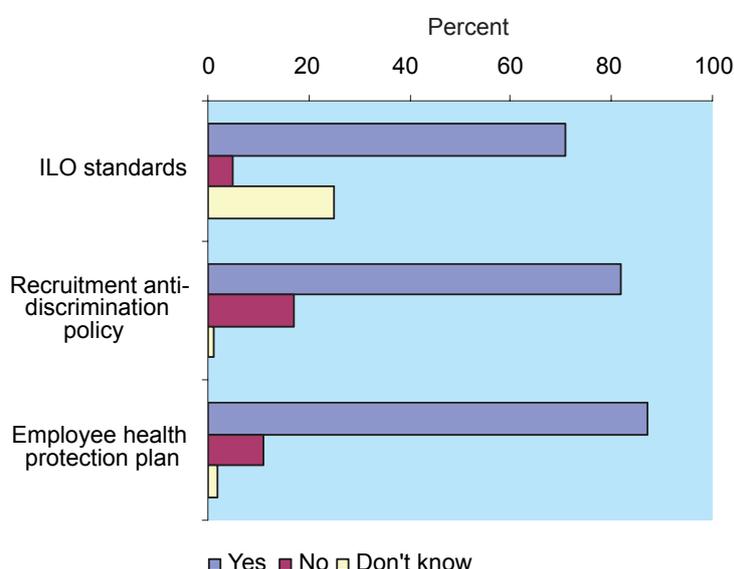
Consultations

According to this survey, 84 percent of companies consult regularly with their stakeholders. Small companies consult the most;³⁵ whereas medium companies consult the least.³⁶ Within the next five years, 82 percent of companies intend to consult regularly with their stakeholders.

2.11 Employee Projects

Respondent companies were interviewed on implementation of social projects relating to employees: core labor standards; explicit anti-discrimination policies; employee health protection plans; and training.

Figure 27: Poland – Employee Projects



A substantial majority of Polish respondent companies³⁷ implement core labor standards adopted by the International Labor Organization (ILO). However, as many as 25 percent of respondents do not know whether their company implements ILO standards. This high percentage of unawareness could be due to other labor standards being the accepted standard in Poland or on ILO standards not having been properly publicized despite being the accepted standard. These percentages are consistent across the spectrum of companies, except for very large companies, which have an adoption rate of 94 percent.

Explicit anti-discrimination policies in personnel recruitment are nearly the norm in Poland.³⁸ Only one percent of companies do not know whether they have an anti-discrimination policy. Public companies and small companies have the highest adoption rate of such policies.³⁹

³⁵ 92 percent

³⁶ 76 percent

³⁷ 71 percent

³⁸ 82 percent of respondents have such a policy, 17 percent do not

³⁹ 88 and 92 percent respectively

Employee health protection plans are the norm in Poland.⁴⁰ Only 2 percent of companies do not know whether they have an employee health protection plan. Financial services companies have the highest adoption rate of such plans, followed by medium companies.⁴¹

All Polish respondent companies provide some form of training to their employees. Training when a specific need arises is provided by 13 percent of companies, whereas 10 percent provide constant training. Three quarters of respondents⁴² provide both ad hoc and constant training.

Figure 28: Poland – Employee Training

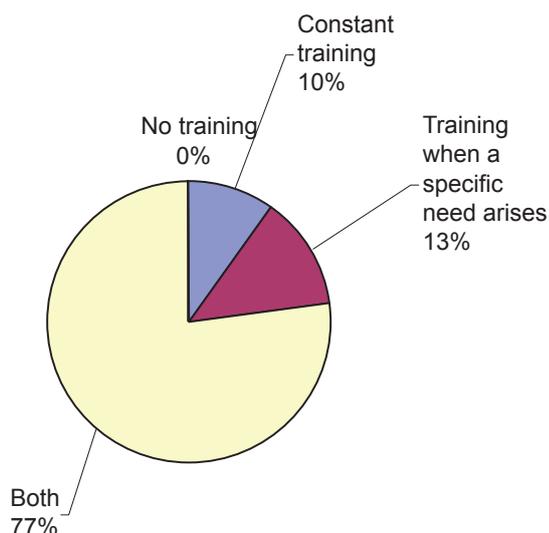
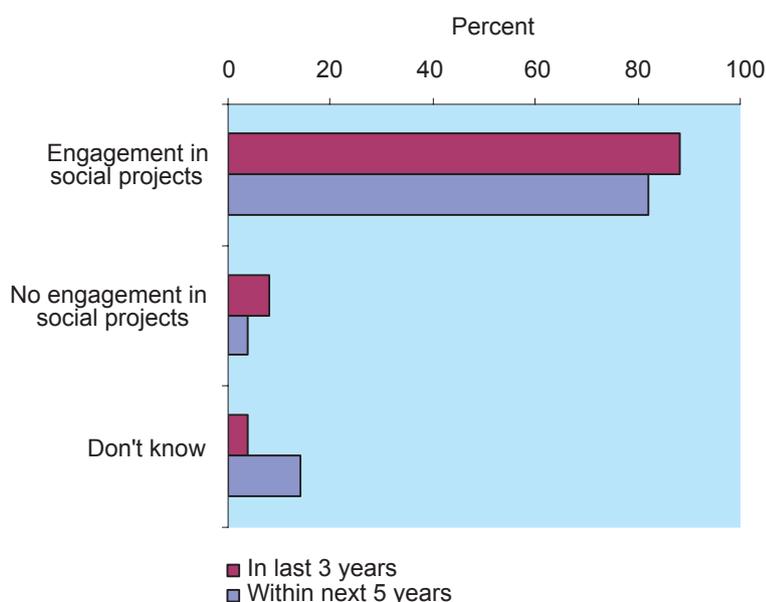


Figure 29: Poland – Present and Future Engagement in Social Projects



⁴⁰ 87 percent of respondents have such a plan, 11 percent do not

⁴¹ 87 and 80 percent respectively

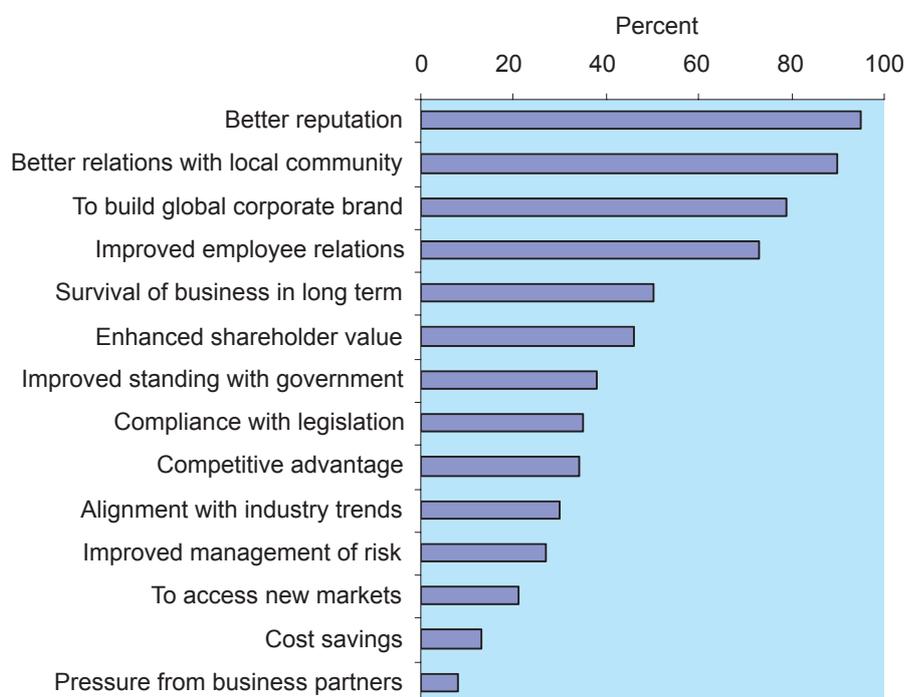
⁴² 77 percent

2.12 Social Projects (other than focused on employees)

During the last three years, 88 percent of respondents engaged in social projects, 8 percent did not, and 4 percent do not know. Large and financial and non-financial companies engage the most in social projects.⁴³

Companies appear very hesitant to state their plans relating to social projects for the next five years. The numbers of companies which do and which do not plan to engage in social projects are both expected to decrease, while the number of companies which do not know whether they will be engaging in social projects is expected to increase. This phenomenon is consistent across the spectrum of companies, except for financial services companies, none of which are undecided, and all of which plan to engage in social projects within the next five years.

Figure 30: Poland – Reasons for Engaging in Social Projects



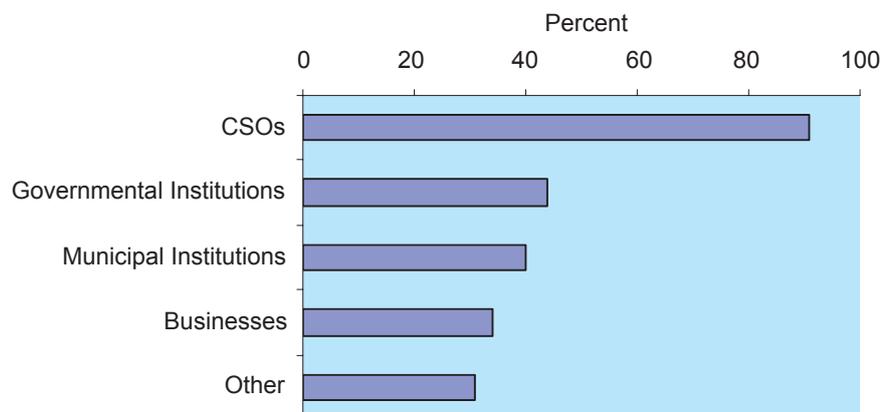
Polish companies cite the main reasons for engaging in social projects as follows: better reputation; better local community relations; building of global corporate brand; and improved employee relations. Opinions are divided on reasons such as survival of business in the long term, and enhanced shareholder value. The majority of Polish companies believe that the following factors do not play a role in the decision of companies to engage in social projects: improved standing with government; compliance with legislation; increased competitive advantage; alignment with industry trends; improved management of risk; access to new markets; costs savings; and pressure from business partners.

In order to implement their social projects, companies collaborate with a number of institutions that can be categorized as: CSOs; governmental institutions; municipal institutions; and other businesses.⁴⁴

⁴³ 96, 92 and 92 respectively (compared to companies' average of 88 percent)

⁴⁴ Respondents were asked to select "all that apply"

Figure 31: Poland – Collaborating Institutions in Social Projects

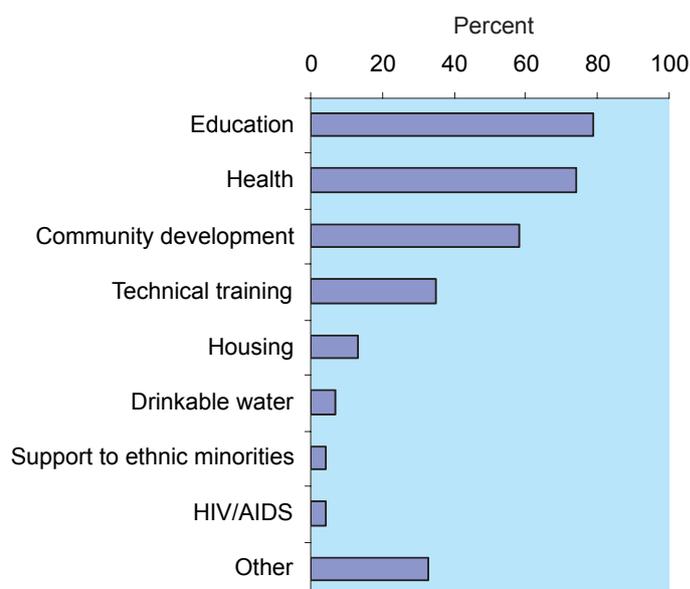


The following percentages are based on the number of companies which currently engage in social projects.

An overwhelming majority of respondent companies collaborate with CSOs. Public and financial services companies collaborate most often with this kind of partner. Almost half of the companies collaborate with governmental institutions and municipal institutions. Large and very large companies prefer governmental institutions. Large companies prefer to work with municipal institutions, while financial services companies and small companies tend to work with this type of partner the least. One in three respondents collaborates with other businesses. Private companies, non-financial services companies, and large and very large companies prefer this type of partner.

Social projects can be implemented in a variety of areas, and can serve a variety of beneficiaries.

Figure 32: Poland – Social Projects Areas

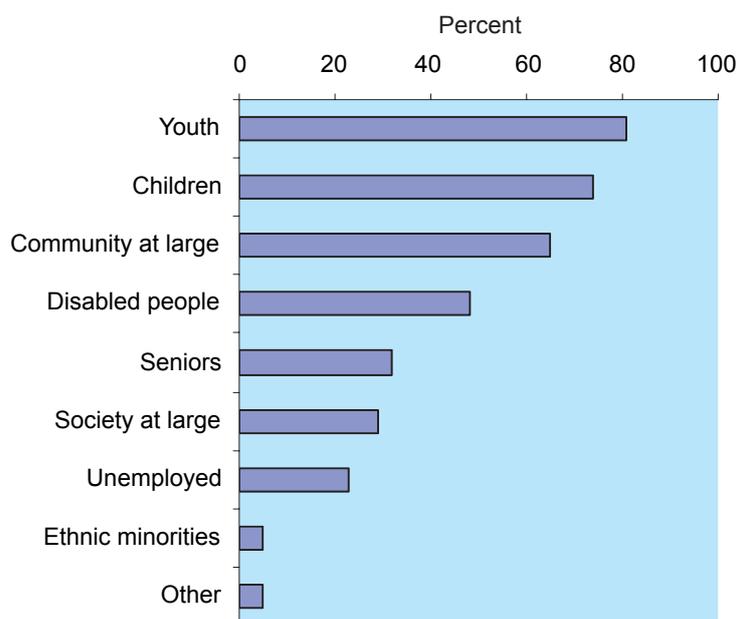


A majority of Polish respondents are engaged in the education and health area, followed by community development, technical training, housing, drinkable water, support to ethnic minorities, HIV/AIDS, and other areas.

Percentages are consistent across the spectrum. The most notable exceptions are public companies which, more than any other subgroup, support health and drinkable water-related projects; small companies, which are less likely than any other subgroup to support community development projects; very large companies which, more than the others, support housing projects; and financial services companies, which are highly supportive of education projects.

Within the next five years, companies' involvement in social areas will remain roughly unchanged. Respondents indicate that they will prioritize community development and, to a lesser extent, education,⁴⁵ but will get involved in slightly fewer HIV/AIDS and drinkable water projects.

Figure 33: Poland – Social Projects Beneficiaries



Youth and children are the main beneficiaries of social projects in Poland⁴⁶. Projects which benefit the community at large come second.⁴⁷ These are followed by projects which benefit disabled people, seniors, society at large, the unemployed and ethnic minorities.

Percentages are consistent across the spectrum. The most notable exceptions are public companies which are more likely than other subgroups to support seniors, but less likely to support the disabled; small companies, which give the least support to the community at large, but the most support to society at large; and non-financial services companies, which are the most supportive of ethnic minorities.

2.13 Environmental Projects

Over the past three years, 80 percent of Polish companies engaged in environmental projects.⁴⁸ The highest percentages of those that do not engage in environmental projects are found among financial services companies⁴⁹ and small companies. Of those that engage in environmental projects,

⁴⁵ 17 and 5 percent increase respectively

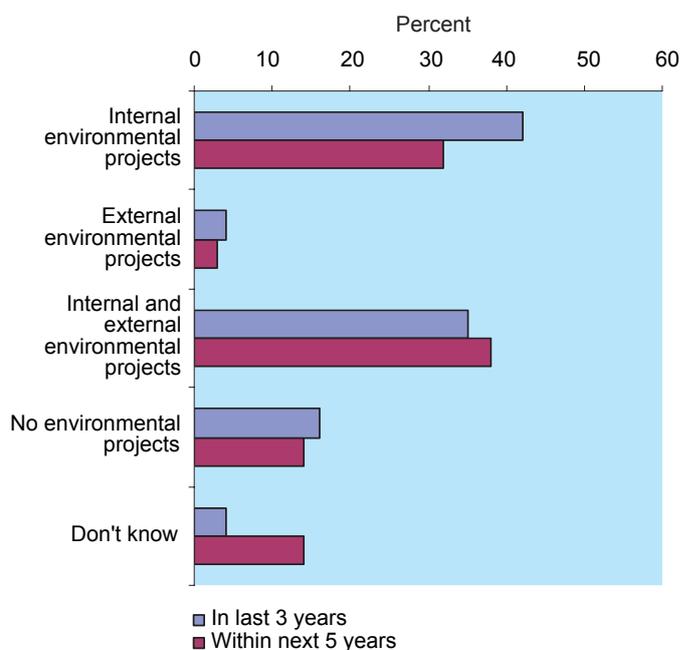
⁴⁶ 81 and 74 percent respectively

⁴⁷ 65 percent

⁴⁸ for the purposes of this analysis, the 4 percent of companies which do not know whether they engage in environmental projects have been assimilated to those companies which do not engage in environmental projects

more than half engage in projects linked to the company's operations (internal), 3 percent in projects not linked to company's operations (external) and the rest in both kinds of projects. Non-financial services companies and very large companies seem to engage relatively more than others in either solely internal or solely external projects.

Figure 34: Poland – Present and Future Engagement in Environmental Projects



Respondent companies appear rather hesitant about their environmental projects plans for the next five years. The total number of companies which plan to engage in environmental projects is expected to decrease slightly,⁵⁰ with a shift from engaging solely in internal or external projects to engaging in both. The number of companies which currently do not engage in environmental projects would also slightly decrease,⁵¹ only to increase the number of those companies which do not know whether they will be engaging in such projects.⁵²

In order to implement their environmental projects, most companies collaborate with a number of institutions that can be categorized as: other businesses; municipal institutions; CSOs; governmental institutions; and community institutions.

Public companies collaborate more than other subgroups with governmental and community institutions, whereas financial services companies collaborate the least with these institutions and with municipal institutions. Small companies do not collaborate with community institutions, while very large companies do not collaborate with other businesses.

Activities providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.) are relatively popular in Poland.⁵³ Financial

⁴⁹ No financial services companies engage in either purely external or both internal and external environmental projects.

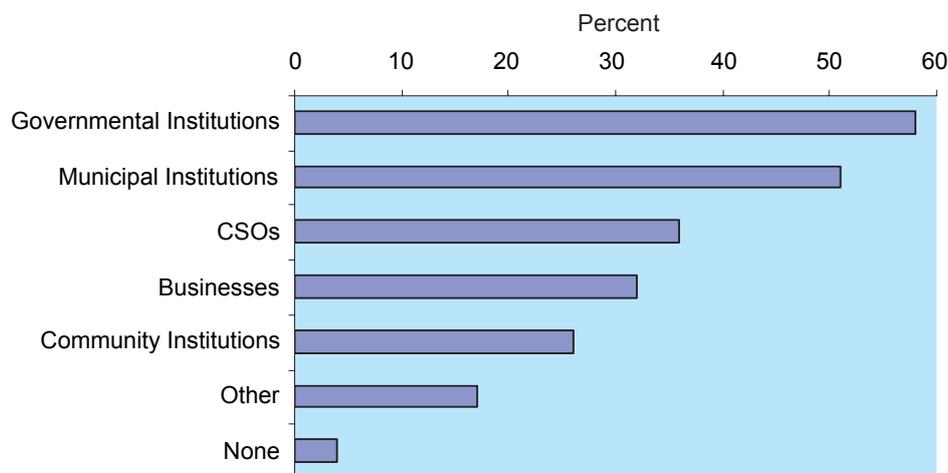
⁵⁰ from 80 to 73 percent

⁵¹ from 16 to 14 percent.

⁵² from 4 to 14 percent.

⁵³ 53 percent of respondents develop environmental education activities, 44 do not, and 3 percent do not know whether such programs exist

Figure 35: Poland – Collaborating Institutions in Environmental Projects



services companies are the exception.⁵⁴ The companies that develop these activities address them primarily to their employees,⁵⁵ and secondarily to local communities, management, and company owners.⁵⁶ Employees’ families and other stakeholder are the addressees of these activities in 27 percent of instances.

Recycling programs are widespread.⁵⁷ Percentages are consistent across the spectrum of companies, except for financial services respondents which appear to be less aware of recycling programs they might have in place.

Half of Polish respondents⁵⁸ have no environmental certification. Thirty-one percent of companies obtained an ISO 14000 certificate, while 14 have obtained another environmental certificate. Five percent of respondents do not know if they have an environmental certification. Financial services and small companies are below the Polish certification average, with no ISO 14000 certification.

Environmental impact assessment (EIA) of companies’ operations is relatively widespread in Poland, according to 62 percent of respondent companies which conduct EIAs.⁵⁹ Financial services companies and, to a lesser extent, non-financial services and small companies are below this EIA average.

2.14 Benefits of Adopting CSR Practices

Polish respondent companies list the greatest internal benefits deriving from CSR practices as follows: business sustainability; competitive advantage; compliance with legislation; employee loyalty; increase in productivity, quality and sales; easier attraction and retention of qualified employees; reduction of costs; and financial improvement and access to capital. Only 3 percent of respondents state that companies derive no internal benefit from CSR practices. Percentages are consistent across the spectrum of companies. The only exceptions relate financial services companies which are the most convinced about the benefit of CSR on gaining worker’s loyalty;⁶⁰ large companies which be-

⁵⁴ Only 17 percent

⁵⁵ 91 percent

⁵⁶ Respectively, 51, 46 and 20 percent

⁵⁷ 73 percent of respondents have recycling programs in place, 19 do not, and 8 percent do not know whether such programs exist

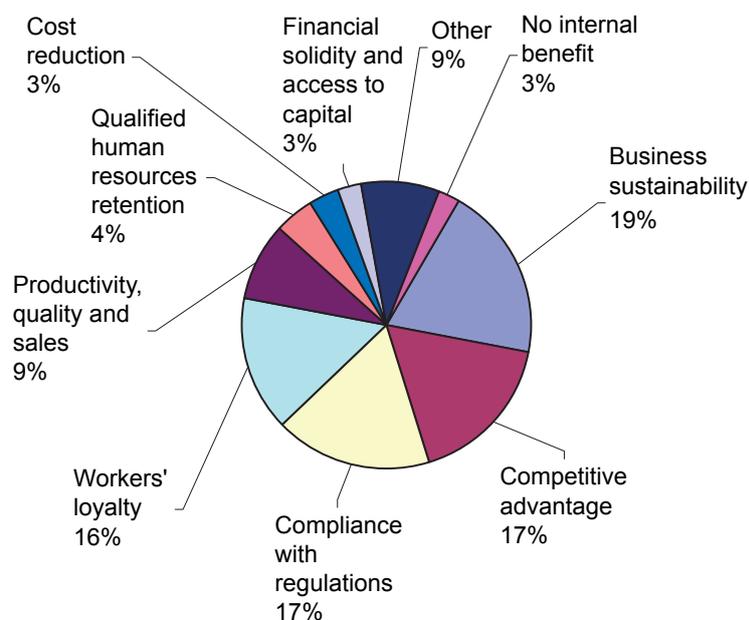
⁵⁸ 50 percent

⁵⁹ 29 percent do not, and 10 percent of respondents do not know whether EIAs are conducted in their companies.

⁶⁰ 42 percent (companies’ average of 18 percent)

lieve in the sustainability benefit of CSR more than the other companies;⁶¹ and very large companies and non-financial services companies which are convinced of the opposite.⁶² The most skeptical of the internal benefits derived from CSR are small companies.⁶³

Figure 36: Poland – Internal Benefits from Adopting CSR Practices



Polish respondent companies list the greatest external benefits deriving from CSR practices as follows: improved image and reputation; contribution to Poland's sustainable development; preservation of the environment; promotion of solidarity in the community; increased visibility; intangible benefits; clients' loyalty; and political impact (support from authorities and relationship). All of the respondents see some external benefit in CSR practices. Percentages are consistent across the spectrum of companies.

2.15 Barriers and Risks of Adopting CSR Practices

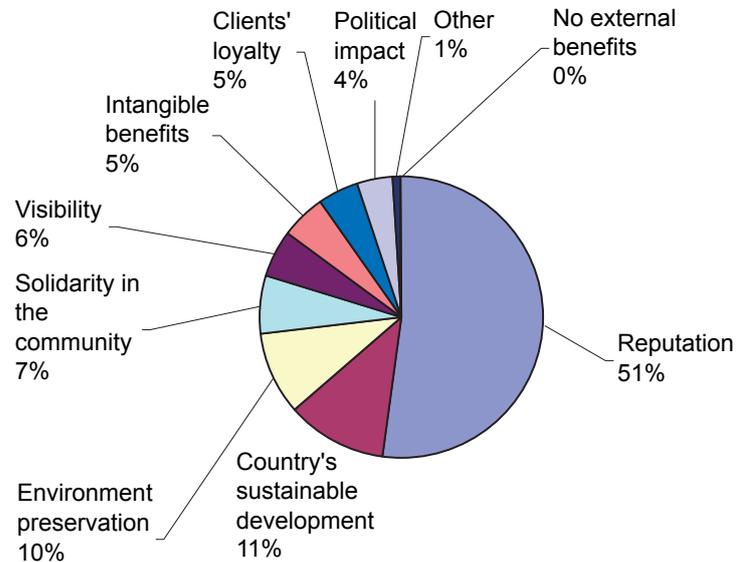
Polish respondents were asked about the main barriers to the broader adoption of CSR practices. Their responses can be divided into three main types: financial; government and institutions-related; and human resources-related. According to Polish respondents, the first and highest barrier to the broader adoption of CSR practices is of an institutional or governmental nature—the lack of an appropriate legal framework, followed by a mix of financial and government related barriers: overall cost; lack of direct impact on financial success; lack of government involvement; excessive focus on short term gains; apprehension regarding government change of policy; lack of visible results; current government policy; and lack of appropriate institutions. Barriers related to human resources, such as cultural differences, management resistance, and employee resistance, were listed last.

⁶¹ 32 percent (companies' average of 23 percent)

⁶² 6 and 8 percent (companies' average of 23 percent)

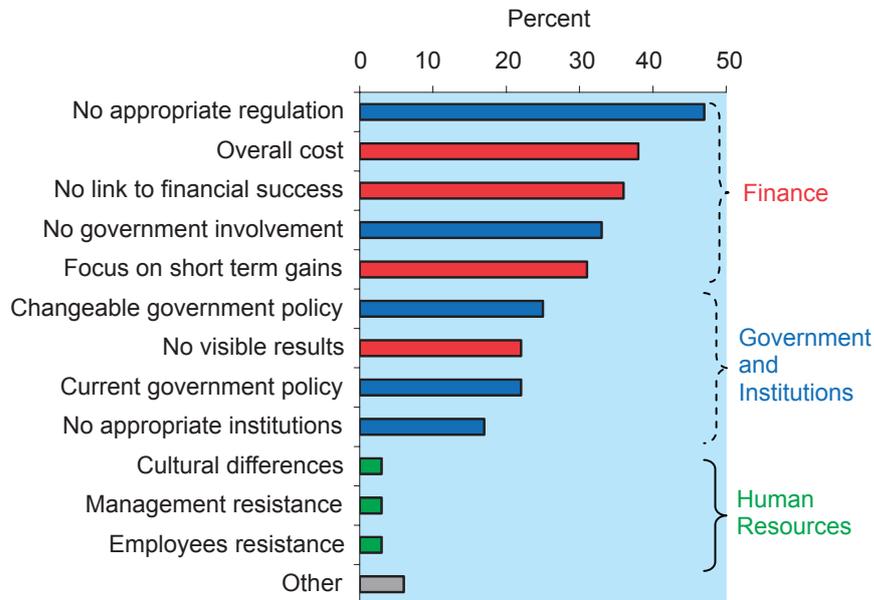
⁶³ 8 percent perceive no internal benefit (companies' average of 4 percent)

Figure 37: Poland – External Benefits from Adopting CSR Practice



A few observations on barriers can be made. Public companies consider a potential change in government policy to be a high barrier to the adoption of CSR practices, and the current government policy a low barrier.⁶⁴ Small companies' responses are surprising; they consider to be high barriers all potential change in government policy, lack of government involvement, and current government policy.⁶⁵ Non-financial services companies stand out because they worry more than other company

Figure 38: Poland – Barriers to Adopting CSR Practices

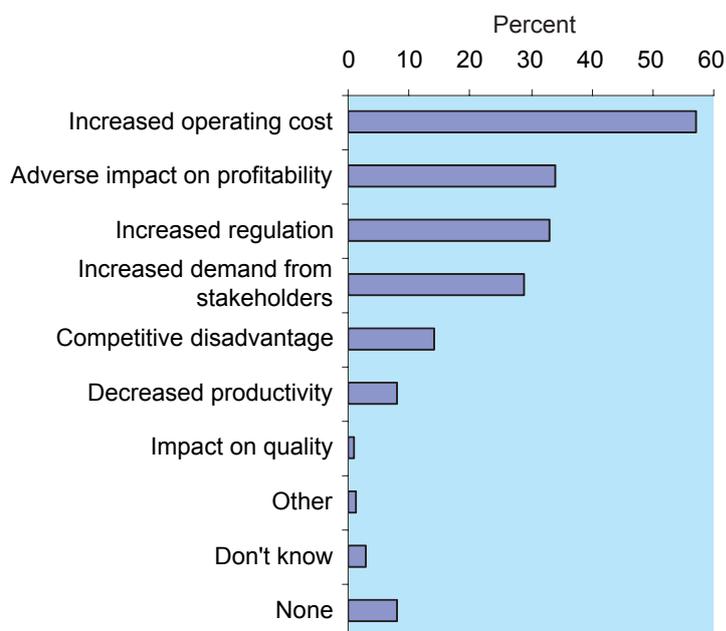


⁶⁴ 32 percent of public companies believe the potential change in government policy is a barrier to the adoption of CSR practices (companies' average is 25 percent), while only 8 percent of public companies believe current government policy is a barrier (companies' average is 22 percent).

⁶⁵ 35, 46 and 35 percent respectively

subgroups about lack of visible results and overall cost, but worry less than others about lack of links to financial success. Finally, obstacles relating to obsessive focus on short term gains, and human resource obstacles seem to grow with the size of the company.

Figure 39: Poland – Risks in Adopting CSR Practices



The main perceived risk in adopting CSR practices is the increase in operating costs, followed, in order of magnitude of perceived risk, by: adverse impact on profitability; increased intervention from regulatory bodies; increased demands from interested stakeholders; competitive disadvantage; and decreased productivity. The risk posed by CSR practices to the quality of goods and services appears to be immaterial.⁶⁶ As many as 8 percent of respondents believe there are no risks. It is interesting to note that both public companies and financial services companies more than any other company subgroup believe that CSR practices pose a risk to productivity.⁶⁷

2.16 Supporting CSR Practices, Improving them and Making them More Relevant

Support from Governments, CSOs and Others

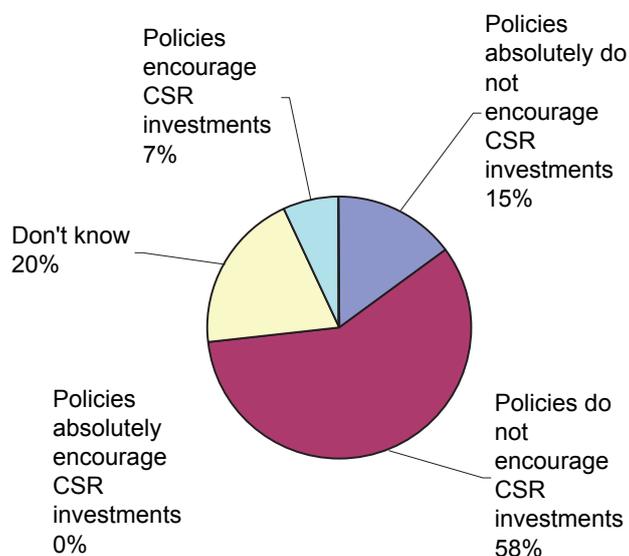
When asked about the government's role in helping companies meet their social responsibilities, Polish companies state that the government does not help them much.⁶⁸ This is confirmed by the data that shows the impact of government policies on investment in CSR.

⁶⁶ 1 percent

⁶⁷ 20 and 25 percent respectively (companies' average is 8 percent)

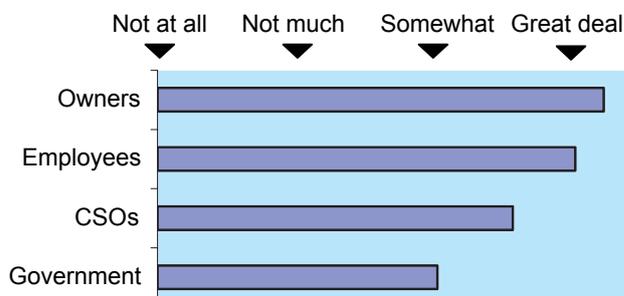
⁶⁸ 23 percent of respondents believe the Polish government does not help them meet their social responsibility at all; 55 percent that it does not help them much; 21 percent that it helps them somewhat; and only 1 percent that it helps them a great deal.

Figure 40: Poland – Government Policies’ Impact on Investment in CSR



A large majority of Polish companies think that Polish government policies do not encourage companies to invest in socially responsible activities. Small companies are the most pessimistic about government support,⁶⁹ while public and large companies are the most optimistic.

Figure 41: Poland – Support for CSR from Government, CSOs, Owners and Employees



In Poland the role of CSOs in helping companies implement CSR practices is perceived to be more important than that of government policies. Even so, three in four respondent companies believe CSOs do not help them implement CSR practices.

Owners and employees are considered to help respondent companies meet their social responsibilities the most. Forty-three percent of respondents believe owners are helpful, and 38 percent believe that they are very helpful.⁷⁰ Forty-seven percent of respondents believe that employees are helpful, and 27 percent believe that employees are very helpful.⁷¹

⁶⁹ 15 percent believe that government policies do not encourage CSR at all; 58 percent believe they do not encourage CSR much; 20 percent are undecided; 7 percent believe government policies encourage CSR somewhat; and none that they encourage CSR a great deal.

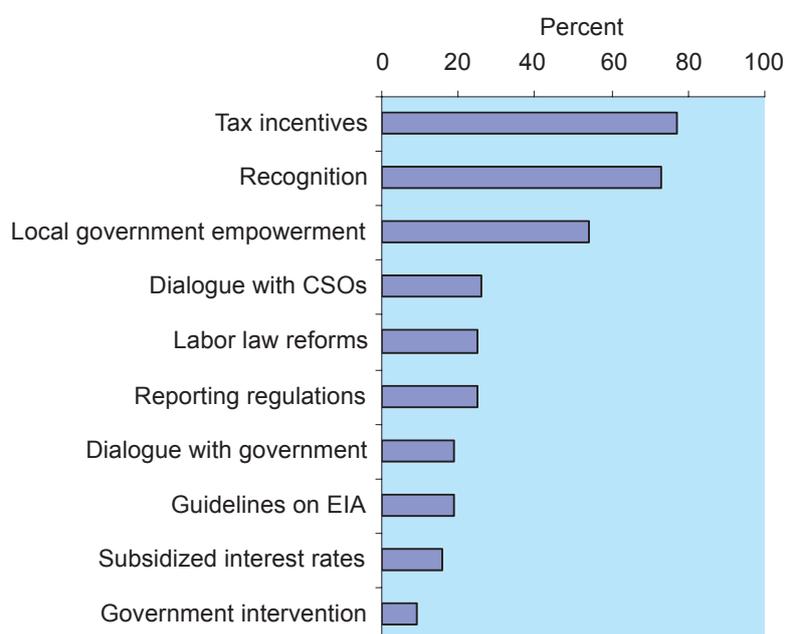
⁷⁰ Only 19 percent believe owners do not help (much or at all)

⁷¹ 25 percent believe that employees do not help (much or at all)

Improving CSR Practices

Polish companies were asked about the actions which would assist them in improving their CSR practices.⁷² Respondent companies believe tax incentives, recognition, and, to a slightly lesser extent, local government intervention, are paramount in improving CSR practices. Less than a third of respondents perceive dialogue with CSOs, labor law reforms, reporting regulations, dialogue with government, environmental assessment guidelines, and subsidized interest rates as actions potentially improving CSR practices. Only 9 percent of respondents believe government intervention would improve their CSR practices.

Figure 42: Poland – Actions that Improve CSR Practices



These percentages are fairly consistent across the spectrum of companies. Notable exceptions are financial services companies which are very positive about the impact of dialogue with CSOs and are less likely than other subgroups to believe that reforms in labor law and local government empowerment are a good tool in improving CSR practices; and public companies which are very positive about the impact of government interventions, while small companies are extremely skeptical.

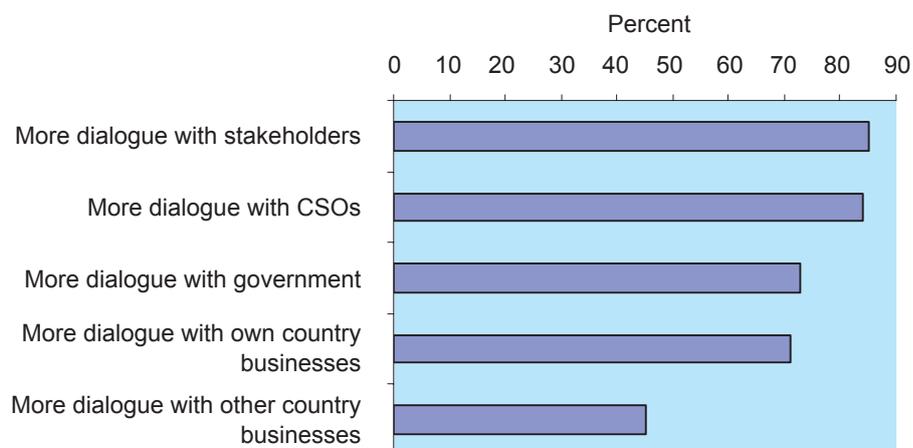
Making CSR Practices More Relevant

The overwhelming majority of Polish companies⁷³ believe that sharing information, discussing, collaborating and negotiating with different stakeholders would make their CSR practices more relevant. Eighty-five percent of respondents would like to entertain more dialogue with all stakeholders, 84 percent with CSOs, 73 percent with the Polish government, 71 percent with other businesses in Poland, and 45 percent with businesses in other countries.

⁷² Companies were asked to select “all that apply”

⁷³ At least 85 percent

Figure 43: Poland – Dialogue that Makes CSR Practices More Relevant



It is interesting to note that large companies are at odds with very large companies regarding dialogue with all stakeholders, Polish businesses, and foreign businesses; large businesses are very optimistic about dialogue, whereas very large companies are the most pessimistic of the spectrum of companies. By contrast, very large companies are the most optimistic about dialogue with CSOs.⁷⁴ Finally, it is worth noting that financial services companies are the most optimistic about making CSR practices more relevant through dialogue with the Polish government.

⁷⁴ Non-financial services companies are the subgroup most pessimistic about the effects of dialogue with CSOs.

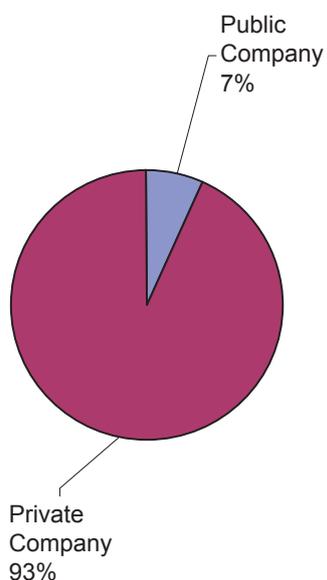
3

ANALYSIS OF SURVEY RESULTS Hungary

3.1 Ownership Structure and Funding of Respondent Companies

Of the 150 companies interviewed, 93 percent are privately owned companies, and 7 percent are owned by the Hungarian government (public companies).

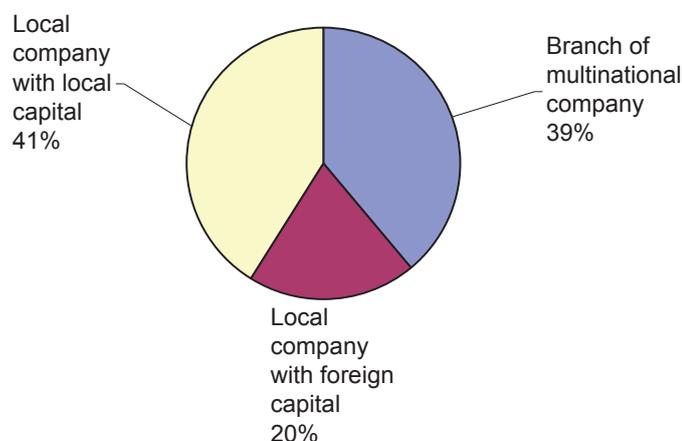
Figure 44: Hungary – Ownership Structure of Respondent Companies



In total, 41 percent of respondent companies are funded with local capital, 20 percent are funded with foreign capital and 39 percent are branches of multinational companies.

Local companies funded with local capital represent 91 percent of public companies interviewed. The few public companies which are not funded by local capital are funded by foreign

Figure 45: Hungary – Funding of Respondent Companies

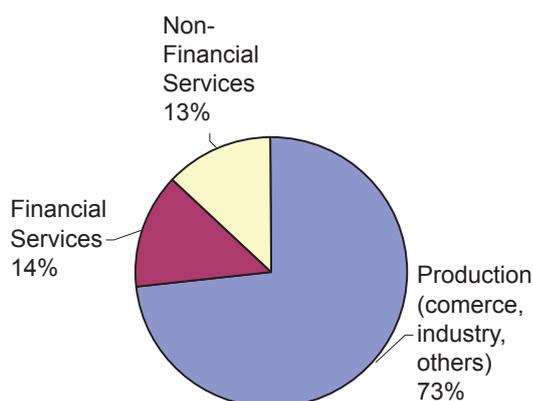


capital.⁷⁵ No public companies are branches of multinationals. Forty-two percent of private companies are branches of multinationals, 37 percent are local companies funded with local capital, and the remaining 21 percent are local companies funded with foreign capital.

3.2 Sector of Activity of Respondent Companies

Respondent companies have been divided into three sectors of activity: production, financial services and non-financial services.

Figure 46: Hungary – Sector of Activity of Respondent Companies



The majority of companies are involved in production.⁷⁶ Almost all of these companies are private,⁷⁷ and many of them are branches of multinationals.⁷⁸ Financial services companies represent 14 percent of respondent companies and are almost all privately owned.⁷⁹ The majority of financial

⁷⁵ 9 percent

⁷⁶ 73 percent

⁷⁷ 97 percent

⁷⁸ 43 percent. Locally funded production companies are 21 percent and foreign funded are 36 percent.

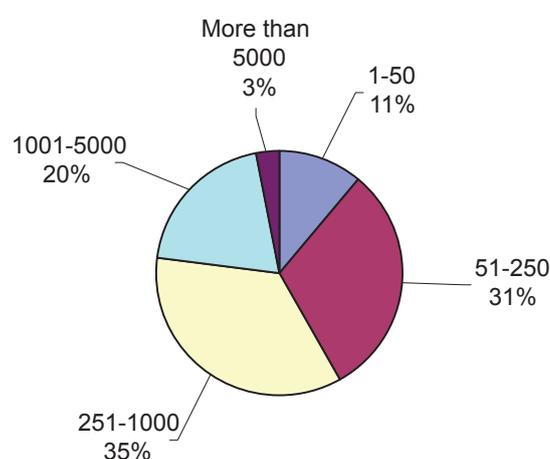
⁷⁹ 95 percent

services companies are locally funded,⁸⁰ 33 percent are branches of multinationals and 14 percent are funded by foreign capital. Thirteen percent of companies offer non-financial services, with 63 percent of these privately owned. The majority of non-financial services companies are locally funded,⁸¹ and 26 percent are branches of multinationals while 21 percent are funded by foreign capital.

3.3 Number of Employees of Respondent Companies

Respondent companies have been categorized according to the number of employees as follows: 1 to 50 (very small companies); 51 to 250 (small companies); 251 to 1000 (medium companies); 1001 to 5000 (large companies); and more than 5000 (very large companies). For the purposes of this analysis, very large companies will be considered as part of large companies, unless specific observations can be made.

Figure 47: Hungary – Number of Employees of Respondent Companies



An overwhelming majority of very small companies are privately owned.⁸² A high percentage of very small companies are funded with local capital.⁸³ None of them are funded by foreign capital, and 19 percent of them are branches of multinationals. Half of very small companies are in production, one third are in financial services, and 19 percent are in non-financial services.

Almost all of the small companies are privately owned.⁸⁴ Half of these are branches of multinationals, 36 percent are funded with local capital, and 15 percent are funded by foreign capital. Three quarters of the small companies are in production, 17 percent are in financial services, and 9 percent are in non-financial services.

Medium companies are overwhelmingly privately owned.⁸⁵ Forty-three percent of medium companies are branches of multinationals, 34 percent are local companies funded with local capital, and 23 percent are funded with foreign capital. The overwhelming majority of medium companies are in production,⁸⁶ while only 4 and 8 percent respectively are in financial and non-financial services.

⁸⁰ 52 percent

⁸¹ 53 percent

⁸² 94 percent

⁸³ 81 percent

⁸⁴ 98 percent

⁸⁵ 94 percent

⁸⁶ 89 percent

Large companies are privately owned in 83 percent of cases, and are almost evenly split between branches of multinationals, locally and foreign-funded.⁸⁷ Sixty percent of large companies are in the production sector, 23 percent are in non-financial services, and 17 percent are in financial services.

Three quarters of the very large companies are privately owned. Half of these are foreign funded, while the other half are evenly split between branches of multinationals and locally funded companies.

3.4 Level of Respondents within the Companies

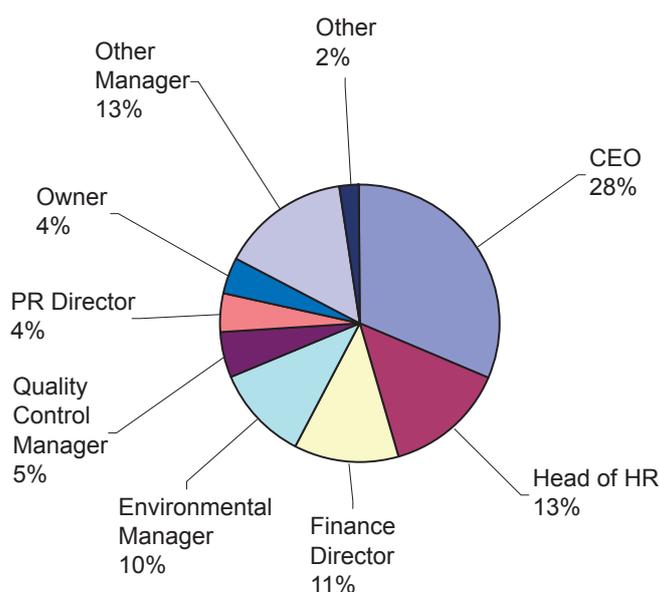
Questionnaires were completed mainly by CEOs, followed by Heads of HR, Finance Directors, and Environmental Managers. PR Directors and Marketing Directors answered only 4 percent and 1 percent of questionnaires respectively.

The peak of CEO responses is in public companies. It is interesting to note the high percentage of responses from Environmental and Quality Control Managers.

3.5 Companies' own Financial Situation Rating

Given a choice between “very good”, “good”, “tolerable”, “bad”, and “very bad”, 17 percent of respondent companies rate their financial situation as “very good”, 45 percent as “good”, 29 percent

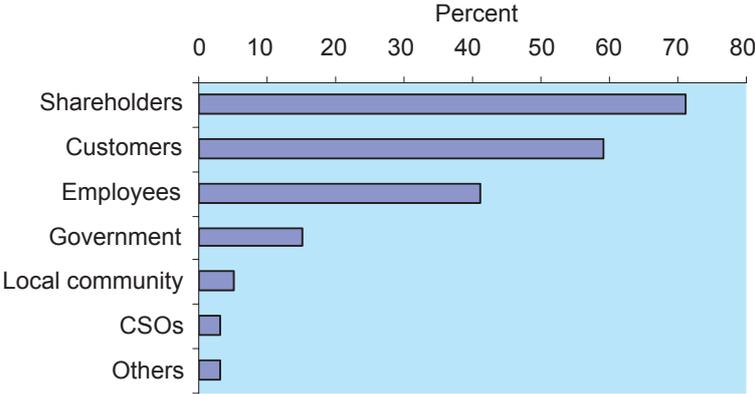
Figure 48: Hungary – Position of Interviewees



⁸⁷ 30, 40, and 30 percent respectively

as “tolerable”, 7 percent as “bad” and one as “very bad”. Very large companies and financial services companies rate their own financial situation as worse than other companies’ subgroups do. Very small companies and, to a lesser degree, production companies, on average rate their situation better than financial services companies rate themselves.

Figure 49: Hungary – Understanding of Stakeholders



3.6 Understanding of Stakeholders

When asked to identify their main stakeholders⁸⁸, 70 percent of respondent companies indicate their shareholders, 59 percent their customers, and 41 percent their employees. Fifteen percent of respondent companies identify the Hungarian government as one of their main stakeholders. Only 5 and 3 percent of respondents identify their local communities or CSOs as a main stakeholder.

Public companies are the only subgroup which does not consider shareholders as an important stakeholder. On the other hand, public companies are among the subgroups which consider the Hungarian government as a main stakeholder.⁸⁹ The other subgroups are non-financial services and very small companies.⁹⁰ Companies involved in production are the least convinced about the governments’ importance as a stakeholder. Financial services companies and very small companies are the odd ones out in the appreciation of employees as main stakeholders.⁹¹ Opinions on customers are consistent across the spectrum of companies.

Local communities are not stakeholders in the opinion of non-financial services companies, very small, large and very large companies; while CSOs are not stakeholders in the opinion of financial and non-financial services companies and large and very large companies. Interestingly, public companies believe in the role of CSOs more than any other company subgroup.⁹²

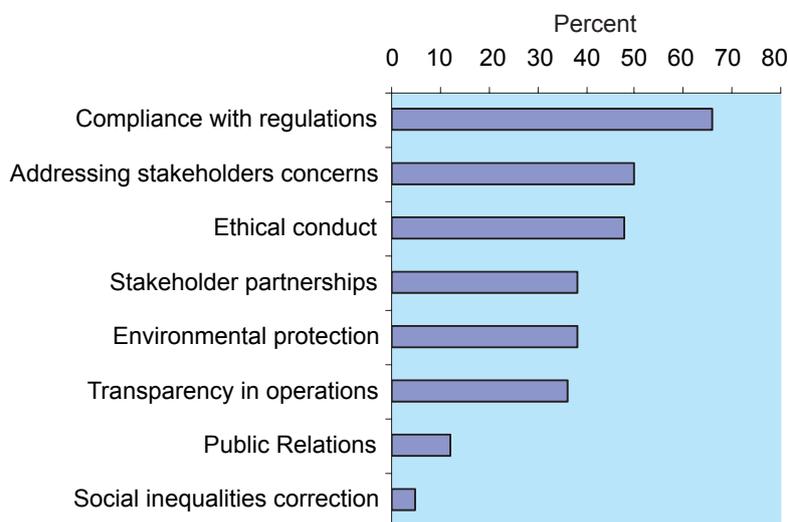
⁸⁸ Multiple answers were allowed.
⁸⁹ 27 percent (companies’ average is 15 percent)
⁹⁰ 28 and 25 percent respectively
⁹¹ 24 and 19 percent respectively (companies’ average is 41)
⁹² 9 percent (companies’ average is 3 percent)

3.7 Understanding of Corporate Social Responsibility

Respondent companies were asked what they consider to be “socially responsible activities”.⁹³ An ample majority of respondents link these activities to complying with existing regulations.⁹⁴ Approximately half of respondents believe addressing stakeholders’ concerns and behaving ethically are socially responsible activities.⁹⁵ About one third of respondents believe that establishing stakeholder partnerships, protecting the environment, and conducting operations in a transparent manner are socially responsible activities.⁹⁶ A smaller but non-negligible number of respondents believe that public relations and the correction of social inequalities can be considered socially responsible activities.⁹⁷

Percentages are fairly consistent across the spectrum of companies. Interesting exceptions are as follows: Financial services companies, more than the others, consider addressing stakeholder concerns as a socially responsible activity, while non-financial services companies are the least likely to consider this activity.⁹⁸ Medium companies are less likely than others to consider ethical conduct in activities as a socially responsible activity, while very large companies are most likely to do so;⁹⁹ Both public companies and very small companies are more adamant than any other subgroup about the importance of the social responsibility of being transparent in operations;¹⁰⁰ Medium companies are far more convinced than any other companies’ subgroup that the correction of social inequalities is a socially responsible activity;¹⁰¹ Financial services companies, and, to a lesser extent very small companies, are far less convinced than any other companies’ subgroup about environmentally friend-

Figure 50: Hungary – Understanding of CSR



⁹³ Respondents were asked to select the three most important answers

⁹⁴ 66 percent

⁹⁵ 50 and 48 percent respectively

⁹⁶ 38, 38 and 36 percent respectively

⁹⁷ 12 and 5 percent respectively

⁹⁸ 67 and 33 percent respectively (companies’ average is 50 percent)

⁹⁹ 37 and 100 percent respectively (companies’ average is 48 percent)

¹⁰⁰ 55 and 56 percent (companies’ average is 36 percent)

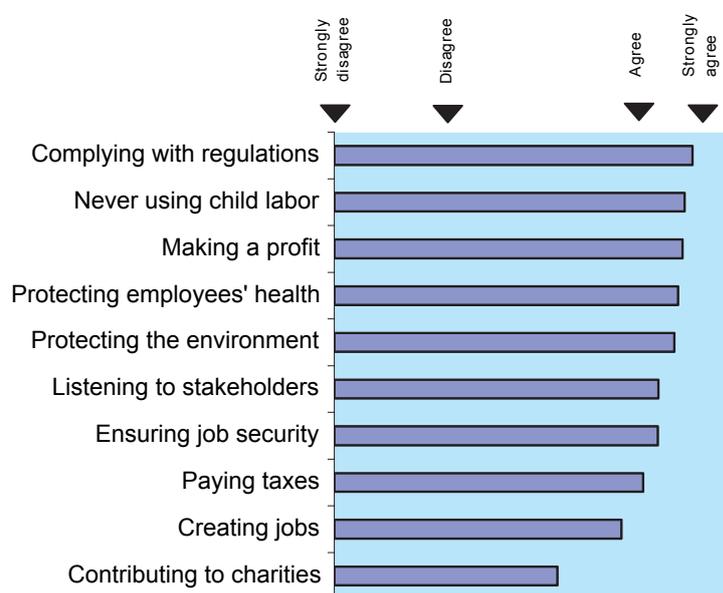
¹⁰¹ 8 percent (companies’ average is 5 percent)

ly activities being socially responsible activities;¹⁰² and finally, non-financial services companies and large companies are the subgroups which most strongly identify socially responsible activities with public relations.¹⁰³

3.8 Perception of Main Role of Company in Society

Respondents were given ten possible main roles of their company in society. Their task was to grade the importance of each role by choosing between “strongly disagree”, “disagree”, “don’t know”, “agree”, and “strongly agree”.

Figure 51: Hungary – Perception of Role of Company in Society



According to the Hungarian companies interviewed, complying with regulation is the most important role of a company in society. Ninety-three percent of companies strongly agree, 7 percent agree, and none are undecided or disagree. The percentages are consistent across the spectrum of company size, ownership and sector of activity.

Although not as univocally as above, respondents are convinced that avoiding the use of child labor is one of their main roles in society.¹⁰⁴ Public companies and non-financial services companies are the least convinced, while production companies and small companies are the most convinced.

A substantial majority of respondent companies strongly believe making a profit is one of their main roles in society.¹⁰⁵ It is interesting to note that public companies and, to a lesser extent, non-financial services companies, believe this less strongly than any other subgroup.

¹⁰² 10 percent (companies’ average is 38 percent)

¹⁰³ 22 and 23 percent respectively (companies’ average is 12 percent)

¹⁰⁴ 94 percent strongly agree

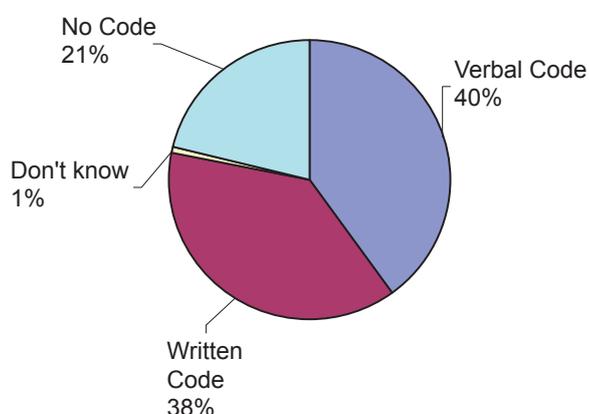
¹⁰⁵ 84 percent

Following these, companies also cited as among their main roles, protecting employees' health,¹⁰⁶ protecting the environment,¹⁰⁷ listening to stakeholders, ensuring job security,¹⁰⁸ paying taxes,¹⁰⁹ creating jobs,¹¹⁰ and contributing to charity.¹¹¹ Percentages are consistent across the spectrum of companies except where indicated in footnotes.

3.9 Codes of Conduct

A substantial majority of Hungarian companies have codes of conduct.¹¹² Of existing codes of conduct, roughly half are written and half are verbal.¹¹³ It is interesting to note that 23 percent of production companies do not know if they have a code of conduct.

Figure 52: Hungary – Written and Verbal Codes of Conduct



The benefits brought from having a code of conduct were analyzed across twelve parameters among those companies which have a verbal or written code of conduct.

Most Hungarian respondents believe that having a code of conduct makes it easier to comply with legislation and gives their business a better chance to survive in the long term.¹¹⁴ Only 8 percent of respondents disagree with these statements.

Ninety-one percent of Hungarian companies believe there is a relationship between codes of conduct and cost savings. Non-financial services companies are the most skeptical.¹¹⁵

¹⁰⁶ Very small companies stand out as least convinced

¹⁰⁷ Financial services companies and very small companies are least convinced. Conviction seems to increase with company size.

¹⁰⁸ Financial services companies and very small companies are least convinced

¹⁰⁹ Public companies are least convinced and private companies are most convinced

¹¹⁰ Conviction seems to decrease as companies' size increases

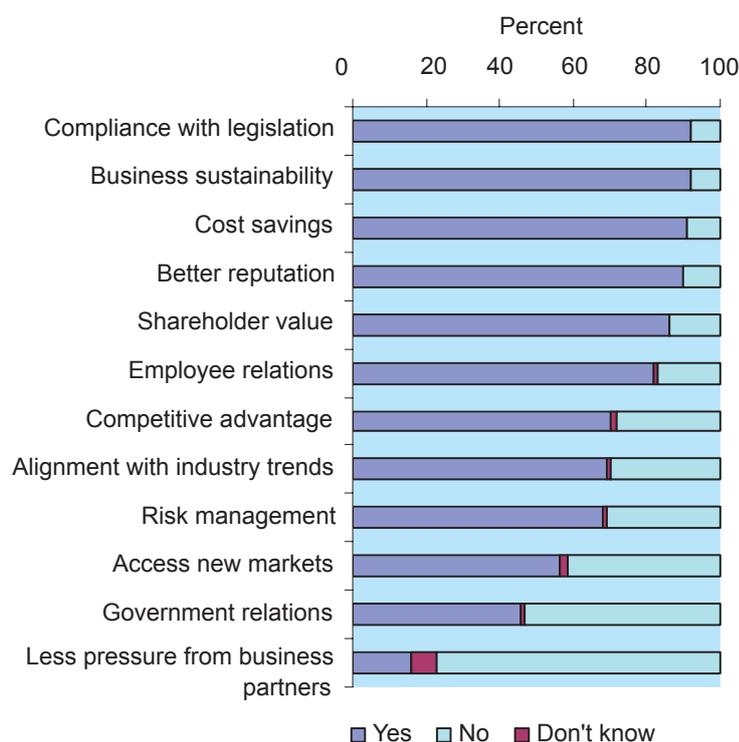
¹¹¹ There are severe discrepancies between companies' subgroups and there is a high percentage of uncertainty. Medium and very small companies are least convinced.

¹¹² 78 percent have a code, 21 percent do not, and 1 percent do not know

¹¹³ 38 percent of respondent companies have a written code; 40 percent have a verbal code

¹¹⁴ 92 percent

¹¹⁵ 85 percent

Figure 53: Hungary – Benefits Brought by Codes of Conduct

Nine out of ten respondents believe codes of conduct have an impact on company reputation. Financial services companies and large companies are most skeptical.¹¹⁶

Other reported benefits of codes of conduct were better shareholder value, better employee relations,¹¹⁷ increased competitive advantage,¹¹⁸ alignment with industry trends,¹¹⁹ better risk management,¹²⁰ access to new markets,¹²¹ better government relations,¹²² and less pressure from business partners.¹²³ Percentages are consistent across the spectrum of companies unless indicated otherwise in footnote.

3.10 Transparency – Policies, Annual Reports and Consultations

Policies

The survey tests attitudes toward policies on corruption and on financing candidates for public positions.

Neither explicit anti-corruption policies, nor policies for financing candidates for public positions are widespread in Hungary¹²⁴. Within the next five years, 44 percent of respondents plan to

¹¹⁶ 84 and 86 percent respectively

¹¹⁷ Financial services companies and very small companies are most convinced

¹¹⁸ Non-financial services companies and very small companies are most convinced

¹¹⁹ Non-financial services companies and very small companies are most convinced

¹²⁰ Public companies and financial services companies are least convinced

¹²¹ Financial services companies and very small companies are most convinced

¹²² Non-financial services companies are least convinced and very small companies are most convinced

¹²³ Public companies are most convinced

¹²⁴ 35 and 25 percent respectively

have an anti-corruption policy and 32 percent plan to have a policy for financing candidates for public positions. Very small companies are the companies' subgroup which has adopted fewer of both policies.¹²⁵

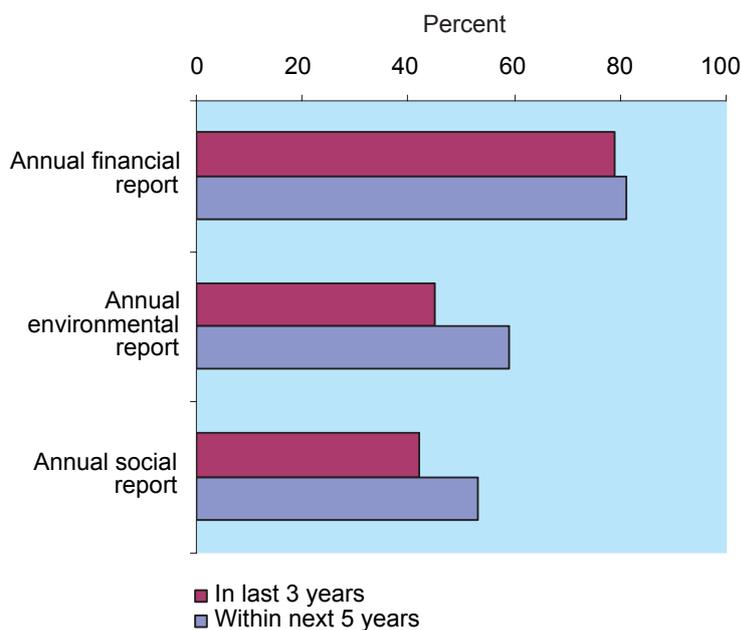
Annual Reports

A large majority of interviewed companies publish an annual report.¹²⁶ Public companies, very small and very large companies appear to publish the most.¹²⁷

Annual reports presenting environmental performance are published by 45 percent of respondents. Within the next five years, 59 percent of respondents plan to publish environmental performance reports. The steepest increases are planned by public companies, financial services companies and very small companies.¹²⁸

Forty-two percent of respondents currently publish annual reports presenting social performance. Within the next five years, 53 percent of respondents intend to publish such a report. Although there is a forecasted, overall increase in social reporting, such reporting is predicted to decrease among very small companies, (which already currently report the least on social performance) and financial companies.¹²⁹

Figure 54: Hungary – Social and Environmental Annual Reports



¹²⁵ 25 percent (companies' average is 35) and 13 (companies' average 25) respectively

¹²⁶ 79 percent

¹²⁷ respectively 91, 93 and 100 percent

¹²⁸ From 36 to 55, from 16 to 39, and from 25 to 50 percent respectively

¹²⁹ From 19 to 14 and from 57 to 50 percent respectively

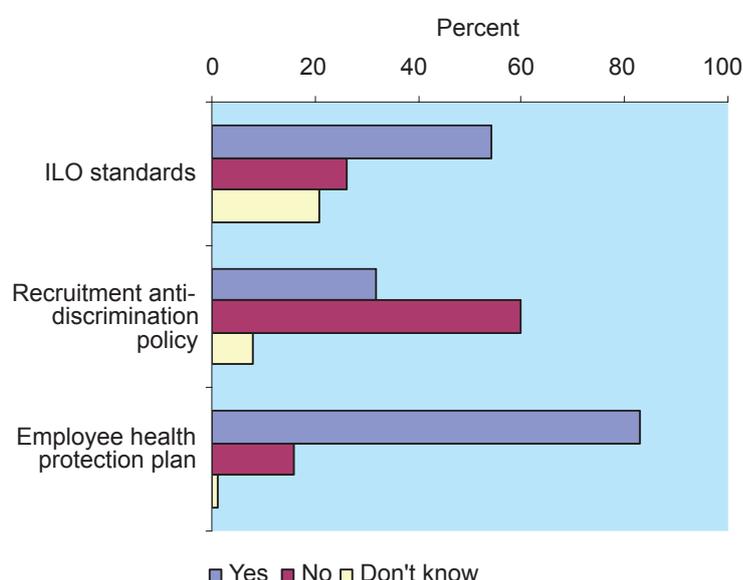
Consultations

According to this survey, 81 percent of companies consult regularly with their stakeholders. Propensity to consult with stakeholders increases with company size.¹³⁰ Within the next five years, 83 percent of companies intend to consult regularly with their stakeholders.

3.11 Employee Projects

Respondent companies have been interviewed on implementation of social projects relating to employees: core labor standards; explicit anti-discrimination policies; employee health protection plans; and training.

Figure 55: Hungary – Employee Projects



Half of Hungarian respondent companies implement core labor standards adopted by the International Labor Organization (ILO), while 26 percent do not, and as many as 21 percent of respondents do not know. This high percentage of unawareness could be the result of other labor standards being accepted in Hungary, or on ILO standards not having been properly publicized despite being the accepted standard. These percentages are consistent across spectrum of companies, except for the increase in labor standard adoption rates as companies become larger, and for non-financial services companies which have the highest adoption rate.

Explicit anti-discrimination policies in personnel recruitment are far from being the norm in Hungary.¹³¹ Sixty percent of companies do not have anti-discrimination policies and 8 percent of respondents are unaware. Percentages are consistent across the spectrum of companies, except for non-financial services and very large companies, which have the highest adoption rate.¹³²

¹³⁰ 69, 72, 85, 90 and 100 percent respectively

¹³¹ 32 percent of respondents have such a policy

¹³² 82 and 100 percent respectively

Employee health protection plans are the norm in Hungary¹³³. Percentages are consistent across the spectrum of companies, except for small companies, which have the lowest adoption rate.¹³⁴

Nearly all respondent companies provide some form of training to their employees.¹³⁵ Training when a specific need arises is provided by 19 percent of companies, whereas 29 percent provide constant training. Fifty-one percent of companies provide both ad hoc and constant training. Public companies are the greatest providers of constant training together with larger companies.¹³⁶ In contrast, very small companies make the most limited use of constant training, the largest use of exclusively ad hoc training and have the highest percentage of companies which provide no training at all.¹³⁷

Figure 56: Hungary – Employee Training

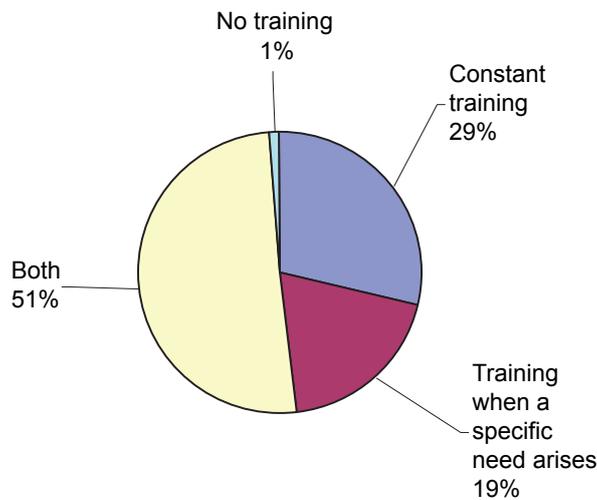
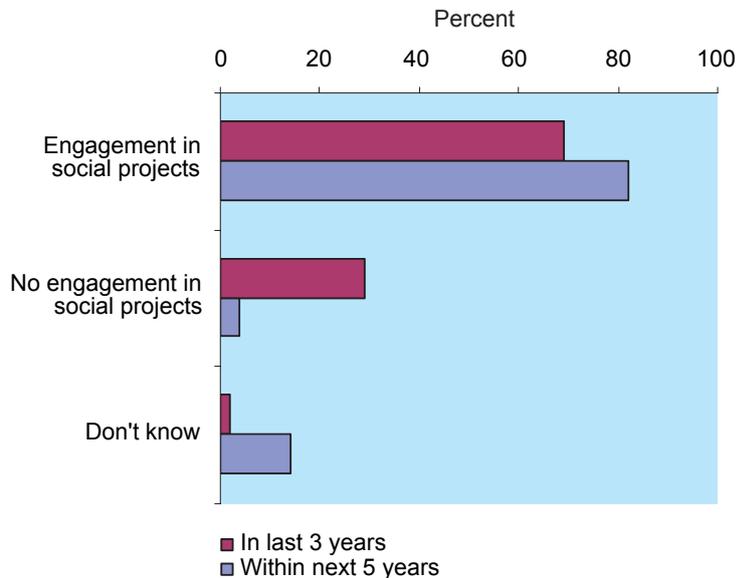


Figure 57: Hungary – Present and Future Engagement in Social Projects



¹³³ 83 percent of respondents have such a plan, 16 percent do not, and 1 percent do not know

¹³⁴ 56 percent

¹³⁵ 99 percent

¹³⁶ 36 percent constant training, plus 55 percent of both constant and ad hoc (companies' averages are 29 and 51)

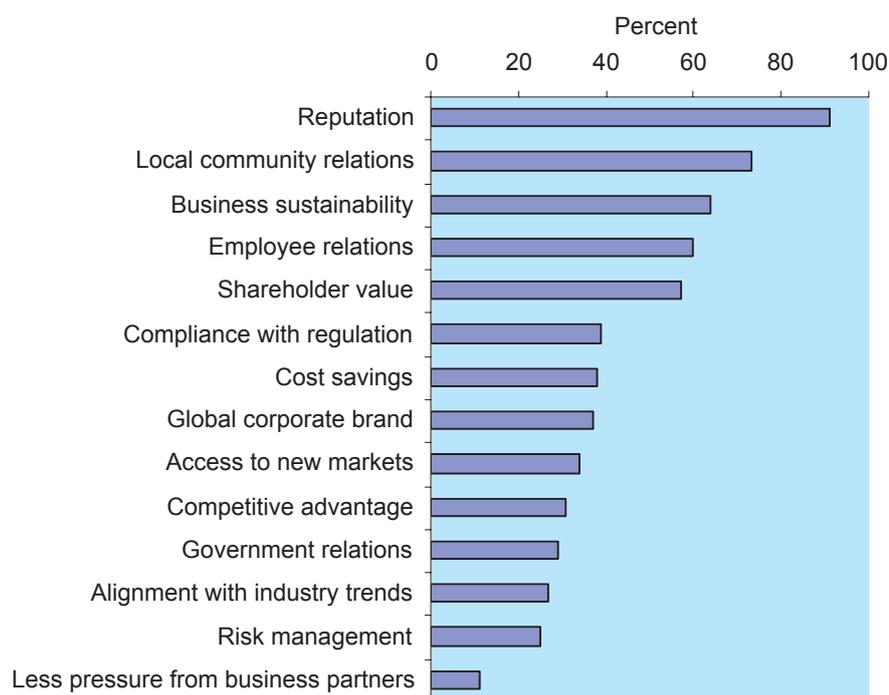
¹³⁷ 13, 50 and 6 percent (companies' averages are 29, 19 and 1 percent)

3.12 Social Projects (other than focused on employees)

During the last three years, 69 percent of respondents engaged in social projects, 29 percent did not, and 2 percent do not know. Public companies engage the most in social projects while production companies and medium companies engage the least.¹³⁸

Companies appear very hesitant to state their plans relating to social projects for the next five years. The number of companies which do not engage in social projects is expected to decrease substantially within next five years.

Figure 58: Hungary – Reasons for Engaging in Social Projects



Hungarian companies list the main reasons for engaging in social projects as follows: better reputation; better local community relations;¹³⁹ survival of business in the long term;¹⁴⁰ better employee relations;¹⁴¹ and enhanced shareholder value.¹⁴² The majority of Hungarian companies believe that the following factors do not play a role in the decision of companies to engage in social projects: compliance with legislation;¹⁴³ costs savings;¹⁴⁴ building of corporate brand;¹⁴⁵ access to new markets;¹⁴⁶ increased competitive advantage; improved standing with government;¹⁴⁷ alignment with industry trends;¹⁴⁸ improved management of risk; and less pressure from business partners.¹⁴⁹

¹³⁸ 91, 66 and 57 percent respectively (companies' average is 69)

¹³⁹ Very small companies and public companies are least convinced about this

¹⁴⁰ Non-financial services companies and public companies are most convinced about this

¹⁴¹ Very small companies are least convinced about this

¹⁴² Non-financial services companies are most, and financial services companies are least convinced about this

¹⁴³ Financial services companies are least convinced about this

¹⁴⁴ Public companies, non-financial services and larger companies are most convinced about this

¹⁴⁵ Large companies are the most and very small companies are least convinced about this

¹⁴⁶ Public companies and non-financial services companies are most convinced about this

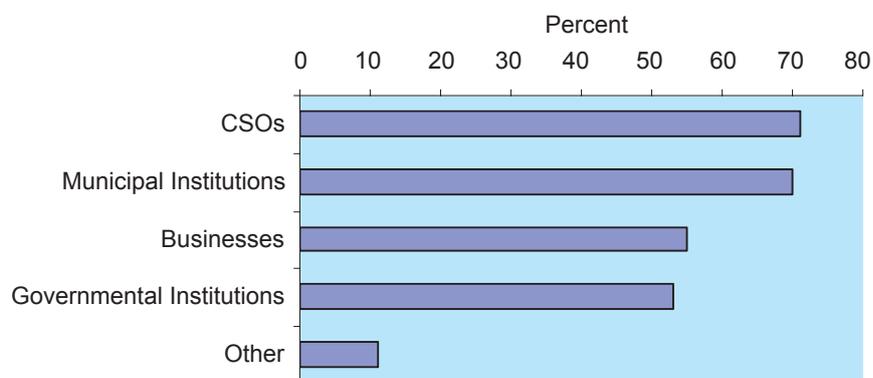
¹⁴⁷ Financial services companies are least convinced about this

¹⁴⁸ Financial services companies are least convinced about this

¹⁴⁹ Public companies are most convinced about this

In order to implement their social projects, companies collaborate with a number of institutions that can be broken down into: CSOs; governmental institutions; municipal institutions; and other businesses.¹⁵⁰

Figure 59: Hungary – Collaborating Institutions in Social Projects



The following percentages are based on the number of companies which currently engage in social projects.

A vast majority of respondent companies collaborate with CSOs and municipal institutions.¹⁵¹ Fifty-five percent of respondent companies collaborate with other businesses. Public companies and larger businesses collaborate with other businesses the most.¹⁵² Fifty-three percent of respondent companies collaborate with governmental institutions. Public companies collaborate with governmental institutions most and very small companies collaborate the least.¹⁵³ In general, regarding social projects, larger companies collaborate with other partners the most.

Social projects can be implemented in a variety of areas, and can serve a variety of beneficiaries.

A substantial majority of Hungarian respondents are engaged in technical training and education. Most respondents are engaged in health projects. Almost half are engaged in community development, followed by housing, support to ethnic minorities, and HIV/AIDS. In addition to these areas, respondents mentioned areas such as sports, and social aid to disadvantaged, homeless, and sick people.

Percentages are consistent across the spectrum of companies. It is interesting to note that generally small and very small companies are less engaged than large and very large companies; and that small companies appear to be more engaged in HIV/AIDS projects than any other subgroup.¹⁵⁴

Although within the next five years companies foresee that they will engage in social projects more,¹⁵⁵ engagement will decrease in the areas of community development, health, housing, and HIV/AIDS. Additional areas of investment mentioned by respondents regarding the next five years are: sports (4), disaster recovery, culture (3), decreasing heating costs, education, and security of transport.

Youth are the main beneficiaries of social projects in Hungary,¹⁵⁶ followed by children and the community at large, and, finally,¹⁵⁷ the society at large, seniors, the disabled, unemployed and ethnic minorities.

¹⁵⁰ Respondents were asked to select “all that apply”

¹⁵¹ 71 and 70 percent respectively

¹⁵² 90 and 71 percent respectively

¹⁵³ 90 and 17 percent respectively (companies’ average is 53)

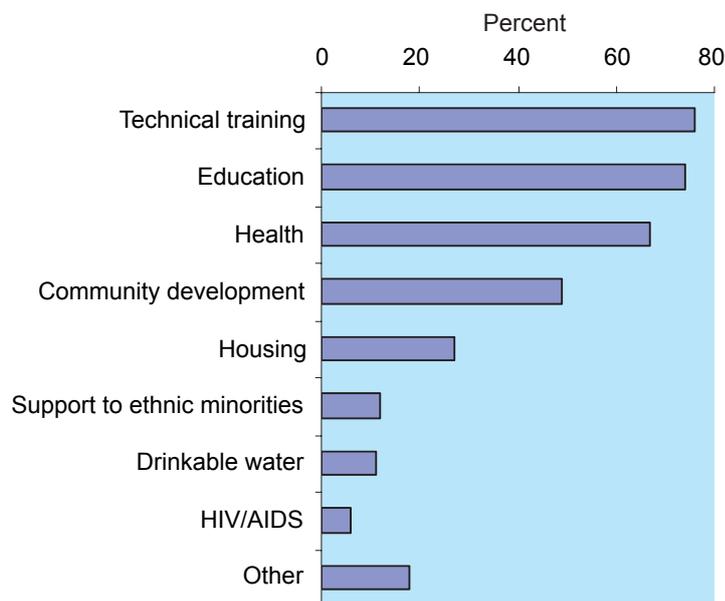
¹⁵⁴ 11 percent (companies’ average is 6)

¹⁵⁵ From 69 to 83 percent

¹⁵⁶ 60 percent

¹⁵⁷ 54 and 53 percent respectively

Figure 60: Hungary – Social Projects Areas



3.13 Environmental Projects

During the last three years, 71 percent of Hungarian companies engaged in environmental projects and 28 percent did not. Higher percentages of companies which do not engage in environmental projects are found among very small and small companies, among financial services companies, and, to a lesser extent, among public companies. Of those that engage in environmental projects, 69 percent engage in projects linked to the company’s operations (internal), 3 percent in projects not linked to company’s operations (external) and 28 percent in both kinds of projects.

Figure 61: Hungary – Social Projects Beneficiaries

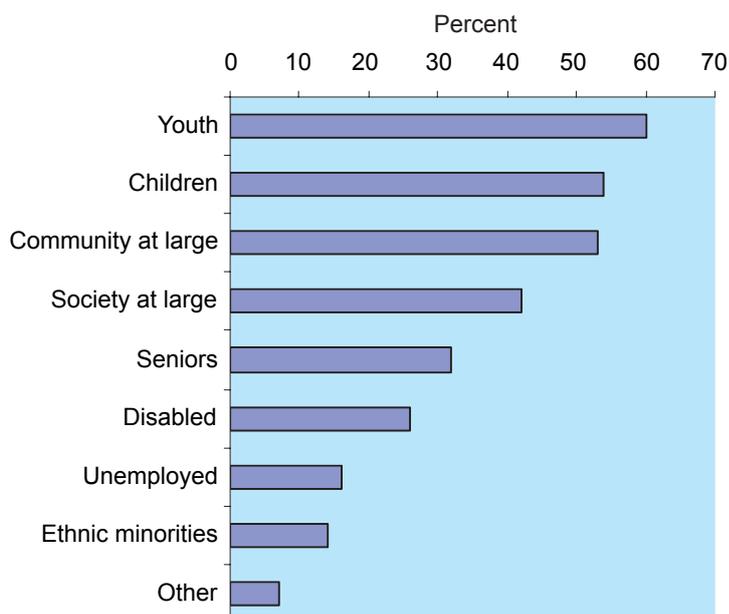
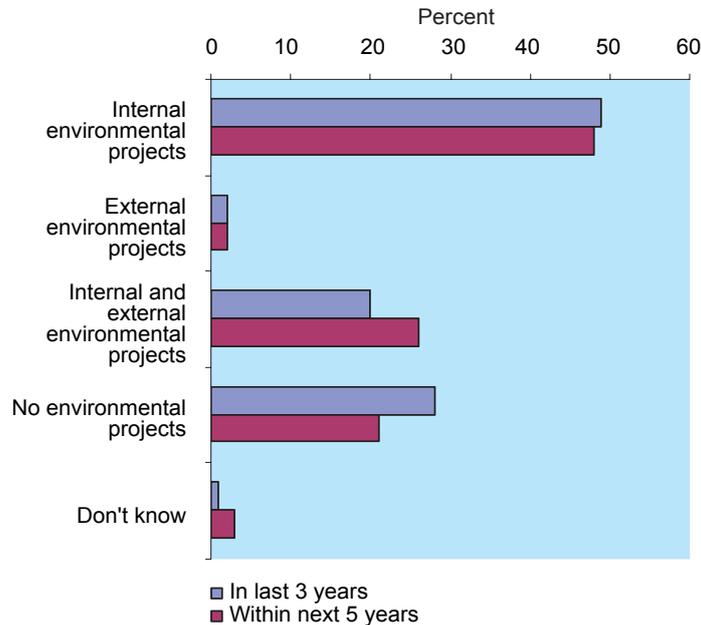


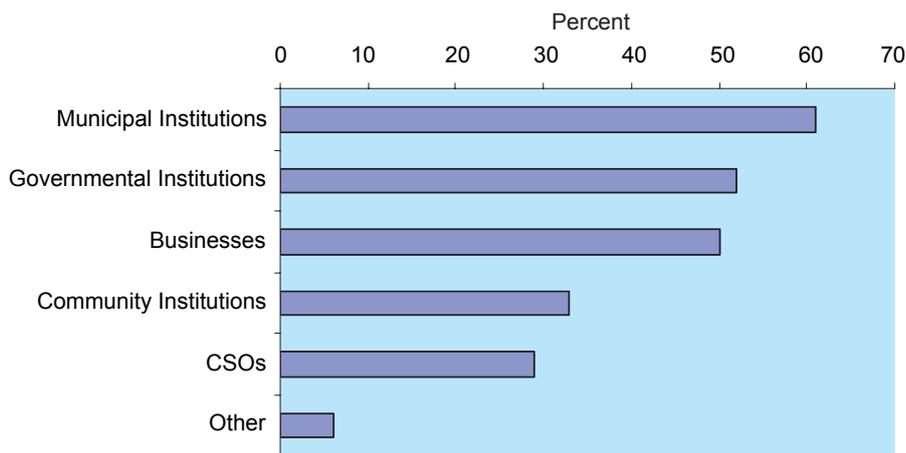
Figure 62: Hungary – Present and Future Engagement in Environmental Projects



The total number of companies which plan to engage in environmental projects would increase from 71 to 76 percent. Nearly all of this increase would be come from companies which intend to engage in both internal and external environmental projects which would increase from 20 to 26 percent.

In order to implement their environmental projects, most companies collaborate with a number of institutions that can be categorized as: other businesses; municipal institutions; CSOs; governmental institutions; and community institutions.

Figure 63: Hungary – Collaborating Institutions in Environmental Projects



A vast majority of respondent companies collaborate with municipal institutions.¹⁵⁸ Half of respondent companies collaborate with governmental institutions, and another half with other businesses.¹⁵⁹ A third of respondent companies collaborate with community institutions, and 29 percent of companies collaborate with CSOs.

¹⁵⁸ 61 percent

¹⁵⁹ 52 and 50 percent respectively

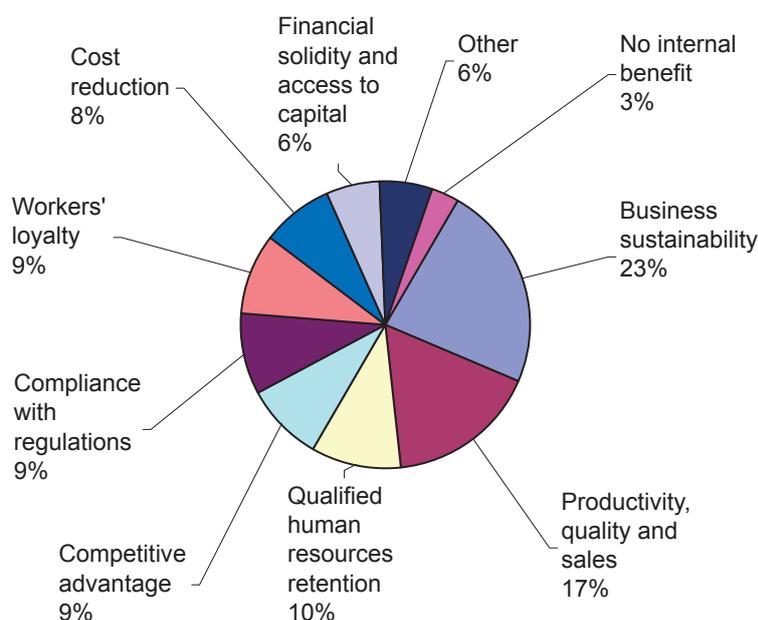
Activities providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.) are fairly popular in Hungary.¹⁶⁰ The companies which develop these activities address them primarily to their employees,¹⁶¹ and secondarily to management, company owners, and local communities.¹⁶² Employees' families are the addressees of these activities in 9 percent of instances.

Recycling programs are relatively widespread. Three quarters of respondents have one in place. Production companies, medium companies, and, to a lesser extent, larger companies are ahead of all other subgroups in this regard.

Almost half of Hungarian companies have no environmental certification or do not know whether they have any.¹⁶³ Of the 55 percent of companies that have an environmental certification, roughly three in four obtained an ISO 14000 certificate. Environmental certification tends to increase with companies' size,¹⁶⁴ and financial services companies are far behind all other subgroups.¹⁶⁵

Environmental impact assessments (EIA) of companies' operations are relatively widespread in Hungary, conducted by 59 percent of respondent companies.¹⁶⁶ Companies which are below this average of EIAs are financial services companies, very small companies and, to a lesser extent, non-financial services companies and medium companies. EIAs tend to increase with companies' size.¹⁶⁷

Figure 64: Hungary – Internal Benefits from Adopting CSR Practices



¹⁶⁰ 63 percent provide environmental education.

¹⁶¹ 91 percent

¹⁶² Respectively, 58, 27 and 26 percent

¹⁶³ 43 percent do not have an environmental certification and 2 percent do not know

¹⁶⁴ Regarding ISO 14000: very small companies, 25 percent; small companies, 26 percent; medium companies, 50 percent; large companies, 59 percent; very large companies, 50 percent

¹⁶⁵ 70 percent have no certification (companies' average is 43)

¹⁶⁶ 36 percent do not, and 5 percent do not know whether EIAs are conducted in their companies.

¹⁶⁷ very small companies, 19 percent; small companies, 49 percent; medium companies, 79 percent; large companies, 59 percent; very large companies, 75 percent

3.14 Benefits from Adopting CSR Practices

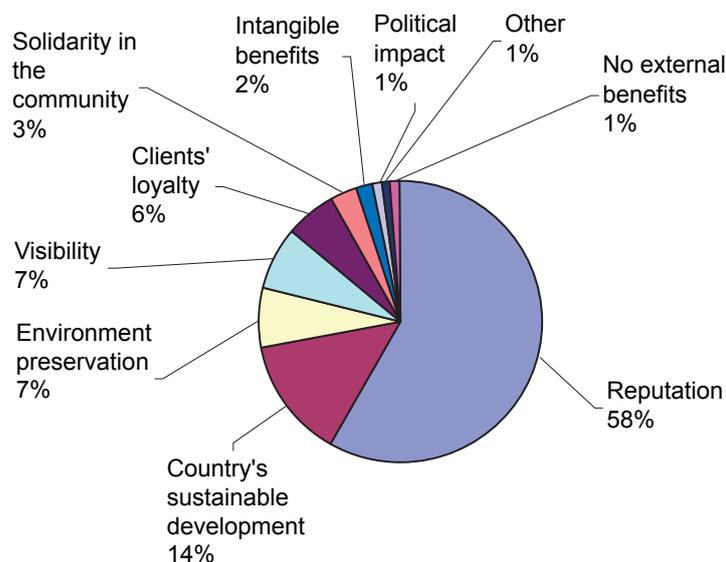
Hungarian respondents cite the greatest internal benefits deriving from CSR practices as follows: business sustainability; increase in productivity, quality and sales; attraction and retention of qualified employees; competitive advantage; easier compliance with legislation; employee loyalty; reduction of costs; and financial improvement and access to capital. Only 3 percent of respondents believe that there are no internal benefits to be derived from the adoption of CSR practices.

Percentages are consistent across the spectrum of companies. The only exceptions relate to public companies and very small companies which believe in the sustainability benefit of CSR more than the other companies;¹⁶⁸ financial services companies which do not believe CSR practices increase productivity, quality and sales;¹⁶⁹ and non-financial services companies, which are the most skeptical about the sustainability benefit and the most positive about the benefits of easier compliance with regulation and of attraction and retention of qualified employees.¹⁷⁰

The greatest external benefits of CSR practices perceived by Hungarian companies are as follows: improved image and reputation; contribution to Hungary’s sustainable development; preservation of the environment; increased visibility; clients’ loyalty; promotion of solidarity in the community; intangible benefits; and political impact (support from authorities and relationship). Virtually all respondents see external benefits deriving from CSR practices.

It is interesting to note that conviction about the impact of CSR practices on reputation increases with companies’ size;¹⁷¹ very small companies are the most adamant about the impact of CSR practices on Hungary’s sustainable development;¹⁷² and non-financial services companies, very small companies and larger companies do not believe at all that the preservation of the environment is the biggest external benefit of CSR practices.¹⁷³

Figure 65: Hungary – External Benefits from Adopting CSR Practices



¹⁶⁸ 50 and 38 percent respectively (companies’ average is 35 percent)

¹⁶⁹ 0 percent (companies’ average is 17)

¹⁷⁰ 11, 21 and 16 percent respectively

¹⁷¹ Very small companies, 44 percent; small companies, 51 percent; medium companies, 55 percent; large companies, 80 percent; and very large companies, 75 percent.

¹⁷² 31 percent (companies’ average is 14)

¹⁷³ 0 percent (companies’ average is 7)

3.15 Barriers and Risks of Adopting CSR Practices

Hungarian respondents were asked about the main barriers to the broader adoption of CSR practices.¹⁷⁴ Their responses can be divided into three main categories: financial, government and institutions related, and human resources related.

Figure 66: Hungary – Barriers to Adopting CSR Practices

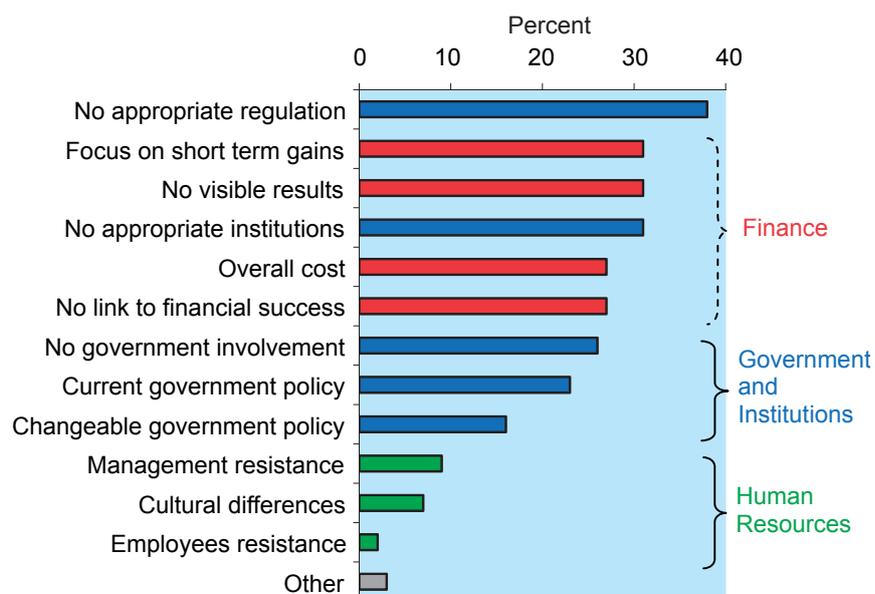
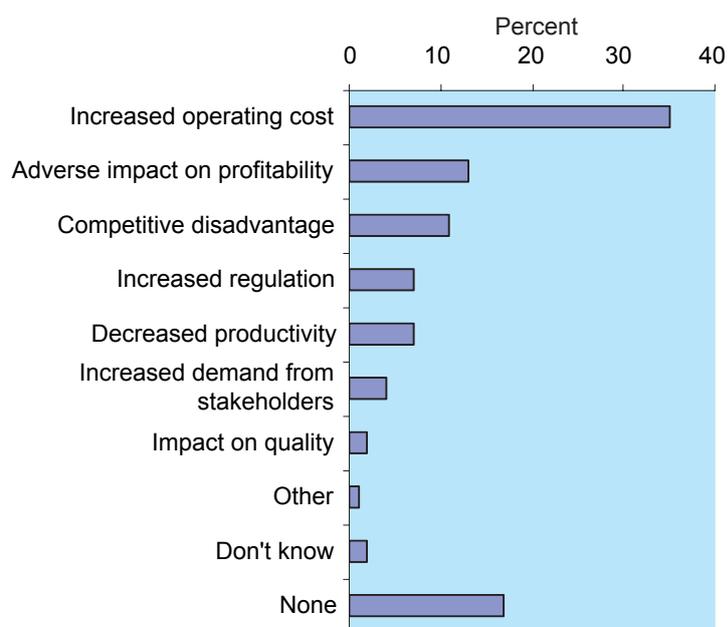


Figure 67: Hungary – Risks in Adopting CSR Practices



¹⁷⁴ Respondents were asked to “select 3 that apply”

¹⁷⁵ public companies and very small companies believe the least in the absence of risks in implementing CSR practices

According to Hungarian respondents, the first and highest barrier to the broader adoption of CSR practices is of a government-related nature: the lack of appropriate regulation. Following this a number of barriers were cited which, apart from lack of appropriate institutions, are financial: excessive focus on short term gains; lack of visible results; overall costs; lack of direct impact on financial success. The bulk of barriers related to government and institutions followed, and barriers related to human resources were cited last.

The main perceived risk in adopting CSR practices is the increase in operating costs, followed, in order of magnitude of perceived risk, by: adverse impact on profitability; competitive disadvantage; increased intervention from regulatory bodies; decreased productivity; increased demands from interested stakeholders; and negative impact on quality of goods and services. It is important to note that as many as 17 percent of respondents believe there are no risks in the implementation of CSR practices.¹⁷⁵

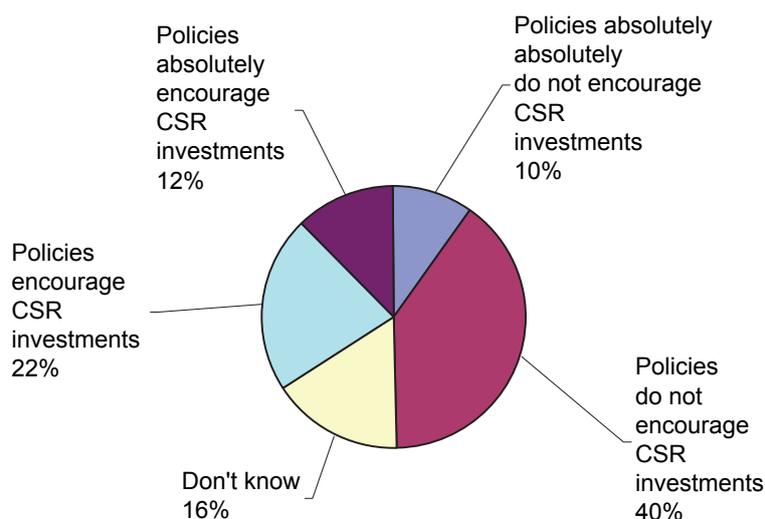
Percentages are consistent across the spectrum of companies. The main exception relates to public companies and very small companies which, more than other subgroups perceive higher operating costs as a bigger risk.¹⁷⁶ On the other hand, public companies are the least concerned about competitive disadvantage, and very small companies are the least concerned about adverse impact on profitability.¹⁷⁷

3.16 Supporting CSR Practices, Improving them and Making them More Relevant

Support from Governments, CSOs and Others

When asked about the government’s role in helping companies meet their social responsibilities, the majority of Hungarian companies responded that the government is unhelpful.¹⁷⁸ The most negative about the government’s support to CSR practices are financial services companies, medium companies and large companies.

Figure 68: Hungary – Government Policies’ Impact on Investment in CSR



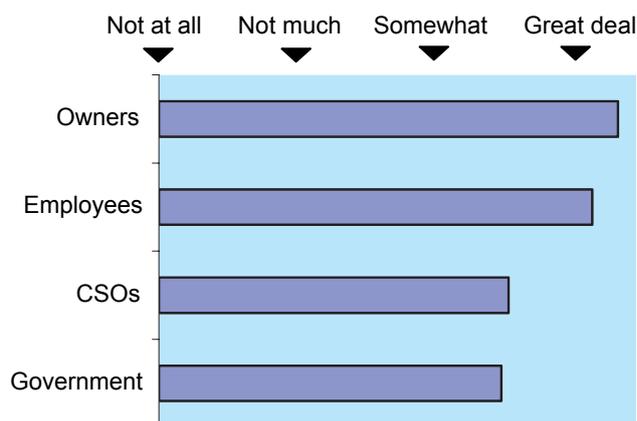
¹⁷⁶ 55 and 56 percent respectively (companies’ average is 35)

¹⁷⁷ 0 and 6 percent respectively

¹⁷⁸ 15 percent believe the government does not help at all; and 40 percent that the government does not help much. 45 percent of respondents think that the government helps (somewhat or a great deal)

This opinion on the government's unhelpfulness in meeting social responsibilities is confirmed by half of respondent companies' belief that the Hungarian government policies do not encourage investments in CSR. Percentages are consistent across the spectrum of companies, with the notable exception of public companies and non-financial services companies which believe more than any other subgroup that government policies encourage CSR investment.¹⁷⁹

Figure 69: Hungary – Support for CSR from Government, CSOs, Owners and Employees



Owners considered to be the most valuable in helping companies meet their social responsibilities. A third of respondents believe owners are helpful, and half feel that they are very helpful.¹⁸⁰ Non-financial services are the most negative about owners' role in helping companies implement CSR policies.

Employees are also perceived as very useful to the implementation of CSR practices. Fifty-three percent of respondents believe employees are helpful; 27 percent that they are very helpful.¹⁸¹ Public companies and medium companies believe this the least, whereas financial companies and very small companies believe this the most.

In Hungary, the role of CSOs in helping companies implement CSR practices is perceived as more important than that of the government. Thirty-eight percent of respondent companies believe CSOs help them somewhat, while 12 percent believe CSOs help them a great deal.¹⁸² Percentages are essentially consistent across the spectrum of companies.

Improving CSR Practices

Hungarian companies were asked about the actions which would assist them in improving their CSR practices.¹⁸³ On the financial front, respondent companies believe tax incentives,¹⁸⁴ empowerment of local governments to decide on tax exemptions,¹⁸⁵ and, to a lesser extent, subsidized interest

¹⁷⁹ At the opposite side of the spectrum are medium companies

¹⁸⁰ 21 percent believe owners do not help (much or at all)

¹⁸¹ 20 percent believe employees do not help (much or at all)

¹⁸² 50 percent believe CSOs do not help (much or at all)

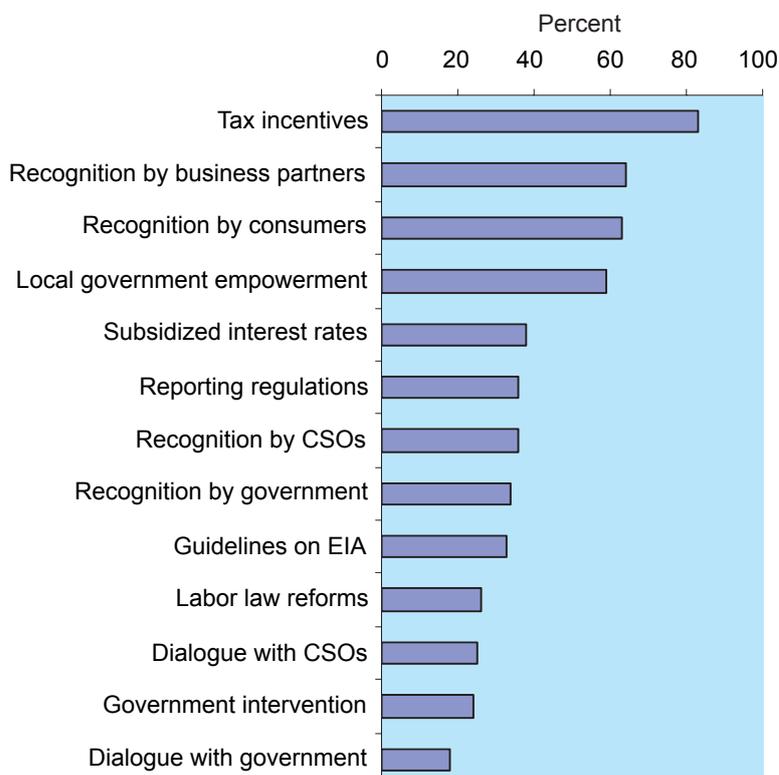
¹⁸³ companies were asked to select "all that apply"

¹⁸⁴ 83 percent. It is interesting to note that non-financial services companies are significantly less convinced about the role of tax incentives in improving CSR practices.

¹⁸⁵ 59 percent

rates¹⁸⁶ are paramount in improving CSR practices. On the non-financial front, respondent companies indicate a need for recognition (from business partners, customers, CSOs and the government), guidelines, and, to a lesser extent, reforms in labor laws, dialogue and government intervention.

Figure 70: Hungary – Actions that Improve CSR Practices



Among the different kinds of recognition sought by Hungarian companies, recognition by business partners and by consumers are the most important in improving CSR practices.¹⁸⁷ Public companies are the most adamant about the importance of recognition.

Guidelines on EIA or on the presentation of social and environmental performance in annual reports, would improve CSR practices for 33 percent and 36 percent of respondents respectively. Dialogue with CSOs and, less significantly, with the Hungarian government would help improve CSR practices according to 25 percent and 18 percent of respondents respectively. Finally, 25 percent of respondents consider government intervention as important in the improvement of CSR practices.

Making CSR Practices More Relevant

A vast majority of Hungarian companies¹⁸⁸ believe that sharing information, discussing, collaborating and negotiating with different stakeholders would make their CSR practices more relevant. Eighty-eight percent of respondents would like to entertain more dialogue with all stakeholders, 67

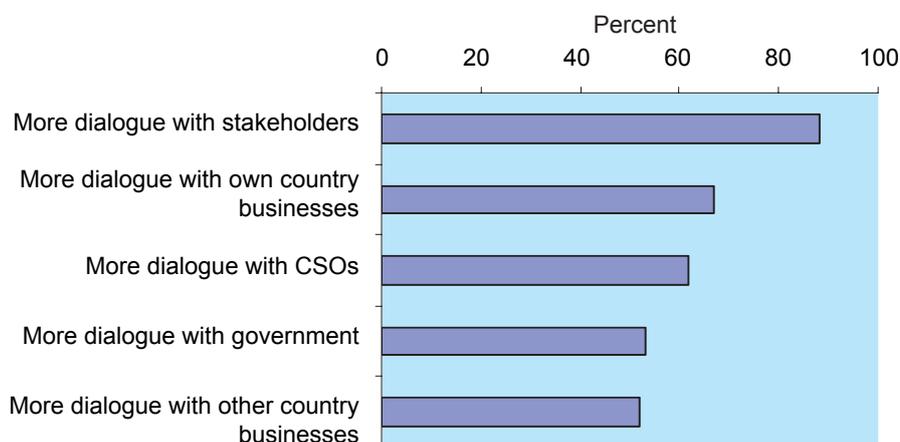
¹⁸⁶ 38 percent

¹⁸⁷ 64 and 63 percent respectively

¹⁸⁸ at least 88 percent

percent with other businesses in Hungary, 62 percent with the Hungarian government, 54 percent with CSOs, and 52 percent with businesses in other countries.

Figure 71: Hungary – Dialogue that Makes CSR Practices More Relevant



It is interesting to note that, overall, medium companies are the least convinced about the positive impact of increased dialogue on the relevance of their CSR practices, except concerning dialogue with other Hungarian businesses where they are the most convinced. It is also interesting to note that, generally, public companies are among the most convinced about the positive impact of increased dialogue on the relevance of their CSR practices. Exceptions are dialogue with CSOs, where financial services companies are the most convinced, and dialogue with foreign companies, where very small companies are the most convinced.

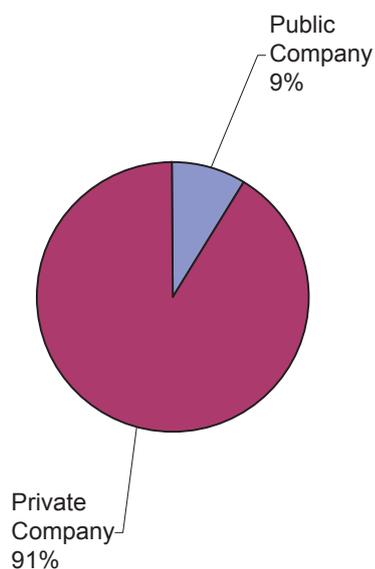
4

ANALYSIS OF SURVEY RESULTS Slovakia

4.1 Ownership Structure and Funding of Respondent Companies

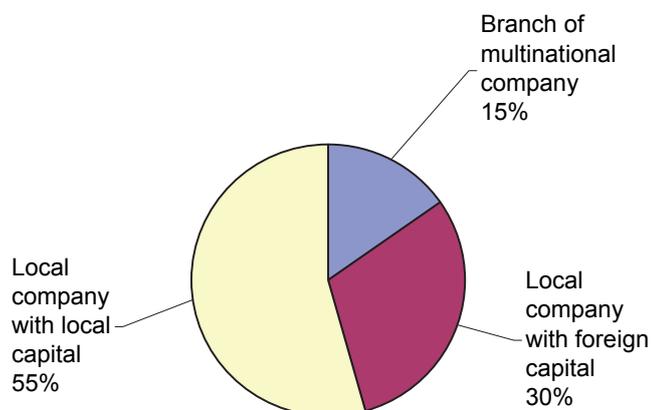
Of the 150 companies interviewed, 91 percent are privately owned companies (private companies) and nine percent are owned by the Slovak government (public companies).

Figure 72: Slovakia – Ownership Structure of Respondent Companies



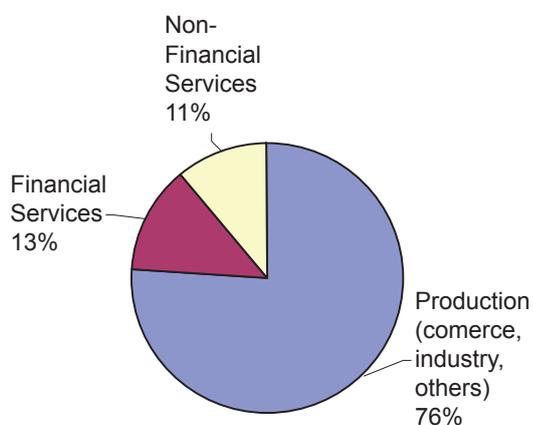
More than half of the companies interviewed are local companies funded by Slovak capital. Branches of multinational companies represent 15 percent of the companies interviewed. Foreign-funded local companies make up 30 percent of the companies interviewed.

Figure 73: Slovakia – Funding of Respondent Companies



Of the public companies interviewed, 86 percent are local companies funded with local capital, and 14 percent are funded with foreign capital. Of the private companies interviewed, 51 percent are local companies funded with local capital, 32 percent are local companies funded with foreign capital, and the remaining 17 percent are branches of multinationals.

Figure 74: Slovakia – Sector of Activity of Respondent Companies



4.2 Sector of Activity of Respondent Companies

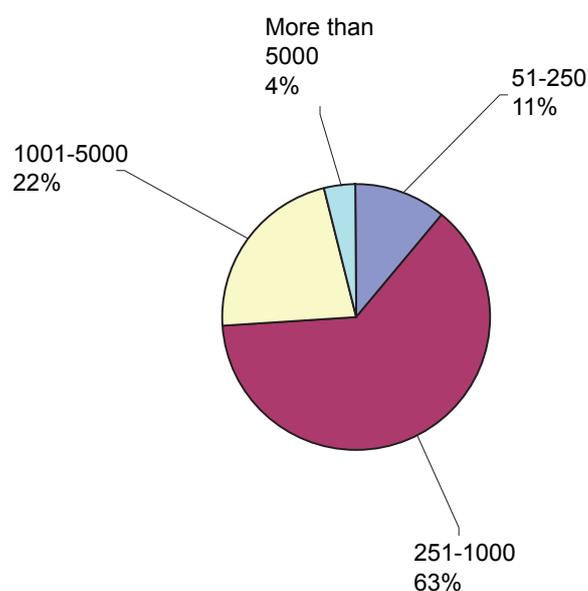
Respondent companies have been divided into three sectors of activity: production, financial services and non-financial services.

¹⁸⁹ 76 percent

¹⁹⁰ 92 percent

The vast majority of companies are involved in production.¹⁸⁹ Most of these companies are private¹⁹⁰ and are funded with local capital.¹⁹¹ Companies which offer non-financial services represent 11 percent of respondent companies and are privately owned in 71 percent of cases. Sixty-five percent of non-financial services companies are local companies funded with local capital, 29 percent are funded with foreign capital and only 6 percent are branches of multinationals. Companies which offer financial services represent 13 percent of respondent companies. All of these companies are private and a majority of these are funded with local capital.¹⁹²

Figure 75: Slovakia – Number of Employees of Respondent Companies



4.3 Number of Employees of Respondent Companies

Respondent companies have been subdivided by number of employees as follows: 51 to 250 (small companies); 251 to 1000 (medium companies); 1001 to 5000 (large companies); and more than 5000 (very large companies).

Sixty-three percent of respondent companies are medium companies, 22 percent are large, 11 percent are small, and 4 percent are very large. Public companies present a higher proportion of very large companies.¹⁹³ Financial services companies present a higher proportion of small companies.¹⁹⁴

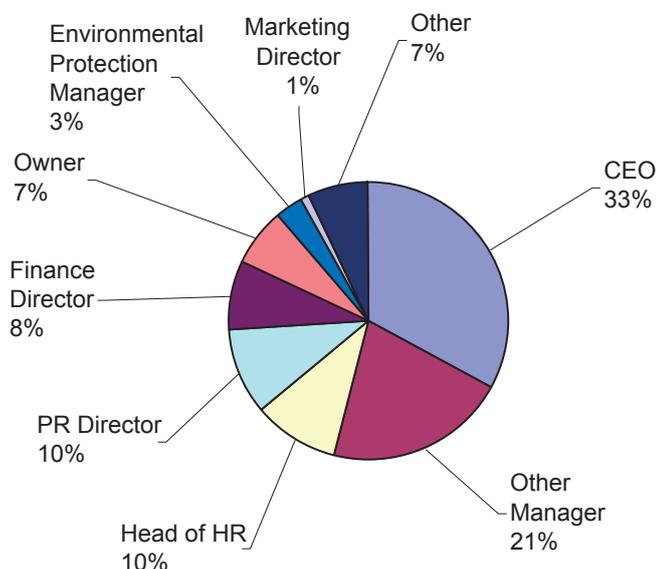
¹⁹¹ 59 percent

¹⁹² 55 percent are funded with local capital, 15 percent are funded with foreign capital, and 30 percent are branches of multinational companies

¹⁹³ 21 percent (companies' average is 4 percent)

¹⁹⁴ 30 percent (companies' average is 11 percent)

Figure 76: Slovakia – Position of Interviewees



4.4 Level of Respondents within the Companies

Questionnaires were completed mainly by CEOs¹⁹⁵, PR Directors¹⁹⁶, HR Managers¹⁹⁷ Finance Directors¹⁹⁸ and Owners.¹⁹⁹ Within the category “Other Managers” are high percentages of Heads of Quality Departments, Deputy Directors, Executive Directors²⁰⁰ and Heads of Environmental Protection Departments.²⁰¹ It is interesting to note that only one percent of respondents are Marketing Directors.

Questionnaires were handed to PR Directors relatively more in financial services companies and possibly in very large companies. CEOs responded in 46 percent of large companies²⁰² and in none of the very large companies. Relatively more Human Resources Managers responded in financial services companies.²⁰³

4.5 Companies own Financial Situation Rating

Given a choice between “very good”, “good”, “tolerable”, “bad”, and “very bad”, 11 percent of respondent companies rated their financial situation as “very good”, 53 percent as “good”, and 32

¹⁹⁵ 33 percent

¹⁹⁶ 10 percent

¹⁹⁷ 10 percent

¹⁹⁸ 8 percent

¹⁹⁹ 7 percent

²⁰⁰ all three at 5 percent of total

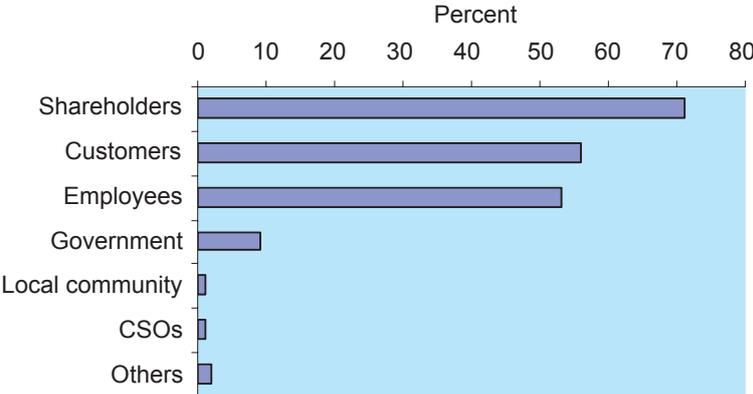
²⁰¹ 3 percent of total

²⁰² against 33 percent of companies’ average

²⁰³ 20 percent against 10 percent of companies’ average

percent as “tolerable”.²⁰⁴ Companies engaged in financial services rated their financial situation as better than did any other subgroup.²⁰⁵ Public companies rated their financial situation as worse than any other companies’ subgroup did.²⁰⁶

Figure 77: Slovakia – Understanding of Stakeholders



4.6 Understanding of Stakeholders

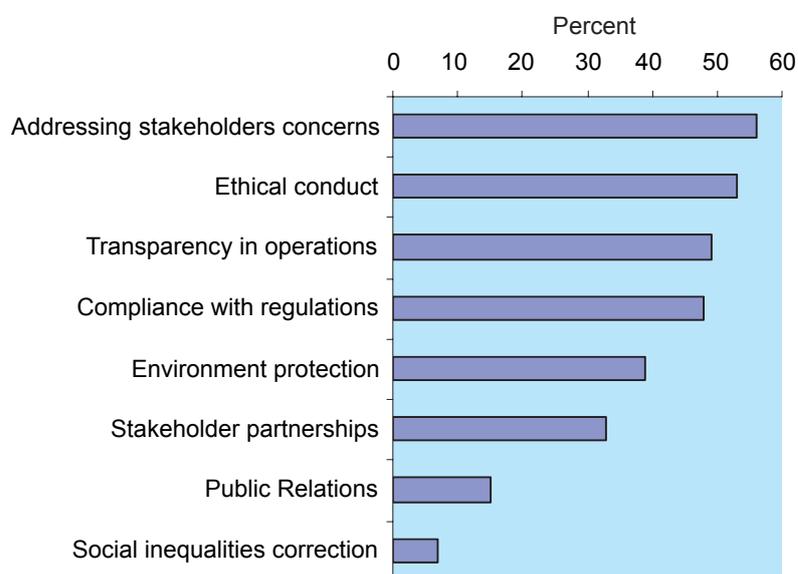
When asked to identify their main stakeholders, 71 percent of respondent companies indicate their shareholders, 56 percent their customers and 53 percent their employees.²⁰⁷ Nine percent of companies identify the Slovak government as one of their main stakeholders and only 1 percent of respondents think of local communities and CSOs as stakeholders. Other main stakeholders mentioned by respondents are top management and board of directors.

4.7 Understanding of Corporate Social Responsibility

Respondent companies have been asked what they understand by “socially responsible activities”.²⁰⁸ More than half of respondents link these activities to addressing stakeholders’ concerns and ethical conduct. Slightly less than half of respondents associate socially responsible activities with transparency in operations and compliance with existing regulations. These were followed by environmentally friendly activities, establishing stakeholder partnerships, public relation issue, and correcting social inequalities.²⁰⁹

²⁰⁴ 4 percent “bad” and 1 percent “very bad”
²⁰⁵ 35 percent of financial companies rate their financial situation “very good”, 55 percent “good”, 10 percent “tolerable”, and none “bad” or “very bad”
²⁰⁶ no public company rates its financial situation “very good”, 43 percent rate is as “good”, 50 percent “tolerable”, 7 percent “bad”, and none “very bad”
²⁰⁷ Multiple answers were allowed. On average respondents picked two answers.
²⁰⁸ Respondents were asked to select the three most important answers
²⁰⁹ 39, 33, 15 and 7 percent respectively

Figure 78: Slovakia – Understanding of CSR



More than 90 percent of public companies believe transparency in operations is a socially responsible activity. Eighty percent of financial services companies recognize ethical conduct as a socially responsible activity, whereas only 15 percent of these companies believe protecting the environment is socially responsible.

Small companies associate socially responsible activities with the respect of the environment more than any other companies’ subgroup. Very large companies seem to associate the concept of social responsibility with addressing stakeholders’ concerns less than other subgroups.²¹⁰ The perception that CSR is also a public relations issue increases as companies become larger, to the point that half of very large companies seem to have this perception.²¹¹

4.8 Perception of Main Role of Company in Society

Respondents were given ten possible main roles of their company in society. Their task was to grade the importance of each role by choosing between “strongly disagree”, “disagree”, “don’t know”, “agree”, and “strongly agree”.

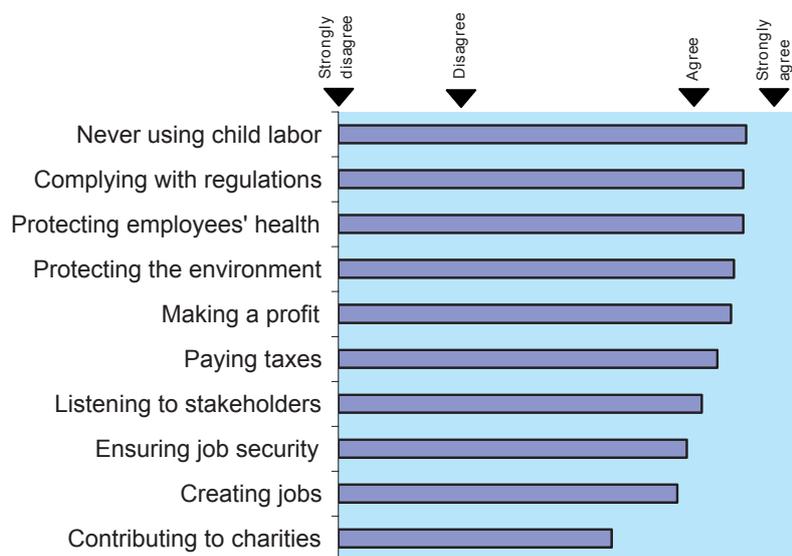
A vast majority of respondents strongly agree that avoiding the use of child labor is one of their main roles in society.²¹² However, there are companies that disagree with this view.

²¹⁰ 17 percent (companies’ average is 56 percent)

²¹¹ 6 percent of small companies, 14 percent of medium companies, 18 percent of large companies, and 50 percent of very large companies

²¹² 85 percent of companies strongly agree, 9 percent agree, 1 percent don’t know what their position should be, 1 percent disagree and 5 percent strongly disagree

Figure 79: Slovakia – Perception of Role of Company in Society



Every company believes that complying with the existing legal framework is one of its main duties in society.²¹³ Very few are undecided. Financial services companies are the group which most strongly agrees with this role.²¹⁴

Every company believes that protecting the health of its employees is one of its main duties in society.²¹⁵ Few are undecided. Small companies are the group which is least convinced about this duty.

A substantial majority of Slovak companies strongly agree with protectors of the environment being one of their main roles in society.²¹⁶ Small companies are by far the least convinced about this role.²¹⁷

Half of Slovak companies interviewed strongly believe that making a profit is one of the main roles of a company in society. Very few are undecided, and none disagree. Small and large companies are significantly less convinced about this role than medium and possibly very large companies.

Slightly less than half of respondents strongly believe that paying taxes is one of their main roles in society. The three percent of companies that disagree and strongly disagree with this being one of their main roles are medium, private companies mainly involved in financial and non-financial services. On the whole, small and medium companies are less convinced about this role than large and possibly very large companies.

Only one in four respondents strongly believe that listening to stakeholders is one of their main roles in society. Seven percent of respondents are unsure, while one percent of companies disagree. Small companies and, to a lesser degree, large companies are the most undecided. Financial services companies and possibly very large companies are most convinced about this role.

²¹³ 66 percent strongly agree and 26 percent agree

²¹⁴ 85 percent (companies' average is 66 percent)

²¹⁵ 55 percent strongly agree and 35 percent agree

²¹⁶ 57 percent of companies strongly agree, 40 percent agree, 2 percent don't know what their position should be, 1 percent disagree and none strongly disagree

²¹⁷ only 18 percent strongly agree

Ensuring job security is seen as a main role in society by 83 percent of Slovak companies.²¹⁸ Percentages are roughly consistent across the spectrum of companies, except for small companies, and possibly very large companies which are less adamant about job security than other subgroups. No company strongly disagrees with this being one of its main roles in society.

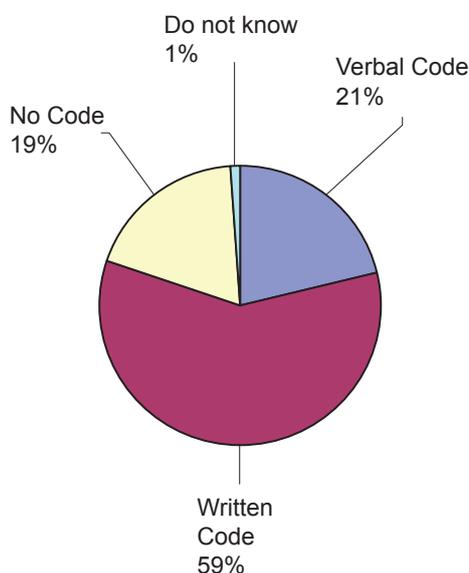
Half of respondents believe that job creation is one of their main roles in society. Another 25 percent strongly believe this is true. Thirteen percent of respondents disagree, and nine percent are unsure. Small companies are the least convinced about this role.²¹⁹

Contributions to charities raise the most diverging views.²²⁰ Most interestingly, one in five respondents does not know whether contributing to charities should be one of its main roles in society. Private companies are torn, whereas public companies tend to disagree. Companies involved in financial services and possibly very large companies are the most positive about contributing to charities being one of their main roles.²²¹

4.9 Codes of Conduct

Written codes of conduct are widespread in Slovakia. Fifty-nine percent of Slovak companies interviewed have a written code of conduct, 21 percent have a verbal code of conduct and 19 percent have neither²²².

Figure 80: Slovakia – Written and Verbal Codes of Conduct



²¹⁸ 27 percent of companies strongly agree, 56 percent agree, 8 percent are undecided, 11 percent disagree and none strongly disagree

²¹⁹ only 6 percent strongly agree

²²⁰ Companies strongly agree (3 percent); agree (43 percent); are undecided (21 percent), disagree (31 percent); and strongly disagree (2 percent).

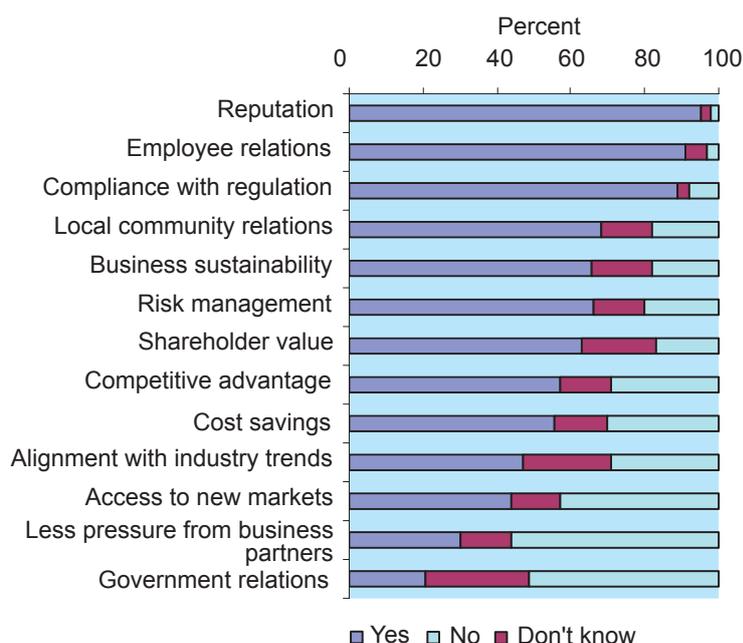
²²¹ Financial services companies: 15 percent strongly agree and 60 percent agree.

²²² 1 percent of respondents do not know whether their company has a code of conduct. For the purposes of this analysis these companies have been added to those which do not have a code of conduct.

While companies involved in production and in non-financial services have percentages matching those described above, financial services companies seem to use predominantly written codes²²³. Very large companies seem to have the highest percentage of written codes.²²⁴

The benefits brought from having a code of conduct were analyzed across thirteen parameters among those companies which have a verbal or written code of conduct.

Figure 81: Slovakia – Benefits Brought by Codes of Conduct



According to 96 percent of respondents, having a code of conduct helps to improve company reputation. Only 2 percent of companies disagree with this statement, and only 3 percent are undecided about the impact of codes of conduct on reputation. Percentages are consistent across the spectrum of companies except for small companies which are not as convinced as the others about the benefits of codes of conduct on reputation.

According to an overwhelming majority of Slovak respondents²²⁵, codes of conduct improve employee relations. Companies in services sector are more skeptical about this correlation than companies involved in production.

Improved compliance with legislation is one of the benefits of having a code of conduct for 89 percent of respondents. Public companies are the most skeptical and small companies the most undecided.

Local community relations are improved by codes of conduct according to 68 percent of respondents. A few companies remain undecided²²⁶. Public companies, companies in non-financial services, and large and very large companies are more positive about the impact of codes of conduct on local community relations.

²²³ 80 percent

²²⁴ 100 percent

²²⁵ 92 percent

²²⁶ 14 percent

A large majority of Slovak companies²²⁷ believe that having a code of conduct contributes to the survival of their business in the long term. Eighteen percent disagree, while 17 percent are undecided. None of the public companies disagree.

Risk management is enhanced by codes of conduct according to 66 percent of respondents. Twenty percent disagree and 14 percent are undecided. Small and very large companies seem to be the most undecided.

Sixty-three percent of respondents believe that codes of conduct increase shareholder value. Seventeen percent disagree and 20 percent don't know the answer. Data is similar across the spectrum of companies, except for non-financial services companies and small companies, which have a higher percentage of skeptics and undecided respectively.

A substantial majority of Slovak companies²²⁸ believes that having a code of conduct gives them a competitive advantage. Twenty-nine percent of companies do not agree and 14 percent are not sure. Percentages are consistent across the spectrum of companies, except for public companies and non-financial services companies which have a very high percentage of undecided.²²⁹

Fifty-five percent of companies believe that there is a relationship between codes of conduct and cost savings. Thirty percent of companies disagree and 14 percent are undecided. It is interesting to note that the companies which believe that codes of conduct do not impact or impact negatively on cost savings the most are public companies and non-financial services companies, the latter probably due to a very high percentage of undecided.²³⁰

Only 47 percent of respondents consider that codes help companies to align with industry trends. Twenty-nine percent of respondents disagree, and as many as 24 percent are undecided. Financial services companies together with small companies are the most skeptical about this effect of codes of conduct. Interestingly, financial services companies are the most knowledgeable or decided, whereas non-financial services companies are the least knowledgeable or decided.²³¹

Opinions are divided over the effects of codes of conduct on accessing new markets. Forty-four percent of respondents believe codes of conduct facilitate access to new markets, 43 percent disagree and 13 percent are undecided. Percentages are similar across the spectrum of companies, except for public companies of which fewer disagree and more are undecided.

The majority of Slovak respondent companies²³² believe that these codes do not decrease the pressure applied by their business partners.²³³ Thirty percent disagree and 14 percent are unsure about the impact of codes of conduct. Public companies and, to a lesser degree small companies, strongly believe that codes reduce pressure from business partners.²³⁴

Probably the most surprising information relating to codes of conduct is that they seem to have very little impact on good relationships with the Slovak government. Codes improve a company's position in the eyes of the Slovak government only in the view of 21 percent of respondents. Fifty-two percent disagree and 28 percent don't know whether codes have an impact on relationships with the government or what this impact is. This breakdown of responses is consistent throughout the

²²⁷ 66 percent

²²⁸ 58 percent

²²⁹ to the detriment of percentage of companies which agree and which do not agree respectively

²³⁰ 23 percent

²³¹ 6 percent and 46 percent respectively

²³² 56 percent

²³³ Pressure by business partners is understood to relate primarily to partners further down in the supply chain.

²³⁴ 64 and 40 percent respectively

respondent subgroups, except for public companies and non-financial services companies which see a bigger impact on government relationships, and for small and possibly very large companies which are relatively more undecided.

4.10 Transparency – Policies, Annual Reports and Consultations

Policies

The survey tests attitudes toward policies on corruption and on financing candidates for public positions.

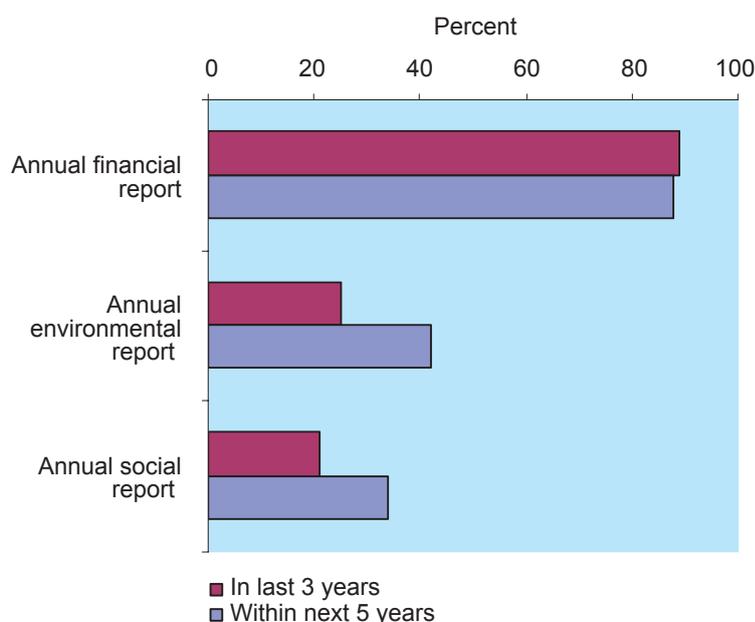
Sixty-six percent of respondents currently have an explicit anti-corruption policy, and 76 percent plan to have one within the next 5 years. Both financial services companies and, to a lesser degree, large companies currently have and plan to have a higher adoption rate than other companies' subgroups.

As few as 5 percent of respondents currently have a policy for financing candidates for public positions. Only 6 percent plan to have one within the next five years. Although no public company currently has such a policy, this is planned to change within the next five years.

Annual Reports

The vast majority of interviewed companies publish an annual financial report.²³⁵ Within the next five years most companies plan to decrease their publication of annual financial reports,²³⁶ except for non-financial services companies all of which plan to publish a report within the next five years.

Figure 82: Slovakia – Social and Environmental Annual Reports



²³⁵ 89 percent

²³⁶ overall the decrease in annual financial reporting by Slovak respondents would be minimal: from 89 to 88 percent

Annual reports which present environmental performance are published by only 25 percent of respondents. Services companies tend to publish less than production firms and small companies currently do not publish at all. Within the next five years, 42 percent of respondents plan to publish reports on environmental performance. This represents a 68 percent increase.²³⁷

Only 21 percent of respondents currently publish annual reports presenting social performance. Public companies and small companies tend to do this the least. Within the next five years, 34 percent of respondents intend to publish such a report. This represents an increase of more than 60 percent. The steepest increase concerns financial services companies and possibly very large companies.

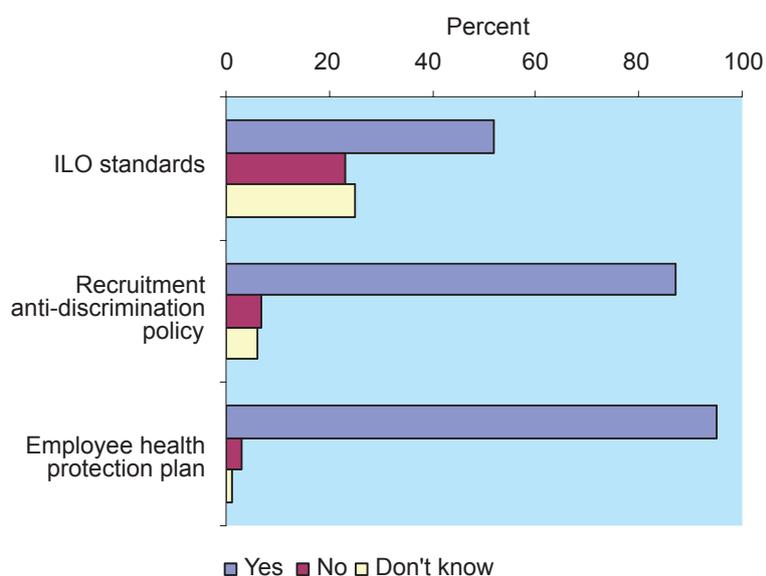
Consultations

According to this survey, the percentage of companies which consult regularly with their stakeholders is likely to increase from 59 to 69 percent over the next five years. Currently non-financial services companies consult least regularly with their stakeholders and large companies consult most regularly. The steepest increase would concern non-financial services companies and possibly very large companies.

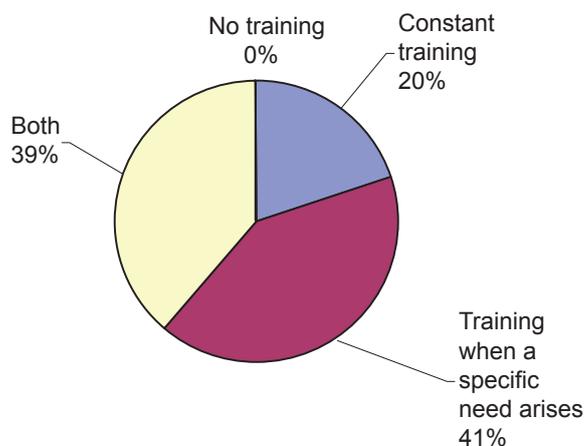
4.11 Employee Projects

Respondent companies have been interviewed on implementation of social projects relating to employees, such as core labor standards; explicit anti-discrimination policies; employee health protection plans; and training.

Figure 83: Slovakia – Employee Projects



²³⁷ the increase would be roughly consistent across the companies' spectrum

Figure 84: Slovakia – Employee Training

The majority of Slovak respondent companies²³⁸ implement core labor standards adopted by the International Labor Organization (ILO), 23 percent do not and 25 percent of respondents do not know whether their company does. This high percentage of unawareness could be due to other labor standards being the accepted standard in Slovakia or on ILO standards not having been properly publicized despite being the accepted standard. Small and medium companies have lower implementation percentages than large and very large companies.

Explicit anti-discrimination policy in personnel recruitment is the norm in Slovakia.²³⁹ Only 7 percent of respondent do not have such a policy, and 6 percent do not know. Percentages are consistent across the spectrum of companies. It is interesting to note that 20 percent of financial services companies do not know whether they have an explicit anti-discrimination policy.

Employee health protection plans are also the norm in Slovakia²⁴⁰. Very few respondents do not know whether their company has such a plan. Again, it is interesting to note that 10 percent of financial services companies do not know if they have a health protection plan.

All respondent companies provide some form of training to their employees. Training when a specific need arises is provided by 41 percent of companies, whereas 20 percent provide constant training. Thirty-nine percent of respondents provide both ad hoc and constant training. Non-financial services companies make the largest use of ad hoc training.²⁴¹

4.12 Social Projects (other than focused on employees)

During the last three years, 58 percent of respondents engaged in social projects, 35 percent did not, and 7 percent does not know.

Percentages are fairly consistent across the spectrum of companies. However it is interesting to note that public companies and financial services companies tend to engage in social projects more than the other companies' subgroups. Additionally, the percentage of socially involved companies tends to increase as companies become larger.

²³⁸ 52 percent

²³⁹ 87 percent of respondent companies have such a plan

²⁴⁰ 95 percent of respondent companies have such a plan

²⁴¹ 65 percent

Figure 85: Slovakia – Present and Future Engagement in Social Projects

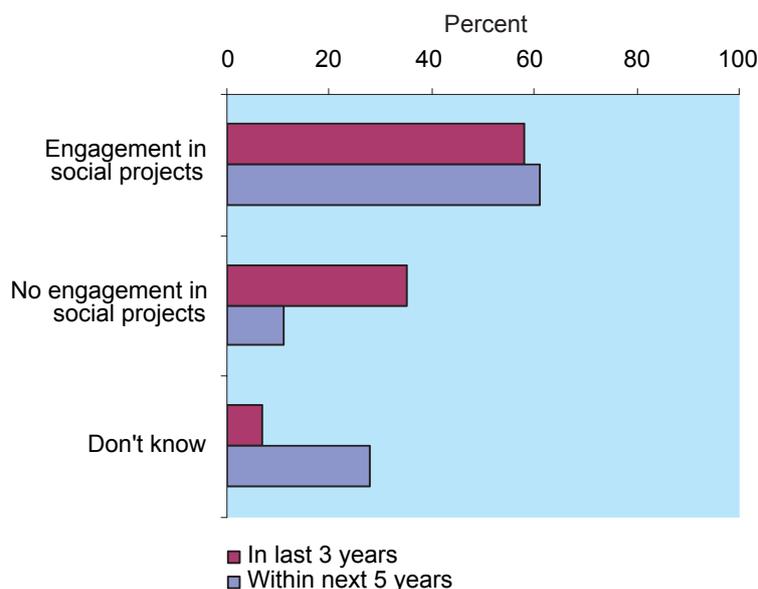
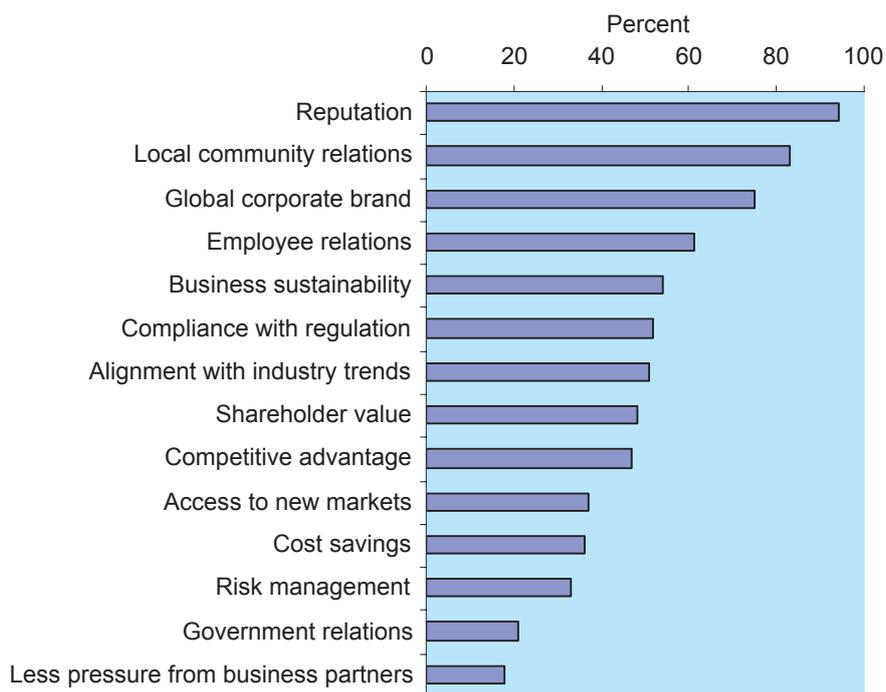
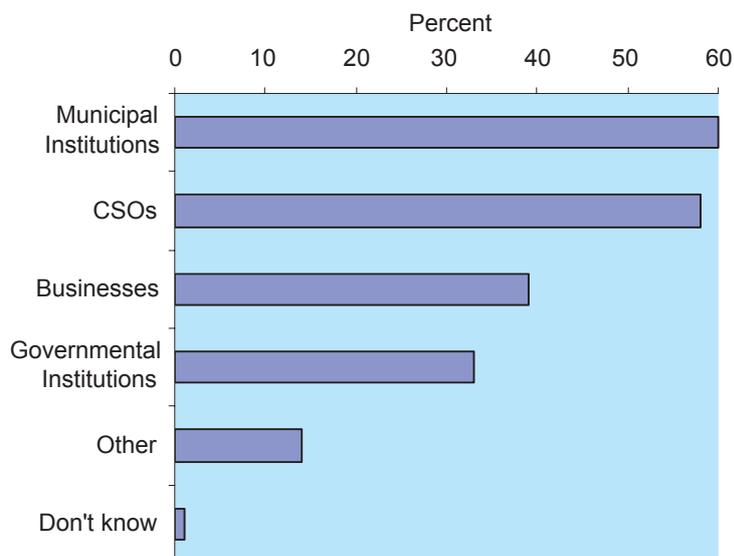


Figure 86: Slovakia – Reasons for Engaging in Social Projects



Companies appear very hesitant to state their plans relating to social projects for the next five years. The number of companies which plan to engage in social projects is expected to remain fundamentally unchanged²⁴²; while the number of companies which do not engage in social projects will decrease substantially, with an increase in the number of those companies which do not know

²⁴² from 58 to 61 percent

Figure 87: Slovakia – Collaborating Institutions in Social Projects

whether they will be engaging in social projects. It is interesting to note that public companies plan to decrease their engagement in social projects.²⁴³

Slovak companies list the three main reasons for engaging in social projects as follows: better reputation; better local community relations; and building of global corporate brand. A majority of Slovak respondents believe improved employee relations; survival of business in the long term; compliance with legislation, and alignment with industry trends are also main reasons to engage. Opinions are divided on reasons such as enhanced shareholder value; increased competitive advantage; access to new markets; cost savings; and improved management of risk. The majority of Slovak companies believe that the following factors do not play a role in the decision of companies to engage in social projects: improved standing with government and pressure from business partners.

In order to implement their social projects, companies collaborate with a number of institutions that can be broken down into: CSOs, governmental institutions, municipal institutions, and other businesses. Respondents add to this list health institutions (7 percent); educational institutions (6 percent); cultural institutions (3 percent); and sports institutions (2 percent).

The following percentages are based on the number of companies which currently engage in social projects.²⁴⁴

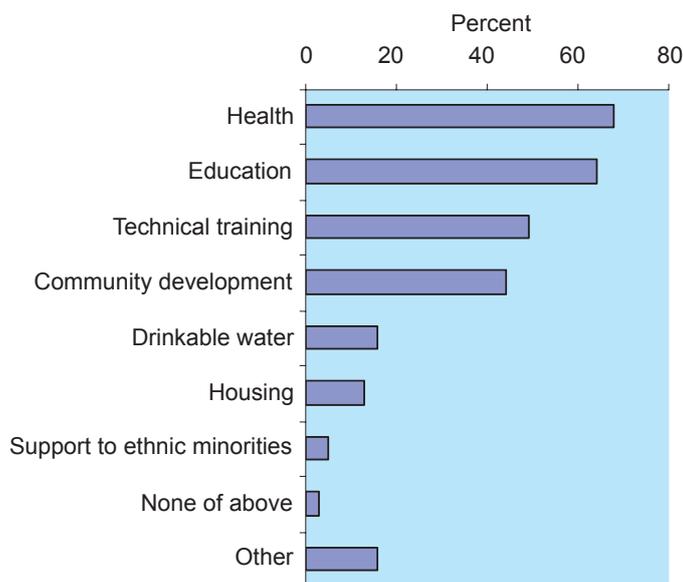
Sixty percent of companies collaborate with municipal institutions. Public companies and companies which provide non-financial services prefer this type of partner. As companies become larger, collaboration with this type of partner increases. Fifty-eight percent of companies collaborate with CSOs. Non-financial services companies prefer this type of partner. Thirty-nine percent of respondents collaborate with other businesses. The percentages of companies which collaborate with this type of partner are similar across the spectrum of companies. One third of companies collaborate with governmental institutions. Non-financial services companies work the least with governmental institutions. As companies become larger, collaboration with this type of partner increases.

Social projects can be implemented in a variety of areas, and serve a variety of beneficiaries.

²⁴³ from 64 to 50 percent

²⁴⁴ There are 87 Slovak respondent companies which engage in social projects.

Figure 88: Slovakia – Social Projects Areas



In addition to these areas, respondents mention areas such as culture (6 percent); sport (6 percent); environmental issues (5 percent); life (1 percent); standby families (1 percent); rescue health service (1 percent).

There is a noticeable trend in areas such as health, education, and community development. Companies engage more in these areas as they become larger. The reverse is true for the housing area. Public companies and, to a lesser extent, non-financial services companies, engage relatively less in technical training projects.

Within the next five years, although percentages remain fundamentally unvaried, companies indicate that they will increase their engagement in health, technical training, and support to ethnic minorities, and will begin engaging in HIV/AIDS projects. The trend noticed above relating to health and education is expected to persist over the next five years. Non-financial services companies plan the steepest increase in engagement in education and technical training.²⁴⁵ Additional areas of likely investment within the next five years mentioned by respondents are: handicapped people, and charity.

Youth and children are the main beneficiaries of social projects in Slovakia.²⁴⁶ Engagement in social projects which benefit youth and children tends to increase as companies become larger. Public companies engage less in projects benefiting youth than in projects benefiting children. These are followed by projects which benefit the society at large, disabled people, the community at large, seniors, ethnic minorities, and the unemployed. Public companies engage more than private companies in projects benefiting the community or the society at large.

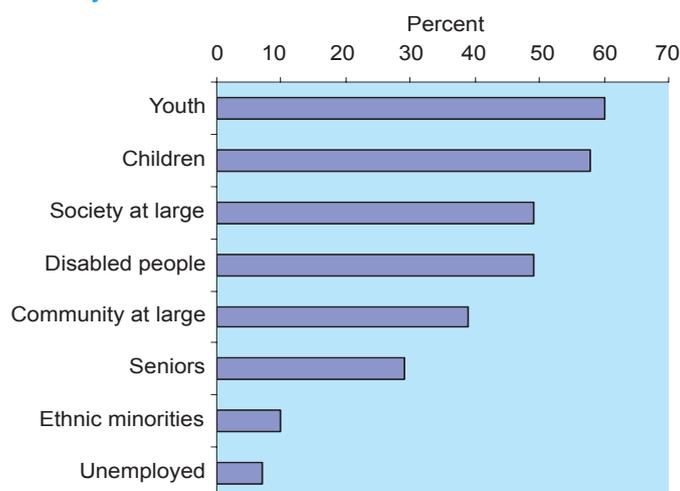
4.13 Environmental Projects

During the last three years, respondents in 69 percent of Slovak companies engaged in environmental projects, 25 percent did not, and 7 percent do not know whether they did. Of those which engaged in envi-

²⁴⁵ education from 67 to 100 percent; technical training from 33 to 64 percent

²⁴⁶ social projects benefiting youth were chosen by 60 percent of respondents; social projects benefiting children were chosen by 58 percent of respondents

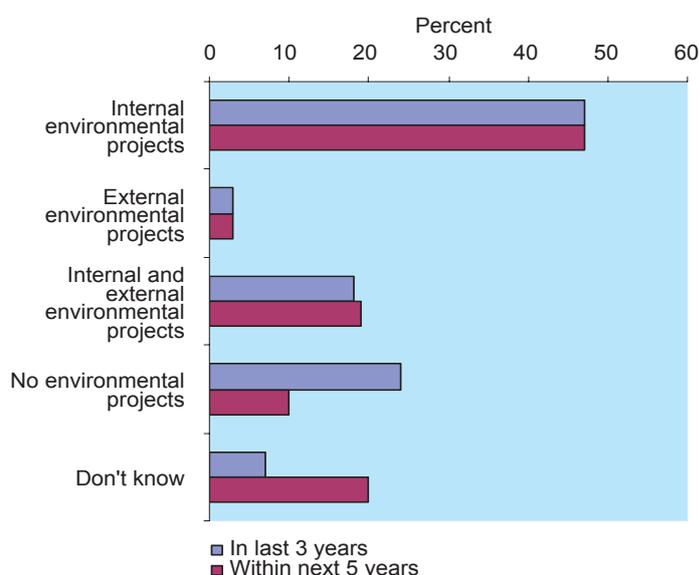
Figure 89: Slovakia – Social Projects Beneficiaries



ronmental projects, 69 percent engaged in projects linked to the company’s operations (internal), 5 percent in projects not linked to company’s operations (external) and 26 percent in both kinds of projects.

Private companies engage more in environmental projects than public companies.²⁴⁷ Production companies engage more in environmental projects than services companies.²⁴⁸ Smaller companies seem to engage less than larger companies.²⁴⁹ Public companies, large and very large companies do not engage in external environmental projects.

Figure 90: Slovakia – Present and Future Engagement in Environmental Projects



²⁴⁷ private companies 70 percent; public companies 57 percent

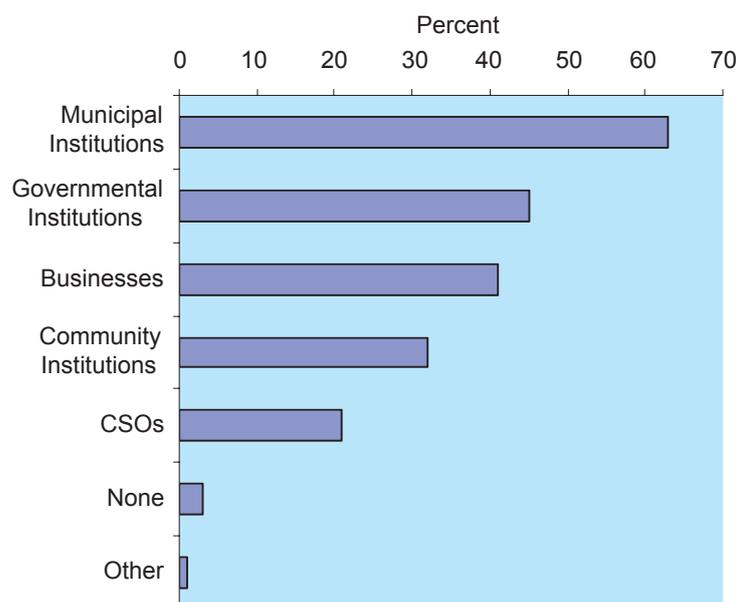
²⁴⁸ Production 88 percent, non-financial services 53 percent and financial services 30 percent. It is interesting to note that financial services companies have the highest percentage of uninformed respondents (35 percent of respondents don't know whether they engage in environmental projects).

²⁴⁹ Small companies 59 percent; medium companies 68 percent; large companies 76 percent; very large companies 66 percent

As observed for social projects, respondent companies appear very hesitant about their environmental projects plans for the next five years. The companies which plan to engage in environmental projects remains fundamentally unvaried; while the companies which currently do not engage in environmental projects is expected to decrease,²⁵⁰ with an increase in the number of those companies which do not know whether they will be engaging in such projects.²⁵¹

In order to implement their environmental projects, most companies collaborate with a number of institutions that can be categorized as: other businesses; municipal institutions; CSOs; governmental institutions; and community institutions.

Figure 91: Slovakia – Collaborating Institutions in Environmental Projects within the Next Five Years



A couple of interesting observations can be made on preferred types of collaborating partner by the different subgroups. Large companies engage with municipal institutions more than any other subgroup. Financial services companies do not collaborate with governmental institutions. Public companies collaborate with CSOs more than any other subgroup. Very few companies engage in environmental projects without the support of a collaborating institution.

Respondents were asked about specific environmental projects: environmental education activities; recycling programs; environmental certification; and environmental impact assessment.

Activities providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.) are relatively popular in Slovakia. The companies that develop these activities²⁵² address them primarily to their employees²⁵³ and secondarily to management, local communities, and company owners²⁵⁴. Employees’ families and clients are the addressees of these activities in 9 percent of instances.

²⁵⁰ from 25 percent to 10 percent

²⁵¹ from 7 percent to 20 percent

²⁵² 61 percent of respondents develop environmental education activities, 33 do not and 5 percent do not know whether such programs exist.

²⁵³ 93 percent

²⁵⁴ respectively 59, 28 and 16 percent

Half of respondents have a recycling program in place.²⁵⁵ Financial and non-financial services companies seem to be behind other companies in the adoption of recycling programs. Adoption of recycling programs tends to increase with the size of the company.

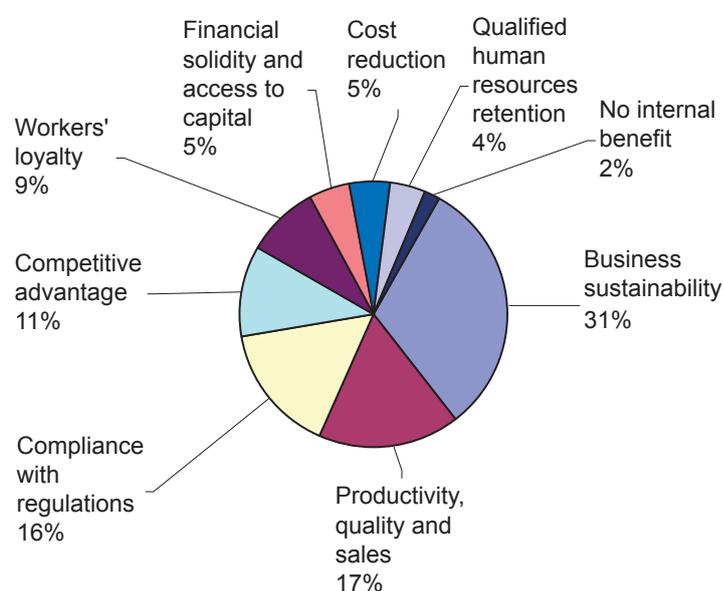
A substantial majority of Slovak companies²⁵⁶ have no environmental certification. Of the 33 percent of companies that have an environmental certification, 67 percent obtained an ISO 14000 certificate. Other environmental certifications mentioned by respondents are: ISO 9001, ISO 14001, ISO 9000, Ecostandard Vienna, and Öko-tex standard 100.²⁵⁷ Financial and non-financial services companies are below the Slovak certification average.

Environmental impact assessments (EIA) of companies' operations is nearly the norm in Slovakia, with 83 percent of respondent companies conducting them.²⁵⁸ Financial services companies and, to a lesser degree, small companies, are below this average of EIAs are.²⁵⁹

4.14 Benefits of Adopting CSR Practices

Slovak respondents list the greatest internal benefits to their companies deriving from CSR practices as follows: business sustainability; increase in productivity, quality and sales; easier compliance with legislation; competitive advantage; employee loyalty; financial improvement, and access to capital attraction; reduction of costs; and retention of qualified employees. Only 2 percent of respondents state that companies derive no internal benefit from CSR practices.

Figure 92: Slovakia – Internal Benefits from Adopting CSR Practices



It is interesting to note that small companies are the strongest advocates of the sustainability benefit; financial services companies are the strongest and non-financial services companies are the

²⁵⁵ 52 percent do, 39 percent do not and 9 percent do not know whether they have recycling programs

²⁵⁶ 59 percent

²⁵⁷ mentioned in frequency order

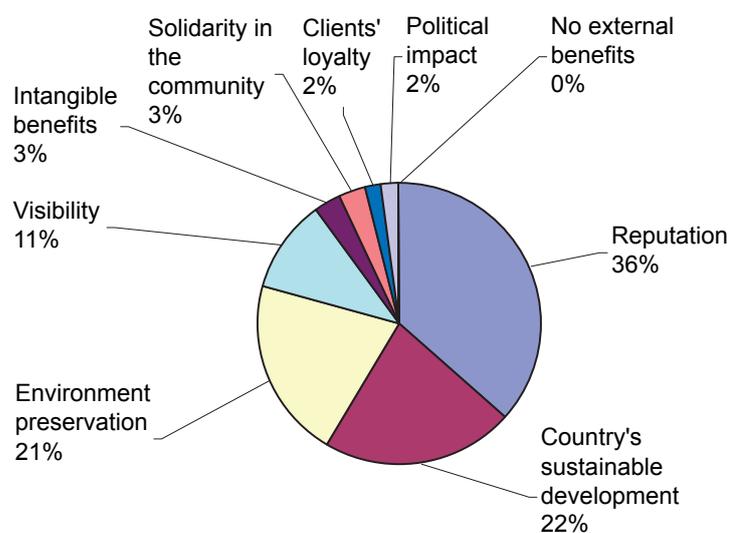
²⁵⁸ 13 percent do not, and 3 percent do not know whether EIAs are made in their companies.

²⁵⁹ 35 percent and 65 percent respectively

weakest advocates of the productivity, quality and sales benefit; and public companies are the strongest advocates of the benefit of easier compliance with regulations. It is also interesting to note that no public company and no small company believe that CSR practices turn into competitive advantages.

Slovak companies list the greatest external benefits to their companies deriving from CSR practices as follows: improved image and reputation; contribution to Slovakia’s sustainable development; preservation of the environment; increased visibility; intangible benefits; solidarity in the community; clients’ loyalty; and political impact (support from authorities and relationship). All respondents see some external benefit deriving from CSR practices.

Figure 93: Slovakia – External Benefits from Adopting CSR Practices



It is interesting to note that small companies are less enthusiastic than other subgroups about the improvement of image and reputation derived from CSR practices²⁶⁰, but are relatively more positive about the impact on visibility.²⁶¹ Financial and non-financial services companies are very skeptical about the impact of CSR practices on the preservation of the environment.²⁶²

4.15 Barriers and Risks in Adopting CSR Practices

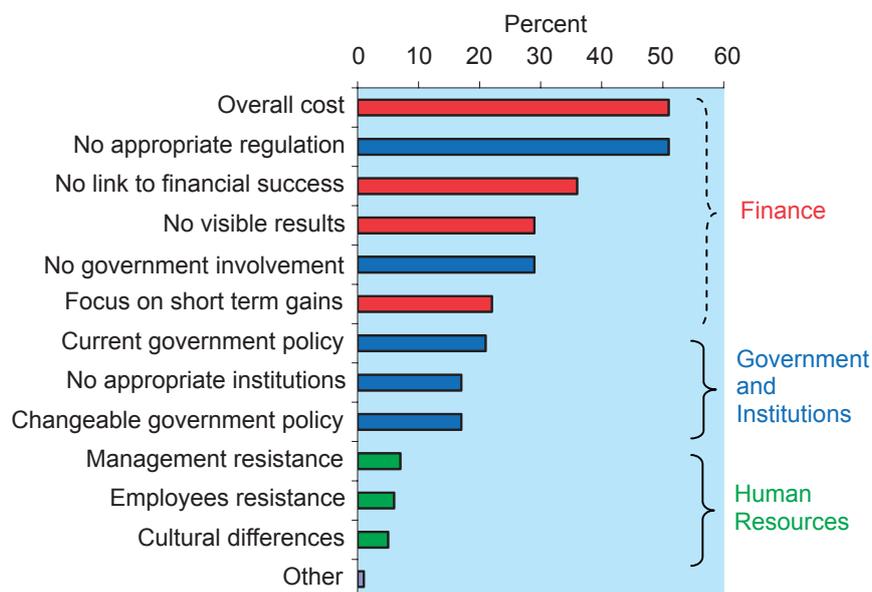
There are three main types of obstacles to the adoption of CSR practices: financial; government and institutions-related; and human resources related. Slovak respondents believe that the first and the highest barriers to the adoption of CSR practices are of a financial nature: overall costs of CSR projects; lack of direct impact on financial success; lack of visible results; and excessive focus on short term gains. Government and institutions-related barriers are the second most important barriers: lack of appropriate legal framework; lack of government involvement; current government policy; lack of appropriate institutions; and apprehension regarding government change of policy. The third type of barrier relates to human resources and comprises management resistance, cultural differences and employee resistance. Respondents add obstacles such as lack of information.

²⁶⁰ 12 percent

²⁶¹ 18 percent

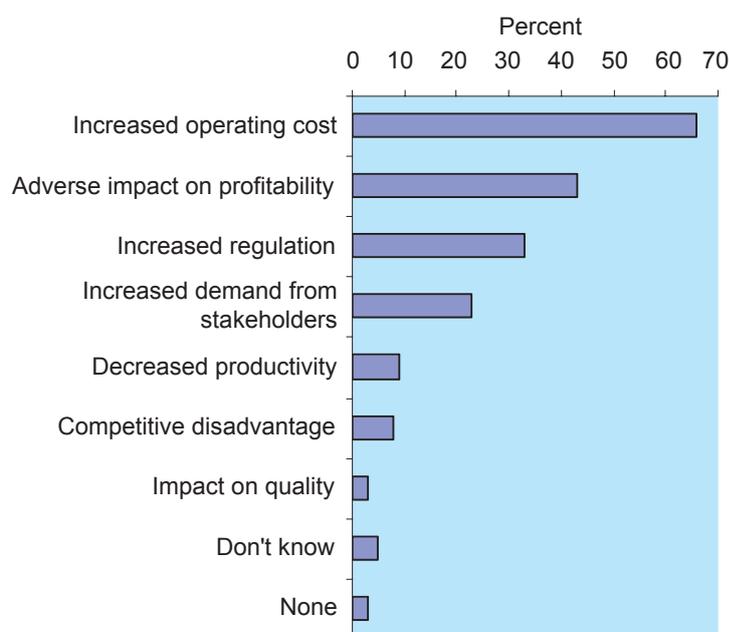
²⁶² respectively 10 and 12 percent

Figure 94: Slovakia – Barriers to Adopting CSR Practices



A few observations on barriers can be made. As companies become larger, excessive focus on short term gains and overall cost become higher barriers to CSR practices. Curiously, the opposite is true for the lack of visible results. Public companies consider government’s current policy and the apprehension regarding its change as higher barriers than any other subgroup.²⁶³ Finally, public companies, more than others, perceive financial barriers such as overall cost, lack of link to financial success, and lack of visible results as much less important.

Figure 95: Slovakia – Risks in Adopting CSR Practices



²⁶³ 36 percent (companies’ average is 21 percent)

The main perceived risk in adopting CSR practices is the increase in operating costs, followed, order of magnitude of perceived risk, by: adverse impact on profitability; increased intervention from regulatory bodies; increased demands from interested stakeholders; decreased productivity; and competitive disadvantage. The risk posed by CSR practices to the quality of goods and services (impact on quality) appears to be immaterial. Five percent of respondents do not know what to answer and 3 percent of respondents believe there are no risks.

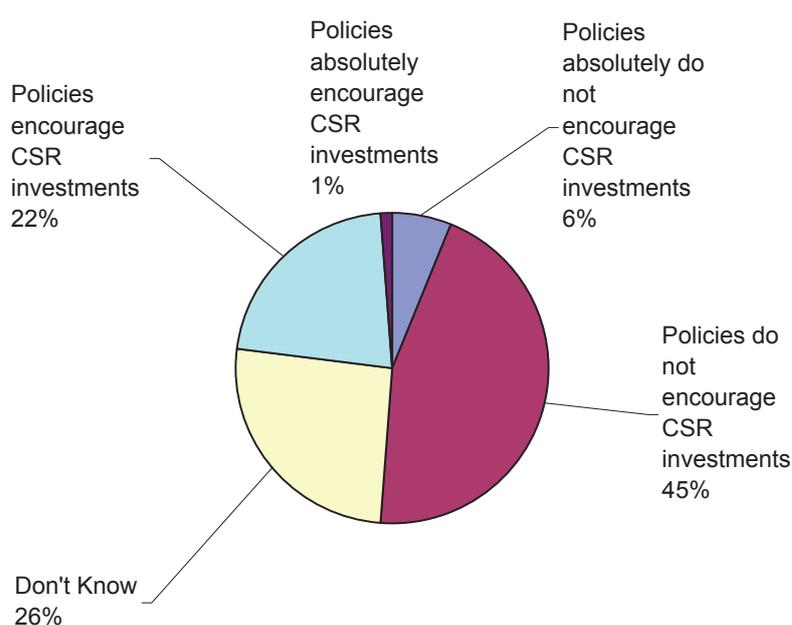
Percentages are consistent across spectrum of companies, except for financial services, non-financial services and possibly very large companies for which the risk of an adverse impact on profitability is much less of a concern than for other subgroups; and small companies which perceive the risk of increased regulation and the risk of decreased productivity as much higher than other companies' subgroups.

4.16 Supporting CSR Practices, Improving them and Making them More Relevant

Support from Governments, CSOs and Others

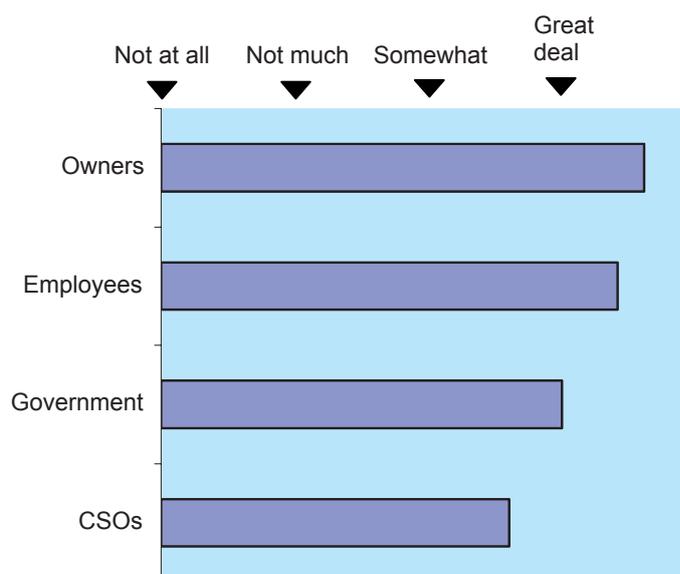
When asked about the government's role in helping companies meet their social responsibilities, Slovak companies are divided but are positive overall. Thirty-five percent believe the government helps a great deal; 25 percent that the government helps somewhat; 32 percent that the government does not help much. Only 7 percent believe the government does not help at all. Financial services companies are the most pessimistic about government support, whereas the most optimistic are public companies and possibly very large companies. Despite this overall positive attitude toward the government's ability to help meet social responsibilities, on the whole, Slovak companies do not believe government policies encourage investments in CSR.

Figure 96: Slovakia – Government Policies' Impact on Investment in CSR



The majority of companies think that the Slovak government's policies do not encourage companies to invest in socially responsible activities. A fourth of respondent companies are unsure about the role of the government's policies. Twenty-three percent believe these policies encourage investment in CSR, but only one percent strongly believes this. Percentages are consistent across the spectrum of companies, except for non-financial services companies half of which are undecided and which strongly disagree to the tune of 18 percent.

Figure 97: Slovakia – Support for CSR from Government, CSOs, Owners and Employees



Owners and employees are considered most effective in helping respondent companies meet their social responsibilities. Sixty-five percent of respondents believe that owners are very helpful, and 20 percent that owners are helpful.²⁶⁴ Over half of respondents believe employees are helpful and 35 percent that they are very helpful.²⁶⁵ Non-financial services companies are the most skeptical about owners and employees' helpful roles in meeting companies' social responsibilities.

The role of CSOs in the implementation of CSR practices is unclear. Almost half of respondent companies believe CSOs help "somewhat" in implementing company CSR practices, while 35 percent believe CSOs don't help much.²⁶⁶ Financial services companies and possibly very large companies seem to be relatively more positive about the impact of CSOs on companies' CSR practices.

Improving CSR Practices

Respondents were asked which actions would assist them in improving their socially responsible practices. In line with their answers on risks and barriers, financial items come first. Respondent companies believe tax incentives²⁶⁷ and, to a lesser extent, empowerment of local governments to

²⁶⁴ 11 percent believe that owners are not very helpful and 4 percent that they are not helpful at all

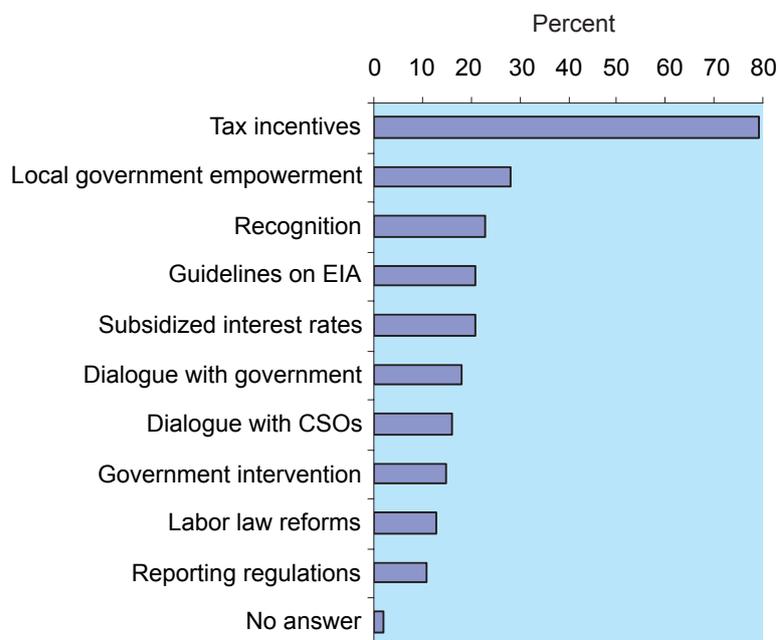
²⁶⁵ 14 percent believe employees do not help much and 2 percent that they do not help at all

²⁶⁶ 11 percent believe they do not help at all, 8 percent that they help a great deal.

²⁶⁷ 79 percent

decide on tax exemptions,²⁶⁸ are paramount in improving CSR practices.²⁶⁹ On the non-financial front, respondent companies indicate a need for recognition, guidelines, dialogue and government intervention.

Figure 98: Slovakia – Actions that Improve CSR Practices



Recognition is thought to be an important element in the improvement of CSR practices by 23 percent of respondents. Guidelines, in terms of both guidelines on EIA and on the presentation of social and environmental performance in annual reports, would improve CSR practices for 21 percent and 11 percent of respondents respectively. Dialogue with the Slovak government and with CSOs would help improve CSR practices according to 18 percent and 16 percent of respondents respectively. Finally, government intervention, in terms of reforms to labor laws, is considered important by 15 percent and 13 percent of respondents respectively.

It is interesting to note that non-financial services companies are not as convinced as the other companies about the assistance provided by tax incentives in improving socially responsible practices.²⁷⁰

Making CSR Practices More Relevant

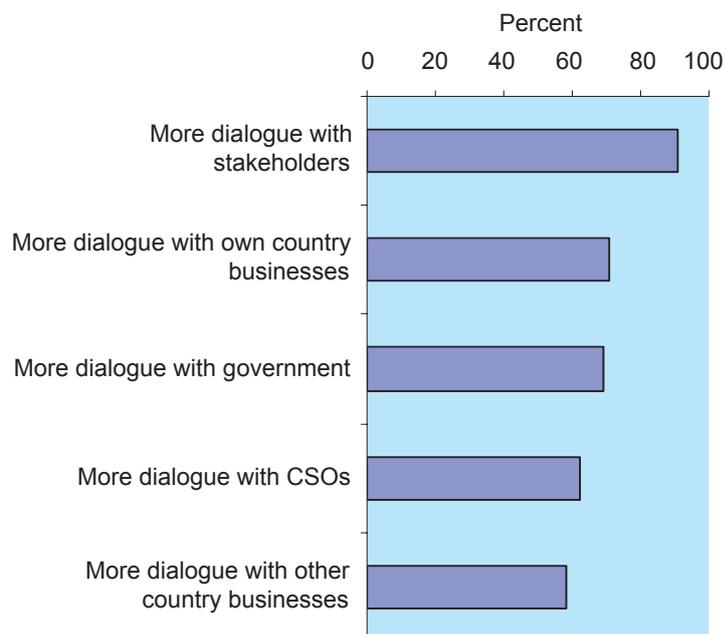
The overwhelming majority of Slovak companies²⁷¹ believe that sharing information, discussing, collaborating and negotiating with different stakeholders would make their CSR practices more relevant. Ninety-one percent of respondents would like to entertain more dialogue with all stakeholders, 71 percent with other businesses in Slovakia, 69 percent with the Slovak government, 63 percent with CSOs, and 58 percent with foreign businesses.

²⁶⁸ 28 percent

²⁶⁹ Subsidized interest rates (21 percent) are not thought to be as important as fiscal measures.

²⁷⁰ 59 percent (companies' average is 79 percent)

²⁷¹ at least 91 percent

Figure 99: Slovakia – Dialogue that Makes CSR Practices More Relevant

In addition to very high percentages of companies convinced that dialogue would help make their CSR practices more relevant, it is interesting to note that those companies which are not convinced, generally, are doubtful rather than in disagreement.²⁷² It is also interesting to note that financial companies are relatively more convinced about the positive impact of increased dialogue on the relevance of their CSR practices, whereas small companies are relatively less convinced.

²⁷² The highest percentage of companies in disagreement over the benefits of a particular type of dialogue is 6 percent.

5

CONCLUSIONS

The aggregated results of the country-by-country surveys of firms in Hungary, Poland and Slovakia indicate that attitudes concerning the role of the company in society, and the concept of socially responsible behavior, are largely shared in all three countries.

As illustrated in Chapter 1, there is a general convergence of views on the most important factors encompassed by the term “CSR” (as shown in Figure 2) —namely, that CSR involves compliance with existing regulations, behaving ethically, and assuring environmental protection. Equally important is the shared attitude concerning what CSR is not specifically, the correction of social inequalities and public relations. As a corollary, there is a convergence of attitudes concerning the appropriate role of the firm in the society/economy (complying with regulations, making profits, avoiding the use of child labor, and protecting the environment; Figure 4) and what is not a reasonable role for firms to play (simply contributing to charities, creating jobs for their own sake to make more work for more people).

Moreover, there is some divergence in the perceptions of company executives as to the most significant barriers to adopting socially responsible practices (with “overall cost” and “lack of appropriate regulations” are listed as first and second placed barriers; Figures 10 and 11). However, there is no divergence of opinions regarding the least important impediments. The view appears to be that whatever other impediments exist, cultural differences, and the resistance of managers and employees to behaving in a more socially responsible manner are not significant factors. Similarly, adopting CSR is not seen as risk for maintaining quality and productivity among workers.

Finally, there is some divergence of views on the actions that could promote greater adoption of CSR measures by firms (Figure 14). The firms in all three countries commonly identified subsidized interest rates, empowerment of the local government (tax exemptions), and recognition by consumer and business partners as factors encouraging adoption of CSR practices. For firms in Slovakia and Hungary, the most important factor in encouraging CSR is tax incentives, while Polish enterprises stress labor law reform. Firms in all three countries shared the view that government interventions would be of lower priority in stimulating the adoption of CSR. However, firms in Poland and Slovakia pointed to dialogue with the government as a useful factor, while Hungarian companies saw neither dialogue with government nor dialogue with CSOs as an important stimulus. There is also nearly a universally shared view that governments have not designed adequate policies for encouraging investments to introduce CSR behavior (Figure 13).

Table 1 summarizes the findings of the survey as they relate to the meaning of CSR, the role of the firm, the impediments to adopting CSR behavior and companies' views on measures to promote CSR.

Table 1. Meaning and Incentives for CSR

Area of Focus	Hungary	Poland	Slovakia	Shared Views
I. MEANING OF CRS				
First	Compliance with regulations	Ethical conduct	Addressing Stakeholder concerns	0
First 3	Compliance with regulations Addressing stakeholders needs Ethical conduct	Ethical conduct Transparency in operations Compliance with regulations	Addressing Stakeholder concerns Ethical conduct Transparency in operations	1
First 5	<i>First 3 plus</i> Stakeholder partnerships Environmental protection	<i>First 3 plus</i> Stakeholder partnerships Environmental protection	<i>First 3 plus</i> Compliance with regulations Environment protection	3
Last 3	Transparency in operations Public relations Correcting social inequalities	Addressing stakeholder concerns Public relations Correcting social inequalities	Correcting social inequalities Public relations Stakeholder partnerships	2
II. ROLE OF COMPANY				
First	Complying with regulations	Complying with regulations	Never Use Child Labor	0
First 3	Complying with regulations Never use child labor Making profits	Complying with regulations Never using child labor Making a profit	Never Use Child Labor Complying with regulations Protecting employees health	2
First 5	<i>First 3 plus</i> Protecting employees health Protecting environment	<i>First 3 plus</i> Paying taxes Protecting the environment	<i>First 3 plus</i> Protecting the environment Making profit	4
Last 3	Contributing to charities Creating jobs Paying taxes	Contributing to charities Ensuring job security Creating jobs	Contributing to charities Creating jobs Ensuring job security	3
III. BARRIERS				
First	No appropriate regulation	No appropriate regulation	Overall cost	0
First 3	No appropriate regulation Focus on short term gains No visible results	No appropriate regulation Overall cost No link to financial success	Overall cost No appropriate regulations No link to financial success	1
First 5	<i>First 3 plus</i> No appropriate institutions Overall cost	<i>First 3 plus</i> No government involvement Focus on short term gains	<i>First 3 plus</i> No visible results No government involvement	2
Last 3	Employees resistance Cultural differences Management resistance	Cultural differences Management resistance Employee resistance	Cultural differences Employee resistance Management resistance	3
IV. ACTIONS TO IMPROVE ADOPTION				
First	Tax incentives	Labor law reform	Tax incentives	0
First 3	Tax incentives Recognition by business partners Recognition by consumers	Labor law reform Subsidize interest rates Dialogue with government	Tax incentives Local government empowerment Recognition	0
First 5	<i>First 3 plus</i> Local government empowerment Subsidized interest rates	<i>First 3 plus</i> Recognition Local government empowerment	<i>First 3 plus</i> Guidelines on EIA Subsidized interest rates Dialogue with government	3
Last 3	Dialogue with government Government interventions Dialogue with CSOs	Tax incentives Government intervention Guidelines on EIA	Reporting regulations Labor law reforms Government interventions	1

Table 1 summarizes the findings of the survey as they relate to the meaning of CSR, the role of the firm, the impediments to adopting CSR behavior and companies' views on measures to promote CSR.

The results of the survey, combined with an understanding of the socio-economic context of the respondents, indicate a corporate culture that is primarily market-oriented and competitive. This culture identifies the logical role of companies as one that is economic and rational, not essentially social or altruistic. While companies see themselves as pre-disposed to act in a socially responsible manner, and may already be doing so, they feel they lack economic incentives and regulations to go further.

The survey found a widely-held belief that there is a lack of sufficiently clear policies covering CSR, however firms from Hungary, Poland, and Slovakia do not agree on the most important actions required for broader adoption of CSR activities. Hungarian companies prefer incentives and relations with local jurisdictions to influence their behavior, and pressure from consumers rather than regulation, central government participation and/or management, and believes that under these circumstances it would embrace new business models and modes of behavior. Slovak companies share these views to some extent, strongly believing in dialogue with the government. In contrast, Polish firms stress macro and national-level factor (regulatory reform, national dialogue with government, banking measures). However, there is agreement that governments should not become heavily or directly involved in micro-managing business issues.

Respondents consider that decisions to engage in CSR activities are voluntary, but feel that a more conducive environment could be created by government and other stakeholders to stimulate further engagement.²⁷³ This viewpoint is also common among companies in other countries of the European Union, and North America.

5. 1 Options for Policy Supporting CSR in Hungary, Poland and Slovakia

To date, most of the development and applications of CSR behavior in Hungary, Poland, and Slovakia have originated with private companies, often multinationals which are expanding their operations, consistent with their own best strategic interests.

Many companies which have been sensitive to their employees', customers' and communities' desires and perceptions have found a compelling business case accommodating these desires and perceptions, beyond strictly legal and regulatory requirements. In most cases, as well, governments have generally seen that CSR can serve societies interests, and have been satisfied that lead companies are aligning themselves with business practices under the pressure of the "market".

Consequently, they appear to have been satisfied with a policy, implicitly, of remaining aware and sometimes endorsing private-led initiatives while monitoring and enforcing compliance with regulations, without an explicit policy to broaden or promote CSR. This has been a relatively passive or disengaged policy stance, and has served countries with vibrant formal business sectors relatively well to date.

However, from the survey results, it is clear that firms in Hungary, Poland and Slovakia would welcome clarity of government policy regarding the promotion of CSR. Given the context and the

²⁷³ Based on the international evidence companies developed a broad array of tools for improving their social and environmental responsibility, the most commonly used are: aspirational principles and codes of practice; guidelines for management systems and certification schemes; rating indices typically used by socially responsible investment agencies; and accountability and reporting frameworks.

attitudes of firms in Hungary and Slovakia, a policy for promoting CSR might be formulated through a “decentralized approach; that is one of achieving national goals by focusing on a local and community-based definition of issues, negotiations to find local solutions to essentially local problems, and meeting national goals for CSR by aggregation (“bottom-up” approach). Implementation of such a policy would require staffing an organization that supports a decentralized approach, designing regulations to allow local institutions and agencies to assume primary accountability and take initiative. The role of the national government would, therefore, be more that of a moderator, facilitator and guide rather than a leader. A policy for Poland might additionally depend on initiatives, such as macro-level reform, national dialogue, and standardized codes of behavior, as these would be appropriate for the scale and ownership structure of the industrial and service sectors.

However, as appealing as such a decentralized approach might appear, Governments in those countries will face additional issues as they become more integrated into the EU.

For example, companies exporting within and to the EU, and those whose countries have become EU members, have been hard pressed to comply with an array of European environmental and social standards that are much stricter than those they have typically faced at home. The leading companies from Hungary, Poland and Slovakia, as they become more integrated into the EU, face this challenge as well. What elements of CSR could have occurred “naturally” under “social incentives” when small and medium enterprises operated close to their communities and customers, may have become the subject of regulation when the scale of operations, the distance between firm and consumer is longer, and the social distance between business leaders and the communities they serve increases. Many enterprises are meeting these standards. However, the governments of Hungary, Poland and Slovakia would have to address the question of how companies that have not yet met the EU standards may be guided to do so, especially as economic and social integration matures. Governments could be interested, therefore, to modify old institutional arrangements and introduce new ones to promote CSR.²⁷⁴ Governments apart from traditional tools such as regulation and enforcement could also consider wider use of approaches such as partnerships with the private sector, and endorsement of good private sector practices or initiatives. Making, when appropriate, the transformation from a strict “regulate and enforce” to a “facilitate and verify” situation would, however, require clarification of policy and expectations of behavior, and the creation of supporting institutional agreements.²⁷⁵

5.2 Policy Challenge

The challenge facing governments in Hungary, Poland and Slovakia, therefore, would be to acknowledge, to the maximum degree possible, the perceptions and values of the business sector, and voluntary nature of CSR and build on these, while recognizing that the countries’ obligations to meet European environmental and social standards, and often dependency on exports as the “economic driver”, require actions that may be contrary to these perceptions. To encourage such actions may

²⁷⁴ Policymakers have access to a vast array of international experience and case studies on the CSR process used by particular industries and firms. Governments could apply this evidence to their CSR policy by considering three closely related questions: In which areas are actions likely to do most serve the public interest?, What type of policy instrument would best promote such actions?, and where policy should be targeted?.

²⁷⁵ The experience from developed countries both from Europe and North America suggests that public agencies could stimulate this change firstly by providing resources for research, collecting and disseminating information on best practices, and raising awareness. Public bodies could also support appropriate management tools and mechanisms, including for instance voluntary labeling schemes, benchmarks, and guidelines for company management and reporting systems. They could also stimulate the change by creating incentives and by applying their procurement and investment leverage. They could also partner/support private sector initiatives.

involve educating and negotiating for a stronger role for the governmental initiatives, enforcing national policies to conform to EU standards, and assisting firms in meeting them.

Affecting change in attitudes and perceptions, as well as following through to define and agree on actual measures to promote acceptance of CSR, would require a new consultative process between businesses, other stakeholders who they have identified as consumers/communities, and the national governments—although business representatives in Hungary were not in favor of such a dialogue²⁷⁶. Various modalities can be envisaged to organize and conduct such tripartite consultations, but all would require common features including: a neutral forum and sponsorship, a commitment to follow-through to actions, and agreement on institutional arrangements that sustain monitoring and verification that agreed measures are being followed.

²⁷⁶ There is no blueprint for such a process to be applicable in all those countries; however there are a number of local initiatives that could serve as an example. One of them is Poland's process of including CSR component in its National Development Plan 2006-2013. The Ministry of Economy and Labor, a number of business associations, civil society organizations (with a leading role of the Responsible Business Forum) decided to jointly develop a proposal to be included in the strategy. A number of meetings among main stakeholders led to establishing thematic groups that are supposed to provide concrete inputs to respective parts of the strategy. Another example comes from Lithuania, where, in 2004, the Government, the local office of UNDP, and the Association of Lithuanian Investors' Forum, with support from the World Bank, started a process of promoting CSR standards among local companies.

